

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**ITEM: 2.3  
(ID # 19187)**

**MEETING DATE:**  
Tuesday, June 07, 2022

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2022-009: Riverside County Transportation and Land Management Agency, Aviation Audit, District: All. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-009: Riverside County Transportation and Land Management Agency, Aviation Audit

**ACTION: Consent**

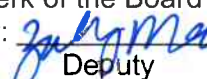
  
Tanya Harris, Assistant Auditor Controller 5/19/2022

---

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: June 7, 2022  
xc: Auditor

Kecia R. Harper  
Clerk of the Board  
By:   
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	N/A

**C.E.O. RECOMMENDATION:** Approve.

**BACKGROUND:**

**Summary**

In accordance with Board of Supervisors Resolution 83-338, we audited of the Transportation and Land Management Agency, Aviation Audit. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management, maintenance of airport grounds, and payment collection process.

Our conclusion and details of our audit are documented in the body of this audit report.

**BACKGROUND:**

**Summary (continued)**

We will follow-up in one year to determine if actions were taken to correct the findings noted.

**Impact on Citizens and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2022-009: Riverside County Transportation and Land Management Agency, Aviation Audit

**Internal Audit Report 2022-312**

**Riverside County  
Transportation and Land  
Management Agency,  
Follow-Up Audit**

**Report Date: June 7, 2022**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

[www.auditorcontroller.org](http://www.auditorcontroller.org)



**COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER**

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802

**ACO | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA  
Riverside County Auditor-Controller**

**Tanya S. Harris, DPA, CPA  
Assistant Auditor-Controller**

June 7, 2022

Charissa Leach  
Director  
Riverside County Transportation and Land Management Agency  
4080 Lemon Street, 14th Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2022-312: Riverside County Transportation and Land Management Agency, Follow-up Audit**

Dear Ms. Leach:

We completed the follow-up audit of Transportation and Land Management Agency. Our audit was limited to reviewing actions taken as of March 31, 2022, to help correct the findings noted in our original audit report 2018-025 dated June 13, 2019.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained two recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the two recommendations were implemented.

**Internal Audit Report 2022-312: Riverside County Transportation and Land Management Agency,  
Follow-up Audit**

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2018-025 at [www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/Internal Audit Reports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports).

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
Jeff A. Van Wagenen, County Executive Officer  
Grand Jury

## Table of Contents

	Page
<b>Results:</b>	
Capital Assets.....	4
<b>Attachments:</b>	
A. Internal Audit Report 2018-025	
B. Status of Findings as Reported by TLMA on March 31, 2022	

## Capital Assets

### **Finding 1: Tagging and Entering Capital Assets into the Asset Management Module**

Agency is not properly tagging and entering capital assets in the Asset Management Module. Our test of 31 capital assets identified the following:

- Three assets did not have the proper county tag attached
- Two assets had incorrect serial ID number's listed in the Asset Management Module and one had an incorrect tag attached
- Two assets had not been operable for over 10 years and should have been surplus

SPM 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." A secondary review and approval process to ensure all capital assets were properly tagged and entered in the Asset Management Module correctly or timely is not in place. Not tagging capital assets, maintain asset information, and remove surplus assets increases the risk of asset misappropriation and inaccurate reporting.

### **Recommendation 1**

Ensure all capital assets have an attached asset tag number, agree to the information listed in the Asset Management Module, and are surplus timely.

### **Current Status 1: Implemented**

### **Finding 2: Capital Asset Retirements**

Capital asset retirements were not reported to the Auditor-Controller's Office in a timely manner. Out of a sample of 15 assets, four (27%) were submitted to the Auditor-Controller's Office for removal an average of 229 days after the date of disposition. The department's policy and procedures do not address a timeframe to submit the retirements. SPM 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form must be submitted to the Auditor-Controller's Office with all supporting documentation as soon as possible." Reporting the retirements of capital assets in an untimely manner result in loss of control over assets and/or misstating the value of capital assets.

**Recommendation 2**

Develop and follow a written capital asset policy to include a maximum 30-day reporting requirement to the Auditor-Controller's Office for asset retirements.

