



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Mr. Devon Bell, Sheriff
Placer County Sheriff's Office
2929 Richardson Drive
Auburn, CA 95603

Re: Asset Forfeiture Fiduciary Fund Review

Dear Sheriff Bell:

The Internal Audit Division of the Auditor-Controller's Office performed a review of the Asset Forfeiture Fiduciary Funds for the period of July 1, 2019 through June 30, 2020 for the Sheriff's Office (Office). The objectives of our review were to obtain an understanding of the Office's internal controls over the asset forfeiture fiduciary funds and determine whether internal controls have been designed, put in place, and operating as designed; accounting records and financial reports were accurate and adequate; transactions recorded have complied with Health and Safety Code, Federal and State Regulations, and County policies; and, make recommendations for improvement.

Our review consisted of inquiries of the Office staff regarding current processes and procedures established by the Office, obtained accounting records and financial reports, and reviewed the Office's accounting records for Asset Forfeiture Fiduciary Fund compliance requirements.

The funds and cost centers included in our review are listed in Attachment A.

As a result of our review, it appears the transactions recorded have complied with Health and Safety Code, Federal and State Regulations, and County policies and except for the observations noted below, accounting records and financial reports were accurate and adequate. Also, we noted areas where internal controls over the Asset Forfeiture Fiduciary Funds could be strengthened. Accordingly, our summary of observations and recommendations is as follows.

Summary of Observations and Recommendations

Observation #1: Equitable Sharing Funds Deposited into the Incorrect Program's Fund

Asset forfeiture funds issued by Department of Treasury Equitable Sharing Program participants, for the combined amount of \$10,272, were incorrectly deposited into the Office's Fund for the Department of Justice Equitable Sharing Program, instead of the Office's Fund for the Department of Treasury. Also, during our review, we noted the Office incorrectly reported the amount of funds received by the Department of Treasury as funds received by the Department of Justice in the FY2019-20 Equitable

Sharing Annual Certification (ESAC) report. The *Guide to Equitable Sharing, section VI. A. Bookkeeping Procedures and Internal Controls* states, "The state or local participating law enforcement agency must establish separate Department of Justice and Department of the Treasury accounts or accounting codes to track both revenues and expenditures for each respective Program. No other funds may be commingled in these accounts or with these accounting codes."

Recommendation

We recommend the Office strengthen controls over deposits of asset forfeiture funds issued by the equitable sharing programs to ensure deposits are accurately recorded to the appropriate funds within Workday.

Additionally, we recommend the Office maintain and report equitable sharing program funds from the Department of Justice and the Department of Treasury separately to ensure compliance as specified in the Guide to Equitable Sharing.

Office's Response:

The Sheriff's Office had a turnover of staff that had historical knowledge regarding asset forfeiture funds. As a result, to be proactive in managing the account better and providing more internal controls and monitoring, an internal audit was conducted. Additional internal review was again conducted when the ESAC report was completed and filed. The shortfalls noted above were recognized and actions taken to correct them, in addition working with the Auditor's Office during their audit of the funds. Sheriff's staff is working more closely with the operational staff when they submit seized assets to provide a copy of their submittal along with access from DOJ to compare. The internal policies and procedures are in the process of being updated. It is intended that wire deposits from DOJ and/or Treasury will be thoroughly researched to ensure deposit into the correct funds.

Observation #2: Missing Asset Forfeiture Disbursements

An asset forfeiture disbursement, in the amount of \$91.28, was not properly transferred into the Placer Law Enforcement Agency (PLEA) Fund maintained by the Office because the transaction was erroneously cancelled. Also, during our review, we noted the Office did not have procedures in place to reconcile the disbursements received from participating agencies.

The *Accounting Policies and Procedures Manual - Custodial Fund Accounting* states, "The Department Head has the following responsibilities for all custodial funds assigned to the department.

- (1) Maintain subsidiary records sufficient to support the ownership of all assets of the custodial funds.
- (2) During each accounting period, the custodial department should reconcile the department's subsidiary records to the general ledger. If other departments initiate transactions to the fund, copies of those transactions should be provided to the custodial department to assist with this requirement. If the reconciliation identifies an error occurred in the general ledger, a correction needs to be entered."

