

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDITS UNIT

**INTERNAL AUDIT REPORT
PROBATION DEPARTMENT
PERFORMANCE AUDIT
HIGH LIABILITY ASSETS**



Audit Committee Submittal Date: 06/07/2021

SUMMARY

Background

The Sacramento County Countywide risk assessment study assessed the Probation Department's (Probation) current procedures for assigning, tracking, and decommissioning potentially high liability assets as a high-risk area.

Audit Objective

We reviewed Probation's internal control activities and processes related to assigning, tracking, and decommissioning high liability assets for the period from June 30, 2020 to February 12, 2021, the end of audit fieldwork.

Summary

We noted that while certain inventory practices while performed, were not fully documented in writing.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
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County of Sacramento

May 5, 2021

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The Sacramento County Countywide risk assessment study assessed the Probation Department's (Probation) current procedures for assigning, tracking, and decommissioning potentially high liability assets as a high-risk area. Accordingly, we have audited selected internal control processes for Probation for the period from June 30, 2020 to February 12, 2021, the end of fieldwork.

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 Probation's *current procedures, assess and identify key processes of its related internal controls, and design tests to verify that key controls are in place and functioning as intended in regards to high liability assets.*

Probation'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 Probation's internal control activities and processes related to assigning, tracking, and decommissioning high liability assets for the period from June 30, 2020 to February 12, 2021, the end of audit fieldwork. Probation management defined high liability assets as firearms, vehicles, and equipment valued over \$5,000 at the time of purchase.

Marlon Yarber
Interim Chief Probation Officer
Sacramento County Probation Department
May 5, 2021

The audit methodology utilized to conduct this performance audit included:

Internal Control Review

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

Document Review:

- We reviewed inventory records of asset categories designated as high liability by Probation management.
- We reviewed policies and procedures and evaluated internal controls related to accountability and control over high liability assets. Please see Attachment I, *Current Findings and Recommendations*.

Testing:

- We reviewed management's responses to the firearms management questionnaire.
- We interviewed Probation's staff and inspected documents related to inventory of assets and the reconciliation of assets between COMPASS and the QuarterMaster inventory application.
- We reviewed inventory control reports and traced information to COMPASS.

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."

Marlon Yarber
Interim Chief Probation Officer
Sacramento County Probation Department
May 5, 2021

Although the Director of Finance is statutorily obligated to maintain the accounts of departments, districts or funds that are held in the County Treasury, this threat to independence is mitigated by the inherent organizational structure of the audit organization. Namely, 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.


Based on our audit, there are two exceptions and recommendations noted related to Probation's internal control activities and processes related to assigning, tracking, and decommissioning potentially high liability assets for the period from June 30, 2020 to February 12, 2021, the end of audit fieldwork. See Attachment I, *Current Findings and Recommendations*.

Probation's management responses to the findings identified during our audit are described in Attachment I, *Current Findings and Recommendations*. We did not perform procedures to validate Probation'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 Probation'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,

BEN LAMERA
DIRECTOR OF FINANCE

By: Ross McCarthy, CPA 
Senior Audit Manager

Attachment I: *Current Findings and Recommendations*

County of Sacramento
Probation Department
High Liability Assets
Performance Audit
Current Findings and Recommendations
For the period from June 30, 2020 to February 12, 2021

**1. Procedures for Control and Accountability of Department Owned Firearms
Not Documented**

Sacramento County Probation Department (Probation) has policies and procedures in place to maintain control and ensure accountability of firearms. 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 firearms, and confirming employees' possession of assigned firearm.

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

Without written policies and procedures over 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. In addition, written procedures should be of sufficient detail to provide guidance to staff that are new to or unfamiliar with specific job functions. Detail procedures also allow for an easy transition for job succession.

It appeared that the Department's management did not completely establish or upgrade its property policies and procedures.

Recommendation

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

Management Response

I reviewed the discussion draft of the performance audit for the period of June 30, 2020 to February 12, 2021 relative to Probation's current procedures for assigning, tracking, and decommissioning potentially high liability assets. I agree with the recommendations set forth in the attachments provided with the draft. Probation will adopt these recommendations and incorporate them within six to nine months as follows:

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- Draft written procedures documenting the practices currently in place for performing inventory counts, disposing (selling) of assets, and confirming employees' possession of department issued firearms.

2. Inventory Practices Not Documented in Writing

Comment

Probation records assets with a purchase price in excess of a \$5,000 value in the COMPASS account system in accordance with the Sacramento County Asset Capitalization Policy. In addition, Probation tracks its' assets, including some assets valued under \$5,000, in a separate Inventory Application named Quarter Master. We noted that inventory and reconciliation practices for non-firearm assets, while performed, are not fully documented in writing. We also noted that several assets were not input into Quarter Master.

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

It appeared that Probation's management did not completely establish or update its property policies and procedures related to capital assets in the Quarter Master inventory application software.

Recommendation

We recommend that procedures related to inventory taking and reconciliation of assets is documented in writing.

Management Response:

I agree with the recommendations set forth in the attachments provided with the draft. Probation will adopt these recommendations and incorporate them within six to nine months as follows:

Document procedures related to inventory accounting and reconciliation of capital assets. A request was submitted to Probation's Policy and Procedure unit to begin drafting such practices and procedures.