



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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June 13, 2017

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 Follow-up Review

Dear Mr. Pedretti:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Transfer of Accountability of Assets for the Community Development Resource Agency (Agency). The objective of our procedures was to determine how the recommendation from our previous review was implemented to strengthen internal controls over the Agency's processes related to the accountability of capital assets. Our procedures included inquiries of Agency personnel along with physical inspection of capital assets relating to our recommendations in our original report and the utilization of the recommendations along with actions taken.

The following is a summary of our observations and recommendations along with the Agency's response from the previous report dated November 29, 2016, which is then followed by the status of the Agency's implementation of our recommendation.

### 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.*

**Status – Implemented**

**The Agency requested and affixed new capital asset identification tags for assets (#30352 and #30720). Going forward, the Agency will check for missing or defaced capital asset tags during the Annual Capital Asset Physical Inventory to ensure that all assets are affixed with the required asset tags.**

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.*

**Status – Implemented**

**The Agency added the projector to the Non-Capitalized Equipment Listing before the Auditor performed physical inspection procedures on the first day of the incoming department head. As such, no follow-up was performed as this was confirmed during the audit.**

The Agency's response to our recommendation identified in our original report dated November 29, 2016 is included above. We did not audit the response and, accordingly, we do not express an opinion on it.

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