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

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August 30, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley *JTM*  
Auditor-Controller

SUBJECT: **INTERNAL CONTROL EVALUATION OF THE TREASURER AND TAX COLLECTOR'S PUBLIC ADMINISTRATOR OPERATIONS**

At the request of the Treasurer and Tax Collector (TTC), we hired a Certified Public Accountant, Conrad and Associates, LLP (Conrad), to perform an internal control evaluation of the Public Administrator (PA).

The PA administers estates of decedents who resided or owned property in Los Angeles County, when there is no one else to administer the estate. Conrad evaluated the PA's controls to determine if they were adequate to protect estate assets. Conrad also evaluated the PA's Los Angeles Public Administrator Information System (LAPIS) estate accounting system.

**Summary of Findings**

Conrad noted that TTC needs to take action to ensure that estate property is adequately safeguarded. Specifically, Conrad recommended that TTC management ensure that:

- Cash found in decedents' residences is properly safeguarded.
- Decedents' residences are properly secured.
- Personal property removed from residences is adequately accounted for and secured in the PA's warehouse and safe, including annual inventories of property in the safe.

- Controls over the cash disbursements for estate expenses are strengthened by restricting access to blank checks and signature plates.
- Collections of estate revenue are adequately safeguarded by requiring two employees to open the mail.
- PA employees do not share and are required to periodically change their LAPIS passwords.

Details of these and other findings are included in the attached report.

Conrad also issued a separate management letter (Attachment II), which included a number of areas where TTC can improve the PA's operating efficiency and effectiveness. For example, the management letter recommends that TTC replace the LAPIS accounting system, improve its process for locating heirs, and develop a formal training program for all employees.

#### **Acknowledgment**

Conrad discussed their report and management letter with TTC management. TTC's responses to the report and management letter (Attachments I and III, respectively) indicate general agreement with most of the findings and recommendations. TTC's detailed responses to each recommendation are incorporated into Conrad's report.

Please call if you have any questions, or your staff may contact Terri Kasman at (626) 293-1121.

JTM:MMO:JLS:TK  
Attachments

c: David E. Janssen, Chief Administrative Officer  
Mark J. Saladino, Treasurer and Tax Collector  
Public Information Office  
Audit Committee

**COUNTY OF LOS ANGELES**

2004-05 Treasurer and Tax Collector  
Public Administrator Internal Control Evaluation

For the Period February 1, 2005 through July 31, 2005

Prepared by:

**CONRAD AND ASSOCIATES, L.L.P.**

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## COUNTY OF LOS ANGELES

### 2004-05 Treasurer and Tax Collector Public Administrator Internal Control Evaluation

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#### *EXECUTIVE SUMMARY*

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Conrad and Associates, L.L.P. was engaged by the County of Los Angeles to perform an internal control evaluation of the Public Administrator (PA). The PA is responsible for administering the estates of decedents who resided in, or owned property in the County of Los Angeles at the time of death when there is no executor, legatee or heir available to administer the estate. This review encompassed the three sections of the PA: Estate Administration; Property Management; and Estate Accounting. In addition, we also reviewed the Los Angeles Public Administrator Information System (LAPIS).

In order to evaluate the internal controls of the PA, we documented the control activities within each section and evaluated whether they were designed appropriately. Additionally, we tested each of the control activities to ensure they were operating effectively. The following is a general overview of the number of controls tested, and a description of the more significant findings and recommendations from each section.

- Estate Administration – we documented and tested 42 separate control activities that are in place within the section. In 25 of the 42 control activities tested, we found the control activities to be designed appropriately and operating effectively. However, weaknesses were noted in 17 of the control activities resulting in the following opportunities for improvement.
  - Cash controls during the initial investigation process are not adequate. Large amounts of cash are not always verified in the presence of a witness, and cash is often times transported in single custody. Controls need to be updated to secure all assets, especially cash, identified during the initial investigation. Cash, after being verified by a witness, should be transported to the County vault or bank in sealed, pre-numbered bags.
  - Seals used to secure a residence after an initial search can be easily removed and replaced without evidence of removal. Pre-numbered, non-tamperproof seals should be used to secure a residence after an initial investigation has been made. Furthermore, the numbered seals should be logged and verified before each entry to ensure that an unauthorized entry has not been made.
  - Case files were generally disorganized and did not contain all required documentation. Standards should be established for the uniform maintenance of case files to increase productivity and protect estate assets.
- Property Management – we documented and tested 35 separate control activities that are in place within the section. In 17 of the 35 control activities tested, we found the control activities to be designed appropriately and operating effectively. However, weaknesses were noted in 18 of the control activities resulting in the following opportunities for improvement.

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#### *EXECUTIVE SUMMARY (CONTINUED)*

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- Controls over the drayage process need to be strengthened. Two Trust Officers are assigned to a drayage, each serving as the other's witness, and may serve together on a regular basis. Cable tie crate seals are not pre-numbered. Furthermore, crated property is not verified upon receipt at the warehouse. The PA should utilize independent, third-party witnesses to observe the drayage process. Pre-numbered crate seals should be used, logged and tracked to prevent unauthorized access to crate contents subsequent to the drayage process.
- Controls surrounding the auction process need to be strengthened. Property scheduled for auction is not properly safeguarded. Security cameras and recording devices are not functioning properly. The PA needs to adequately secure and monitor the warehouse 24 hours per day.
- Trust Officers have the ability to use any handypersons, plumbers, locksmiths, etc. to perform repairs and maintenance on real property owned by an estate. A pre-approved list of authorized vendors should be established to ensure that vendors used meet the County's requirements, and to ensure that unnecessary repairs are not being made.
- Estate Accounting – we documented and tested 83 separate control activities that are in place within the section. In 51 of the 83 control activities tested, we found the control activities to be designed appropriately and operating effectively. However, weaknesses were noted in 32 of the control activities resulting in the following opportunities for improvement.
  - Controls surrounding the vault operations need to be strengthened. Property maintained in the vault is kept in sealed plastic bags that are neither pre-numbered nor tracked when they are opened and closed. The machine used to seal the bags is not safeguarded. No surveillance cameras or recording devices are used. The property of each estate should be maintained in separate, sealed, pre-numbered bags that are logged so that activity can be monitored. Surveillance cameras and recording devices should be installed and monitored.
  - Controls over the collection of cash are weak and increase the opportunity for theft, loss and misuse of estate assets. Cash is not always deposited on a daily basis. Deposits are generally made in single custody. There is no threshold for requiring an escort to deposit funds with the Treasurer-Tax Collector (TTC) Cashier. Cash should be deposited with either the TTC Cashier or the bank on a daily basis. Deposits should be made in either double custody or use pre-numbered bags to transport cash from the site of an

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#### *EXECUTIVE SUMMARY (CONTINUED)*

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investigation to the vault. A policy should be established to require the use of an escort in transporting cash in excess of a set amount from the PA vault to the TTC Cashier.

- High value items, such as jewelry, need to be adequately secured prior to auction. High value items are currently stored in a cardboard box in the Safety Police Office, which is easily accessible, on the night before an auction. These high value items should be stored in a safe or a locked cabinet with limited access in order to minimize the likelihood of theft of estate assets.
  - Controls over the cash disbursement process need to be strengthened. Vault Custodians have access to the blank check stock and signature plates. Checks are returned to the Vault Custodian prior to mailing. The number of checks signed by the check signing machine is not reconciled to the actual number of checks issued. No independent verification is performed on checks less than \$3,000 prior to mailing. There is a lack of segregation of duties between the petty cash and bank reconciliation functions. The individuals who have access to the blank check stock should not have access to the signature plates. Printed checks should be given to someone other than the Vault Custodians for mailing. A reconciliation of the number of checks signed to the number of checks issued should be performed, and any variances should be investigated. An independent review of a sample of checks should be performed prior to mailing.
  - The actual inventory maintained in the vault did not agree to the inventory per the PA's records. Periodic spot inventories of a sample of items are conducted by the PA. A full physical inventory should be conducted at least on an annual basis. The results of the physical inventory should be compared to the LAPIS reports and all variances should be investigated and resolved.
  - Controls over the mailroom process needs to be strengthened. Mail is opened in single custody. Checks are not assigned a control number nor restrictively endorsed upon receipt. The same individual that logs checks records the receipts into LAPIS without any review. In order to prevent theft of cash receipts, all mail should be opened in dual custody. A lockbox or other secure device should be used to store checks until such time as they can be restrictively endorsed. A log of individual checks received should be prepared and independently reviewed on a sample basis.
- LAPIS – we documented and tested 36 separate control activities that are in place regarding LAPIS. In 18 of the 36 control activities tested, we found the control activities to be designed

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***EXECUTIVE SUMMARY (CONTINUED)***

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appropriately and operating effectively. However, weaknesses were noted in 18 of the control activities resulting in the following opportunities for improvement.

- LAPIS password controls need to be strengthened. Users are not required to periodically change their passwords. Passwords are sometimes shared between employees to allow them to perform certain functions. Passwords should be kept confidential and required to be changed periodically in order to prevent unauthorized access to estate assets.
- Physical controls to the PA's offices need to be strengthened. The PA does utilize punch codes on the doors in order to gain access. However, the codes are not changed on a periodic basis, or when an employee terminates. Punch code lock combinations should be changed on a periodic basis in order to prevent unauthorized access to the facilities.

Details of the exceptions identified can be found in the Findings and Recommendations section of this report (see page 9).

The PA's control activities, along with tests we performed to evaluate operating effectiveness and the results of our tests are documented in Appendix A, Results of Procedures Performed (see page 57).

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#### **BACKGROUND**

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The Treasurer and Tax Collector of the County of Los Angeles (Department) is responsible for the oversight of the Public Administrator's Office. The primary responsibility of the Public Administrator (PA) is to administer estates of decedents who resided in, or owned property in the County of Los Angeles at the time of death when there is no executor, legatee or heir available to administer the estate.

The PA operations are primarily governed by the California Probate Code. The PA classifies estate cases into one of three categories as follows depending upon which section of the Probate Code applies.

- General – value of the estate exceeds \$100,000;
- §7660a(1) – value of the estate is between \$30,000 and \$100,000; and
- §7660a(2) – value of the estate is less than \$30,000.

General and §7660a(1) cases require an appointment by the Superior Court, whereas §7660a(2) cases do not.

Organizationally, the PA is divided into three operating sections: Estate Administration; Property Management; and Estate Accounting. Each section's responsibilities are discussed in the following subsections.

#### **Estate Administration**

The Estate Administration Section is responsible for the initial referral of the decedent, the investigation of the estate assets and the managing of the estate assets until the court or the Department discharges the PA, or final distribution of the estate assets is made.

The Intake Unit within the Estate Administration Section receives a case referral when a death has occurred in the County of Los Angeles and there is no immediate knowledge of the next-of-kin, the next-of-kin is located out of the country, or the PA is appointed by the Court. Referring sources include the Los Angeles County Medical Examiner-Coroner, private mortuaries, nursing homes and attorneys. The Intake Unit is responsible for assigning the case to the Investigation Unit.

The Investigation Unit attempts to obtain information regarding the heirs, assets, the decedent's last will and testament and burial instructions. Deputies may need to visit a decedent's residence to obtain this information. During the residence search, deputies marshal in the presence of witnesses, all assets which are susceptible to theft. When a residence search is completed, the deputy places a paper seal on

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#### **BACKGROUND (CONTINUED)**

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all entrances to the residence. Procedures require that deputies deliver highly valuable and/or liquid personal property/assets to the PA vault on the same day they have been marshaled. Deputies evaluate the estates and recommend whether the PA should petition the Superior Court to administer the decedent's estate.

