



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Mr. Morgan Gire, District Attorney
Placer County District Attorney's Office
10810 Justice Center Drive, Suite 240
Roseville, CA 95678

Re: Asset Forfeiture Fiduciary Fund Follow-Up Review

Dear Mr. Gire:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Asset Forfeiture Fiduciary Fund Review (with the exception of the TRIDENT program) for the District Attorney's Office (Office). The objective of our procedures was 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.

Below is an Observation Summary, which is then followed by our observations and recommendations, the Office's responses from the previous report dated May 6, 2021, and the current status of the Office's implementations of our recommendations.

Observation Summary		
No.	Observation	Implementation Status
1.	Expenditures Paid Through a Special Purpose Fiduciary Fund	Partially Implemented
2.	Missing Asset Forfeiture Disbursements	Implemented
3.	Equitable Sharing Funds Deposited into the Incorrect Program's Fund	Implemented during Review
4.	Equitable Sharing Annual Certification report does not Agree to the Office's Accounting Records	Partially Implemented
5.	Accounting and Administrative Support Does Not Utilize Current County Accounting Coding	Implemented
6.	Lack of Established Reconciliation, Monitoring, and Review Procedures	Partially Implemented

Observations and Recommendations

Observation #1: Expenditures Paid Through a Special Purpose Fiduciary Fund

During our review, we noted expenditures were paid through the Office's Asset Forfeiture Fiduciary Fund, FD31033 DA Recovery Fund, for a total of \$65,095.01 for calendar year 2019. The employee initiating the supplier invoices for expenditures relating to asset forfeiture funds was not aware that expenditures should not be processed through the Special Purpose Fiduciary Fund as per County policies and procedures. Also, the Workday approver overlooked the fund associated with the expenditures when reviewing and approving the supplier invoices.

The *Accounting Policies and Procedures Manual - Custodial Fund Accounting: Special Purpose Fiduciary Fund* states, "The concept is to hold the cash received until qualifying expenditures have been made from funds where the activity has been budgeted (authorized). A journal transfer is then made to move the cash and related revenue to the fund incurring the cost. Disbursements are not allowed to be made by issuing warrants from any of these funds directly."

Recommendation

We recommend the Office develop procedures for initiating and approving transactions relating to asset forfeiture funds to ensure that expenditures are processed through the Office's operating fund, FD10100 Public Safety Fund (Cost Center 11001), and then a journal is created to transfer the costs of expenditures from the Asset Forfeiture Fiduciary Fund to the Office's operating fund.

Also, we recommend the Office develop training for new employees processing transactions to ensure they are aware of County policies and procedures for Special Purpose Fiduciary Funds.

Office's Response:

The Office of the District Attorney acknowledges this recommendation and the controlling Placer County Policy related to this finding. The administration of the Placer County District Attorney's office has begun the process of developing policies and procedures related to Asset Forfeiture expenditures. Upon their completion all staff will be trained in department policies. Staff will immediately comply with county policies regarding Special Purpose Fiduciary Funds. Current staff have been advised that all expenditures shall be processed through the Office's operating fund (DA Cost center 11001). Administration will ensure that all new staff are educated in office policies as they relate to Asset Forfeiture expenditures, as well as county policies and procedures for Special Purpose Fiduciary Funds.

Status – Partially Implemented

The Office has developed procedures to ensure asset forfeiture related expenditures are processed through the Office's operating fund, FD10100 Public Safety Fund. Once processed, the Office creates a journal to transfer the cost of expenditures from the Asset Forfeiture Fiduciary Fund to the Office's operating fund. The Office has one staff person responsible for disbursements and payments of asset forfeitures, and prior to the processing of the transactions, the Staff Service Manager or the Assistant District Attorney review the payments and disbursements in Workday for accuracy. Transfers of Asset Forfeiture fund are all approved by the Assistant District Attorney. However, these updated procedures have not been documented.

Additionally, the Office has not developed training to educate new employees of asset forfeiture related expenditures. At the time of this review, the Office is in the process of creating a new accountant position. The Office anticipates the addition of the accountant position will assist in fully implementing the recommendation by documenting the Asset Forfeiture procedures and developing training by May 2022.

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 Sheriff's Office because the transaction was erroneously cancelled, and the Office did not perform a reconciliation to ensure the disbursement transfers were accurately posted.

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 Sheriff's Office to ensure the disbursement is properly moved into the PLEA Fund, including the appropriate supporting documentation.

We also recommend the Office continue to develop procedures to track and reconcile disbursements transferred to participating agencies in Workday with an additional level of supervisory review over these funds.

Office's Response:

The Office of the District Attorney recognizes that an error occurred in cancelling a journal transferring \$91.28 to the Sheriff's PLEA trust fund. District Attorney staff and Sheriff staff have worked together to correct and process the journal. District Attorney fiscal staff have created new spend categories to track disbursements. Additionally, District Attorney staff tracks the seizure, adjudication, and distribution of all assets. District Attorney staff are developing procedures to reconcile accounts, including a process ensuring subsidiary ledgers reconcile to trust funds (including funds disbursed to other agencies and supporting documentation). The District Attorney's Office will ensure review of expenditures and deposits of Asset forfeiture funds.

