



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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May 16, 2019

Mr. Todd Leopold
County Executive Officer
175 Fulweiler Avenue
Auburn, CA 95603

Re: Transfer of Accountability of Assets

Dear Mr. Leopold:

The purpose of our review was to determine whether there has been a proper transfer of accountability of the assets under the control of the former Director of the Administrative Services Department, Jerry Gamez, to you due to the County re-organization transitioning the divisions of Procurement, Central Services, and Revenue Services to the County Executive Office (Office) and the dissolution of the Administrative Services Department (Department). During our review, we made inquiries with department personnel, physically verified capital assets, observed Central Services' physical inventory count, verified imprest cash balance of Revenue Services' change fund, and reviewed supporting asset documentation as of December 21, 2018 throughout the month of January 2019.

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

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:

Inventory

Based on our review, we noted the Department did not implement a process to accurately reconcile Central Services Division inventory to Workday, therefore the Department is unable to determine if the total dollar value of inventory is accurately recorded in the general ledger. We also noted there were numerous variances in the Central Services Division inventory count during the first and third quarter of FY2019 and there was no count performed in the second quarter.

We recommend the Office continue to work with the Workday Support Team to determine a process to accurately reconcile Central Services Division inventory to Workday and ensure the amount recorded in the general ledger is accurate. We also recommend the Office continue to perform counts of the Central Services Division inventory on a quarterly basis.

Office Response:

The CEO's office has been working with the Central Services Division and the Workday team to resolve the issues related to inventory. We are making changes in the way transactions have been processed in Workday and expect to have the issue resolved by the end of the fiscal year. We will work with the division to ensure that inventory counts / reconciliation are performed quarterly.

Missing Capital Asset Identification Tag

During our physical inspection of the Department'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 #31016 Wastewater Analyzer Chromatograph (s/n: 03406/17116/15134)
- Fixed Asset #31407 SPACF - Pasta Basket w/Dolly (s/n: unknown)
- Fixed Asset #31372 SPACF - Prep Table with Sinks (s/n: unknown)
- Fixed Asset #31373 SPACF - Prep Table with Sinks (s/n: unknown)
- Fixed Asset #31415 SPACF - Prep Table with Sinks (s/n: unknown)
- Fixed Asset #31380 SPACF - Exhaust Hood (s/n: unknown)

We recommend the Office follow the Tagging Procedures per Section 6 of the Guide and have a capital asset identification tag assigned and affixed to the assets (#31016, #31407, #31372, #31373, #31415, and #31380). Going forward, when a capital asset identification tag is discovered to be missing or defaced beyond recognition, we recommend the Office follow the aforementioned procedures.

Office Response:

Agreed - and replacement identification tags have been affixed to the assets.

Capital Asset Inventory

During our testing of the Department's capital assets, we noted inadequate monitoring and lack of detailed records related to the Corrections Food Service assets transferred to the Department from the Facilities Services Department. However, prior to the issuance of the report, the Department obtained a listing of the capital assets and began a physical count and

inspection to ensure quantity as well as ensure capital asset identification tags were assigned and affixed to the assets.

We recommend the Office complete an inventory count of all the Corrections Food Service capital assets transferred to the Office from the Facilities Services Department to ensure assets are properly accounted for and obtain detailed records of the assets. We also recommend the Office perform an analysis to determine if the assets properly meet the County capitalization requirements per the Guide and work with the Auditor-Controller Office's Financial Reporting Division to ensure assets are appropriately included or excluded from Workday. Additionally, when assets are transferred to the Office, we recommend the Office physically inspect the assets to confirm existence and that all asset identification tags are assigned and affixed to the capital assets. We also recommend the Office document any additional assets that are identified during the Office's yearly inventory count and work with the Auditor-Controller Office's Financial Reporting Unit to ensure all appropriate items are included in the capital asset records.

Office Response:

Agreed. In addition, we have completed the annual fixed asset review and have sent the results to the Auditor's office.

Capital Asset Tracking in Surplus

Based on our review, we noted the Department does not have a current methodology to track capital assets that have been transferred to Surplus. Also, the Department does not have established procedures in place to ensure the Auditor-Controller's Office is notified of each capital asset located in Surplus that is disposed of, donated, or e-wasted.

We recommend the Department develop a methodology to track all capital assets located in Surplus. We also recommend the Department follow the County Policies and Procedures Guide for Capital Assets, Section 5, by submitting an Equipment Transfer Form immediately to the Auditor-Controller's Office upon completion of the transfer or disposition of any county equipment.

Office Response:

The Procurement division has developed and implemented a process to track all capital assets located in Surplus. This process has been in place since January 2019. Equipment Transfer Forms are being submitted to the Auditor Controller's office upon completion of the transfer or disposition of the equipment.

Non-Capital Assets

Based on our review, we noted the Department does not have a central location/division that maintains the complete record of the Department's non-capital assets, such as laptops, cell phones, small printers, portable scanners, etc., thus making it difficult to ensure all County property is accounted for and all issued property is returned upon separation of an employee. Due to the Department not having a current centralized tracking methodology in place for non-capital assets, we were not able to rely on data provided and test the existence of the Department's non-capital assets nor provide a determination if non-capital assets of the Department of Information Technology have been properly transferred.

We recommend the Office develop a methodology to track and maintain the complete record of the Office's non-capital assets, such as laptops, cell phones, small printers, portable scanners, etc., in a central location/division, to ensure all County property is accounted for and all issued property is returned upon separation of an employee. We also recommend the Office utilize this record as part of the Office's exit checklist to ensure all issued property is returned upon separation of an employee.

Office Response:

The CEO's office currently has a system for tracking the non-capital assets such as laptops, cell phones, etc. and we are in the midst of adding those items assigned to Procurement, Central Services, and Revenue Services to our list.

Signature Authorization Forms

During our review of signature authorization forms, we noted the Office had not submitted updated signature authorization forms in a timely manner subsequent to the reorganization of the Administrative Services Department within the Office. During the course of the review, the Office submitted an updated "Payroll Adjustments" signature authorization form, although, updated "Payroll Pickup" and "Capital Asset Transfers" authorization forms have not been received.

We recommend the Department update all necessary signature authorization forms whenever there are changes to authorized signers and submit the forms to the Auditor-Controller's Office in a timely manner.

Office Response:

The CEO's office has submitted updated Payroll Adjustments and Payroll Pickup signature cards to the Auditor Controller's office. In addition, we are preparing an updated Capital Asset Transfer signature card per the Auditor's request.

The Office'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 staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Jane Christenson, Assistant County Executive Officer
Gina Myren, Senior Administrative Services Officer
Placer County Audit Committee