#### **Property Management**

The Property Management Section is responsible for marshaling, transporting, safeguarding and distributing estate property. After the cursory residence search has been performed by the Estate Administration Section, the Property Management section moves the remaining assets from the residence to the PA warehouse located in the City of Pico Rivera. This procedure is referred to as drayage. The PA contracts with a private moving company to perform the drayage process. The PA deputies assist the contract staff in this process. The deputies inventory the property by listing the items on property sheets, and with the assistance of the contractor, crate the items to be taken to the warehouse. The warehouse staff inputs the data from the Property Sheets into the Los Angeles County Public Administrator/Public Guardian Information System (LAPIS). Once a month the Property Management Section holds an auction to sell items on behalf of the estates the PA is administering.

The Property Management Section is also responsible for maintaining and securing real property owned by a decedent. At the time real property is discovered by the Estate Administration Section, Property Management performs a site visit to ensure the property is secure, purchases insurance for the property and clears the title to the property so that it can be sold at auction. Real property auctions are held monthly by a contract auction company.

#### **Estate Accounting**

The Estate Accounting Section is responsible for the accounting function of estate administration, the vault which holds valuable estate items and the PA/Public Guardian mailroom. As part of their normal duties, the PA assumes control of estate bank and credit card accounts. During the initial investigation, the Estate Administration deputies remove from the residence evidence of financial accounts (e.g. checkbooks, bank statements, stock investments, credit cards, etc.) in order to verify the existence of the accounts and to assume control of the accounts when the PA is appointed by the court as the estate administrator. The estate accountants manage financial transactions, such as accounting for estate income, paying estate bills and preparing tax returns when applicable.

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#### OBJECTIVES, SCOPE AND METHODOLOGY

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##### Objectives

The objectives of this project were to evaluate the internal controls over the marshaling, administering and safeguarding the estate assets, as well as review the PA's vault operations, warehouse operations and computer system (LAPIS).

##### Scope

The scope of this project included the internal controls in place during the period February 1, 2005 through July 31, 2005. The PA's internal controls were reviewed to ensure they were designed appropriately and operating effectively. Specific areas incorporated into the review included:

- Gain an understanding of PA operations;
- Identify controls in place to safeguard estate assets for all functions;
- Review of PA policies and procedures;
- Review of prior audit findings and recommendations;
- Review and observe Estate Administration functions;
- Review and observe Property Management functions;
- Review and observe Estate Accounting functions; and
- Review and observe the functionality of LAPIS.

##### Methodology

The PA has its policies and procedures documented in the Public Administrator Operations Manual and the County Fiscal Manual. We used these documents as the criteria for our evaluation. In order to document the control activities in place in each of the three Sections, we conducted interviews with management and line employees. At the conclusion of our interviews, we documented each Section's control activities in a matrix format. We reviewed these control activities to ensure they were designed appropriately. Any gaps in the design of the controls was identified as a weakness and a finding and recommendation was prepared. Once the design of the controls was reviewed and documented, we tested the controls to ensure they were operating effectively. The controls were tested in various ways depending upon the nature of the control. The types of tests performed included:

- Corroborating interviews;
- Observations;

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***OBJECTIVES, SCOPE AND METHODOLOGY (CONTINUED)***

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- Walk-throughs
- Sampling; or
- Physical evidence.

If an established control was tested and determined to not be operating effectively, we prepared a finding and recommendation.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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This section of the report documents opportunities for improvement in the internal controls within the Public Administrator's Office. The results of our testing, which gave rise to the following Findings and Recommendations, are documented in Appendix A, Results of Procedures Performed (see page 57).

**(1) Need to Have Daily Pick-Up of Property at the Los Angeles County Coroner**

During our review of the intake process within Estate Administration, we noted that the Clerical Administrative Assistants do not go daily to the Los Angeles County Coroner to pick up decedent property. Property of a decedent is not always available on a daily basis or there is no property that is required to be picked up.

Public Administrator Operations Manual, Policy Number 400.01 states, in part:

“...On a daily basis, keys, estate property, and case reports will be picked up and delivered from the Department of the Coroner-Property Section and LAC/USC/MC-Mortuary Office.”

The Clerical Administrative Assistants pick up personal property of decedents on Tuesdays and Thursdays only. By not picking up the property of a decedent on a daily basis, the risk of lost or misplaced assets increases.

**Recommendation**

We recommend that since property of a decedent is not always available on a daily basis, that Policy Number 400.01 be changed to require the Public Administrator (PA) to verify with the Department of Coroner-Property Section and LAC/USC/MC-Mortuary Office whether assets are available for pick-up. If assets are available, then arrangements should be made to pick-up those assets the same day.

**Management Response**

***Concur.*** Policy 400.01 will be changed to reflect the current practice of picking up and/or delivering forms, assets, keys, etc., when there is a need, rather than daily.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(2) Need to Ensure Case Files are Complete and Properly Organized**

During our review of a judgmental sample of case files, we noted that the case files were generally disorganized and lacked the proper documentation. Our judgmental sample included 20 closed handled files and nine closed non-handled files. Of the 20 closed handled cases seven cases involved real property. Specifically, we noted the following documentation which was missing:

<u>Missing Item</u>	<u>Number of Case Files</u>
Initial Decedent Referral Form	3 of 20 handled; 1 of 9 non-handled
Case File Check Sheet	5 of 20 handled
Decedent Investigation Report	12 of 20 handled; 7 of 9 non-handled
Notification to the Department of Health Services	8 of 20 handled
Instructions to Witness Form	8 of 20 handled
Real Estate Referral Form	1 of 7 handled
Information for Drayage Deputy Form	11 of 20 handled
Cursory Search and Completion of the Automobile Form	1 of 9 non-handled
Real Estate Rental Agreement	1 of 7 handled
Quarterly Real Property Inspection	1 of 7 handled
Petitions-Distributions	1 of 20 handled
Report on Status of Administration	2 of 20 handled
Decedent Case Status Report	3 of 20 handled
Final Accounting	1 of 20 handled
Accounting Checklist – no checklist	2 of 20 handled
Accounting Checklist – unsigned	2 of 20 handled
Accounting Checklist – no evidence of review	1 of 20 handled
Missing Property without follow-up	1 of 20 handled

Failure to maintain properly organized case files can result in a loss of productivity and a potential loss of estate assets. As when employees are looking for items within the case files, they are not arranged and organized consistently.

**Recommendation**

We recommend that the PA establish standards for the maintenance of case files. These standards should include:

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(2) Need to Ensure Case Files are Complete and Properly Organized (Continued)**

- Checklists of the documents to be included in a case file;
- Guidelines as to how the case file should be organized so that a cold reviewer can easily locate a document; and
- Evidence of supervisory review of the case file.

**Management Response**

*Concur.* While not all files will (or should) have all documents noted as missing in the review, a “contents” checklist to supplement the Case File Check Sheet will be developed. This checklist will serve both as a contents guide to the uninformed reader and as a structural table of contents for personnel involved in file assembly. A supervisor will be required to examine the physical file prior to case closure and document the review with a signature and date.

**(3) Need to Enforce Number of Days Required for Initial Investigation**

During our review of the initial investigation process within Estate Administration, we noted that the average number of days it takes to complete an initial investigation and transfer a case to case management was 13 working days. This average was based upon our review of a judgmental sample of 20 closed handled cases. The actual number of days required to complete the initial investigation for our sample ranged from the same day the case was referred to 51 working days after referral.

Public Administrator Operations Manual, Policy Number 400.32 states:

“To complete the initial case investigation within ten working days from the case reported date.”

**Recommendation**

We recommend that the PA enforce the requirement of 10 working days to perform the initial investigation from the date of referral. We also recommend that management review on a monthly basis the number of working days it takes to complete the initial investigation and provide feedback to employees who are not meeting the timeframe.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(3) Need to Enforce Number of Days Required for Initial Investigation (Continued)**

**Management Response**

*Concur.* We agree the initial investigation needs to remain as timely as possible for preservation of estate assets and to avoid risk of loss. Time studies and similar metrics of the steps involved in the investigation of decedent estates are now being collected and will be reviewed for areas of improvement, retraining and manpower redeployment, to return the division to compliance with the 10 working day Policy requirement.

**(4) Need to Utilize LAPIS Generating Letter Capabilities for all Correspondence**

During our review and interviews with investigators, we noted that the standard LAPIS-generated letters were not being used. Instead, employees were creating and using their own letters using Microsoft Word. The letters were created and sent outside of LAPIS as the LAPIS-generated letters are not received for mailing until approximately one day after they are requested. Failure to use the LAPIS-generated letters can result in: (1) unauthorized letters being sent under the PA letterhead, (2) inconsistency in language, and (3) loss of tracking correspondence that has been sent on behalf of an estate.

**Recommendation**

We recommend that all PA employees be required to use LAPIS-generated letters for routine correspondence.

**Management Response**

*Concur.* Staff has been directed to use only LAPIS forms and letters, to enable system tracking and to enforce the standardization of our correspondence. The Finding is based on a practice that arose because of hard-coding and printing delay limitations of the current LAPIS system. The PA is working with TTC Systems Division to convert LAPIS to real-time printing.

**(5) Need to Create Uniform Descriptions and Valuations of Personal Property**

During our review of estate investigation, we noted that property sheet descriptions varied depending on the Trust Officer. In addition, the Public Administrator (PA) does not have a set

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(5) Need to Create Uniform Descriptions and Valuations of Personal Property (Continued)**

valuation schedule for personal property found at a decedent's residence. We found that each Trust Officer values items differently and this could create liability on the part of the Public Administrator if items are not described and valued consistently. In addition, per the Probate Referee, items are to be described in a very specific, yet generic manner.

**Recommendation**

We recommend that all Trust Officers be trained in how to properly describe and value assets found at a decedent's residence. This will ensure consistency with the Probate Referee and will protect the County from possible exposure.

**Management Response**

*Concur with the intent of the recommendation.* However, we believe it is more feasible to attempt to standardize descriptions of assets, than it is to standardize estimated values. For example, while Trust Officers may standardize the description of a male wedding ring, the valuation the Trust Officer assigns may be based on a number of factors (e.g. size, evidence of stones, etc.). We have attempted previously to incorporate a uniform system of property descriptions and valuations, but the level of detail required to effectively standardize inventory descriptions makes such a system too cumbersome and difficult to use effectively and efficiently in the field. Previous experience shows that developing inventory statements from a catalog or dictionary of standard terms triples the time required to complete the inventory, increasing field staff and witness frustration and significantly slowing their field work. However, additional training in standardizing inventory descriptions will be developed and administered.

**(6) Need to Strengthen Controls Surrounding Initial Investigation**

During our review of the initial investigation process, we noted that the internal controls surrounding the cursory search of a decedent's residence need to be strengthened. Specifically, we noted:

- Social Security checks were given to an apartment manager, who was asked to return them to the sender;

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(6) Need to Strengthen Controls Surrounding Initial Investigation (Continued)**

- Jewelry was left in an open briefcase in a hallway unsecured while the investigator continued the search and transported the items in single custody. The policy covering securing assets does not include language regarding safeguarding of assets during the initial search; and
- Large amounts (over \$2,000) of cash are not always verified with a witness present at the location of the investigation, and are taken to either the vault or directly to the bank in single custody.

Public Administrator Operations Manual, Policy Number 400.03 states, in part:

“...1. Deposits all decedent SSA (& SSI Disability), and VA checks in the vault...”

