



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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June 3, 2021

Dr. Robert Oldham, Director/Chief Psychiatrist/Interim Public Health Officer  
Placer County Department of Health and Human Services  
3091 County Center Drive, Suite 290  
Auburn, CA 95603

Re: Transfer of Accountability of the Department of Health and Human Services' Assets

Dear Dr. Oldham:

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, Jeffrey Brown, to the new Director, Dr. Robert Oldham. During our review, we made inquiries with the Department of Health and Human Services' personnel, physically verified capital assets, non-capitalized equipment, imprest cash balances for petty cash and non-imprest cash balances for gift cards/certificates/bus passes, and reviewed financial assets and related documentation as of September 14, 2020 and September 18, 2020. For the petty cash and gift cards/certificates/bus passes located in Tahoe, we verified the balances virtually via Microsoft Teams.

As a result of our review, we have determined the accountability of assets of the Department of Health and Human Services (Department) has been properly transferred.

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

However, during the course of our review, we noted financial areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows:

### Observation #1– Outside Bank Account–Reconciliation

The Department did not complete a monthly bank reconciliation for the Placer County Housing Authority checking account as required by the *Accounting Manual for Cash*. Also, we noted that the Department is not recording the correct deposit and withdrawal dates in Workday to reflect the actual bank activities. In addition, the Department did not immediately transfer the wire transfer to the County Treasurer after receiving the monies from the U.S. Department of Housing and Urban Development (HUD). Per review of the bank statement, the Department held onto the HUD monies between one to three months before they initiated the transfer.

*Section 8.31 of the Accounting Manual for Cash* states, "Bank accounts shall be reconciled monthly or quarterly, depending on the frequency of the bank statements, to the department's book balance and to

the general ledger. This reconciliation should be reviewed by an employee who is not involved in the cash receipting cycle and shall be furnished to the Auditor-Controller no later than 30 days after the bank statement date.”

Recommendation

We recommend the Department complete a bank reconciliation for the HUD account every month as required by the *Accounting Manual for Cash*. The reconciliation should be submitted no later than 30 days after the bank statement date. Also, we recommend the Department ensure that the deposit and withdrawal date for the Workday’s bank transactions agree to the bank statement. In addition, we recommend the Department promptly transfer the monies received from HUD to the County Treasurer as soon as it is received.

Department Response:

*The Department agrees with the recommendation of the Internal Auditor. Moving forward, pursuant to Section 8.31 of the Accounting Manual for Cash, the Department will, in addition to the other bank reconciliations it completes on a monthly basis, prepare a reconciliation for the HUD clearing account. The Department is finalizing the format of the bank reconciliation and once done, will submit the year-to-date reconciliations for Fiscal Year 2020/21 to the ACO. The Department will remind responsible staff of the obligation to ensure deposit and withdrawal statement dates agree to Workday, and the importance of checking the account via the Wells Fargo Commercial Electronic Office (CEO) System on a daily basis to ensure all deposits are accurate and moved in a timely fashion. Automated Clearing House (ACH) approval authority, also via the Wells Fargo CEO System, is currently assigned to the Administrative Services Manager, Behavioral Health Supervising Accountant, and Social Services Supervising Accountant, so adequate coverage and timely approval can be achieved.*

Observation #2– Outside Bank Account–Signature Cards

The Department had not submitted the updated list of authorized signers to the Auditor-Controller’s Office (ACO) for their outside bank accounts in a timely manner subsequent to the departure of the former Director. Specifically, we noted:

- The current bank signature cards contain the names of former employees that are no longer employed with the Department or the County.
- A contractor (Nevada County employee) is one of the authorized signers for the Welfare Immediate Needs Account.
- Three current employees of the Department are both the physical custodian and the authorized signer of the bank accounts.

Upon auditor’s inquiry, the Department began reviewing the lists of authorized signers and prepared amendments to update the signature cards for all four bank accounts which will be submitted to the County Treasurer and the bank.

Also, we noted that the Welfare Immediate Needs Account has 52 authorized account signers (as of 10/30/2020), which appears excessive. Due to the current pandemic situation, we noted the Department

has started issuing EBT cards instead of checks for immediate need payments. As a result, there was no activity in the bank account during June – October 2020.

