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DEPARTMENT OF AUDITOR-CONTROLLER

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March 3, 2022

TO: Keith Knox
Treasurer and Tax Collector

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

SUBJECT: DEPARTMENT OF TREASURER AND TAX COLLECTOR -
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
(REPORT #IOR-2017-13727) - 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 Report dated April 16, 2019 (Report #IOR-2017-13727). As summarized in Table 1, TTC implemented the five recommendations to strengthen its internal controls over Public Administrator functions to improve security over cash marshaled during drayage operations.

Table 1 - Results of First Follow-up Review

Table with 5 columns: PRIORITY RANKINGS, TOTAL RECOS, FULLY IMPLEMENTED, PARTIALLY IMPLEMENTED, NOT IMPLEMENTED. Rows include PRIORITY 1, PRIORITY 2, PRIORITY 3, and TOTAL. A summary row shows 0 outstanding recommendations.

[1] For one of the implemented recommendations, we noted that the department adequately considered and evaluated taking the action as recommended, but ultimately elected not to take the requisite action for part of the recommendation.

For details of our review and the Department's corrective actions see Attachment. Since TTC implemented all the recommendations, 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 at rcampbell@auditor.lacounty.gov, or your staff may contact Supervising Investigator Tim Takara at (213) 893-0918 or ttakara@auditor.lacounty.gov.

RGC:AS:TT
Attachment

c: Arlene Barrera, Auditor-Controller
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# LOS ANGELES COUNTY AUDITOR-CONTROLLER

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Office of County Investigations

Report #F1-2017-13727

**DEPARTMENT OF TREASURER AND TAX COLLECTOR  
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (#IOR-2017-13727)  
FIRST AND FINAL FOLLOW-UP REVIEW**

	RECOMMENDATION	A-C COMMENTS
<p><b>1</b> <b>Priority 1</b> – Treasurer and Tax Collector (TTC) management ensure that all personnel assigned to the Public Administrator (PA) function are trained on and aware of policies and procedures for securing, counting, and handling cash and other valuables, including the requirements to immediately secure and count cash upon discovery, to always maintain dual custody over cash, and that they have an affirmative responsibility to immediately report policy violations and discrepancies to TTC management.</p> <p><b>Original Issue/Impact:</b> We found that PA staff did not follow TTC/PA cash handling policies in a recent drayage case. Specifically, they:</p> <ul style="list-style-type: none"> <li>• Did not immediately secure and count a large amount of cash found at a drayage site.</li> <li>• Left cash unattended in a common area accessible to employees and contractors at the drayage site while performing other, lower priority tasks, and again when they left the site for lunch.</li> <li>• Did not maintain dual custody over cash. The drayage team leader opened envelopes of cash by herself, without a witness.</li> <li>• Did not count all of the cash. Drayage team members counted bands of cash which they assumed contained \$2,000 each, rather than counting each bill. The bank subsequently reported a \$300 shortage in the cash deposit.</li> <li>• Did not intervene or immediately report the serious violations of TTC asset handling policies to management at the time they observed them.</li> </ul> <p>Leaving cash unattended, not securing cash upon discovery, removing cash from a drayage site, opening/handling cash without a witness, and failing</p>	<p><b>Recommendation Status: Implemented</b></p> <p>TTC indicated they trained staff on “Internal Controls/Audit Trails/Documentation” on March 20, 2019, “Cash Handling” and “Handling and Securing Assets” on June 12, 2019, and “Vault Procedures” on October 22, 2019, and that these trainings are now conducted quarterly for deputized staff. Trainings were temporarily suspended in 2020 due to COVID-19, but resumed in 2021. We reviewed the presentations and sign-in sheets for each training and confirmed they included sections on PA Policy 400.06 – Securing Negotiable Assets, Jewelry &amp; High Value Items, and Firearms and PA Policy 610.40 – Drayage of Personal Property, which addressed the security and dual custody over cash, as well as the roles and responsibilities of PA staff.</p> <p>In addition, TTC informed us PA managers and supervisors discuss policies and procedures regarding cash handling as a routine matter of business at weekly, monthly, quarterly, and bi-annual meetings. Further, all PA policies and procedures are available online on a shared drive, which all staff have access to and are physically posted in six areas of the PA work area. TTC management provided screenshots of the procedures posted online and photographs of the policies posted in the PA workspace.</p>	