**Recommendation**

We recommend that policies and procedures be strengthened in the following manner:

- Revise policy 400.03 to include language that the assets are to be protected during the search of the residence;
- Enhance physical control of cash discovered during an investigation including the use of sealed numbered bags, witnesses and verification of cash received by bank or vault personnel.

**Management Response**

***Concur.*** The following actions have been or are being taken:

- The deputy involved in the noted incident has received corrective counseling regarding our clearly stated check marshaling requirements in Policy 400.03. Also, all estate administration staff have been retrained regarding check handling policy.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(6) Need to Strengthen Controls Surrounding Initial Investigation (Continued)**

**Management Response (Continued)**

- All division field staff have been retrained regarding security and care of their issued equipment and of marshaled assets in the field, despite whatever conditions may be found in a decedent's residence. Appropriate changes to Policy 400.06 are being implemented.
- The cash verification event in question concerned over 8 million yen marshaled from the home of a Japanese decedent. The event was an after-hours call from the County Coroner, when almost 30,000 bills, denominated mostly in 100¥ and 500¥ notes, were discovered. Two PA deputies were directed to the scene, assessed the situation, realized the bills could not be feasibly counted in the residence in a timely manner, and called in for instructions. TTC management authorized non-verification at the scene, and secure packing and transport in dual custody to the Treasurer vault in the Hall of Administration for overnight storage. Counting of the notes was conducted by Treasurer staff over the next two days, converted to dollars, and deposited to the credit of the decedent's estate.
- Policy 400.06, rather than 400.03, will be revised to include specific protections of marshaled assets until they are delivered to the vault for secure storage. Keeping equipment and marshaled valuables in sight at all times will be included in the added protections.
- Pre-numbered, sealable, tamper-evident cash bags are now in use by field and vault staff. In addition, appropriate revisions to Policies 400.06 and 400.25 are being implemented, including the following:
  1. Formalizing the written procedure of counting all currency in the presence of the witness, unless specifically authorized by management in unusual circumstances;
  2. Sealing the pre-numbered currency bag in the witness' presence;
  3. Noting the bag number on the Inventory Property Sheet (which the witness signs and receives a copy of); and
  4. Delivering the tamper-evident bag and documentation of its number and contents to the vault custodian, who checks the contents and bag number against the information in the Property Sheet.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(7) Need to Change Door Seals Used to Secure Property**

During our review of the initial investigation process, we noted that the seals used to secure a decedent's residence cannot be used without water. Additionally, once the seals have been affixed, they can be easily removed and resealed without any evidence of removal. In one observation, during an initial investigation, it appeared that the door seal had been either tampered with or partially fell off. There was not a way to determine which had occurred. Sound internal controls require that the residence be secured in such a fashion that removal and replacement of a door seal can be easily detected. Failure to use such a seal can result in the potential loss of estate assets.

**Recommendation**

We recommend that the PA change the door seals in use to seals that are pre-numbered, do not require water to affix and break away when removed. Furthermore, we recommend that a log of door seal numbers be maintained and reviewed.

**Management Response**

*Concur.* The current seals are difficult to use and relatively easy to remove because they require water, and field deputies quickly learn to take bottled water with them in the event utilities have been shut off to a decedent or conservatee's home. The PA is researching the purchase of highly adhesive, tamper-evident, self-voiding seals similar to those used by State DMVs for license plates and inspection stickers. The PA will also review its inventory controls of seals. The PA is confident that using highly adhesive/tamper-evident seals and controlling seal inventory will maintain the integrity of the door sealing effort.

**(8) Need to Establish List of Pre-Approved Vendors**

During our review of real property procedures in use by the Property Management Section, we noted that the PA does not have a current list of pre-approved handypersons, plumbers and locksmiths who can complete repairs and perform maintenance on real property of decedents. When repairs and/or maintenance is required, the Trust Officers use their own handypersons, plumbers and locksmiths with whom they have developed a working relationship.

Public Administrator Operations Manual, Policy Number 600.02 states, in part:

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(8) Need to Establish List of Pre-Approved Vendors (Continued)**

“1. Handypersons and plumbers will complete a Property Services Application before being employed by the Public Administrator. Vendors must meet the minimum requirements stipulated in the agreement. Vendors who are approved to do business with the Public Administrator will complete a Master Agreement...Only plumbers and handypersons on the list will be utilized...”

The use of pre-approved vendor lists was discontinued as the vendors often times required payment at the time services were rendered. The PA has attempted to maintain a list of vendors, however, many of the vendors needed by the PA are small businesses and are either unwilling or cannot meet the strict requirements for becoming a County vendor.

**Recommendation**

We recommend that the PA consult with the Internal Services Department (ISD) to develop guidelines for the procurement of required services and establishment of a pre-approved list of vendors. Additionally, we recommend that the PA evaluate the cost/benefit of providing the Trust Officers with purchasing cards to allow for the payment of specific services at the time the services are rendered.

**Management Response**

***Concur.*** It is important to note that a locksmith or other tradesperson is usually arranged by a deputy's supervisor, based on the geographic area and past favorable experience. A deputy is at the scene with the locksmith or carpenter, to monitor the tradesperson's activities and to protect the personal and real property of the decedent or conservatee.

We have explored trades arrangements with the County's Internal Services Department (ISD) and find the use of ISD's tradespersons would increase the costs for services fourfold over typical vendor charges. Charging estates these higher costs could be perceived, and pursued in Court by estate heirs, as a breach of our fiduciary obligations to the estates of our decedents. Further, ISD is not authorized to work on non-County properties, nor are ISD staff readily available for field work. Thus, this option is not feasible.

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**(8) Need to Establish List of Pre-Approved Vendors (Continued)**

**Management Response (Continued)**

The PA will work to develop purchase order arrangements with firms that are licensed and bonded, and will also explore the use of purchasing cards as an alternative to increase access to needed services. Once these procedures are finalized, the PA will make appropriate changes to Policy 600.02.

**(9) Need to Cancel Insurance Upon Sale of Real Property**

During our review of the management of real property by the Property Management Section, we noted that the insurance was not cancelled upon the sale of the property for 1 of the 7 closed handled cases judgmentally selected for review. In addition, there is no clear process between Estate Administration and Property Management to cancel insurance on a property when the case is determined to be non-handling.

Public Administrator Operations Manual, Policy Number 600.09 states, in part:

“1. Cancellation of any existing real estate insurance shall be done upon escrow closing...”

The insurance was canceled 43 days after the closing of escrow. Failure to cancel all real property insurance policies upon close of escrow results in a loss of estate assets.

**Recommendation**

We recommend that all case files involving real estate are reviewed upon the sale of real property to ensure that all existing real estate insurance is canceled upon the close of escrow as required.

We also recommend that the PA establish a procedure for Estate Administration to inform Property Management when insurance should be cancelled due to a case becoming non-handled after insurance has been placed on the property.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(9) Need to Cancel Insurance Upon Sale of Real Property (Continued)**

**Management Response**

*Concur.* The Property Management section manager oversees a new ‘tickler’ and checklist system to assure compliance with Policy 600.09. In the exception reported by the audit team, the PA was able to cancel the coverage and obtain a refund of the excess premium paid. Once our new LAPIS-replacement IT system is implemented, we will be able to automatically track and trigger reminders to cancel coverage by the escrow close date.

**(10) Need to Strengthen Controls Over Drayage Process**

During our observation of a drayage of an estate, we noted the following:

- Two Trust Officers are assigned to each drayage, with one serving as a witness to the other; or the vendor and the Trust Officer will serve as mutual witnesses.
- High value items were missed during the initial search of the residence (e.g. jewelry);
- Cable tie crate seals were not pre-numbered; and
- Property was transported by the vendor from the drayage location to the warehouse and the contents of the crates were not verified upon receipt by the warehouse staff;

The Property Management Section has developed a policy entitled “Drayage of Personal Property and Receiving Personal Property at the Warehouse”. This policy has not yet been formally adopted by the County. This policy states, in part:

“Drayage Supervisor...1. Assign numbered cable ties to each drayage team...Drayage Team...6. Indicate the cable tie numbers on the crate sheet and on the property sheet...”

The Trust Officers indicated that they generally attempt to obtain an independent third-party to serve as a witness to the drayage but are often unsuccessful. In these instances, one Trust Officer serves as a witness for the other Trust Officer. The high value items missed during the initial search consisted of jewelry that was in a box next to a chair. The PA has both pre-numbered and

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(10) Need to Strengthen Controls Over Drayage Process (Continued)**

blank cable tie crate seals. However, the cable ties are plastic and can be easily removed and replaced without being detected.

Using Trust Officers who work together on a regular basis as witnesses for each other increases the risk of collusion in diverting estate assets. Using unnumbered plastic cable ties to seal the crates allows for access to the crates which can be undetected, thus potentially resulting in a loss of estate assets. The contents of the crates are not checked when they arrive at the warehouse, therefore, the possibility of items missing increases.

**Recommendation**

We recommend that the PA require an independent third-party witness to observe the drayage process. This independent witness can be a PA employee, as long as the employee is selected on a random basis and is not part of the Property Management Section.

We also recommend that the PA schedule unannounced visits to the drayage site by another employee of the PA who does not work in the Property Management Section. The employee assigned this task should prepare a report to management on the findings.

We further recommend rotating the Trust Officers in the Property Management Section, so employees are not always working with the same individuals.

We also recommend that the PA procure pre-numbered metal seals that must be crimped upon sealing. The numbers should be recorded on the Property Sheets and verified by the warehouse upon receipt of the crates.

**Management Response**

***Concur in part.*** Drayage witnesses are much more difficult to obtain because of the long and tedious nature of the drayage process. (Unlike a cursory search to locate wills and secure small valuables, drayage involves the inventorying and packing up of every article of value in a home. Each item in the home must be evaluated for value, packed in large shipping crates or disposed of in trash bins, and the crates transported to the PA warehouse in Pico Rivera.) Drayage of a modest home can take many days, which virtually precludes enlisting volunteer witnesses from a decedent or conservatee's neighborhood, or an apartment complex/property manager's staff. Additional PA manpower, to serve as witnesses, conduct spot checks, and serve in rotational

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**(10) Need to Strengthen Controls Over Drayage Process (Continued)**

**Management Response (Continued)**

assignments among the three regular drayage staff, will be researched. However, it is unlikely the PA will be able to implement this recommendation without additional positions.

During the audit, the PA, TTC Internal Controls and Executive Management developed a pre-numbered cable ties policy. The policy requires the cable tie inventory to be controlled, cable tie seals to be crimped upon sealing, and the numbers to be recorded on the Property Sheets and verified by the warehouse upon receipt of the crates.

**(11) Need to Adopt a Formal Policy for the Drayage, Towing and Sale of Personal Property**

During our review of the drayage, towing and sale of personal property process used by the Property Management Section, we noted that the PA does not have a formal policy for the drayage, crating, storing, sale and abandonment of personal property, including vehicles. It was noted that the staff in the Property Management Section have prepared unapproved policies which the Section is supposed to follow. The effect of not having a standard policy and procedure for the drayage, towing and sale of personal property could result in loss, injury, waste and/or misappropriation of estate assets.

**Recommendation**

We recommend that the PA review the unapproved policies prepared by the Assistant Operations Chief of Property Management, revise them to be consistent with other existing policies within the Public Administrator Operations Manual, adopt the policies and train property management staff as to their requirements.

**Management Response**

***Concur.*** The desk procedures will be evaluated by both PA and TTC Internal Controls for accuracy, completeness, and proper accountability, and redrafted as necessary to provide appropriate controls. Once in proper form, they will be forwarded to executive management for review and final approval as formal policies of the PA. Upon approval, the policies and attendant procedures will be communicated to staff, incorporated into training, and reviewed for compliance on a regular, periodic basis.