**Current Status 2: Implemented**



# **Attachment A**

**Internal Audit Report 2018-025**

**Riverside County  
Transportation and Land Management  
Agency Audit**

**Report Date: June 13, 2019**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

[www.auditorcontroller.org](http://www.auditorcontroller.org)



**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802

**ACO** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

Oscar Valdez  
Assistant Auditor-Controller

June 13, 2019

Juan Perez  
Assistant Chief Executive Officer/Director  
Transportation and Land Management Agency  
4080 Lemon Street, 14<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2018-025: Riverside County Transportation and Land Management Agency Audit**

Dear Mr. Perez:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Transportation and Land Management Agency to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital assets.



**Internal Audit Report 2018-025: Riverside County Transportation and Land Management Agency Audit**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the correction actions.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
George Johnson, County Executive Officer  
Grand Jury

## Table of Contents

	<b>Page</b>
<b>Executive Summary</b> .....	4
<b>Results:</b>	
<b>Capital Assets</b> .....	5



## Executive Summary

### Overview

The Transportation and Land Management Agency (Agency) consists of six different departments including Administrative Services, Building and Safety, Code Enforcement, Environmental Programs, Planning, and Transportation. Agency has a budget of \$233 million for fiscal year 2018-19.

### Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over capital assets. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

### Audit Scope and Methodology

We conducted the audit from August 10, 2018, through November 8, 2018, for operations from July 1, 2016, through November 2, 2018. Following a risk based approach, our scope focused on capital assets.

### Audit Highlights

#### *Existing Conditions*

The current processes have not mitigated the following areas:

- The internal controls over capital assets are not operating effectively. Further, capital asset retirements are not consistently reported to the Auditor-Controller's Office in a timely manner.

#### *Improvement Opportunities*

The improvement opportunities are in the following risk areas:

- Agency should ensure all capital assets have an attached asset tag number and agree to the information listed in the Riverside County financial system asset management module. Further, Agency should develop and follow a written capital asset policy to include a maximum 30 day reporting requirement to the Auditor-Controller's Office for asset retirements.

### Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital assets.

## Capital Assets

### Background

The Auditor-Controller's Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure, buildings and improvements, equipment, livestock, and intangible assets. Capital assets include real property such as buildings, land, and land improvements, regardless of value, as well as vehicles, machineries, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 501 requires all real property with a value of \$1 and all capital assets with a value of \$5,000 or more to be recorded in the Riverside County financial system asset management module (Asset Management Module). SPM 516, *Capital Asset Tags*, requires that capital assets be tagged or marked as county property.

As of August 9, 2018, Agency maintained 10,797 capital assets in the Asset Management Module, consisting of owned vehicles, leased vehicles, equipment, buildings, software, infrastructure, and land with the combined acquisition cost of over \$2.6 billion. Approximately 10,115 of capital assets are infrastructure, and 682 are equipment and vehicle related.

### Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards
- Collected and reviewed Agency's policies and procedures
- Collected Agency's most recent capital asset certification
- Reviewed a sample of expenditures from appropriation two and four accounts
- Queried the Asset Management Module for a listing of capital assets, as of August 9, 2018
- Selected a sample from the 682 equipment and vehicle related capital assets
- Reviewed a list of capital assets retired during our audit period

### **Finding 1: Tagging and Entering Capital Assets into the Asset Management Module**

Agency is not properly tagging and entering capital assets in the Asset Management Module. Our test of 31 capital assets identified the following:

- Three assets did not have the proper county tag attached
- Two assets had incorrect serial ID number's listed in the Asset Management Module and one had an incorrect tag attached
- Two assets had not been operable for over 10 years and should have been surplused

SPM 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." A secondary review and approval process to ensure all capital assets were properly tagged, and entered in the Asset Management Module correctly or timely is not in place. Not tagging capital assets, maintain asset information, and remove surplused assets increases the risk of asset misappropriation and inaccurate reporting.

#### **Recommendation 1**

Ensure all capital assets have an attached asset tag number, agree to the information listed in the Asset Management Module, and are surplused timely.

#### **Management's Response:**

**"Partially Concur.** The Transportation and Land Management Agency (TLMA) has 10,797 individual capital assets in the PeopleSoft asset management module, consisting of owned vehicles, leased assets, equipment, buildings, software, infrastructure and land. These assets are located at 16 TLMA facilities throughout the County. The bulk of these assets belong to the Transportation Department. All TLMA departments maintain tracking forms for each asset and perform a physical inventory at each location at the end of the fiscal year in order to validate the tracking forms and to prepare a capital asset certification listing that is submitted to the Auditor Controller's office each year-end. During the period under review, TLMA added 193 new capital assets and disposed of 95.