Recommendation

We recommend the Office work with the District Attorney's Office to ensure the disbursement is properly moved into the PLEA Fund, including the appropriate supporting documentation.

Also, we recommend the Office develop procedures to track and reconcile disbursements received from participating agencies in Workday. Furthermore, we recommend controls over these procedures are implemented to add an additional level of review over these funds.

Office's Response:

As mentioned above, the Sheriff's Office is in the process of developing procedures and processes to best account for and manage the asset forfeiture funds. While it is the District Attorney's Office who is responsible for properly distributing these funds, we agree that a second level of review and oversight is recommended, especially as the Sheriff's Office managing the PLEA Fund on their behalf. Additionally, we have worked more closely with the operational staff to get an up-to-date list of seized assets submitted to the District Attorney for adjudication. We have coordinated with the District Attorney's Office to routinely receive a list of all seized assets in their possession from receipt to dismissal or distribution. These two were reconciled, noting any issues needing follow-up. These on-going practices will be included in the policies and procedures being developed.

Observation #3: Unestablished Monitoring and Reconciliation Procedures

The Office did not have established procedures in place to track, maintain, and reconcile transactions relating to the Asset Forfeiture Fiduciary Funds under the Office's responsibility due to the loss of key institutional knowledge. As a result, the Office is in the process of reviewing and developing updated procedures relating to the Asset Forfeiture Fiduciary Funds under the Office's responsibility.

The *Accounting Policies and Procedures Manual - Custodial Fund Accounting* states, "The Department Head has the following responsibilities for all custodial funds assigned to the department.

- (1) Maintain subsidiary records sufficient to support the ownership of all assets of the custodial funds.
- (2) During each accounting period, the custodial department should reconcile the department's subsidiary records to the general ledger. If other departments initiate transactions to the fund, copies of those transactions should be provided to the custodial department to assist with this requirement. If the reconciliation identifies an error occurred in the general ledger, a correction needs to be entered."

Recommendation

We recommend the Office continue to develop and document Asset Forfeiture Fiduciary Fund monitoring procedures for all the Office's asset forfeiture related transactions to ensure the funds are accurately received, disbursed, maintained, and reported.

Also, we recommend the Office perform a reconciliation of the asset forfeiture funds maintained by the Office during each accounting period as specified in the County's Accounting Policies and Procedures Manual.

Office's Response:

As mentioned above, the Sheriff's Office is in the process of completing our policies and procedures internally regarding the asset forfeitures under our control. In line with recommendations 1) and 2), these funds will be reconciled more routinely, on a monthly basis, as specified in the County's Accounting Policies and Procedures Manual and include this recommendation in the internal policies and procedures.

The Office's responses to our recommendations identified by our review are included above. We did not audit their responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Office staff throughout the course of this review.

Respectfully,

A handwritten signature in blue ink, appearing to read 'N. Howard', with a stylized flourish at the end.

Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Barbara Besana, Administrative Services Manager, Sheriff's Office
Jerry Rogers, Administrative Services Manager, Sheriff's Office
Kimiyo Yamanishi, Supervising Accountant, Sheriff's Office
Placer County Audit Committee

Sheriff's Office
Asset Forfeiture Fiduciary Funds and Cost Centers
Attachment A

FUND	FUND TITLE	COST CENTER	COST CENTER TITLE
FD10112	PCSO Share of Federal Narcotics Seizure Fund – Department of Justice	CC20017	Sheriff Asset Seizure – Justice
FD10113	PCSO Share of State Narcotics Seizure Asset Fund	CC20015	Sheriff Asset Seizure – State
FD10115	PCSO Share of Federal Narcotics Seizure Fund – 15%	CC20019	Asset Forfeiture – 15% PLEA
FD10118	PCSO Share of Federal Narcotics Seizure Fund – US Treasury	CC20018	Sheriff Asset Seizure – Treasury