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(12) Need to Strengthen the Controls Surrounding the Auction Process**

During our observation of a personal property auction, we noted:

- There is a firewall that separates the crates from stored vehicles; however, the door in this firewall remained open throughout the auction. This firewall is to remain open per the County Fire Marshal;
- The vehicles stored in the outside storage area at the warehouse are protected only by a chain link fence;
- The security cameras and VCR do not work properly and are only turned on during the auction process; and
- There was no verification prior to the auction that PA employees were prohibited from bidding, therefore employees may have an unfair bidding advantage during the auction.

Failure to properly secure estate assets during times of public access and to adequately monitor the warehouse activities, including during normal working hours, increases the likelihood of loss of assets.

**Recommendation**

We recommend that the PA take the following actions:

- Ensure that the firewall door has security personnel watching the areas at all times during the auction;
- Provide more secure storage for vehicles stored in the outside storage area at the warehouse;
- Ensure that the surveillance cameras and VCR's are operational and that images are recorded 24 hours per day; and
- Require the auction vendor to inquire as to employment of prospective bidders.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(12) Need to Strengthen the Controls Surrounding the Auction Process (Continued)**

**Management Response**

*Concur.* While incorporation of all recommendations would be the ideal, manpower and facilities limitations preclude continuous monitoring of the firewall door and moving all stored vehicles indoors. However, better signage restricting access to other areas of the warehouse can be incorporated, as can the replacement of the old, broken surveillance equipment. The PA has procured a new surveillance system with twice as many cameras and monitors, which increases and improves interior surveillance of the warehouse and auction attendees, and adds exterior viewing (i.e., lot security and vehicles parked outside). In addition, the fencing around the external car storage areas has been strengthened and/or repaired.

A new process whereby TTC employees are excluded from the auction process has already been incorporated. When auction attendees sign up for bidders' paddles, they are now required to certify they are not employees or family members of employees of the Treasurer and Tax Collector Department.

**(13) The Jewelry Appraisal Report should be Signed by the Outside Jewelry Appraiser**

During our review of the jewelry appraisal process, we noted that property management and the vault custodian meet with the contracted jewelry appraiser to value items for sale at the personal property auction. The appraiser hand writes his/her estimated value of the jewelry on a blank piece of paper in which the estate and item number are listed. Based upon our review, there is no mechanism to identify who did the appraisal.

Sound business practices require the sign-off by the appraiser that the value of the assets is based on his/her professional opinion. This will protect the County should an heir dispute the value of an asset that has been sold. The current practice allows for the appraiser to deny that an appraisal was performed and could make the PA liable.

**Recommendation**

We recommend that the PA develop a form for the appraiser to sign, acknowledging his/her appraisal of the jewelry.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(13) The Jewelry Appraisal Report should be Signed by the Outside Jewelry Appraiser (Continued)**

**Management Response**

*Concur.* A form has been developed to identify the jewelry appraiser, who now signs his appraisal for each article or lot of jewelry to be offered at auction.

**(14) Need to Update Public Administrator Operations Manual**

During our overall review of PA operations, it was noted that the PA does have written policies and procedures. These policies and procedures are documented in the Public Administrator Operations Manual. As part of our review of the Operations Manual, we noted that many of the policies make reference to specific vendors, some of which are no longer used by the PA. Additionally, we did not observe a policy on the treatment of firearms recovered through initial searches of a decedent's residence. Furthermore, some of the policies we were provided during the course of our review were not included in the written document.

Sound business practices dictate that all PA employees have access to an up-to-date Operations Manual to be used as a reference in the performance of their job. An up-to-date Manual is also an excellent source of information for new hires, or for individuals temporarily filling positions during a period of vacancy. There is no individual assigned the responsibility of ensuring the Operations Manual stays current. Failure to maintain an up-to-date Operations Manual can result in procedures not being followed, which may result in a loss of estate assets.

**Recommendation**

We recommend that the PA review its Operations Manual and update it to reflect current policies and procedures. Furthermore, we recommend that an individual be assigned the responsibility of ensuring the Operations Manual stays current on an ongoing basis.

**Management Response**

*Concur.* The Firearms Policy (400.41) will be clarified with respect to deputies' responsibilities during the cursory search, and distributed to all deputized staff. In many cases, our policies, which date to 1991 and 1992, are seriously out-of-date with regard to technologies and current procedures and practices, and need to be revised. All of the 223 Policies and 38 desk procedures

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**(14) Need to Update Public Administrator Operations Manual (Continued)**

**Management Response (Continued)**

will be reviewed for currency and accuracy, and updated as needed by PA management on a prioritized flow basis. Each revised policy will then be referred to TTC Internal Controls and executive management for review and approval, and implemented as expeditiously as possible.

**(15) Need to Strengthen Controls Surrounding the Vault**

During our review of vault operations, we noted several instances where controls were weak and provided an increased opportunity for theft, loss or misuse of estate assets. Specifically, we noted:

- Property maintained in the vault is kept in sealed plastic bags. The plastic bags used to secure the property are not pre-numbered. The machine used to seal the bags is common and can be purchased at retail stores. Additionally, the sealer is not in the custody of any one individual. The plastic bags can be opened, replaced and resealed without detection;
- Bearer bonds are delivered to the Treasurer and Tax Collector (TTC) vault for eventual transfer to a safekeeping depository in New York. The bonds are hand carried from the PA's offices across the street in single custody to the TTC's offices;
- The vault door has an alarm, however the alarm is never tested to ensure it is operating properly;
- The vault has no security cameras observing vault activity;
- Vault keys are kept in a box outside the vault and are accessible to anyone; and
- Checks are not deposited daily.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(15) Need to Strengthen Controls Surrounding the Vault (Continued)**

County Fiscal Manual, Section 1.3.7.1, General Controls Over Deposits, states, in part:

“Collections of \$500 or more should be deposited daily...Collections of less than \$500 per day may, at the discretion of the department, be held and deposited when the total reaches \$500, provided that deposits are made at least weekly...regardless of the amount collected.”

Weak internal controls at the vault increase the likelihood of theft or loss of estate assets.

**Recommendation**

We recommend that the PA strengthen internal controls at the vault by:

- Use pre-numbered bags for storing items in the vault. The pre-numbered bags should be controlled and reconciled.
- Procure a better sealer for the pre-numbered bags and assign custody of it to an individual other than the vault custodian.
- Cash and bearer bonds should be transported to the TTC in double custody and deposited the same day they are received.
- The vault alarm should be periodically tested to ensure it is operating appropriately.
- Surveillance cameras and recording devices should be installed at the vault and functional 24 hours per day.
- Vault keys should be maintained in the custody of a single individual.

**Management Response**

*Concur.* The following actions have been or are planned to be taken:

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(15) Need to Strengthen Controls Surrounding the Vault (Continued)**

**Management Response (Continued)**

- A series of pre-numbered, sealing, tamper-evident bags in several sizes has been ordered, to replace the old bag sealing equipment currently used in the vault. The bag inventories will be controlled and reconciled monthly by the vault supervisor. The supervisor's manager will review the reconciliation and document his/her review.
- Policy 810.01 will be modified to incorporate pre-numbered bags into the valuables securing procedure.
- Cash and other highly liquid instruments are deposited on a daily basis as there is a need. All checks, cash and other liquid assets are prepared for deposit and transported in dual custody to the Treasury by 3:00 pm. Assets received after 3:00 pm are secured in the vault and deposited the next day (within 24 hours), in compliance with the County Fiscal Manual.
- We will evaluate our security systems and controls, including controlled access and the formalized testing of security systems.
- The key to the vault's cage door is currently secured at all times by the vault custodian.

**(16) Property Should be Abandoned in the Presence of Two Employees**

As part of our review of the abandonment of personal property, we reviewed 20 closed handled case files to ensure procedures were being followed. During our review, we noted the following:

- In 1 of the closed handled cases reviewed, only 1 signature was obtained for the abandonment of an illegal gun;
- In 3 of the closed handled cases reviewed, the Assistant Operations Chief of Accounting was the only individual to sign the abandonment memo; and
- In 1 of the closed handled cases reviewed, an abandoned item was destroyed by the Assistant Operations Chief of Accounting in single custody.

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(16) Property Should be Abandoned in the Presence of Two Employees (Continued)**

Public Administrator Operations Manual Policy Number 560.01 states, in part:

“...Personal property which has been marshaled and placed in the TTC Public Administrator vault or warehouse and which:

1. The property has minimal or no value;
2. The property cannot be sold or distributed; or
3. Has been abandoned to the Public Administrator/Public Guardian, or
4. Cannot be identified with an estate...

“...In the presence of the technician, or designated person, destroy the item, and dispose of the pieces in a trash receptacle. The items are not to be left for the use of any individual...”

If property to be abandoned is not destroyed in the presence of a witness, the opportunity for theft and abandonment of items of value increases.

**Recommendation**

We recommend that all property to be abandoned be authorized by the appropriate personnel and those items to be destroyed be done so in double custody.

**Management Response**

*Concur.* We note the following:

- Illegal weapons abandoned to the County Sheriff for destruction require the signatures of both the Abandonment Committee Chair (Assistant Operations Chief, Accounting Services) and the Deputy Sheriff collecting the weapon. In the reported Finding, the vault custodian failed to obtain the deputy’s signature. This situation has been corrected by effectively training two recently hired vault custodians.
- Per our standard procedures, in conformity with Abandonment Policy No. 560.01, the Chair of the Abandonment Committee (Assistant Operations Chief, Accounting Services) signs the abandonment gram after the Committee approves the abandonment decision.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(16) Property Should be Abandoned in the Presence of Two Employees (Continued)**

**Management Response (Continued)**

The procedure will be changed to require all members of the Committee to sign the decision.

- All staff have been advised that abandoned property to be destroyed must be destroyed in the presence of the Distribution Technician by a member of the Abandonment Committee or his or her designee, pursuant to Policy 560.01. The pieces or remnants of destroyed assets must also be disposed of in dual custody. Any future actual or alleged violation, by any disposition action taken in single custody, will be investigated and result in appropriate discipline.

**(17) Need to Strengthen Controls Over Cash Collections**

During our review of cash collection operations, we noted several instances where controls were weak and provided an increased opportunity for theft, loss or misuse of estate assets. Specifically, we noted:

- Cash is not deposited on a daily basis and is maintained in a file cabinet (in which keys are easily accessible to multiple employees) in the vault until the deposit is made;
- There is no dollar threshold established as to when the Safety Police must escort a depositor across the street to make a deposit at the TTC;
- Investigators are to go directly to the bank if cash is found during an investigation and the amount is greater than \$2,000. However, this occurs in single custody; and
- Deposits are made in single custody.

County Fiscal Manual, Section 1.3.7.1, General Controls Over Deposits, states, in part:

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(17) Need to Strengthen Controls Over Cash Collections (Continued)**

“Collections of \$500 or more should be deposited daily...Collections of less than \$500 per day may, at the discretion of the department, be held and deposited when the total reaches \$500, provided that deposits are made at least weekly...regardless of the amount collected.”

Holding cash collections overnight, or transporting cash and making deposits in single custody, increases the risk of loss of estate assets.

**Recommendation**

In an effort to strengthen cash collection controls, we recommend that:

- All cash be deposited with the TTC on a daily basis;
- A policy be developed requiring an escort when a cash deposit exceeds a set dollar amount;
- Trust Officers are to deliver all monies collected during an investigation immediately to the vault of the bank, as applicable; and
- Deposits are to be made in double custody, or pre-numbered sealed bags are to be used to transport cash.