*The Accounting Manual for Cash, Section 8.3C of states, “Departments must employ county employees to perform all bank account related duties. Non-County Employees (i.e., volunteers and contractors) are prohibited from cosigning on County Bank Accounts.”*

*The Accounting Manual for Cash, Section 8.3E states, “for proper separation of duties, the person having physical custody and control of the fund should not be authorized to sign checks.”*

*The Accounting Manual for Cash, Section 8.3J states, “it is the Departments responsibility to ensure that bank signature cards are kept current with the Treasury and the Auditor-Controller.”*

#### Recommendation

We recommend the Department update the list of authorized signers to remove the individuals that are listed as authorized signers and are no longer employed by the County or the Department. Also, the Department should remove the name of the contractor (Nevada County employee) from the list of authorized signers for the Welfare Immediate Needs Account. In addition, we recommend the Department ensure an employee who is designated as the physical custodian (person responsible for the day-to-day control) does not have authority to sign checks. As a best practice, the number of authorized account signers should be limited to the minimum practical number while ensuring that daily business is conducted efficiently. The Department should submit all updated signature cards to both the Treasurer’s Office and ACO in accordance with the County’s policy.

For the Welfare Immediate Needs Account, we recommend the Department re-evaluate the need of the bank account and take into consideration the possibility of the account becoming dormant after 12 months of no activity. If the Department decides to keep the bank account for issuing checks, we recommend the Department re-evaluate the list of authorized account signers and limit the number of authorized signers to the minimum practical number possible.

#### Department Response:

*The Department agrees with the Internal Auditor’s recommendation. The Department worked with the impacted division to update the authorized signer list for the four outside bank accounts (HUD, Public Guardian, Welfare Immediate Needs, and RAFT SB163). As part of the review and update process, the Department confirmed the revised list conforms to internal control requirements regarding the separation of duties between custodians and authorized signers. The Department also removed contract employees as authorized signers and reduced the signers on the Immediate Needs Account from 52 to 38. After consultation with the impacted division, the number of signers is necessary due to requirements for dual signatures and adequate coverage as a result of staff work schedules and locations (including Tahoe). The Department submitted updated signature lists to the Treasurer-Tax Collector on 11/13/2020 and 12/2/2020.*

*If changes are required moving forward, the applicable programmatic division and HHS Administrative Services will work with the Treasurer-Tax Collector and ACO to revise the signer list as the changes occur. The Department also established a procedure for HHS Internal Audits to review the signer list every six months to ensure compliance with County policy and best practices. Confirmation of the review results will be shared with the Internal Auditor.*

*The Internal Auditor also observed inactivity in the Immediate Needs bank account. Due to COVID-19, the State of California put a temporary order into effect that these benefits would be provided to County clients via EBT cards instead of checks. This permitted clients to receive benefits while greatly reducing potential physical contact. This temporary order by the State remains in effect. The Department will continue to monitor the status and any future impacts to the Immediate Needs bank account. If the account is no longer needed in the future, it will be evaluated for closure.*

### Observation #3– Monitoring of Account Receivables

The Department does not have an effective system in place to monitor the accounts receivable. Specially, we noted that:

- The Department does not have written departmental policies and procedures for collection activities of the programs that receive state or federal funding which deviated from the Accounts Receivable and Delinquent or Uncollectible Accounts section of the Accounting Policies and Procedures Manual (A/R Policy).
  - Upon auditor’s inquiry, the Department’s management stated that they will bring on additional staff to develop written departmental policies and procedures.
- As of 8/31/2020, the Workday aging detail report lists an accounts receivable balance of over \$1 million over 180 days.
- The Department has over \$484,000 in delinquent A/R that are aged between 91 – 180 days as of 8/31/2020. While most of the A/R were related to state or federal government agencies who provided grants to the Department, we found one unpaid invoice with an aging of 153 days billed to the City of Auburn for providing animal shelter services.

The A/R Policy states, “Departments with specific state or federal funding shall maintain written departmental policies and procedures for collection activities that deviate from those outlined in this policy. Such policies and procedures must be approved by the Auditor-Controller and shall be subject to periodic review by the Auditor-Controller’s Office.”

The A/R Policy states, “If full payment is not received within one hundred eighty (180) days from the date services were initially provided, the department shall refer the case to Revenue Services to enforce the obligation.”

The A/R Policy states, "The Revenue Services Division...can assist County departments with collection of debt that is older than ninety (90) days."

