



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

OFFICE OF COUNTY INVESTIGATIONS
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 514
LOS ANGELES, CALIFORNIA 90012-3557

ARLENE BARRERA
AUDITOR-CONTROLLER

OSCAR VALDEZ
CHIEF DEPUTY AUDITOR-CONTROLLER

ASSISTANT AUDITOR-CONTROLLERS:

PETER HUGHES
KAREN LOQUET
CONNIE YEE

November 18, 2021

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

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

SUBJECT: **DEPARTMENT OF TREASURER TAX COLLECTOR – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (REPORT #IOR-2018-14321) - FIRST AND FINAL FOLLOW-UP REVIEW**

We completed a follow-up review of the Department of Treasurer and Tax Collector (TTC or Department) Improvement Opportunities Noted during Limited Review dated December 3, 2019 (Report #IOR-2018-14321). As summarized in Table 1, TTC fully implemented the one recommendation to strengthen internal controls over decedent property held by the Public Administrator.

Table 1 - Results of First Follow-up Review

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS		
		FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	1	1	0	0
PRIORITY 2	0	0	0	0
PRIORITY 3	0	0	0	0
TOTAL	1	1	0	0
				0

Attachment I details our review and the Department’s corrective actions. Since TTC implemented the Priority 1 recommendation, this is our first and final follow-up.

We thank TTC management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0058 or rcampbell@auditor.lacounty.gov, or your staff may contact Supervising Investigator Tim Takara at (213) 893-0918 or ttakara@auditor.lacounty.gov.

RGC:GH:TT:gls

Attachment

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

Report #F1-2018-14321

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert Campbell
DIVISION CHIEF

Office of County Investigations

Report #F1-2018-14321

**DEPARTMENT OF TREASURER TAX COLLECTOR
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (#IOR-2018-14321)
FIRST AND FINAL FOLLOW-UP REVIEW**

RECOMMENDATION	A-C COMMENTS
<p>1 Priority 1 – Department of Treasurer and Tax Collector (TTC) management:</p> <ul style="list-style-type: none"> a. Implement controls to systematically document and monitor access to the Public Administrator (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. <p>Original Issue/Impact: Vault and Decedent Property Security: TTC 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. 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>Recommendation Status: Implemented</p> <ul style="list-style-type: none"> a. We reviewed TTC’s Policy 200.15, Dual Custody, which was revised on December 18, 2019 and now requires staff to follow dual custody when accessing the PA vault. Further, in November 2019, the PA instituted a sign-in/sign-out log to document entry/exit to/from the PA vault area. We reviewed samples of the TTC sign-in/sign-out log and noted that the log requires staff to log the date, time in and time out, and purpose of entering the PA vault area as well as list their name and signature. TTC management indicated that they evaluated the feasibility of installing surveillance cameras and individually assigned keycards for access to the vault, but determined that they are currently not feasible to install due to budgetary constraints. b. We noted that TTC’s revised Policy 200.15 requires staff to always practice dual custody, including but not limited to opening, inspecting, or collecting assets from any location, conducting cursory searches, and during the drayage procedures, as well as when transporting and storing assets at the Warehouse and the vault. TTC provided training materials and sign-in sheets indicating that they held eight trainings on six different dates throughout 2019 and 2021. The trainings covered vault security, handling and securing assets, cash handling, audit trails/internal controls, and vault procedures policies and procedures including but not limited to Policy 200.15 and Policy 810.02, Releasing Property from the Vault.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency’s operations if corrective action is not taken.

RECOMMENDATION	A-C COMMENTS
	<p>c. TTC reinstated practices listed on PA Policy 810.08, Periodic Spot Check of Estate Property at the Vault, which establishes a formal process for an annual independent review of PA vault contents and therefore fully implemented the initial recommendation. We noted TTC Internal Controls Branch (ICB) audited a sample of PA vault contents on July 14, 2021. We reviewed the report prepared by ICB staff and noted that ICB identified instances where decedent property was not properly accounted for or updated according to PA policies and procedures. As a result, TTC management reported ICB staff will conduct a follow-up review by December 31, 2021. As an additional internal control, TTC reported that TTC Accounting staff conduct monthly reviews of PA vault contents but currently do not formally document such reviews. However, TTC indicated they will begin to formally document TTC Accounting staff's future reviews. Since TTC fully implemented the recommendation to establish a formal process to conduct a periodic review of PA vault contents by having ICB staff audit the PA vault, OCI will not conduct a follow-up review to verify that the monthly reviews are also documented.</p>

We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.