**Management Response**

*Concur in the recommendations.* Please note the following:

- As previously discussed in Finding 15, when there is cash or other liquid instrument on hand in the vault, it is deposited “on a daily basis”. When received from the field prior to 3:00 pm, cash and checks are prepared for deposit and delivered to the Treasury in the dual custody of one of the two vault custodians and a member of the Accounting Services staff. Monies received after 3:00 pm are secured in the vault until the following day and deposited within 24 hours of receipt. Policy No. 810.01 will be revised to reflect this practice, which is in compliance with the County Fiscal Manual.

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#### FINDINGS AND RECOMMENDATIONS (CONTINUED)

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#### (17) Need to Strengthen Controls Over Cash Collections (Continued)

##### Management Response (Continued)

- Current practice is to seek a police escort whenever cash deposits exceed \$2,000. Because the availability of a Police Officer for escort has been inconsistent, a Memorandum of Understanding (MOU) with the Department of Human Resources/Office of Public Safety (OPS) is being negotiated to ensure this service is available whenever needed. This will be codified in the revised Policy.
- Trust Officers encountering more than \$2,000 cash in the field are encouraged to transport it to the closest branch of Bank of America (B of A), one of the Treasurer's banks, for deposit. (Trust Officers may also deposit the funds with the downtown Los Angeles headquarters if, in their discretion, they feel unsafe in or near the investigation site.) Dual custody from either the investigation site to the bank or the downtown headquarters is not feasible, due to manpower limitations for cursory searches.

Tamper-proof, pre-numbered bags are now used by the field staff. Any cash collected in the field is counted, placed in the bag and sealed inside. The cash amount and bag number are noted on the Property Sheet. The witness signs the Property Sheet, confirming the amount of the cash enclosed in the bag, as well as the bag number. The deputy then transports the sealed bag to a B of A branch for counting and deposit. The amount and bag number can be confirmed by the bank, and the deposit slip the deputy receives and turns in at the vault confirms the amount of cash deposited. PA accounting staff also reconcile the related SWEEP entries recorded by the Treasurer's independent Internal Controls Group to these deposit slips. Collectively, these measures serve as sufficient compensating controls for the inability to provide dual custody for cash transport.

- As previously stated, all deposits made by the vault, regardless of the amount, are now being made by vault and accounting staff in dual custody. Pre-numbered, tamper-evident bags, with annotated deposit slips, are also being utilized as an extra measure of control.

#### (18) Need to Store High Value Items Pending Auction in a Secure Area

During our review of the auction process, we noted that "high value" items to be auctioned are not adequately secured once they leave the vault in preparation for the auction. High value items

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#### FINDINGS AND RECOMMENDATIONS (CONTINUED)

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#### (18) Need to Store High Value Items Pending Auction in a Secure Area (Continued)

that are auctioned consist primarily of jewelry. The jewelry to be auctioned is placed in a cardboard box that is sealed with a PA seal which is signed by the contracted auctioneer. The sealed box is transported to the Safety Police Office to be stored overnight. The Public Safety Office is a locked area in the basement where at least two County officers are present at all times. The sealed box is stored in the office of the Watch Officer, which can be accessed by everyone in the Safety Police Office. The Safety Police transport the high value items to the auction at the warehouse the next morning.

Sound business practices require that estate assets be properly accounted for, properly located, and properly secured. As the sealed boxes are in the custody of the Safety Police, the PA was under the impression they were secure. Failure to adequately secure the sealed boxes can result in theft or loss of estate assets.

#### Recommendation

We recommend that sealed boxes containing high value items not be stored in the open in the Watch Officer's office, but rather be stored in a locked cabinet or safe overnight.

We also recommend that the PA purchase a locked strong box to store and move jewelry to be sold at auction.

#### Management Response

*Concur.* Please note the following:

- The Department of Human Resources/Office of Public Safety (OPS) has agreed to improve overnight storage security for high-value items held for overnight storage before auctions. OPS currently takes possession of high-value items on the Friday evening prior to the Saturday morning auction, stores the items overnight, and then transports them in dual custody to the auction the next morning. Instead of storage in the duty room, as noted in the audit, the locking trunks are now stored in a secured sergeant's office inside OPS' Emergency Response Center (ERC), which is continually staffed by multiple personnel. The two armed and uniformed OPS officers collect the locked trunks in dual custody, deliver them Saturday morning to the auction site in dual custody, and provide security in the jewelry and cash window areas during the auction as well.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(18) Need to Store High Value Items Pending Auction in a Secure Area (Continued)**

**Management Response (Continued)**

- The PA has also procured four large, locking trunks and padlocks for the OPS overnight storage and transport of the high-value items, eliminating the use of cardboard boxes.

**(19) Need to Update and Display a Standard Fee Schedule**

During our review of PA operations, we noted that the PA charges the estates they administer for costs incurred. However, a fee schedule was not conspicuously displayed and was not readily available. Specifically, we noted:

- Fees are charged for storage of items in crates at the warehouse, storage of cars inside and outside of the warehouse, and for storage of items in the warehouse vault. The fees charged have not been updated since 1992.
- Fees are billed to outside attorneys for non-handled cases in which the County incurred costs prior to the time in which the case was determined to be non-handled.
- Fees are charged for the preparation of various income tax and estate tax returns.
- There is no documentation displayed of the storage rates for personal property from estates. Time spent on each estate's tax return is not documented.
- Fees are charged for extraordinary services performed which are outside of the normal duties of the PA.

Generally accepted business practices recommend that rates charged to outside parties be properly documented to ensure consistency in charging of rates. In addition, fees should typically cover the costs incurred and should be reviewed and updated periodically.

Since there is no fee schedule displayed for the storage rate for personal property from estates, there is a possibility that an improper storage rate be charged to an estate. Since there is no displayed documentation of the rate for preparation of tax forms for the estates, there is a possibility that an improper rate be charged to an estate.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(19) Need to Update and Display a Standard Fee Schedule (Continued)**

**Recommendation**

We recommend that TTC document and display for all employees what the standard storage rates for the warehouse as well as tax rates are for preparation of tax forms for the estates and update them on a periodic basis.

**Management Response**

*Concur in part.* We concur in the recommendation to standardize rates to the extent possible, but do not concur in the value of posting standardized fee schedules.

Rates for car and crate storage at the warehouse are listed in the desk procedures of the warehouse supervisor (described by the audit team in Findings 10 and 11), as well as input into the PA automated system (LAPIS). Vault storage fees are also posted in the vault area and in LAPIS. Because these charges are all automatically billed as applicable to the estates, there is no possibility for PA staff to post an incorrect fee. Certain basic rates for estate tax returns, such as for Forms 1041 and Schedules A, B, C and E are developed and published to tax accounting staff each year. To accommodate the recommendation, vault storage fees are now prominently displayed at the vault counter, and tax preparation staff can provide a copy of their rate sheets upon request. We note that the public does not often visit PA sites, and so there is limited benefit in posting the schedules for the public's view.

Certain rates, such as for preparation of Forms 706 for the largest and most complex estates, for which estate taxes are due (> \$1.5 million estates and larger), can not be standardized. Also, extraordinary fees, as the descriptor implies, are charged for additional, unusual services performed for estates. As well, these fees can not be standardized. (Appropriate documentation for extraordinary fees is required, and approved, by the Probate Courts before such the Courts award such fees.) Accordingly, no standardized fee schedules can be developed for these exceptional areas.

Rates charged for storage and various services are automatically applied by LAPIS when appropriate property transactions are input into the system. The PA has prepared formal, easily readable fee schedules for conspicuous posting at the warehouse and vault and extra copies of the tax accountants' basic rates sheet are available upon request.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(19) Need to Update and Display a Standard Fee Schedule (Continued)**

**Management Response (Continued)**

The Treasurer and Tax Collector Fiscal Services section is in the process of reviewing fees department-wide, and the PA fees will be incorporated into that review.

**(20) Need to Strengthen Controls Over Cash Disbursements**

During our review of the cash disbursement process, we noted that the cash disbursement controls within the vault operation need to be strengthened. Specifically, we noted:

- All Vault Custodians have access to blank check stock;
- The signature plate holders keep the signature plates at their desk unsecured during the day;
- The signature plate holders do not verify that the total number of checks signed by the check signing machine agrees with the actual number of checks printed;
- The Vault Custodians have access to checks before and after they are printed;
- Checks greater than \$3,000 and checks greater than \$25,000 are entered onto separate logs and provided to management for review. Once reviewed, the checks are returned to the Vault Custodian for mailing;
- No independent verification is performed on checks less than \$3,000 prior to mailing; and
- The same person performing petty cash duties also prepares the bank reconciliation.

Public Administrator Operations Manual, Policy Number 810.05 states, in part:

“...Accounting Technician...1. At the beginning of each business day, verifies the signing machine meter number with the ending number of the previous day...2. On a daily basis, receives “Checks Signing Control Sheet” from the Vault for the checks printed and signed during the previous day...3. Verifies the ending number of the signing machine meter as indicated on the “Checks Signing

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(20) Need to Strengthen Controls Over Cash Disbursements (Continued)**

Control Sheet” against the number written down in step #1 and ensures they agree...”

Failure to properly account for all checks printed, signed and mailed increases the risk of loss of estate assets.

**Recommendation**

We recommend cash disbursement controls be strengthened as follows:

- One individual, who does not have the ability to print checks, be responsible for the blank check stock;
- The signature plates be maintained in a locked, secure location when not in use;
- The signature plate holders reconcile the checks issued with the checks signed per the check signing machine as required;
- The Vault Custodians do not have access to check stock and the ability to print checks;
- Checks greater than \$3,000 and \$25,000 that are given to management for review and approval should not be returned to the Vault Custodian for mailing; and
- The PA implement procedures for independent review of a random sample of checks after they are printed and before they are mailed.

**Management Response**

***Concur.*** Please note the following:

- The vault custodians previously maintained in dual custody the blank check stock and signature plates in the secure environs of the vault. All check printing is logged on the Check Printing Log, which was reconciled periodically by the General Accounting unit manager or his designee. This procedure has been strengthened, as outlined herein.

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FINDINGS AND RECOMMENDATIONS (CONTINUED)

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(20) Need to Strengthen Controls Over Cash Disbursements (Continued)

Management Response (Continued)

- To the extent staffing allows, the PA will assign check printing to a staff member not associated with the vault. Physical check stock supplies are already monitored by non-vault staff, and audited daily against the Check Printing Log. The signature plates are now retrieved from safe storage in the vault area in the morning and secured under lock and key by a non-vault staff member, monitored in their use, and then returned to the floor safe in the vault area for secure storage overnight. The vault custodians no longer have custody of the signature plates.
- We will review the practice of managers returning certain checks to the vault custodian for mailing.
- We will consider the random sample review the auditors recommended in light of the enhance controls noted above.

(21) Need to Strengthen Vault Inventory Procedures

During our review of the vault operations, we conducted a physical inventory of all vault contents. The physical inventory was compared to the vault contents recorded in LAPIS and 43 discrepancies were noted as follows:

<u>Description of Discrepancy</u>	<u>Number of Items</u>
Wrong shelf and/or box number was input in LAPIS	15
Item was listed as being distributed, abandoned or sold according to LAPIS, but was found in the vault	8
Item was associated with a case number that was purged in LAPIS, but was found in the vault	5
Wrong location code was input into LAPIS	4
Item was found in the vault without any case name, case number or inventory number	3
Item was located in the vault according to LAPIS, but item had been destroyed according to Property Sheets	2
Item was located in the vault, but did not have location or location code in LAPIS (Polish currency and men's ring)	2

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FINDINGS AND RECOMMENDATIONS (CONTINUED)

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(21) Need to Strengthen Vault Inventory Procedures (Continued)

<u>Description of Discrepancy</u>	<u>Number of Items</u>
Item was located in the vault according to LAPIS, but we could not locate the item	2
Item was found on the floor of the vault with a broken seal indicating it was being worked by a Trust Officer and not on shelf	1
Item was not in LAPIS, but was in the vault	<u>1</u>
Total discrepancies	<u>43</u>

The Vault Custodian assisted in determining the nature of each exception.