The A/R Policy states, “Departments are responsible for maintaining subsidiary ledgers of their accounts receivables and should review the accounts receivable aging on a monthly basis to determine whether accounts have become delinquent and need further action...”

The A/R Policy states, “Departments shall apply to the Auditor-Controller’s Office for discharge from accountability if any one of the following criteria are met:

- The amount is too small to justify the cost of collection.

- The likelihood of collection does not warrant the expense involved.
- The amount has been otherwise lawfully compromised or adjusted.”

#### Recommendation

We recommend the Department develop and maintain specific written departmental policies and procedures for collections activities of the programs that receive state or federal funding. The departmental policies and procedures must also be submitted to the Auditor-Controller for approval. Once they are approved, we recommend the Department review the aging of accounts receivable and collect according to the specific procedures. For documentation purposes, the Department should keep a copy of any communication they had with the government agencies with regards to the status of the amounts in question. We also recommend the Department review all delinquent A/Rs to ensure that the payment status is properly recorded in Workday.

For collection of monies that are not related to state or federal funding, we recommend the Department submit the accounts that are older than 180 days to Revenue Services for collections as required by the A/R Policy and refer those that are older than 90 days to Revenues Services for assistance with collection of monies. We also recommend the Department review the aging of A/R every month to ensure that monies owed to the County are collected in accordance with the A/R policy.

In addition, we recommend the Department reconcile accounts receivable on a monthly basis and complete all accounts receivable reconciliations for fiscal year to date.

#### Department Response:

*In general, the Department agrees with the Internal Auditor's recommendation that its accounts receivable policies and procedures should be strengthened. The Department maintains written procedures by cost center due to differing requirements by division and/or program. These procedures were sent to the Internal Auditor on 11/03/2020 for Social Services and the County Expense Claim. On 03/15/2021, the Mental Health Services Act (MHSA), Realignment, and Behavioral Health, and Health team procedures were also provided. It is also important to note the Department, in cooperation with the ACO, went through a transformational change in its approach to grant management in the Workday system during Fiscal Year 2019/20. The Workday Awards Module was deemed insufficient to meet business needs, so the Department and ACO determined the module should be decommissioned and applicable business processes are currently being redesigned.*

*As part of this transition, many adjustments were required and the ACO assisted with guidance and posting necessary entries into Workday. The Department and Workday Support Organization (WSO) prepared manual journal entries to correct the ledgers associated with Accounts Receivable and Due From Other Governments. Due to the limitations of the system, the customer invoice and manual journal sources do not link. This disconnection leaves the customer invoices with an incorrect balance while the higher level ledger view ties out. The Department is still actively working with the WSO to review and adjust the impacted ledgers in order to clear out customer invoices. The Department is also working to finalize Phase II of the Grant Accounting Transition Project and has launched initiatives to update other related accounts receivable policies and procedures such as cash handling, deposits, and collections. The Department is actively working to complete the revisions and implement the resulting changes. The Department will also continue to provide training and technical assistance to staff as changes roll out to support full adoption. Per County policy, once drafts are complete, the Department will also be forwarding the revised policies and procedures*

to the ACO for approval if there are any exceptions required for state or federal funding that deviate from standard County policy.

The Department reviewed the balances provided by the Internal Auditor as of 8/31/20 per the “Financial Aging Detail for Acctg Period by Due Date” Report. A summary is outlined below with supporting details noted by fund.

<b>Fund Number</b>	<b>Fund Description</b>	<b>Balance per ACO</b>	<b>Balance per Dept.</b>
FD10050	Special Revenue Grant Fund	\$621,375	\$3,546
FD10303	Operating	\$415,069	\$371,813
FD10316	MHSA	\$24,223	\$0
FD14501	Housing	\$3,705	\$0
<b>Total</b>		<b>\$1,064,372</b>	<b>\$375,359</b>

FD10050 – Comprised of 20 Customer Invoices

- 12 are linked to the Awards Module for which payment was received by the Department. No further collection is anticipated for any of them. These invoices total \$507,670. They were forwarded to the WSO on March 11, 2021 for guidance as to how these can be cleared from the Department’s accounts receivable detail.
- 3 of these customer invoices (total of \$110,159) related to grants for FY18/19 that were not included in the Awards Module. Payment had previously been received, but the payment was not applied against the customer invoice. A customer invoice credit (CIC) was processed to zero out this customer invoice.
- 4 of these invoices had a net receivable balance of \$0. Review of the accounting detail showed that these items were the recording and reversal of the Substance Abuse Block Grant year-end accrual for FY18/19. These adjustments were posted June 30, 2020. As these items are not actually accounts receivable, they should be excluded from the accounts receivable aging balance.
- 1 customer invoice for \$3,546 was outstanding as of August 31, 2020. This amount represented receipt of the 10% retainer for the State Recycling Program related to the first half of FY19/20. Payment was received October 23, 2020.

