

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION - INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT
SHERIFF'S OFFICE
PERFORMANCE AUDIT
CAPITAL ASSETS AND CONTROLLED
EQUIPMENT



Audit Committee Submittal Date: 10/19/2023

SUMMARY

Background

The Department of Finance (Finance) performed a performance audit of the Sacramento County Sheriff's Office (Sheriff), capital assets and controlled equipment.

Audit Objective

Our audit was conducted to examine Sheriff's capital assets and controlled equipment management process and evaluate adequacy of Sheriff's internal controls over capital assets and controlled equipment management for the period July 1, 2022 to November 30, 2022.

Summary

We noted that while certain inventory procedures were being performed, the procedures were not fully documented in writing.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

June 14, 2023

Jim Cooper, Sheriff
Sacramento County Sheriff's Office
4500 Orange Grove Avenue
Sacramento, California 95841

We have audited Sacramento County Sheriff's Office (SCSO) capital assets and controlled equipment internal control processes for the period from July 1, 2021, to November 30, 2022.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit was conducted to examine SCSO's capital assets and controlled equipment management process and evaluate adequacy of SCSO's internal controls over capital assets and controlled equipment management.

SCSO's management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with federal, state, and other regulatory agencies and requirements.

The scope of our audit included SCSO's internal control activities and processes related to assigning, tracking, and decommissioning capital assets and controlled equipment for the period from July 1, 2021 through November 30, 2022.

The audit methodology utilized to conduct this performance audit included:

Regulatory Review

- We identified applicable regulatory requirements and industry standards for capital assets and controlled equipment management.

Jim Copper, Sheriff
Sacramento County Sheriff's Office
June 14, 2023

Internal Control Review

- We conducted a preliminary survey of SCSO's internal control environment and identified key controls related to SCSO's maintenance of high liability assets.
- We reviewed controls over controlled equipment separately from controls over other capital assets.

Document Review:

- We reviewed SCSO's written policies and procedures related to capital assets and controlled equipment.
- We provided SCSO management with a Management Questionnaire designed to help us evaluate the controls over SCSO's high liability capital assets and controlled equipment.

Testing:

- We tested, on a sample basis, key internal control processes identified for SCSO's capital assets and controlled equipment to ensure that the controls are in place and functioning as intended and in compliance with regulatory requirements and industry standards.
- We tested a sample of capital assets and controlled equipment to ensure that inventory records are current and accurate.

In connection with this audit, there are certain disclosures that are necessary pursuant to Generally Accepted Government Auditing Standards.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair Generally Accepted Government Auditing Standards independence standards.

Specifically, "auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit."

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, we believe that the following safeguard and division of responsibility exists. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

Jim Copper, Sheriff
Sacramento County Sheriff's Office
June 14, 2023

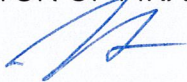
Based on our audit, except for three exceptions related to SCSO's internal control activities and processes described, ATT 2, Current Findings and Recommendations, SCSO's internal control over capital assets and controlled equipment management appear adequate.

SCSO's management responses to the findings identified during our audit are described in ATT 2, Current Findings and Recommendations. We did not perform procedures to validate SCSO's management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and SCSO's management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

ATT 1: Schedule of Inspected Capital Assets
ATT 2: Current Findings and Recommendations

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Schedule of Inspected Capital Assets

Divisions	Total Acquired Value Reported	Total Acquired Value Inspected	Exception
Central	\$ 20,553	20,553	0
Civil	117,325	41,274	0
Impact Bureau	341,481	311,353	0
Jail Industries / RCCC	985,677	194,640	0
Main Jail	577,606	577,606	0
Marine Enforcement	1,376,283	1,146,561	0
Professional Standards	1,818,661	89,974	9,866 (1)
Work Release	32,980	32,980	0
Others	<u>38,556,369</u>	<u>0</u>	<u>0</u>
Total	<u><u>43,826,935</u></u>	<u><u>\$ 2,414,940</u></u>	<u><u>9,866</u></u>

(1) See Finding No. 3 at ATT 2, *Current Findings and Recommendations*

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**1. Procedures for Control and Accountability of Controlled Equipment,
Firearms**

Condition

Sacramento County Sheriff's Office (SCSO) has policies and procedures to maintain control and ensure accountability of controlled equipment. However, we noted that several inventory practices, while performed, are not fully documented in writing. Specific areas that need additional documentation include permanent property records, physical inventory counts, disposal (selling) of controlled equipment, firearms, and confirming employees' possession of assigned firearm.