During the audit, the Auditor requested and was provided with an additional 7 assets for testing, so the number of assets tested was 38, not 31 as stated in Finding 1.

Response to findings:

*Three assets did not have the proper county tag attached.*

Transportation set-up the asset for Thermolazer (Striping Equipment), and requested the asset tag from the ACO but it was never received. In the interim, the department added their own tag. Going forward, if a requested tag has not been received by the department within 30 days, we will follow up with the ACO to ensure a tag is issued.

**Internal Audit Report 2018-025: Riverside County Transportation and Land Management Agency  
Audit**

One vehicle had the wrong tag which was pointed out to the auditor by Transportation staff and has since been corrected.

An HP copier tag was missing, however, it is apparent that one had been placed previously. While conducting future annual physical inventories, the department will ensure that all assets have retained their asset tag, and will report any missing asset tags and if necessary request a new asset tag from the Auditor Controllers office.

*Two assets had incorrect serial ID numbers listed in the asset management Module and one had an incorrect tag attached.*

The Chassis ID was inadvertently used as VIN# on these two assets in the Asset module of People Soft, it has now been corrected. The Transportation Department's fleet operations group and garage accounting section will remain diligent in recording and entering this information correctly into the people soft asset module.

*Two assets had not been operable for 10 years and should have been surplused.*

These assets are two compactors that are used in the materials lab. These were set aside as back-ups, and although not regularly used, were not inoperable. These two assets will be surplused. These assets had been fully depreciated so there was no negative fiscal impact. During future physical inventories, Transportation staff will verify if any underutilized assets should be surplused."

Actual/estimated Date of Corrective Action: **April 20, 2019**

### **Auditor's Comment**

As explained to Agency officials, we tested 31 assets as part of our capital asset testing. Separately, we conducted testing for 15 capital asset purchases. This included the testing of different attributes unrelated to the asset testing conducted with the other 31 assets. No issues were identified as part of this second test. As such, no issues were reported.

### **Finding 2: Capital Asset Retirements**

Capital asset retirements were not reported to the Auditor-Controller's Office in a timely manner. Out of a sample of 15 assets, four (27%) were submitted to the Auditor-Controller's Office for removal an average of 229 days after the date of disposition. The department's policy and procedures do not address a timeframe to submit the retirements. SPM 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form must be submitted to the Auditor-Controller's Office with all supporting documentation as soon as possible." Reporting the retirements of capital assets in an untimely manner results in loss of control over assets and/or misstating the value of capital assets.



## Recommendation 2

Develop and follow a written capital asset policy to include a maximum 30 day reporting requirement to the Auditor-Controller's Office for asset retirements.

### Management's Response:

**"Partially Concur.** A reporting requirement of 30 days is not feasible for the Transportation Department for a majority of its capital assets. For vehicles and equipment that are sent to auction for disposal, Transportation cannot submit the appropriate form to the ACO until they have received the proceeds from the sale from the auction company. It usually takes 30 to 60 days from the auction date for the Transportation Department to receive the proceeds.

Going forward for auction items, the Transportation Department will notify the ACO when an asset is sent to auction, and once the auction proceeds have been received by Transportation, the appropriate form will be filed within 30 days of receiving the proceeds from the sale.

The ACO provided TLMA with a query of asset disposals that shows that TLMA disposed of 95 Assets in the asset management module of PeopleSoft for the period under audit.

The Transportation Department's AM-7 forms (Capital Asset Disposition form) have been submitted in a timely manner within the same fiscal year. Even if each of these assets had not been already fully depreciated, depreciation is calculated at the end of each fiscal year so there is no negative fiscal impact. TLMA has implemented a procedure that we will notify the ACO within 30 days of receiving funds or the sale of surplus equipment and property.

Four assets were not reported timely to the Auditor's office out of 95 retired during the audit period. The microfilm reader and microfiche reader disposal paperwork was submitted to the ACO within the same fiscal year of disposal.

The Pedley Yard had a useful life of 20 Years and while not fully depreciated, disposal was reported within the same fiscal year. The Yard was declared a surplus asset and sold to the private sector. The Transportation Department was awaiting until the close of escrow to file the appropriate form which added approximately 90 days to the filing.

