



COUNTY OF PLACER

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November 29, 2016

Mr. Steve Pedretti, Director
Community Development Resource Agency
3091 County Center Drive
Auburn, CA 95603

Re: Transfer of Accountability of Community Development Resource Agency's Assets

Dear Mr. Pedretti:

The purpose of our review was to determine whether there has been a proper transfer of accountability of the Community Development Resource Agency's (Agency) assets under the control of the former Director, Michael Johnson, to you as the new Director. During our review, we made inquiries with Agency personnel, physically verified capital assets and non-capitalized equipment, verified imprest cash balances of the Agency's change fund in Auburn, and reviewed supporting asset documentation as of May 6, 2016 and October 31, 2016.

As a result of our review, we have determined the accountability of the assets of the Agency has been properly transferred.

However, during the course of our review, we noted other areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

Missing Capital Asset Identification Tag

During our physical inspection of the Agency's capital assets, we noted the following assets did not have a capital asset identification tag affixed to the asset as required by Section 6 - Tagging Procedures of the Placer County *Policies and Procedures Guide for Capital Assets* (Guide):

Fixed Asset #30352 Hach Co. Water Quality Monitoring Equipment (s/n: unknown)
Fixed Asset #30720 CPN Nuclear Gauge (s/n: MD80308994)

We recommend that the Agency follow the procedures for Replacement of Defaced Asset Tags per Section 6 of the Guide and have a replacement capital asset identification tag assigned and affixed to the assets (#30352 and #30720). Going forward, when a capital asset identification tag is discovered to be missing or defaced beyond recognition, we recommend the Agency follow the aforementioned procedures.

Agency's Response:

The Agency received the replacement capital asset identifications tags on 11/1/16 and has affixed them to assets #30352 and 30720.

Equipment Not Capitalized

During our inspection of capital assets and equipment, we noted a projector that was not included on the Agency's Capital Assets Listing or Non-Capitalized Equipment Listing. Per further review of purchase documentation, we determined that the projector should have been capitalized in fiscal year ended June 30, 2013. The Agency did not capitalize the asset due to the individual line items being less than the equipment capitalization threshold of \$5,000. According to Section 3 - Valuation - Valuation Basis - Historical Cost of the Guide, "If purchasing a new asset, the historical cost includes the amount paid for the asset or construction costs less discounts, and should include any ancillary payments required to put the asset into its intended state of operation." We also determined that the total costs that should have been capitalized were immaterial in relation to the County as a whole.

Due to the equipment in question being immaterial in relation to the County's capital assets, we recommended that this asset not be capitalized, but be added to the Non-Capitalized Equipment Listing for tracking purposes. The Agency added the asset to their Non-Capitalized Equipment Listing before we performed our physical inspection procedures on the first day of the incoming department head. Going forward, when purchasing equipment, we recommend that the Agency be aware of and follow the Guide for capitalizing all costs if the total of all costs required to bring the asset into its intended state of operation is above the capitalization threshold.

Agency's Response:

The Agency agrees with the recommendation.

The Agency's responses to our recommendations identified in our review are included above. We did not audit the responses and accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Agency's staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Donna Kirkpatrick, Administrative and Fiscal Operations Manager, Community
Development Resource Agency
Placer County Audit Committee