

PLACER COUNTY ANNUAL AUDIT

Background/Summary

As required by Penal Code § 925, the 2000-2001 Placer County Grand Jury reviewed the 1999-2000 Placer County financial audit. The Grand Jury also attended regular meetings of the Treasury Oversight Committee. Additionally, they attended joint meetings with staff of the Auditor-Controller's Office and the outside auditor, Macias, Gini & Company. The Grand Jury also reviewed the County budget, the County Comprehensive Annual Financial Report and the financial audit prepared by the outside auditors.

From all of these sources, Grand Jury members were consistently impressed with the high level of competence displayed by the professionals who are charged with the management of County revenues.

Discussion

The Treasury Oversight Committee (TOC) is mandated by law to invest, sell or exchange investments. The County Counsel and County Auditor-Controller sit in an advisory capacity to the TOC. The County Treasurer-Tax Collector serves as secretary and more importantly, according to Government Code Section 27000.3, she... "is a trustee and therefore a fiduciary subject to the prudent investor standard." "... Within the limitations of the law and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments as authorized by law." Other members of the TOC include a representative of the County Superintendent of Schools, a member from other school districts, a representative from the Board of Supervisors, a member delegated by the majority of special districts and a member from the public. Members meet quarterly and the delegation of authority is renewed annually by the Board of Supervisors.

The TOC reviews and monitors the investment policy, which is prepared by the County Treasurer and approved annually by the Board of Supervisors. The Grand Jury found that this process adequately safeguards the investments made from treasury monies.

During periodic meetings with County Auditor-Controller's staff, the Senior Management Analyst and the external audit group, Macias, Gini and Company, members of the Grand Jury reviewed the progress of a variety of audits as required by policy and law. Various administrative and financial procedures and controls were also reviewed. The external auditor opined that the competence and professionalism of the Placer County staff was above average, when compared to other government audits they have completed.

A significant impact on county financial management is a new requirement from the Governmental Accounting Standards Board (GASB) mandating that values be placed on county infrastructures. Development of statewide unified standards and controls is in process and Placer County Auditor-Controller is also working closely with the external auditor to complete this extensive task.

Macias, Gini & Co. has one more year on its contract with Placer County with an option by the County to renew for an additional year. The firm has expertise regarding the GASB requirements discussed above and should remain until the project becomes manageable.

The Auditor-Controller performs quarterly cash audits of the Treasurer-Tax Collector's office. However, the Auditor-Controller should also be doing internal audits of County departments, other agencies and/or special districts receiving County funds. Many of these entities are not reviewed until prompted by a Grand Jury inquiry.

The Auditor-Controller's office receives annual financial reports from each agency but does not have adequate personnel to do investigations, even if some of the reports refer to internal control weaknesses. Agencies and/or Special Districts should be earmarked for periodic review to determine if the agency is in compliance with the law and the outside auditor's recommendation. Those entities with identified weaknesses should also be slated for periodic review. The Grand Jury notes that some agencies and/or special districts engage the same outside auditors for periods up to 10 consecutive years.

Historically the Auditor-Controller's Office has performed internal audits; however, the practice has not been exercised in recent years. The Grand Jury feels that returning to an internal audit division would be more economical and would exercise more control over County funds.

Finding 1

A review of the 1999-2000 financial audits, investment policy and the comprehensive annual financial report found Placer County to be in compliance with standard financial practices and in excellent fiscal health.

- ***The Board of Supervisors and the County Executive Officer agree with the finding above. The response of the County Auditor-Controller is also included as an attachment to the Board's response.***

Recommendation 1

None.

Finding 2

There is no internal audit division within the Placer County Auditor-Controller's Office.

- ***The Board of Supervisors and the County Executive Officer disagree partially with the finding above. Although there is currently no internal audit division of the Auditor-Controller's Office, the Board of Supervisor's concur with a recommendation of the Auditor-Controller and County Executive Officer to establish such a unit within the Auditor-Controller's Office in FY 2001-02.***

Recommendation 2

The Grand Jury recommends that the Board of Supervisors provide additional funding to implement an internal audit division within the Auditor-Controller's Office.

- ***The recommendation has not yet been implemented but will be implemented in FY 2001-02.***
- ***The Board of Supervisors has approved funding in the FY 2001-02 budget of the Auditor-Controller's Office to establish an internal audits unit to conduct financial reviews of departmental activities and provide objective analyses, opinions and other recommendations. The purpose of the unit is to review and recommend improvements to internal controls and to improve the operations and efficiency of the County. A total of two new positions to staff the unit is recommended by the County Executive Officer, and funding for these positions has been included in the recommended Final Budget for FY 2001-02. The Auditor-Controller has requested implementation of the internal audits unit and appreciates the support of the Board of Supervisors and the County Executive Officer to implement the request and recommendation. The response of the Auditor-Controller is included as an attachment to the Board's response.***

Respondents

Placer County Auditor-Controller
Placer County Board of Supervisors
Placer County Executive Officer