Criteria

Written procedures allow SCSO to effectively communicate and consistently apply working standards throughout the SCSO. Written procedures can save time, reduce mistakes, promote consistency, and document institutional knowledge.

Effect

Without written policies and procedures over controlled equipment, firearm accountability, errors may occur during the inventory process and not be detected in a timely manner. This may result in noncompliance with laws and regulations, theft, and public safety issues.

Recommendation

We recommend SCSO document its' practices in performing inventory counts, disposing (selling) of assets, and confirming employees possession of SCSO issued controlled equipment, firearms.

In addition, written procedures should be of sufficient detail to provide guidance to staff with specific job functions. Detail procedures also allow for an easy transition for job succession.

Management Response

SCSO partially agrees with this finding. There are multiple policies and/or departmental general orders in place for this purpose; (1) The County of Sacramento Asset Capitalization Policy, (2) Sheriff's Office General Order 16/01 Inventory Control, (3) Sheriff's Office General Order 16/02 Fixed Asset Control, and (4) Sheriff's Office General Order 16/05 County Surplus Property.

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The portion the SCSO agrees with is that there are no step-by-step procedures for these actions. Our office will be developing and implementing step-by-step procedures as recommended.

2. Documentation for Inventory Reconciliations

Condition

SCSO performs inventories of capital assets assigned to its staff on an annual basis. However, SCSO staff did not maintain copies of the inventory counts or reconciliations between Sacramento County Accounting System (a.k.a. COMPASS) and the SCSO's Inventory database

Criteria

Written procedures allow SCSO to effectively communicate and consistently apply working standards throughout the organization. Written procedures can save time, reduce mistakes, promote consistency, and document institutional knowledge.

Effect

Without documentation of inventory counts and reconciliations, inaccuracies or discrepancies may occur but not be detected.

Recommendation

We recommend SCSO develop proper procedures to ensure that documentation of inventory counts and reconciliations between capital assets per COMPASS and SCSO's inventory system are maintained.

Management Response

The Sheriff's Fiscal Bureau maintains a master inventory record which it reconciles with each division annually. Within this master inventory record, the SCSO tracks asset initial cost, locations, dispositions, and any other pertinent information. The SCSO also requires a signed declaration each year from each division reporting assets. All records are updated and available each year; however, they were not reviewed during the site visit.

The SCCO did not maintain a copy of the reconciliation between the master inventory record and COMPASS. Going forward, copies of all reconciliations between

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COMPASS and SCSO's master inventory database will be maintained in the annual inventory files.

3. Assets Not Recorded in COMPASS

Condition

During our test of capital assets, we noted assets listed on the SCSO asset list were not included in COMPASS. It appears that capital assets purchased in 2014 with assigned fixed asset numbers 79389 to 79408, with total acquired cost of \$9,866, were not posted to COMPASS. An Equipment Movement Report (EMR) was processed on March 14, 2023, to post the items to COMPASS.

Criteria

Capital Assets are required to be posted to the COMPASS system in order for the asset to be properly accounted for and depreciated over time.

Effect

Not posting the capital assets to COMPASS caused expenses to be matched to the wrong accounting period.

Recommendation

We recommend SCSO develop procedures to ensure that information regarding purchased capital assets are posted into COMPASS on a timely basis.

We also recommend SCSO reconcile its capital asset list to COMPASS at least annually.

Management Response

SCSO agrees with this finding. It was discovered during the audit that asset numbers were not assigned to these items when the purchase order was issued. An EMR transfer was done on March 14, 2023, moving asset numbers 79389 thru 79408 to 91369 thru 91388, and have been verified in COMPASS. Reconciliation will be done annually going forward.