In addition, we reviewed the last vault inventory completed by the vault staff in November 2004. This inventory can take up to two weeks to complete and items are continually moving in and out of the vault during that time. The inventory completed in November of 2004 had 36 exceptions. Most items were either misplaced, not in LAPIS or had no item number. Nothing was lost during this inventory.

Public Administrator Operations Manual, Policy Number 810.08 states, in part:

“...a periodic spot check is conducted at least once a month by someone who has no function related to the Vault operation...Accounting Technician...3. Selects a total of fifteen items...to be reviewed at the Vault...”

Additionally, Public Administrator Operations Manual, Policy Number 810.09 states, in part:

“...General Accounting Supervisor...1. Obtains the Vault Report (Inventory Location Report) LA0225, and selects the pages to be verified against Vault property...”

This is to ensure that what is located on the inventory report in LAPIS is actually located in the vault in the location identified.

Both of the policies identified above result in an inventory that is conducted on a sample basis only. Furthermore, the inventory is focused solely on locating items in the vault that are recorded in LAPIS. The procedures do not address a review of items in the vault that are not in LAPIS.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(21) Need to Strengthen Vault Inventory Procedures (Continued)**

Discrepancies between estate assets in the custody of the PA and estate assets recorded in LAPIS can result in not all estate assets being distributed, or a potential theft or loss of estate assets.

**Recommendation**

We recommend that the PA revise its policies to require two-way spot checks of vault inventory. A sample of items should be taken from LAPIS and located in the vault. Additionally, a separate sample of items should be taken from the vault and traced to the LAPIS reports. Furthermore, we recommend that a complete physical inventory of vault assets be taken at least annually, and reconciled to LAPIS reports. All discrepancies must be resolved.

**Management Response**

*Concur.* The current policy provides for sampling inspections of the vault, and complete inventories are infrequent and irregularly scheduled. Policies 810.08 and 810.09, along with 810.01 and 810.02 (Receiving and Releasing Vault Property), will be revised to strengthen inventory controls and accountability. PA will request the Internal Controls Branch of the Treasurer and Tax Collector to conduct complete audit of the PA vault on an annual basis.

**(22) Need to Follow-Up on Aged Outstanding Receivables**

During the initial investigation, the PA may incur costs to administer an estate prior to a decision on whether to handle the case or not. If the case is non-handled, the PA is to submit to the Court a proof of claim as a creditor to the estate. During our review of the status of non-handled cases, we noted cases with associated receivables which were greater than 180 days old with the oldest dating back to 1990. Specifically, we identified 54 such cases totaling at \$54,835. If payment is not received on the outstanding balances, the PA refers the receivable to County Counsel for follow-up. Once a receivable is turned over to County Counsel, the PA does not follow-up with County Counsel as to its status. As such, the receivables may stay on the books for an indefinite period of time. Failure to follow-up on outstanding receivables results in a loss of revenue to the County.

Public Administrator Operations Manual, Policy Number 830.05 states, in part:

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(22) Need to Follow-Up on Aged Outstanding Receivables (Continued)**

“...After thirty (30) days from the date the follow-up letter was sent, a request is sent to County Counsel to file a request for “Special Notice” the billing...”

**Recommendation**

We recommend that the PA file a Proof of Claim with the court for all outstanding receivables once a case is determined to be non-handled in order to secure the claim.

We recommend that the PA put into place a process to follow-up with County Counsel on outstanding receivables to ensure that all funds are collected.

**Management Response**

*Concur.* County Counsel has advised the PA to file a Request for Special Notice in non-handling matters for which fees and costs were incurred. The PA is researching the feasibility of obtaining the appropriate State of California Judicial Counsel forms directly, rather than seeking preparation of these filings by County Counsel. Whether prepared and filed by County Counsel or the PA, Requests for Special Notice will be filed in each case in which the PA retains a financial interest.

**(23) Need to Strengthen Mailroom Procedures**

During our observation of mailroom procedures, we noted that the internal controls surrounding the mailroom need to be strengthened. Specifically, we observed the opening of mail and logging of checks on 3 separate occasions. During our observations, we noted:

- The mail was opened in single custody;
- Checks were not assigned a control number upon receipt;
- Checks to be deposited were left unattended on an employee’s desk;
- Checks were not deposited on the same day received;
- The same individual that logs the checks inputs the cash receipt information into LAPIS;

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(23) Need to Strengthen Mailroom Procedures (Continued)**

- The Log of checks is maintained in batches as opposed to individual control numbers; and
- Checks are not endorsed when the mail is opened. They are put in a “cubby” in the mailroom and the checks are endorsed when someone from Accounting can come to the mailroom and restrictively endorse.

County Fiscal Manual Section 1.3.6 states, in part:

“...Where there are a large volume of checks received by mail, two employees should be assigned to open the mail and record the receipts. The assigned employees should...restrictively endorse all checks immediately,...if volume of mail receipts is large, at a minimum, an adding machine tape should be prepared and agreed to the checks and supporting documents...”

County Fiscal Manual, Section 1.3.7.1, General Controls Over Deposits, states, in part:

“Collections of \$500 or more should be deposited daily...Collections of less than \$500 per day may, at the discretion of the department, be held and deposited when the total reaches \$500, provided that deposits are made at least weekly...regardless of the amount collected.”

**Recommendation**

In order to strengthen internal controls surrounding the mailroom, we recommend that the mail be opened in double custody as required by the County Fiscal Manual. We also recommend that a lockbox be purchased so that the checks are secure until such time as the Accountant can review and restrictively endorse the checks. In addition, we recommend that a control number be assigned immediately upon receipt and that a log of checks received in the mail be maintained by individual control number. Furthermore, we recommend that all checks be deposited on the same day received. If checks cannot be deposited the same day, then the checks should be stored in a secure area. Finally, we recommend that an individual, other than the individual opening the mail and logging the checks, be responsible for entering the data into LAPIS.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(23) Need to Strengthen Mailroom Procedures (Continued)**

**Management Response**

*Concur.* Please note the following:

- The incident of mail being opened in single custody occurred when a new mailroom clerk was required to cover needed services during the unexpected absence of the mailroom supervisor prior to the completion of the new clerk's training. Unaware of the requirement for dual custody, he opened the mail, including checks, by himself. He has received corrective training in proper internal controls, and the mail is now opened only in dual custody. Accounting staff on the same floor are now trained and are available to fill in for absences of either the mailroom supervisor or mailroom clerk for the opening of the mail.
- The PA must research each check it receives prior to deposit. A number of circumstances can affect the propriety, and even the legality, of depositing checks, whether for PA or Public Guardian (PG) matters. For example, checks payable for the benefit of a conservatee discharged from PG's conservatorship may not be deposited for any reason and depositing checks, for any amount, received from tenants against whom eviction proceedings have been filed terminates the eviction proceeding. The PA is reviewing several alternative procedures for enhancing controls in the receipt, research and subsequent deposit or return of checks.
- Because of the research required for each check, it is not always practical to deposit all checks the same day received. It is practice that checks received in the morning mail are researched and deposited later that day (3:00 pm deposit). Checks received in the afternoon mail run are usually deposited the following day. Certain days of the month experience heavy check receipts volume, which may affect the deposit timeframe.

**(24) Reconciliation of "Removed" Items from LAPIS to Property Sheet to Court Order**

During our review of final accounting procedures we noted that there is no documentation of reconciliation between inventory items that are removed from LAPIS to the source documentation authorizing the removal.

Sound internal controls require that items removed from LAPIS be reconciled to authorizations for removal to ensure that no unauthorized removals are made, which can result in a loss of estate assets.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(24) Reconciliation of "Removed" Items from LAPIS to Property Sheet to Court Order (Continued)**

**Recommendation**

We recommend that a final reconciliation be performed on any items that have been removed from the estate.

**Management Response**

*Concur.* In addition to the reconciliations made in LAPIS, and the dual custody signature process for disposition handled through signed disposition memoranda and the hard-copy Property Sheet, the additional step of reconciling the signed hard-copy disposition instructions with the LAPIS-reported dispositions will be conducted. A desk procedure will be written to provide this LAPIS-to-hardcopy reconciliation, which will be conducted by the vault supervisor.

**(25) Need to Strengthen Physical Access Controls**

During our review of physical access controls, we noted that the PA utilizes punch code locks on the doors to gain access to the 8<sup>th</sup> and 9<sup>th</sup> floors of the Hall of Records. We also noted that the punch code lock combinations have not been changed on a periodic basis. Generally accepted business practices require that the punch code lock combinations on doors granting access to a restricted area be changed on a periodic basis so as to minimize unauthorized physical access.

This condition occurred as offices other than the PA are housed on the 8<sup>th</sup> and 9<sup>th</sup> floor areas of the Hall of Records. Management has not gotten together to agree on periodic changes of the punch code lock combinations. Failure to change the punch code lock combinations can result in unauthorized access to restricted areas.

**Recommendation**

We recommend that, at a minimum, the PA change the punch code lock combinations upon termination of an employee, or transfer of an employee to another department. We also recommend that if no terminations or transfers occur, that the combinations be changed on a periodic basis.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(25) Need to Strengthen Physical Access Controls (Continued)**

**Recommendation (Continued)**

We also recommend that the PA install ID badge swipes as are located in other Departments through out the County.

**Management Response**

*Concur.* The badge swipe option, as the ideal access control, will be researched in conjunction with PG. Alternatively, a policy guiding both a regular schedule of changing the codes, and of changing access codes when employees leave under circumstances that warrant the change, but at least annually, will be developed.

**(26) Need to Monitor Access to LAPIS**

During our review of LAPIS controls, we noted that there is currently no mechanism in place to monitor access to the system. Specifically, we noted:

- The PA does not routinely review unauthorized access attempts to the LAPIS system. The LAPIS system was originally maintained on a mini-computer environment running Prime. Under this environment, the PA could track the following:
  - Who was on the system at a particular time;
  - How often someone accessed the system;
  - Who was not using the system;
  - Last login;
  - Inappropriate usage;
  - Logins at unusual times;
  - Illegal attempts to login;
  - Denied access; and
  - Attempts to login under another user's ID.

The PA migrated from the mini-computer environment to an NT server environment running Universe in September 2001. After the migration, the PA no longer was able to monitor unauthorized access attempts.

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#### FINDINGS AND RECOMMENDATIONS (CONTINUED)

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##### (26) Need to Monitor Access to LAPIS (Continued)

- User profiles of existing employees are not reviewed periodically to ensure access levels are commensurate with job responsibilities. During our review of user profiles, we identified 39 users who had access to the system but were no longer employed by the PA. Additionally, we identified 1 group of 3 users who had access to 135 of 305 LAPIS screens. This number of screens was more than any other group of users. The access level of this group was not commensurate with their job responsibilities.
- Users are automatically locked out of LAPIS after 3 failed login attempts. However, Dynamic Connect automatically assigns a new user ID to the employee after the 3 failed login attempts. This automatic assignment of a new user ID circumvents the control of having to request a new user ID if access has been denied.