Survey Department equipment was stolen from the worksite on 7-21-16. The appropriate form was submitted late to the ACO due to a pending police investigation. The police report was received by the Department 12-19-16 and the appropriate form was filed shortly thereafter."

Actual/estimated Date of Corrective Action: **April 30, 2019**

**Auditor's Comment**

As explained to Agency officials, we sampled 15 retired assets during the audit period and identified an error rate of 27%. These results, identified a significant deviation from county procedures that help ensure the integrity of information recorded in all of our systems.


# Attachment B



**COUNTY OF RIVERSIDE**  
**Transportation and Land Management Agency**  
**Charissa Leach**  
**Assistant CEO/TLMA Director**

Transportation      Planning      Building & Safety      Code Enforcement      Aviation

The following is the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2018-025: Riverside County Transportation and Land Management Agency.

  
\_\_\_\_\_

3/31/22  
\_\_\_\_\_

Authorized Signature

Date

### Finding 1: Tagging and Entering Capital Assets into the Asset Management Module

Agency is not properly tagging and entering capital assets in the Asset Management Module. Our test of 31 capital assets identified the following:

- Three assets did not have the proper county tag attached
- Two assets had incorrect serial ID numbers listed in the Asset Management Module and one had an incorrect tag attached
- Two assets had not been operable for over 10 years and should have been surplused

SPM 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." A secondary review and approval process to ensure all capital assets are properly tagged and entered in the Asset Management Module correctly or timely is not in place. Not tagging capital assets, maintaining asset information, and removing surplused assets increases the risk of asset misappropriation and inaccurate reporting.

#### Current Status

Reported Finding Corrected?  Yes  No

The Transportation and Land Management Agency (TLMA) continues to improve asset reporting protocols and, has implemented the corrective action recommended by the ACO and has taken the actions previously outlined in the Management Response. A senior accounting staff member in each department is responsible for review of the asset listing. The asset listing is further reviewed and approved by Fiscal Management.

Fiscal staff in each department follows up with their Division Managers to review older assets for current utilization and determine if items should be removed at year end, and appropriate action is taken based on their input. As a result of this follow-up, the Transportation Department disposed of six radar signs in FY 21 that were over 16 years old.

## Recommendation 1

Ensure all capital assets have an attached asset tag number, agree to the information listed in the Asset Management Module, and are surplused timely.

## Management Reply

**"Partially Concur.** TLMA has 10,797 individual capital assets in the People Soft asset management module, consisting of owned vehicles, leased assets, equipment, buildings, software, infrastructure, and land. These assets are located at 16 TLMA facilities throughout the County. The bulk of these assets belong to the Transportation Department. All TLMA departments maintain tracking forms for each asset and perform a physical inventory at each location at the end of the fiscal year in order to validate the tracking forms and to prepare a capital asset certification listing that is submitted to the Auditor Controller's office each year-end. During the period under review, TLMA added 193 new capital assets and disposed of 95.

During the audit, the Auditor requested and was provided with an additional 7 assets for testing; the number of assets tested was 38, not 31, as stated in Finding 1.

Response to findings:

*Three assets did not have the proper County tag attached.*

Transportation set-up the asset for Thermolazer (Striping Equipment) and requested the asset tag from the ACO, but it was never received. In the interim, the department added their own tag. Going forward, if a requested tag has not been received by the department within 30 days, we will follow up with the ACO to ensure a tag is issued.

One vehicle had the wrong tag which was pointed out to the auditor by Transportation staff and has since been corrected.

An HP copier tag was missing; however, it is apparent that one had been placed previously. While conducting future annual physical inventories, the department will ensure that all assets have retained their asset tag and will report any missing asset tags. If necessary, the department will request a new asset tag from the Auditor Controllers office.

*Two assets had incorrect serial ID numbers listed in the Asset Management Module and one had an incorrect tag attached.*

The Chassis ID was inadvertently used as a VIN# on these two assets in the Asset module of People Soft and has now been corrected. The Transportation Department's fleet operations group and garage accounting section will remain diligent in recording and entering this information correctly into the People Soft asset module.

*Two assets had not been operable for 10 years and should have been surplused.*

These assets are two compactors that are used in the materials lab. These were set aside as back-ups, and although not regularly used, were not inoperable. These two assets will be surplused. These assets had been fully depreciated so there was no negative fiscal impact. During future physical inventories, Transportation staff will verify if any items have no negative fiscal impact.