FD10303 – Comprised of 4 Customer Invoices

- 2 customer invoices totaling \$371,813 relate to the Quality Assurance (QA) and Utilization Review (UR) Administrative Charges associated with the Department’s Behavioral Health services. In a January 8, 2021, Financial Services Committee Webinar, the County Behavioral Health Directors Association of California informed the Department the State has been experiencing unusually long delays in processing these charges statewide (these payments are typically received within six months of submission). These charges date back to four quarterly claims in FY18/19. The Department received payment for Quarter 3 and Quarter 4 in two installments on October 28, 2020, and December 1, 2020. However, the State has yet to process payment for the Quarter 1 and Quarter 2 charges. The Department has been in contact with the State. This receivable is legitimate and will be collected.
- 1 customer invoice was fully paid in November 2019. However, the original receivable was established for an amount higher than was to be collected. Additionally, the Department cannot clear this account receivable as it is linked to the Awards Module and part of the cleanup being handled with the WSO.

- 1 customer invoice relates to Animal Control Officer services performed for the City of Citrus Heights in June 2019. Payment will not be received for this item. It was cleared on March 10, 2021.

FD10316 – Comprised of 1 Customer Invoice

The Department received payment for this customer invoice on August 12, 2020. However, the payment was not adjusted until February 25, 2021.

FD14501 – Comprised of 2 Customer Invoices

The Department inadvertently booked a second set of Customer Invoices for these two transactions. The second set has been cleared. Staff re-training and technical assistance has been provided and will continue to be rolled out as changes to policies and procedures are adopted.

Observation #4– Tracking and Monitoring of Non-Capitalized Equipment

The Department did not maintain complete and accurate records of non-capitalized equipment, such as cell phones, desktops/laptops/tablets, printers, etc., thus making it difficult to ensure all County property is accounted for and all issued property is returned upon separation of an employee.

During the review process, the Department provided updates to reflect the current user assignment and location of the desktops/laptops/tablets that were questioned by the auditors.

The Department states that currently each division is responsible for tracking their non-capital assets and communicating updates directly with County IT. The Department’s IT liaisons maintain their own information in Excel and communicate updates to County IT via email, service requests, or monthly meetings as they do not have direct access to County IT’s records.

Below are the concerns related to the non-capitalized equipment list that were identified during the review:

a. Equipment List is Not Accurate and Complete

- 12 pieces of equipment (desktop/laptop) have the same asset tag number which suggested potential duplicate listing.
- One employee has possession of the County’s scanner and it is not listed in the non-capitalized equipment list.

b. Lack of Detailed Equipment Information

We noted the equipment list is lacking detailed information (e.g. brand, make, serial number, asset number or any other identifiable information) for printers, scanners, computer monitors, shredders, etc. Also, we noted that several pieces of equipment in the list did not have a clear and concise description of the equipment type (i.e., the equipment type is “other”).

Recommendation

We recommend the Department maintain complete and accurate records of the non-capital assets. The Department should identify all duplicate listings of equipment and remove them from the equipment list. The location of the equipment should be corrected to reflect the actual physical location. To ensure accurate tracking, all equipment records should be regularly reviewed and updated as necessary (e.g., when employee separates from the County, or when equipment are replaced or upgraded, sent to other County departments/surplus, etc.).

The non-capitalized equipment list (for printers, scanners, computer monitors, shredders, etc.) should also include information of current user assignment and equipment details such as brand, make, model, serial number, asset number, or any other identifiable information that would be useful in identifying the items to be collected when an employee separates from the Department or the County.

