



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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November 23, 2021

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

Re: Asset Forfeiture Fiduciary Fund Follow-Up Review

Dear Sheriff Bell:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Asset Forfeiture Fiduciary Fund Review for the Sheriff's Office (Office). The objectives of our procedures were to determine how the recommendations from our previous review were implemented. Our procedures included inquiries of the Office 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 responses from the previous report dated February 24, 2021, which is then followed by the status of the Office's implementations of our recommendations.

### **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.*

**Status – Implemented**

**The Office developed an Asset Forfeiture Fiduciary Fund Manual that details the Office's procedures for handling asset forfeiture funds. The manual documents the different funds associated with asset forfeitures that the Office has responsibility of and how to run reports, report on disbursements, and generate distribution reports through the Equitable Sharing Program website. The Office also obtains support for disbursements from the Department of Treasury and the Department of Justice and reviews the transactions to ensure the amounts were appropriately deposited into the correct fund.**

**The Office maintains the separate equitable sharing funds, FD10112 PCSO Share of Federal Narcotics Seizure Fund - Department of Justice and FD10118 PCSO Share of Federal Narcotic Seizure Fund - US Treasury and ensures that the correct disbursements go into the corresponding funds. We obtained the Fiscal Year 2021 Trial Balance and noted there were no disbursements made to FD10112 and there was one disbursement made to FD10118, which agreed with the US Treasury supporting documentation awarding the disbursement.**

**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 is 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.*

### **Status – Implemented**

**The Office worked with the District Attorney's Office to properly move a disbursement of \$91.28 into the Placer Law Enforcement Agency (PLEA) fund. We confirmed the disbursement was moved to the PLEA fund in March 2021.**

**The Office developed procedures to track and reconcile disbursements received from participating agencies. The Office receives reports from the District Attorney's Office quarterly and compares them with the reports maintained within the Office, and then on a monthly basis, the Office generates trial balances associated with the asset forfeiture fiduciary funds and compares the two reports and reconcile anything outstanding. Additionally, the Office has implemented their reconciliation process and maintains a Summary Reconciliation report by fiscal year and quarter.**

### **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.*

**Status – Implemented**

**The Office developed and documented an Asset Forfeiture Fiduciary Fund Manual which includes procedures for reporting to the Equitable Sharing Program website, reconciliations, processing requests, and identification of funds used by the Office. Also, the manual includes the permissible use of funds. We noted procedures include links to the necessary forms and websites included to complete the procedures.**

**Per the Asset Forfeiture Fiduciary Fund Manual, the Office generates trial balances monthly for their reconciliation process and each quarter perform the reconciliations by comparing the Sheriff's Office reports to the District Attorney's Office reports. The Office determined quarterly reconciliations were adequate due to the small amount of activity levels in these funds. Additionally, the Office's staff implemented their reconciliation process quarterly due to the limited number of transactions that occur and maintains a Summary Reconciliation form by Quarter.**

The Office's responses to our recommendations identified in our original report dated February 24, 2021, 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 the Office's staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA  
Assistant Auditor-Controller

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