Status – Implemented

The Office worked with the Sheriff's Office to properly move a disbursement of \$91.28 into the Placer Law Enforcement Agency (PLEA) fund in March 2021. The Office has also developed procedures to track and reconcile disbursements received from participating agencies by creating an Excel spreadsheet to track the amount of distribution per recipient with the Workday payment type for issuance (supplier invoice or journal entry), along with the Workday program, cost center, fund, spend category, ledger account, revenue category, and any additional Workday worktags required to complete the disbursements.

Observation #3: Equitable Sharing Funds Deposited into the Incorrect Program's Fund

During our review, we noted that there were asset forfeiture funds issued by Department of Justice Equitable Sharing Program participants totaling \$175,716.50. These deposits were incorrectly recorded into the Office's assigned Department of Treasury Equitable Sharing Program Fund between July through September 2019. As a result, these funds were not appropriately transferred into the Office's assigned Department of Justice program Fund in Workday.

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 transfer the remaining Department of Justice Equitable Sharing Program participant funds, in the amount of \$175,716.50, from the Department of Treasury program assigned fund, FD10107 Treasury Asset Forfeiture Federal Acct. 2, to the Office's Department of Justice program assigned fund, FD10106 DEA Asset Forfeiture Federal Acct. 1, in Workday.

Furthermore, we recommend the Office continue to maintain the equitable sharing program funds from the Department of Justice and the Department of Treasury separately as specified in the Guide to Equitable Sharing with an additional level of review over these funds to ensure deposits are recorded appropriately.

Office's Response:

District Attorney staff have identified the cause of the incorrect recording as an input error. Following reconciliation and identification of the entry error – the balances now accurately support the Equitable Sharing Program report. To ensure compliance with Federal Equitable Sharing Guidelines, and for clarity, fiscal staff will rename Account FD 10106 DEA Asset Forfeiture Federal Acct 1 to Account FD 10106D Dept. of Justice AF Federal Acct. 1 in Workday. District Attorney fiscal staff will develop policies and procedures to ensure funds are inputted and deposited into the appropriate trust fund. All policies and procedures will be in compliance with Placer County Policies, as well as Federal Guidelines to Equitable Sharing and will include a layer of supervisory review.

Status – Implemented during Review

The Office transferred the remaining balance of \$175,716.50 to the appropriate Department of Justice Equitable Sharing Participant fund, FD10106, in Workday on November 9, 2021. Also, the Office has renamed the Department of Justice and Treasury Equitable Sharing Participant Funds in Workday to accurately reflect the fund source and to ensure the funds are maintained separately. Additionally, the Office performs a reconciliation between the federal asset forfeiture funds and the reported expenditures and revenue in the Federal Equitable Sharing Portal to ensure all systems agree. The Office is in the process of documenting these procedures and anticipates documentation will be completed by May 2022.

Observation #4: Equitable Sharing Annual Certification report does not Agree to the Office's Accounting Records

We noted that the Office's Equitable Sharing Annual Certification (ESAC) Report for fiscal year 2018-19 does not agree to the accounting records for the Office's Department of Justice and Department of Treasury program funds, FD10106 DEA Asset Forfeiture Federal Acct. 1 and FD10107 Treasury Asset Forfeiture Federal Acct. 2, respectively. Specifically, the beginning balances, interest income, and ending balances are understated in the ESAC Report when compared to the balances in Workday.

The Guide to Equitable Sharing, section VI. A. Bookkeeping Procedures and Internal Controls states,

- (1) "At any time, the Department of Justice or the Department of the Treasury may request documents related to equitable sharing, conduct and audit, or compliance review or implement additional reporting requirements and spending plans,
- (2) 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, and;
- (3) Must maintain records of all revenue and expenditures posted to the account or accounting code."

The County's *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 develop procedures to routinely reconcile the assigned Equitable Sharing Program Funds in Workday to ensure the ledger balances accurately support the amounts reported in the ESAC report. The Office should maintain records supporting any fund balance variances between Workday and the amounts reported in the ESAC report.

Furthermore, we recommend the Office document their procedures for completing the annual ESAC report and the reconciliation process with an additional level of review over the reconciliation and preparation of the ESAC report.

Office's Response:

Upon recognition of the accounting/input error noted in finding number 3, staff corrected recording errors within the ESAC report, which now matches balances in workday. District Attorney staff will work to reconcile Equitable Sharing Program Funds with Workday balances – including a review of subsidiary ledgers, deposits, withdrawals to ensure that the appropriate funds balance is reflected in each. Any deposits or withdrawals from the fund not assigned to the Treasury or Department of Justice trust funds will be transferred via journal to the appropriate fund.