During future physical inventories, Transportation staff will verify if any underutilized assets should be surplusd."

Actual/estimated Date of Corrective Action: **April 20, 2019**

#### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Assets are continuing to be tagged in accordance with the County's policy. Receipt of tags are monitored by Sr. Accounting staff and are secondarily requested from the ACO if not received. At physical inventory, staff will be asked to examine the asset tag for any damage or notate if it is missing and inform fiscal staff if a new tag is required during the year-end asset verification process.

#### Finding 2: Capital Asset Retirements

Capital asset retirements were not reported to the Auditor-Controller's Office in a timely manner. Out of a sample of 15 assets, four (27%) were submitted to the Auditor-Controller's Office for removal, an average of 229 days after the date of disposition. The department's policy and procedures do not address a timeframe to submit the retirements. SPM 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form must be submitted to the Auditor-Controller's Office with all supporting documentation as soon as possible." Reporting the retirements of capital assets in an untimely manner results in loss of control over assets and/or misstating the value of capital assets.

#### Current Status

Reported Finding Corrected?  Yes  No

Documentation for asset disposals by the fiscal team is completed and sent to the ACO as soon as possible after all supporting documentation has been received by the department, in accordance with SPM 514.

Auction items: The Transportation Department notifies the ACO when an asset is sent to auction, and once the auction proceeds have been received by Transportation, the appropriate form is filed within 30 days of receiving the proceeds from the sale. We make diligent effort to follow this process in all our TLMA departments.

#### Recommendation 2

Develop and follow a written capital asset policy to include a maximum 30-day reporting requirement to the Auditor-Controller's Office for asset retirements.

#### Management Reply

**"Partially Concur.** A reporting requirement of 30 days is not feasible for the Transportation Department for a majority of its capital assets. For vehicles and equipment that are sent to auction for disposal, Transportation cannot submit the appropriate form to the ACO until they have received

the proceeds from the sale from the auction company. It usually takes 30 to 60 days from the auction date for the Transportation Department to receive the proceeds.

Going forward for auction items, the Transportation Department will notify the ACO when an asset is sent to auction, once the auction proceeds have been received by Transportation, the appropriate form will be filed within 30 days of receiving the proceeds from the sale.

The ACO provided TLMA with a query of asset disposals that shows that TLMA disposed of 95 Assets in the asset management module of People Soft for the period under audit.

The Transportation Department's AM-7 forms (Capital Asset Disposition form) have been submitted in a timely manner within the same fiscal year. Even if each of these assets had not already been fully depreciated, depreciation is calculated at the end of each fiscal year so there is no negative fiscal impact. TLMA has implemented a procedure that we will notify the ACO within 30 days of receiving funds or the sale of surplus equipment and property.

Four assets were not reported timely to the Auditor's office out of 95 retired during the audit period. The microfilm reader and microfiche reader disposal paperwork were submitted to the ACO within the same fiscal year of disposal.

The Pedley Yard had a useful life of 20 Years and while not fully depreciated, disposal was reported within the same fiscal year. The Yard was declared a surplus asset and sold to the private sector. The Transportation Department was awaiting until the close of escrow to file the appropriate form which added approximately 90 days to the filing.

Survey Department equipment was stolen from the worksite on July 21, 2016. The appropriate form was submitted late to the ACO due to a pending police investigation. The police report was received by the Department December 19, 2016, and the appropriate form was filed shortly thereafter."

Actual/estimated Date of Corrective Action: **April 30, 2019**

#### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Asset retirements are submitted to the ACO as soon as possible after complete documentation has been provided to the appropriate fiscal staff. SPM 514 states that the form must be submitted with "all supporting documentation" which may delay final submission of an AM-7 (Capital Asset Disposition) form. Complete documentation may include a signed asset transfer form, proceeds from sale of asset, and/or trade-in verification as is required by County policy. In the event, disposal documentation is not received, the annual verification process identifies items that are no longer in the possession of the department and documentation of the retirement is requested in order to submit an AM-7.

The specific incident of stolen equipment in the Survey Department was a rare occurrence, as it was theft of an asset while it was in use. Moving forward, we will alert ACO of any unusual incident(s).