



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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

Re: Transfer of Accountability of Assets Follow-Up Review

Dear Mr. Leopold:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Transfer of Accountability of Assets Review for the County Executive Office (Office) due to the County re-organization transitioning the Administrative Services Department's (Department) divisions of Procurement, Central Services, and Revenue Services to the Office and the dissolution of the Department. The objective of our procedures was to determine how the recommendations from our previous review were implemented. Our procedures included inquiries of the Department personnel along with reviews of supporting documentation relating to our recommendations in our previous report.

The following is a summary of our observations and recommendations along with the Office's response from the previous report dated May 16, 2019, which is then followed by the status of the Office's implementation of our recommendations.

Summary of Observations and Recommendations

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.

Status – In Progress

The Office has continued to work with the Document Solutions Division (previously the Central Services Division) and the Workday Support Organization to resolve the issue for reconciling the inventory dollar amount to the Workday Inventory module and the general ledger. The Office identified the transactions that appear to be creating the issues, but at the time of this review, the issues have not been resolved.

Per the Workday Support Organization, the resolution of the inventory reconciliation issue was delayed because the reconciliation variances were considered immaterial, therefore making this a lower priority. As such, the Workday Support Organization's workload shifted to higher priority projects. During the course of the review, the Workday Support Organization moved the resolution of this issue to a higher priority in order to meet the Office's anticipated implementation date of June 2020.

Also, the Document Solutions Division increased the frequency of performing the inventory counts from a quarterly basis, as per the recommendation, to a monthly basis in order to actively ensure that the inventory on hand is accurate while the issues reconciling the inventory in Workday is being addressed.

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.

Status – Implemented

The Office assigned and affixed new capital asset identification tags to the following assets: #31016, #31407, #31372, #31373, #31415, and #31380. Also, the Office has procedures in place that require all capital asset tags be sent to the Office’s fiscal unit to disburse the capital asset tags to the requesting division to be affixed.

Also, during the Office’s physical inventory review of the Corrections Food Services Program’s capital assets submitted to the Auditor-Controller’s Office on April 26, 2019, a capital asset was identified that required a new capital asset tag. At the start of the review, the Office had not received a replacement capital asset tag. During the course of the review, the Office requested another capital asset tag from the Auditor-Controller’s Office, as per the County’s Capital Assets tagging procedures.

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.

Status – Implemented

The Office performed a physical inventory review of the capital assets for the Corrections Food Service Program and verified the assets were properly accounted for and submitted the review to the Auditor-Controller's Office on April 26, 2019. It is noted that the review occurred prior to the issuance of the original report dated May 16, 2019. The Office identified three capital assets that do not meet the County's capitalization requirements and requested the Auditor-Controller's Office remove the assets as capital assets.

The Office stated that they were unable to obtain detailed records of the assets that were transferred from Facilities Services because at the time of asset purchases, the County did not receive separate paperwork for the assets from the contractor who purchased the assets during the building construction.

Additionally, at the time of the review, the Office did not identify any additional assets that meet the County's capitalization requirements.

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.

Status – Implemented

The Office has implemented a methodology to track the assets in Surplus by utilizing Access tracking spreadsheets for “Rolling Stock” and “Non-Rolling Stock” maintained by the Office’s Procurement Division. The Procurement Division sends monthly Surplus reports to the Auditor-Controller’s Office. Also, since the issuance of the original report, it is noted that the Office has submitted Equipment Transfer forms to the Auditor-Controller’s Office when equipment has been transferred to Surplus.

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.

Status – Implemented During Follow-Up Review

The Office developed a methodology to track and maintain the complete record of the Office’s non-capital assets in the Office’s fiscal unit which handles small asset purchases and updates the logs when there are changes. The Office’s fiscal unit maintains two logs, the Small Asset Inventory, which tracks computers, laptops, printers, and scanners, and the Telecom inventory, which tracks phones and tablets. The inventory logs include: the employee assigned to the non-capital asset(s), the location of the non-capital asset(s), the non-capital asset type, model, and serial number(s), and a confirmation that the employee and the assigned non-capital asset(s) is active.

The fiscal unit was in the process of updating the two logs for a complete record of the Office's non-capital assets. However, the fiscal unit did not receive the updated BOS/COB Division non-capital asset information. Also, a former employee who retired from the BOS/COB Division in October 2019 was listed on the Small Asset Inventory log as an active user with assigned non-capital assets.

The Office utilizes an employee exit checklist (checklist) to ensure all equipment assigned to the separating employee is collected. The checklist includes two sections specific to obtaining County owned PC and Telecom equipment. The checklist lists the IT Liaison as the responsible party for collecting the PC and Telecom equipment. It is noted that the checklist stated to check the "Small Asset List" as part of the process for obtaining County owned laptops, tablets, and accessories.

During the course of the review, the fiscal unit received the updated BOS/COB Division's non-capital assets and updated the complete record of the Office's non-capital asset listing to include the BOS/COB Division's non-capital assets and the removal of the former employee as of January 14, 2020.

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.

Status – Implemented During Follow-Up Review

The Office did not update the "Payroll Pickup" and "Payroll Adjustments" signature authorization forms and submit them to the Auditor-Controller's Office in timely manner to reflect changes to the authorized signers. The changes are provided below.

1. **"Payroll Pickup" Signature Authorization Form:** The signature authorization form on-file with the Auditor-Controller's Office is dated February 14, 2019 and it included the names of two former employee who left the Office in April 2019 and August 2019, and one former employee who retired from the County in October 2019.
2. **"Payroll Adjustments" Signature Authorization Form:** The signature authorization form on file with the Auditor-Controller's Office is dated March 20, 2019 and it included the name of a former employee who left the Office in September 2019.

During the course of the review, the Office has submitted the updated "Payroll Adjustments" and "Payroll Pickup" signature authorization forms on January 23, 2020 to the Auditor-Controller's Office with updated signatures reflecting changes to authorized signers. These include removing the signatures of the former County employees mentioned above.

The Office's response to our recommendation identified in our original report dated May 16, 2019 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 Office's 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