Failure to timely monitor and resolve all unauthorized access attempts increases the likelihood that unauthorized access to financial and sensitive information may occur and not be detected.

##### Recommendation

We recommend that the PA establish policies and procedures to enhance the internal controls over access to LAPIS as follows:

- Unauthorized access attempts should be monitored and followed-up on at least a monthly basis;
- User profiles of all employees should be reviewed at least annually to ensure user access is commensurate with job responsibilities;
- Employees should be required to contact the Systems Division in the event access has been denied after 3 failed login attempts;

##### Management Response

##### *Background*

The PA uses the Los Angeles County Public Administrator/Public Guardian Information System (LAPIS) as a case tracking system that records the various assets of estates administered by the PA as well as various assets under legal conservatorship of the Public Guardian (Department of

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(26) Need to Monitor Access to LAPIS (Continued)

Management Response (Continued)

Mental Health). In addition, County Counsel, Coroner and the LAC+USC Morgue utilize LAPIS, when necessary, to perform various property management and accounting activities connected with decedents and conservatees. LAPIS, in continuous use since 1984, is an on-line computer system with the application installed on PCs throughout the offices of the PA, PG, County Counsel, Coroner and Morgue. The TTC is in the process of finalizing a competitive solicitation (Request for Proposals) to replace and upgrade LAPIS. The TTC requested the auditors include in their scope of work a review of LAPIS' controls for incorporation into the design of the new system, currently estimated to be in place during Fiscal Year 2007-08.

At the time of the auditor's review, the PA contracted with CompuTrust for the maintenance of LAPIS. Subsequently, CompuTrust terminated the maintenance contract. The PA procured an independent consultant under the County's ITTSMMA contract to resume application support.

The auditors identified six findings related to LAPIS (i.e., Findings 26 through 31, inclusive.) As indicated in our responses to the each of these findings, the PA is committed to timely corrective action as resources and LAPIS' technology allow. In some instances, we may not be able to correct the issue at the present time, but will certainly incorporate the required corrective action in our new system's design.

**Concur.** Reviews of user access and security profiles were initiated with the LAPIS maintenance vendor in November 2005, shortly after this finding was identified. The PA and the vendor revised and consolidated 147 unique user profiles into 96 profiles prior to the vendor's departure in January 2006. The PA is currently reviewing the access needs of the LAPIS user community (including Public Guardian, County Counsel, Coroner and LAC+USC Morgue), and will continue to revise and consolidate profiles as we are able.

The TTC Systems Division is currently investigating the implementation of an alternate control mechanism, to prevent Dynamic Connect from interfering with the automatic lock-out feature of LAPIS.

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(27) Need to Improve LAPIS Password Controls**

During our review of LAPIS password requirements, we noted:

- LAPIS does not require users to periodically change their personal passwords. The LAPIS Training Guide indicates that users will have the chance to change their password whenever they choose and that the password should be changed on a regular basis.
- LAPIS requires passwords to be between 7 and 10 characters in length. It does not, however, require a minimum complexity (e.g., a minimum combination of upper- and lower-case letters, numbers, and/or symbols).
- Rep Payees at the Downtown Mental Health Clinic and Edelman Mental Health Clinic used a shared LAPIS User ID and password rather than individual User IDs and passwords.
- Sometimes PA users share passwords so they can have access to the other person's screens to perform certain functions.

Sound internal controls over information systems require that passwords and access control measures be used to identify who accessed protected information and limit that access to persons with a need-to-know. Logical access controls should be designed to restrict legitimate users to the specific systems, programs and files they need, and prevent others, such as hackers, from entering the system at all. Unique user passwords should be used that include all of the following characteristics:

- Passwords should be unique for specific individuals, not groups;
- Passwords should be controlled by the assigned user and not subject to disclosure;
- Passwords should not be displayed when entered;
- Passwords should be prohibited from reuse for at least 6 generations;
- Passwords should be at least six alphanumeric characters in length. The use of alphanumeric passwords reduces the risk that an unauthorized user could gain access to a system by using a computer to try dictionary words or names until the password is guessed.
- To prevent guessing of passwords, attempts to log in to the system with invalid passwords should be limited to three (3) attempts.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(27) Need to Improve LAPIS Password Controls (Continued)**

- Users should be required to change their passwords periodically, when an individual changes positions, or when security is breached.

Additionally, Policy Number 6.101, *Use of County Information Technology Resources*, of the Los Angeles County Board of Supervisors Policy Manual, states, in part:

“...Access control mechanisms must be in place to protect against unauthorized use, disclosure, modification, or destruction of resources.... Fixed passwords, which are used for most access authorization, must be changed at least every 90 days...”

Failure to develop and fully implement a password requirement policy increases the likelihood of unauthorized transactions in LAPIS.

**Recommendation**

We recommend that the PA enhance the password requirements in LAPIS to include the following:

- Passwords must be set to expire after 90 days, thus forcing employees to change their password at least every 90 days;
- A minimum complexity including upper- and lower-case letters, numbers and symbols should be established;
- Rep Payees at the Mental Health Clinics should be assigned separate User IDs that require separate passwords; and
- Discipline measures should be established in the event individuals share passwords with other employees.

**Management Response**

**Concur.** The PA will work with the TTC Systems Division to review the password maintenance provisions of LAPIS. LAPIS does have some inherent security limitations, such as non-recognition of lower case letters for passwords. However, the generic system password can and

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(27) Need to Improve LAPIS Password Controls (Continued)**

**Management Response (Continued)**

will be changed, and communicated confidentially to authorized users. All users will be instructed to change their personal passwords as well, with sharing of passwords strongly discouraged in the other departments.

**(28) Need to Automatically Lock Workstations After a Period of Inactivity**

During our review of the Systems Division of the PA, we noted that the enterprise network did not lock workstations after a specified period of inactivity. The LAPIS system automatically locks after two hours of inactivity; however, workstations subject to use by multiple users (such as those at the vault counter) do not automatically disconnect at the end of a session.

Sound internal controls over information systems require that user authentication (the corroboration that a user is the one claimed) should include automatic logoff after a predetermined amount of time. Inactivity at any given workstation for a specific period of time should cause the system to automatically shut down that workstation. Workstations subject to frequent use by multiple users (such as those at the vault counter) should automatically logoff at the end of a session. However, in a controlled (supervised) environment involving the use of sign-on and password routines, there is no "time-out" disconnect requirement. Windows security with passwords should be utilized to lock workstations where supported by existing operating systems.

The Systems Division has not yet established automatic log-out after a specified period of inactivity for the enterprise network. The former NT domain did not offer this feature without using third party products that the Systems Division believed could create instability in the system. The new Active Directory (AD) domain offers this capability. However, AD is not yet fully implemented. AD is being implemented in stages, and there is a migration path from NT to AD that is still under way. The Exchange Server used for email is the last, and hardest, piece to be migrated. It should be migrated within a year, at which time the Systems Division intends to implement automatic workstation timeouts.

Failure to automatically lock workstations after a specified period of inactivity could result in unauthorized use of LAPIS with an authorized user's login ID and password.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(28) Need to Automatically Lock Workstations After a Period of Inactivity (Continued)**

**Recommendation**

We recommend that the enterprise network be modified to lock workstations after a specified period of inactivity. LAPIS workstations subject to frequent use by multiple users (such as those at the vault counter) should automatically logoff at the end of a session.

**Management Response**

*Concur.* The PA will work with TTC Systems Division to incorporate security measures to protect access to LAPIS, including automatic log-off and lock-out features, as appropriate.

**(29) Need to Segregate Incompatible LAPIS Access Functions**

During our review of user profiles and job responsibilities, we noted the following instances of incompatible LAPIS access.

- 3 employees had access to both create and approve check requests. This issue was brought to the attention of PA management during fieldwork. PA management immediately removed the incompatible access. As such, no recommendation is warranted.
- 13 employees had access to identify personal property with no value for abandonment by changing the status of the property in LAPIS to "TOSS". These same employees also had access to subsequently approve the abandonment of the property by changing the status of the property in LAPIS to "ABAN".

Failure to adequately segregate access to incompatible functions increases the risk of loss of estate assets.

**Recommendation**

We recommend that the PA revise LAPIS access so that employees can change the status of an item in LAPIS to "TOSS" or "ABAN", but not both.

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(29) Need to Segregate Incompatible LAPIS Access Functions (Continued)**

**Management Response**

*Concur in part.* Regarding creation and approval of check requests, the PA found one employee should not have had both create and approve authority. This employee's user profile was corrected to eliminate the inappropriate authority. The other employees retain their authority to create and approve checks; however, LAPIS has a built in safeguard that prevents these employees from creating and then approving their own checks. Instead, LAPIS requires a check creation request be approved by the next higher level of management.

This same safeguard applies to the ability to request "TOSS" (discard) disposition and the approval function ("ABAN"). While estate deputies have the authority to initiate discard requests, they can not approve their own requests with an "ABAN" command. It should also be noted this authority only applies to inventoried "X" items – items without extrinsic (monetary) value, such as family photos or knickknacks – and not to valued items such as jewelry or furniture. Valued items are auctioned ("SELL") or distributed ("HOLD") to heirs, but the final status ("SOLD" or "DIST") is approved by higher level staff, pursuant to the LAPIS approval protocol.

The PA will review the feasibility of segregating the TOSS, SELL and HOLD authority from ABAN, SOLD and DIST authority altogether. Provided operations are not unduly affected (removal of the approval process from the normal chain of command and approvals), this separation of authorities will be implemented as appropriate.

**(30) Need to Develop and Test Business Continuity/Disaster Recovery Plan**

During our review of the Systems Division of the PA, we noted that a business continuity/disaster recovery plan had not been developed or tested for either the enterprise network or LAPIS. The enterprise and LAPIS servers are located at the Hall of Administration. LAPIS is currently backed up on a daily and weekly basis. The back-up tapes are stored across the street at the Hall of Records. There is currently no hot site available to serve as a data center in the event of a disaster.

Generally accepted business practices require that a contingency plan be implemented and tested periodically to prevent the loss of systems functionality and data in the event of an emergency or disaster. Certain regularly scheduled processes required to support the continuity of operations

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**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**(30) Need to Develop and Test Business Continuity/Disaster Recovery Plan (Continued)**

in the event of a catastrophic loss of data, facilities or equipment, or to minimize the impact of threats to data, facilities or equipment, should be periodically performed.

Failure to fully implement a business continuity/disaster recovery plan increases the likelihood that critical systems may not be functional in the event of a disaster.

**Recommendation**

We recommend that the PA develop and test a business continuity/disaster recovery plan, including the identification and testing of a hot site. We further recommend that the off-site storage for back-up tapes be moved to a location out of the immediate downtown Los Angeles area.

**Management Response**

**Concur.** The TTC completed the countywide Business Impact Analysis (BIA) in July 2004 and submitted it to the Chief Administrative Office (CAO) Office of Emergency Management (OEM). In the BIA, the department identified the safekeeping and investing of cash as the department's highest business continuity priorities, in the event of a widespread disaster. The PA's business continuity was a lower priority. Subsequently, the department has crafted a Business Continuity Plan (BCP) specific to its highest priority of the safekeeping and investing of cash. The department will complete BCPs for its other businesses in priority order.

**(31) Need to Use System Development Life Cycle Methodology for Changes to Applications**

The PA contracts with CompuTrust for maintenance of LAPIS. During our review of CompuTrust's procedures for implementing changes to LAPIS we noted:

- An informal process was sometimes used in approving and implementing LAPIS system change requests; and
- LAPIS programming changes were sometimes tested on the live system.

