



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

ANDREW C. SISK, CPA
Auditor-Controller
E-mail: asisk@placer.ca.gov

NICOLE C. HOWARD, CPA
Assistant Auditor-Controller
E-mail: nhoward@placer.ca.gov

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Mr. Edward Bonner, Sheriff
Placer County Sheriff's Office
2929 Richardson Drive
Auburn, CA 95603

Re: Year-End Inventory Review

Dear Sheriff Bonner:

The Internal Audit Division of the Auditor-Controller's Office performed a review of the Sheriff's Office, Fleet Services Division (Division) to determine whether the Division maintains, at any given time, an on-hand supply of items which would require the Division to conduct periodic inventory counts.

Our review consisted of inquiries of the Sheriff's Office staff regarding current processes and procedures employed by the Division with regards to performing periodic vehicle maintenance services, purchasing patrol vehicles, performing vehicle modifications/additions (to make patrol vehicle ready for service to the Sheriff's Office) along with our observations.

Based on our review, we determined that although the Division maintains an on hand supply of parts/supplies, the amount of parts/supplies on-hand at any given time is small in quantity and value and is considered to be immaterial to the financial statements and not required to be recorded as inventory in the general ledger.

However, during the course of our review, we did have the following additional observation and recommendation:

Vehicle Inventory and Capitalization Process / *collectiveData* System Capabilities

The Division currently purchases vehicles for the Sheriff's Office patrol vehicle pool from the dealer and separately purchases additional parts/supplies necessary to complete each purchased vehicle's customization process (the build). The build includes, but is not limited to, installing or equipping the vehicle with a light bar, radio equipment, computer, electrical work, camera, vehicle striping, sledge hammer, bolt cutters, etc.

At any given time, the Division may have vehicles in their patrol vehicle pool that consist of completely built (fully loaded) vehicles that are ready to be rotated into service when needed, and vehicles that are still undergoing the build process.

Based on our review, we determined the Sheriff's Office vehicles are currently being capitalized by the Financial Reporting unit of the Auditor-Controller's Office (Financial Reporting) when the Division purchases them from the dealer, which is at the pre-build stage and the capitalized amounts do not include any costs relating to the build process. It appears the Financial Reporting staff was not made aware that there were additional add-ons (i.e. build process materials and labor) that should also be included in the capitalized cost of each vehicle. This has resulted in the vehicles being capitalized at costs that are understated by approximately \$9,500 per vehicle.

Additionally, since the patrol vehicles that have not yet been put into service are not yet providing a benefit to the Sheriff's Office, these vehicles should not be capitalized as equipment until the point in time the vehicle is placed into service.

We recommend the Division have a system in place that tracks all purchases and labor costs associated with the purchase of each vehicle and process of bringing that vehicle through the build process. We also recommend the Sheriff's Office Fiscal Unit Management, in conjunction with the Division's Management, look into the capabilities of the current *collectiveData* system and determine if the system can be used to document and track all costs, materials and labor (costs and hours) going into each new vehicle from the initial purchase through the build process. Once determination has been made as to whether the system can document and track all these costs, the Sheriff's Fiscal Unit staff should work with the Financial Reporting staff on the accounting related record keeping aspects, regardless of the system, in order to capitalize the correct costs for each vehicle placed into service.

Additionally, we recommend that the Division, at the end of each fiscal year, conduct a physical inventory count of vehicles not yet "in-service" that are in the Sheriff's Office patrol vehicle pool. This count would include the vehicles that have completed the build process, those that are in the build process and those that have not yet begun the build process. After the count is conducted, the count sheets along with cost tracking reports and the "Pending Asset" *collectiveData* system report should be sent to the Auditor-Controller's Office (Attn: Financial Reporting Unit).

Sheriff's Fleet Services Division Response:

The Sheriff's Fleet Services Division has read the review and concurs with their finding. We appreciate the work the Auditor-Controller's Office has done on this audit and have listed our response to their recommendations below.

*The Sheriff's Office Fleet Services Division has already begun to use the *collectiveData* system to capture the costs recommended by the Auditor-Controller's Office. We will also do a physical inventory of all vehicles not yet "in-service" at the end of the fiscal year and submit that list to the Auditor-Controller's Office.*

We currently do not have a system in place but the Fleet Services Division is going to work with our Administrative Services Division to develop the best way to use the collectiveData system to track all of the costs, materials and labor (costs and hours) going into each new vehicle from the initial purchase through the build process.

The Sheriff's Office response to the recommendation identified in our review is described above. We did not audit the response and, accordingly, we express no opinion on it.

We appreciate the courtesy and cooperation of the Sheriff's Fleet Services Division staff and the Sheriff's Office throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Mark Reed, Captain, Placer County Sheriff's Office
Andrew Scott, Lieutenant, Placer County Sheriff's Office
Judy LaPorte, Administrative Services Manager, Placer County Sheriff's Office
Placer County Audit Committee