



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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November 05, 2014

Mr. Ken Grehm, Director  
Placer County Public Works Department  
3091 County Center Drive, Suite 220  
Auburn, CA 95603

Re: Year-End Inventory Count Review

Dear Mr. Grehm:

The Internal Audit Division of the Auditor-Controller's Office performed a review of the Fleet Services Division (Division) year-end inventory count made by the Public Works Department (Department) as of May 19, 2014 (Auburn) and May 21, 2014 (Tahoe). The objectives of our review were to obtain an understanding of the Division's internal controls over inventory reporting, its physical safeguards, monitoring, and usage tracking; assess the control risks; ensure inventory count is accurate and complete, and make recommendations for improvement.

Based on our review, which consisted of inquiries of Division staff regarding current processes, procedures employed by the Division, and physical inspection of inventory, except for one minor control deficiency noted below, we feel the current internal controls over inventory safeguarding, recordkeeping, management, and financial reporting appear adequate to ensure inventory accuracy.

### Transmissions Inventory

During our inventory observation procedures, we identified two transmissions that cost approximately \$10K and \$11K that were physically located at the Division, however, they were not included in inventory. The Division indicated that the two transmissions were paid for by the Roads Division but neither division included the transmissions in their inventory. According to the *Accounting Policies and Procedures Manual – Inventories*, "Departments responsible for maintaining physical inventories must maintain adequate subsidiary records to support the amount recorded in the County general ledger."

We recommend the Department include the two transmissions in the Division's inventory since they are high dollar amounts, are the Division's normal types of inventories, and are physically located at the Division.

Department Response:

*Fleet concurs with the Audit recommendation and is in the process of placing value on the two transmissions and including them in Fleet's normal inventories.*

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

We appreciate the courtesy and cooperation of the Fleet Services Division staff and the Public Works Department throughout the course of this review.

Respectfully,

A handwritten signature in blue ink, appearing to read "Nicole C. Howard".

Nicole C. Howard, CPA  
Assistant Auditor-Controller

cc: Chuck Gordon, Fleet Manager, Public Works Department  
Cynthia Taylor, Senior Administrative Services Officer, Public Works Department  
Placer County Audit Committee