



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Dr. Robert Oldham, Director/Chief Psychiatrist
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 Follow-Up Review

Dear Dr. Oldham:

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 Health and Human Services Department (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 recommendations in our previous report.

Below is an Observation Summary, which is then followed by our observations and recommendations, excerpts from Department responses from the previous report dated June 3, 2021, and the current status of the implementations of our recommendations.

Observation Summary		
No.	Observation	Implementation Status
1.	Outside Bank Account – Reconciliation	Implemented
2.	Outside Bank Account – Signature Cards	Implemented
3.	Monitoring of Account Receivables	Partially Implemented
4.	Tracking and Monitoring of Non-Capitalized Equipment	Partially Implemented

Observations and Recommendations

Observation #1: Outside Bank Account – Reconciliation

During the review, we noted 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*. We also noted the Department was 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).

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 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's 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.

Status – Implemented

The Department has prepared a HUD bank reconciliation template and has prepared all monthly reconciliations for the 21/22 fiscal year. Written procedures have been updated to reflect the Department Accountant's responsibility to complete the HUD bank account reconciliation within 30 days of the bank statement date. The auditors have confirmed the HUD bank reconciliations were completed for fiscal year 21/22 and are current up through January 2022.

Observation #2: Outside Bank Account – Signature Cards

During our review, we noted the Department had not submitted the updated list of authorized signers to the Auditor-Controller's Office for their outside bank accounts in a timely manner after the departure of the former Director.

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's 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.

Status – Implemented

The Department reviewed and updated the list of authorized signers as recommended. Revisions to the authorized signers were submitted to the Treasurer's Office and confirmed by the Auditor. Additionally, the authorized signers list will be reviewed quarterly going forward to ensure necessary revisions are made timely. Lastly, the revised authorized signers list for the Human Services Immediate Needs account was reviewed and reduced from 38 to 13 due to changes in staffing needs and assignments.

Observation #3: Monitoring of Account Receivables

During our review, we noted the Department did not have an effective system in place to monitor the accounts receivables.

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 Revenue 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's 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.

Status – Partially Implemented

The Department has begun to develop procedures to better monitor and collect accounts receivable. Due to the extensive nature of programs and services as well as the complexities of claims from different funding and/or agencies, these procedures are cost center, program and/or team specific. These policies, procedures, and desk process guides are projected to be finalized and sent to the Auditor-Controller's Office (ACO) by May 31, 2022. Until these updated policies, procedures, and desk process guides are finalized and approved by the ACO, current collection activities and receivables monitoring will continue based on existing practices.

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

During our review, we noted 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.

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's 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.*

Status – Partially Implemented

The HHS Administrative Services Division (HHS Admin) has developed procedures for tracking and managing non-capitalized assets (NCA), established and implemented a tracking dashboard that includes pertinent NCA information, and created and utilized County property forms to gather and confirm employee assigned NCA details and work locations. The dashboard is updated regularly to ensure information is current and includes a verification process to ensure there are no duplicate items listed. Additionally, the database lists unassigned NCA's, including locations of unassigned equipment, and items which need to be sent to surplus. An additional form is completed for each employee to identify the NCA's that must be collected upon employee separation from the County. For non-equipment items such as keys and badges, a separate log is maintained to assign and collect these items.

HHS Admin plans to implement these new procedures to the other divisions within HHS by June 30, 2022.

The Department's responses to our recommendations identified in our original report dated June 3, 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 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
Samantha Stone, Administrative & Fiscal Operations Manager
Placer County Audit Committee