District Attorney staff will develop policies to ensure all ESAC reports are reconciled/balanced to Workday. Prior to any ESAC report submittal, fiscal staff will have a layer of supervisory approval/review to ensure procedural compliance as well as appropriate reconciliation.

Status – Partially Implemented

The Office started performing quarterly reviews and reconciliations between the Federal Equitable Sharing Certification portal (eShare) and Workday beginning Fiscal Year 2022. The Office reconciles the eShare report to the corresponding Workday fund, then documents the date and number of the cash sale in Workday. At the time of this review, the Office has not transferred their procedures for a quarterly reconciliation and preparation of the ESAC report into written policy, but they anticipate completion of documenting the procedures by May 2022.

Observation #5: Accounting and Administrative Support Does Not Utilize Current County Accounting Coding

We noted that the Office is currently using the County's prior accounting system coding on the Asset Forfeiture Distribution Memorandums which does not agree to the County's current accounting system coding. Best practices state that Departments should ensure all documentation reflects the current accounting processes and coding.

Recommendation

We recommend the Office update all accounting and administrative support to reflect the current accounting coding to ensure all transactions are processed to the correct Funds, Programs, Cost Centers, and Activity Based Costing.

Also, we recommend the Office establish procedures to review and compare the accounting and administrative documentation to the Office's current accounting coding, including Funds, Programs, Cost Centers, and Activity Based Costing, to ensure all records are maintained and kept up to date.

Office's Response:

All Asset Forfeiture Distribution Memorandums will be updated to reflect the current accounting coding. District Attorney fiscal staff will work with IT, and paralegal staff to ensure that this is completed as quickly as possible. Fiscal staff will train other staff to ensure all are aware and familiar with current accounting coding. District Attorney Fiscal staff will review all practices and forms to verify that current accounting coding is applied to all transactions within all subsidiary ledgers/memorandums.

Status – Implemented

The Office updated all accounting and administrative support to reflect the current accounting coding. The Office utilizes an Asset Forfeiture Worksheet to track the total seized amount by the total disbursements. This worksheet has been updated to include the participants, the Workday payment type for issuance (supplier invoice or journal entry), Workday program, cost center, fund, spend category, ledger account, revenue category, and any additional Workday information required to complete the transactions.

Observation #6: Lack of Established Reconciliation, Monitoring, and Review Procedures

During our review, we noted that the Office does not have established procedures to reconcile, review, and monitor the Asset Forfeiture Fiduciary Funds under their responsibility, which allowed the oversight of deposits to be transferred into incorrect funds, disbursements not being transferred appropriately, and expenditures processed through Asset Forfeiture Fiduciary Funds.

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 establish and document procedures to routinely reconcile, monitor, and review the Asset Forfeiture Fiduciary Funds under their responsibility during each accounting period to ensure that funds deposited and disbursed to the correct funds and expenditures are being processed in accordance with the County's policies and procedures.

Office's Response:

The current administration of the District Attorney's Office has initiated a review of pre-existing department wide policies. This review includes a thorough examination of policies and procedures within the fiscal unit of the office as well as the creation of new policies where none existed previously. The findings of this audit, as well as our review, have illustrated the need to develop comprehensive departmental fiscal policies and procedures that correspond to county policies as well as federal guidelines for equitable sharing. The District Attorney's Office will create an internal fiscal policy manual that includes guidelines for reconciliation within accounting periods to verify funds are posted and processed correctly. Policies will also mandate a review of trust funds to ensure documentation and separation by funding source, so that monies are not comingled. District Attorney fiscal practices will also include supervisory review for accuracy and compliance with appropriate policies. Institution and development of these policies may require additional time and require additional staff/contract support.

Status – Partially Implemented

The Office has developed procedures to reconcile, review, and monitor the Asset Forfeiture Fiduciary Funds and is in the process of documenting their procedures. The Office developed procedures that include reconciling the general ledger reports of the Asset Forfeiture Fiduciary Funds, reconciliation between the ESAC and the DOJ Asset Forfeiture Federal Acct. 1 fund, FD10106, as well as reviewing the Treasury Asset Forfeiture Federal Acct. 2 fund, FD10107 and the DA Recovery Fund, FD10114 for expenditures and identifying discrepancies.

The Office has established coding for funds deposited into the DA Recovery Fund which ensures that cases associated with the funds are accessible and known to users. Also, the Office has created additional spend categories for tracking and verification of funds deposited into accounts. The Office is currently following these procedures; however, the procedures are in the process of being documented. The Office anticipates having these procedures documented by May 2022.

The Office's responses to our recommendations identified in our original report dated May 6, 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: David Tellman, Chief Assistant District Attorney, District Attorney's Office
Jennifer Ow, Assistant District Attorney, District Attorney's Office
Mary Green, Investigator – Chief District Attorney, District Attorney's Office
Kelly LeRossignol, Staff Services Manager, District Attorney's Office
Placer County Audit Committee