Department Response:

*In general, the Department agrees with the Internal Auditor's recommendation. The requirement to track non-capital assets is relatively new. The ACO rolled out initial guidance in its "Non-Capital Assets Listing" Memo dated May 31, 2019. At that time, the Department identified a need for a uniform process across divisions to achieve full compliance with the new best practice recommendations. However, with other more critical priorities such as: (1) the stabilization of the County's Enterprise Resource Planning (ERP) system (i.e. Workday Phase II for HR/Payroll); (2) transformational changes to award tracking and grant management processes in the Workday System (i.e. Grant Accounting Transition Project); and (3) the onset of the COVID-19 global pandemic, the Department's efforts to design and implement a uniform process were delayed.*

*The Department's current process is decentralized and managed independently by each division. As a result of this review, the Department did follow up on some items when specifically questioned by the Internal Auditor. However, the Department also regularly provides update requests to County IT as part of its normal communication process, which were already occurring prior to the commencement of this review. There were many instances where a division requested County IT update ServiceNow records but encountered delays due to County IT's ability to transact the update in ServiceNow. The Department acknowledges there are opportunities to improve and establish a more uniform process across divisions and Countywide, and it supports Countywide clarification of process roles and responsibilities.*

*Divisions must closely partner with County IT since some of the highest risk non-capital assets include technology equipment such as cell phones, computers, tablets, and printers. Asset coordinators are assigned at the division level and are responsible for tracking additions, changes, surplus, or destruction of their division's assets. Depending on the size of the division, this may be the same staff assigned as the division's IT Liaison and/or Human Resources Department Liaison (DL) role. Typically, this tracking is performed via an Excel workbook with key data points from County IT's ServiceNow System for technology equipment. County departments do not have direct access to ServiceNow, so divisions must submit manual update requests to County IT via monthly meetings, emails, or service requests. This often leads to significant lag time from when the update is requested to when it is updated in ServiceNow. Because of this, divisions have reported this is a very labor-intensive process that often results in miscommunication and outdated and/or inaccurate non-capital asset information within ServiceNow. It also makes tracking, reconciliation with Workday, and accurate reporting a challenge.*

*The Department has requested an automated and systematic Countywide technology solution to address current process pain points. It is the Department's understanding that a Countywide solution will be available in the Workday System soon (target launch in fall 2021). As part of this process, the ACO has also offered to meet with the Department to provide advice regarding the type of items the department should be tracking. The Department is looking forward to this collaborative effort with the ACO and Internal Auditor and welcomes the coming process changes. The Department is hopeful an automated and systematic technology solution will improve the Department's non-capital asset tracking in the following ways:*

- *Increased accuracy, consistency, and timeliness of updates,*
- *Reduced administrative maintenance burden due to process automation, and*
- *Streamlined reporting to better support oversight.*



Below are the Department's responses related to specific observations by the Internal Auditor:

**12 pieces of equipment (desktop/laptop) has the same asset tag number which suggested potential duplicate listings or incorrect asset tag number.**

County IT, not the Department, is responsible for assigning and affixing asset tags to technology equipment. The Department has requested updates to County IT's asset tracking system and will continue to work with County IT to ensure timely updates.

**One employee has possession of the County's scanner and it is not listed in the non-capitalized equipment list.**

The Department agrees with the Internal Auditor. The scanner was inadvertently missed and was not properly added to the division's non-capital asset tracking list. The Department has reminded divisions and asset coordinators of the importance of the timely tracking of updates.

**Lack of Detailed Equipment Information**

The Department agrees there is a need to comprehensively design and implement a uniform process for tracking non-capital assets, which will clarify requirements, improve uniformity, and support data integrity and consistency. The Department has been working with the ACO to further define equipment qualifying as a non-capital asset (vs. a supply) and any applicable tracking thresholds. The ACO has clarified trackable items may vary across departments due to differing lines of service and risk factors, so set thresholds will not be set at a Countywide level. As a result, the ACO has offered to meet with the Department to provide advice regarding the types of items the Department should be tracking, as well as what segments of information should be required by type. The Department is looking forward to working with the ACO and welcomes the coming process changes. The Department is also hopeful an automated and systematic technology solution (i.e. Workday System as system of record) will improve the Department's ability to effectively and efficiently track non-capital assets.

The Department'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 Department's staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA  
Assistant Auditor-Controller

cc: Raul Martinez, Assistant Director of Health & Human Services  
Vicki Grenier, Deputy Director of Health & Human Services  
Genna Martin, Administrative & Fiscal Operations Manager  
Placer County Audit Committee









