

AUDITOR-CONTROLLER

Arlene Barrera
AUDITOR-CONTROLLER

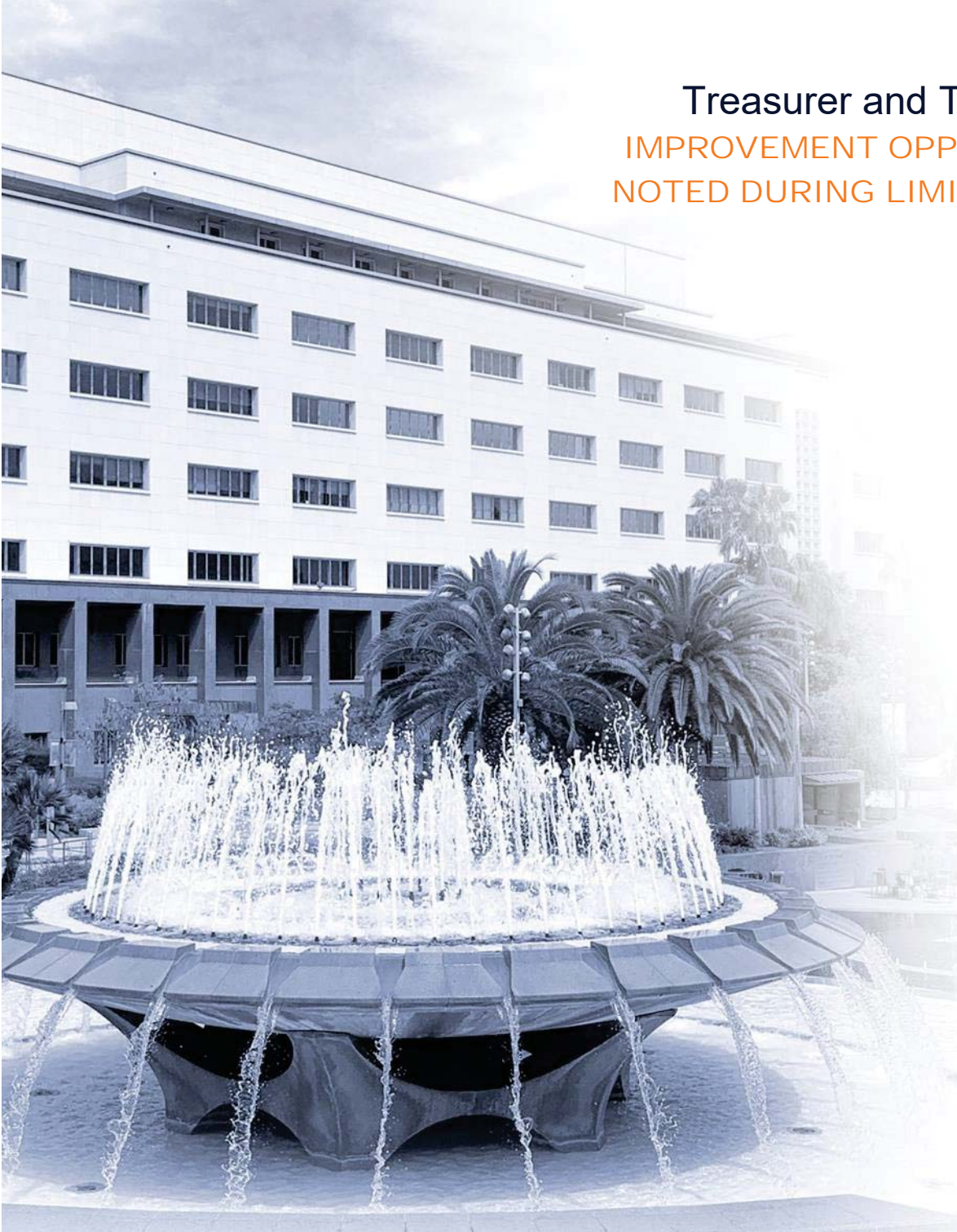
Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert Campbell
DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

December 3, 2019

Treasurer and Tax Collector IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14321



NUMBER OF RECOMMENDATIONS	
PRIORITY 1	1
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS	
PRIORITY 2	0
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS	
PRIORITY 3	0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS	



BOARD OF SUPERVISORS

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Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

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ARLENE BARRERA
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

ADDRESS ALL CORRESPONDENCE TO:
OFFICE OF COUNTY INVESTIGATIONS
500 W. TEMPLE ST., ROOM 515
LOS ANGELES, CA 90012-3756

December 3, 2019

TO: Keith Knox, Acting Treasurer and Tax Collector
Treasurer Tax Collector

FROM: Robert G. Campbell, Chief
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2018-14321**

During a limited review at Treasurer Tax Collector (TTC), we noted an area where TTC can strengthen its internal controls over the Public Administrator (PA) vault to assist in safeguarding decedent property. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and our recommendation. The Auditor-Controller's follow-up process and internal control disclosures are included in Attachment II.

Review of Report

We discussed our report with TTC management. The Department's response (Attachment III) indicates **general agreement** with our findings and recommendations.