**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
	to count all cash marshaled at a drayage increases the risk of theft or loss, and compromises the integrity of PA operations. This prevents the PA from determining if all estate assets are properly accounted for and diminishes public trust and confidence in the PA function.	
2	<p><b>Priority 1</b> – TTC/PA management ensure that employees with drayage responsibilities are aware of and comply with TTC/PA Policy 610.40, including the importance of properly documenting changes made to the property sheets to establish accountability over cash and other high value assets, and the requirement to notify a supervisor when corrections must be made.</p> <p><b>Original Issue/Impact:</b> The drayage team leader altered a signed Property Sheet to change the amount of cash reported, after the bank determined that the deposit contained \$300 less than indicated. The reason for the change was not noted on the Property Sheet and no entries were made in the TTC case notes to explain the \$300 shortage. Further, the team leader did not notify her supervisor of the shortage.</p> <p>Altering a property sheet after it has been finalized and signed by the drayage team leader and a witness compromises the chain of custody over marshaled assets, and the integrity of PA operations. Unaccountable alterations increase the risk that estate assets may be lost or stolen.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>TTC indicated they conducted “Internal Controls/Audit Trails/Documentation” training on March 20, 2019, “Cash Handling” and “Handling and Securing Assets” training on June 12, 2019, and “Vault Procedures” training on October 22, 2019. We reviewed the presentations and sign-in sheets for each training and confirmed the “Handling and Securing Assets” training included a section on PA Policy 610.40. We also confirmed the “Vault Procedures” training included sections on completing and correcting property sheets. Additionally, we confirmed the “Internal Controls/Audit Trails/Documentation” training included a section on audit trails and holding staff accountable for the validity, correctness, and appropriateness of their work.</p>

RECOMMENDATION	A-C COMMENTS
<p><b>3</b> <b>Priority 1</b> – TTC/PA management remind the PA drayage deputies of TTC/PA Policy 400.06 and the importance of receiving a copy of the signed property sheet to establish accountability over cash and other estate assets.</p> <p><b>Original Issue/Impact:</b> The team leader did not provide the second deputy with a copy of the Property Sheet after he signed it as a witness.</p> <p>Providing the witness with a copy of the Property Sheet serves as a check and control to ensure that the marshaled property is accurately accounted for and reported. When this control is compromised, it increases the risk that estate assets may be lost or stolen.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>TTC indicated that PA drayage deputies received training on PA Policy 400.06 as part of the “Handling and Securing Assets” training on June 12, 2019, and “Vault Procedures” training on October 22, 2019. We confirmed the trainings by reviewing the presentations and sign-in sheets, which included sections on completing and correcting property sheets. Additionally, TTC indicated they rotate staff on/off the drayage assignment every six months, which requires additional training prior to rotating onto the assignment.</p>
<p><b>4</b> <b>Priority 1</b> – TTC should consider implementing periodic cash handling training for all PA staff and should retain documentation of the training, such as a signed acknowledgment from each trainee that they received, understand, and agree to follow the policies and requirements presented in the training.</p> <p><b>Original Issue/Impact:</b> While TTC/PA staff are trained on relevant policies, they do not formally acknowledge that they received, understand, and agree to follow the policies presented in the training.</p> <p>A formal acknowledgment of training provides additional reinforcement to staff that the matters trained on are significant, increasing the likelihood of compliance. Formal acknowledgments also provide support for administrative and other corrective actions when non-compliance occurs.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>PA drayage deputies received “Cash Handling” training on June 12, 2019 and June 30, 2021, and we received and reviewed the sign-in sheets for these trainings. TTC indicated that after each training, they require staff to sign certificates attesting that they attended the training and “agree to follow the policies outlined in the training.” TTC management provided examples of completed training certificates, and we confirmed that they included the attestation. Further, TTC indicated that the certificates are filed in the employees’ personnel files.</p>