We thank TTC management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 893-0058, or your staff may contact Chief Investigator, Greg Hellmold at (213) 893-0243.

RGC:GH:gl
IOR-2018-14321

Attachments

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division

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**TREASURER TAX COLLECTOR
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14321**

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P ¹	SUMMARY OF RESPONSE
1	<p>Vault and Decedent Property Security: We noted that Treasurer and Tax Collector (TTC) Public Administrator (PA) does not have a process for monitoring access to the PA vault where decedent property is stored, such as requiring dual-custody, video surveillance, access-control mechanisms such as keycards, and/or a detailed property sign-in/out log to identify each individual who accesses the vault and the purpose of their access.</p> <p>We also noted several instances where PA tamper-evident property bags containing decedent property stored in the PA vault had been torn open, and subsequently re-sealed with a PA sticker affixed to the exterior, and/or the contents were placed into a new PA property bag. In each of these instances, PA management could not identify who accessed the vault or opened the property bags, the purpose of the access, and what items, if any, were removed from the bags.</p>	<p>Decedent property held for safekeeping may be susceptible to undetected theft/loss.</p>	<p>TTC management:</p> <ol style="list-style-type: none"> a. Implement controls to systematically document and monitor access to the PA vault. b. Establish formal policies and procedures for opening property bags including but not limited to documenting the reasons for accessing property bags, identifying any decedent property removed, and identifying the employee(s) responsible. c. Establish a formal process to have someone with no other PA responsibilities conduct a periodic, independent review of a sample of PA vault contents to ensure that access to property bags containing decedent property is consistently and properly documented, that opened bags are re-sealed in a consistent and secure manner, and that the storage of decedent property in the vault otherwise complies with PA policies and procedures. 	1	<p>Agree Target Implementation Date: February 28, 2020</p> <p>TTC's response indicates that they will implement security and internal controls over the vault and decedent property in areas noted in the review.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

FOLLOW-UP AND INTERNAL CONTROL DISCLOSURES

***FOLLOW-UP
PROCESS*** The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

***MANAGEMENT'S
RESPONSIBILITY
FOR INTERNAL
CONTROLS*** As indicated in County Fiscal Manual Section 1.0, management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.

***LIMITATIONS OF
INTERNAL
CONTROLS*** Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.



KEITH KNOX

ACTING TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR**

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
Telephone: (213) 974-2101 Fax: (213) 626-1812
ttc.lacounty.gov and lacountypropertytax.com

Board of Supervisors

HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

JANICE HAHN
Fourth District

KATHRYN BARGER
Fifth District

November 20, 2019

TO: Robert G. Campbell, Chief
Office of County Investigations

FROM: Keith Knox 
Acting Treasurer and Tax Collector

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND
RECOMMENDED CORRECTIVE ACTIONS – REPORT #2018-14321**

The Department has reviewed the Auditor-Controller's report and agrees with the findings and recommendations. Attached is the Department's plan of corrective action.

If you have any questions, please contact me at (213) 974-2101, or your staff may contact Lisa Proft, Assistant Treasurer and Tax Collector at (213) 974-0418.

KK:NI:en

Attachment

**TREASURER TAX COLLECTOR
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14321
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: VAULT AND DECEDENT PROPERTY SECURITY	
A/C Recommendation	<p>TTC management:</p> <ol style="list-style-type: none"> a. Implement controls to systematically document and monitor access to the PA vault. b. Establish formal policies and procedures for opening property bags including but not limited to documenting the reasons for accessing property bags, identifying any decedent property removed, and identifying the employee(s) responsible. c. Establish a formal process to have someone with no other PA responsibilities conduct a periodic, independent review of a sample of PA vault contents to ensure that access to property bags containing decedent property is consistently and properly documented, that opened bags are re-sealed in a consistent and secure manner, and that the storage of decedent property in the vault otherwise complies with PA policies and procedures.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	<ol style="list-style-type: none"> (a) PA will implement and enforce PA Operating Policy 200.15 Dual Custody in the Vault, evaluate the feasibility of installing video surveillance equipment and individually-assigned keycards for access to the Vault, and implement a sign-in/sign-out log for all staff not assigned to the Vault, to monitor access. (b) PA Operating Policy 810.02 establishes a formal procedure for opening sealed property bags and documenting the removal of the contents. To ensure the procedure is consistently followed, the PA will develop a formal training and train all affected staff. (c) PA Operating Policy 810.08 establishes a formal process for periodic, independent reviews of PA Vault contents to ensure that access to Vault contents is properly documented and that storage of property in the Vault complies with PA policies and procedures. The independent reviews are conducted monthly by PA staff independent of Vault operations. In addition, we will require the Internal Controls Branch staff, whom have no other PA responsibilities, to conduct an independent review on an annual basis of a sample of vault contents and corresponding documentation.
Planned Implementation Date	February 28, 2020

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 1: VAULT AND DECEDENT PROPERTY SECURITY

**Additional
Information
(optional)²**

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¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.
² In this section the Department can provide any background or clarifying information they believe is necessary.

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.