	<b>RECOMMENDATION</b>	<b>A-C COMMENTS</b>
<p><b>5a</b> <b>Priority 1</b> – TTC/PA management consider revising TTC/PA policies to include specific requirements that:</p> <ul style="list-style-type: none"> <li>• Upon discovery, staff establish and maintain dual custody over cash and equivalents until the cash has been documented, counted for deposit, and secured in a deposit envelope or equivalent container.</li> <li>• Cash never be left unattended.</li> <li>• Cash above a threshold amount be reported immediately to a supervisor, and after being inventoried and secured, transported without delay for deposit at a bank or in the TTC’s vault.</li> </ul> <p><b>Original Issue/Impact:</b> TTC/PA should develop more proscriptive policies and controls for handling cash and cash equivalents, to provide unambiguous guidance for PA staff with cash handling responsibilities.</p> <p>Clearly defined, proscriptive policies and procedures, particularly in high risk areas such as cash handling, may assist employees in complying with internal control requirements, and promotes accountability.</p>	<p><b>Recommendation Status: Implemented</b></p> <p>TTC indicated PA Policy 400.25 - Cash Control Worksheet and Quick Deposit was revised on February 13, 2020 and issued on March 4, 2020. We noted the policy states, “Upon discovery, staff must establish and maintain dual custody over the cash and cash equivalents until the items have been accounted for and secured. Cash must never be left unattended.” It also states, “When cash or cash equivalent items in an amount exceeding \$2,000 are found, staff must call a Supervisor immediately and report the findings. Staff must immediately deposit the cash at the nearest Bank of America branch.” In addition, we noted that one of the objectives of the Cash Handling training was to obtain knowledge of PA Policy 400.25, and the policy is discussed in the presentation.</p>	
<p><b>5b</b> <b>Priority 1</b> - TTC/PA Management should also evaluate the feasibility of:</p> <ul style="list-style-type: none"> <li>• Obtaining assistance of the Sheriff’s Department (Sheriff) in securing and transporting large amounts of cash and other valuables/firearms when located at a drayage, to ensure the safety of PA staff and the security of the marshaled property.</li> <li>• Using technology, such as body-worn or portable cameras, to document drayage field operations to provide independent assurance that drayages are conducted in accordance with applicable policies and controls, and to assist in resolving claims of loss, theft, or impropriety.</li> </ul>	<p><b>Recommendation Status: Considered and Evaluated as Recommended</b></p> <p>TTC reported holding several meetings with the Sheriff about securing and transporting large amounts of cash and other valuables. According to TTC, the Sheriff indicated they charge an hourly rate for the Deputies’ time, with a minimum of four hours, and a minimum of two Deputies per occurrence to travel throughout the County to assist the PA Deputies. Since PA Deputies conduct 50 – 60 field calls each month, TTC determined that employing Sheriff’s Deputies to assist the PA with transporting large sums of cash was not financially feasible. Additionally, TTC reached out to Santa Monica Police Department and Los Angeles Police Department and requested assistance when PA Deputies were working in the field, and both departments were not responsive to a request for assistance by the PA Deputies transporting valuables.</p>	

**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>TTC management also indicated that they discussed with the Sheriff the cost for body-worn cameras and determined that the implementation of body-worn cameras is cost prohibitive. According to TTC, the Sheriff indicated the infrastructure required to implement the program was extensive and TTC determined the costs were not feasible.</p> <p>Additionally, TTC reviewed a Chief Executive Office memo to the Board of Supervisors, dated August 30, 2019, regarding the detailed budget analysis on Body-Worn Cameras for the Sheriff, as well as the Appropriation Adjustment Transferring Funding from Provisional Financing Uses to the Sheriff's Operating Budget dated December 17, 2019, for the purposes of funding the Body-Worn Cameras initiative. TTC indicated their review of these documents confirmed previous conversations that the costs were not feasible for TTC.</p> <p>TTC management also stated they require PA Deputies to use their County issued cell phones to photograph the drayage location and document the condition of the premises and, any significant findings such as a large amount of cash or other valuable assets per TTC Policy 400.06. Additionally, TTC management stated PA Deputies use Facetime to communicate with their supervisors about such findings.</p> <p>Further, TTC management indicated they will assess the feasibility of implementing portable cameras to take videos of the drayage and the logistics of such an operation, and also discuss with a union representative the concept of represented staff being video recorded throughout their workday.</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](http://auditor.lacounty.gov/audit-process-information).

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