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(31) Need to Use System Development Life Cycle Methodology for Changes to Applications (Continued)**

New system software versions or products and modifications to existing system software should receive proper authorization and should be supported by a change request document. System software changes should be requested, authorized, prioritized, tested and approved before implementation. Change management standards, proper controls, processes and procedures should provide for appropriate testing prior to implementation.

A disciplined process for testing and approving new and modified systems prior to their implementation is essential to ensure systems operate as intended and that no unauthorized changes are implemented.

A comprehensive set of test transactions and data should be developed that represents the various activities and conditions that will be encountered in processing. Live data should not be used in testing of program changes except to build test data files. Tests should be conducted in an environment that simulates the conditions that are likely to be encountered when the changed software is implemented. A set of test transactions and data should be developed that contains examples of the various types of situations and information that the changed program will have to handle, including invalid transactions or conditions to make certain the software recognizes these transactions and reacts appropriately. In addition, the system's ability to process the anticipated volume of transactions within expected time frames should be tested.

Program changes should be moved into production only upon documented approval from users and system development management. Persons that understand the changes made to software and the test results of those changes should approve moving the software from development into production.

CompuTrust personnel's long familiarity with the LAPIS system and the duplication of effort required to test changes in a test system before migrating them to the live system have led them on occasion to test and implement some minor programming changes on the live system rather than in a test environment.

Failure to properly approve and test programming changes in a test environment increases the likelihood that modifications could negatively impact LAPIS and result in the loss of data or the integrity of the system.

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***FINDINGS AND RECOMMENDATIONS (CONTINUED)***

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**(31) Need to Use System Development Life Cycle Methodology for Changes to Applications (Continued)**

**Recommendation**

We recommend that the PA develop a system development life cycle methodology that:

- Provides a structured approach consistent with generally accepted concepts and practices, including active user involvement throughout the process;
- Is sufficiently documented to provide guidance to staff with varying levels of skill and experience;
- Requires all modifications to be thoroughly tested in a test environment before migrating the change to the production environment; and
- Provides a means of controlling changes in requirements that occur over the system's life and includes documentation requirements.

**Management Response**

***Concur with the intent of the recommendation.*** As previously noted, the TTC is in the process of finalizing a competitive solicitation (Request for Proposals) to replace and upgrade LAPIS. The RFP will require the successful vendor to engage in systems development lifecycle analysis, and develop a program of appropriate upgrades and migrations to provide an orderly, guided life cycle for the replacement application.

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***STATUS OF PRIOR AUDIT FINDINGS***

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We reviewed the PA's efforts to resolve prior audit findings as part of our internal control evaluation. The Auditor-Controller performed an audit in 1998, and a follow-up on the status of the findings and recommendations in 1999. The current status of the findings as of July 31, 2005 is as follows.

**Finding:** Assign cellular telephones to Trust Officers assigned to visit field locations.

**Status:** In 1999, the status was in progress. The Trust Officers now have cell phones. This finding has been resolved.

**Finding:** Use serial numbered tamper proof security bags for high value items collected during residence searches.

**Status:** In 1999, the status was implemented. Since the Auditor-Controller validated the implementation of this finding no further work was warranted. However, during our review of vault and warehouse operations it was noted that tamper proof security bags are not used. See Finding Number 15 in the Findings and Recommendations section of this report.

**Finding:** PA management to begin planning for replacement of LAPIS with a state-of-the-art computer system during the next few years.

**Status:** In 1999, the status was in progress. Per our review, resolution of this finding is still in progress. See our separate management letter for recommendations regarding suggested enhancements to LAPIS.

**Finding:** Develop an automated property accountability and tracking system that interfaces with LAPIS or its replacement.

**Status:** In 1999, the status was in progress. Per our review, resolution of this finding is still in progress. See our separate management letter for recommendations regarding suggested enhancements to LAPIS.

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***STATUS OF PRIOR AUDIT FINDINGS***

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**Finding:** Conduct periodic inventories of storage crates on a random sample basis and investigate any items that can not be physically located.

**Status:** In 1999, the status was not implemented. Per our review, this finding has not yet been resolved. See Finding Number 10 in the Findings and Recommendations section of this report.

**Finding:** Inoperative security cameras are repaired or replaced.

**Status:** In 1999, the status was implemented. However, since that time the monitor screens to view the operations of the cameras and the VCR to record the activity are broken and in need of replacement. See Finding Number 12 in the Findings and Recommendations section of this report.

**Finding:** The front door security lock is replaced with a “crash bar” that will allow the door to be secured from outside entry and yet allow employees to exit in an emergency.

**Status:** In 1999 was in progress. A crash bar is now in place. This finding has been resolved.

**Finding:** Dispose of abandoned/derelict automobiles stored at the PA warehouse.

**Status:** In 1999 the status was in progress. During our review, we noted no abandoned vehicles at the warehouse. This finding has been resolved.

**Finding:** Estate folders contain documentation for each transaction.

**Status:** In 1999, the status was implemented. However, during our review, we noted multiple instances of missing documentation. See Finding Number 2 in the Findings and Recommendations section of this report.

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***RESULTS OF PROCEDURES PERFORMED***

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In order to document the PA's internal controls in place and whether they were operating effectively, we:

- Conducted interviews with 52 employees of the PA and the Treasurer and Tax Collector;
- Conducted 17 observations and walk-throughs;
- Judgmentally sampled 33 case files; and
- Performed 22 tests in a variety of functional areas.

The control activities in place for each of the three sections within the PA's office and the results of our test of controls are documented on the following pages.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

Control Activities	Test(s) Performed	Test Results
<b><u>ESTATE ADMINISTRATION</u></b>		
<b><i>Intake</i></b>		
1. The Intake Section is responsible for the intake of decedent information. This information is received from the LAC/USC/MC – Mortuary and other facilities when people die without a known next of kin. The Intake Unit records the information into LAPIS and requests a case folder to be set up.	Through interviews with intake unit staff and review of case files to determine whether decedent information was properly recorded.	No exceptions noted.
2. A daily shuttle is performed by a County courier to pick up property and other information from the Coroner related to a decedent. This process involves a messenger and a Senior Trust Officer and entering data and information into LAPIS.	Judgmentally selected 1 transmittal to ensure the proper intake forms are completed and approved. Determined how the Reports of Investigations are responded to that are received from the Coroner. Performed Observation of run to Coroner to pick up property. We noted that pick-ups are done twice per week.	See Finding Number 1.
3. Funerals are to be monitored and inspected to ensure that the funeral home is providing the services as requested.	Confirmed through corroborative interview with Supervising Trust	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	Officer that funerals are monitored as required.	
<b><i>Investigations</i></b>		
<p>1. The Initial Decedent Referrals form is used by the Coroner and LAC/USC/MC Mortuary Offices to report new cases to the PA. The Initial Decedent Referral Report is run every two hours by the Intake staff to identify any new possible cases. The information is entered into LAPIS and a case file is created the next business day. The Initial Decedent Referral form is used to start a case file in the Public Administrator's office. The effect of not having the form in the case file may result in missing information regarding the estate.</p>	<p>Reviewed 20 closed handled cases to determine whether the Initial Decedent Referral Form was in the case file and was properly completed. The Form was not included in 3 of the 20 case files reviewed.</p>	<p>See Finding Number 2.</p>
<p>2. The initial investigation is to be completed within 10 days from the date it was reported to the County. If the initial investigation exceeds 10 days, a Status Report of Open Cases is prepared and submitted to the Assistant Division Manager. The purpose is to make a determination of whether the case will be handled or not handled by the PA. The purpose of the 10 day process is to quickly determine the PA's involvement and protect assets as</p>	<p>Reviewed 20 closed handled cases to ensure the initial investigation was completed within 10 days. We noted that for the cases we reviewed, it took an average of 17 days to complete the initial investigation</p>	<p>See Finding Number 3.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
necessary.	and move a case to case management.	
3. In order to track information regarding the case, the Trust Officer completes the Case File Check Sheet and provides copies to appropriate parties, signs the report and files with Conservator Administrative Assistant to ensure completeness and accuracy.	Reviewed 20 closed handled cases to determine whether the Case File Check Sheet is being properly prepared and distributed. The Check Sheet was not included in 5 of the 20 case files reviewed.	See Finding Number 2.
4. When the PA determines a case is to be handled, the PA will petition the Court to be the administrator of the estate. This requires a Decedent Investigation Report (LA9001), assignment of a Trust Officer to the case, completion of burial arrangements, requesting drayage if necessary, completing case set up and preparing Letters of Administration. The Supervising Trust Officer performs a final review by the 3 <sup>rd</sup> working day after the investigation completion date. The case is forwarded to Case Management for processing.	Reviewed 20 closed handled cases to determine whether LA9001 reports were in the case file. The report was not included in 12 of the 20 closed handled case files reviewed. Additionally, the report was not included in 7 of the 9 non-handled cases reviewed.	See Finding Number 2.
5. The PA has established handling codes to document the reason for administering an estate.	Judgmentally selected 15 cases to determine whether the proper handling code was used.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
6. The PA is to notify the decedent's next of kin of the death through the "Notice of Death Letter if telephone contact is not possible.	Reviewed 20 closed handled cases to determine whether the next of kin or decedent's employer was properly notified.	No exceptions noted.
7. The PA is required to notify the Department of Health Services for each case the PA is handling.	Reviewed 20 closed handled case files to ensure this form has been completed and forwarded to the Department of Health Services. The notification to the Department of Health Services was not included in 8 of the 20 handled case files reviewed.	See Finding Number 2.
8. Creditor claims are to be filed within 4 months after letters to general representatives are sent and/or 30 days after the date of the Notice of Administration, whichever is sooner. All creditor claims received are date and time stamped by the mailroom. Priority and general claims are separated and a LAPIS screen LA0079 Creditor Claim - Entry is completed by the Trust Officer for allowance/rejection of claims. The Trust Officer prepares check requests, supervisor initials requests, files with court if necessary and/or notifies claimant of rejection of claim and files with Court.	Reviewed 20 closed handled cases to determine whether creditor claims are received and processed within required timeframes and with proper approvals.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
9. The PA submits a Change of Address Form to the Postmaster in order to have all mail of the decedent forwarded to the PA.	Reviewed 20 closed case files to determine whether Change of Address forms were properly submitted.	No exceptions noted.
10. All correspondence with the public and other agencies must be computer generated. In house forms may be hand written. Any deviation must be approved by the Assistant Division Manager.	Reviewed 20 closed handed cases to determine if all correspondence is computer generated. Interviewed staff that use Word to print documents as LAPIS takes a minimum of one day to process.	See Finding Number 4.
11. The Trust Officer verifies and reviews all known assets in order to determine the size of the handling case prior to transferring it to Case Management. This includes bank verification letters, burial instructions or other information gathered during the investigation process. Copies of verifications and information received are maintained in the case files. The Trust Officer records the assets in Decedent Investigation Report (LA 9001) and identifies all bank assets files copies of verification letters in case files.	Reviewed 20 closed handled cases and observed the documentation of identifying estate assets.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
12. When the Trust Officer performs the initial investigation, property found at the residence is to be recorded in the property books and an estimated value is assigned to the property. This value is then used to report to the court and to determine the total value of the property.	Through 2 observations and discussions with Trust Officers, determined there is no uniform method for describing and valuing property.	See Finding Number 5.
13. When marshaling high value items during a cursory search, two witnesses are to pick up the items and record the information on Property Sheets.	Through 4 observations and discussion with Trust Officers, reviewed the marshaling of high value assets from initial search until the item was placed in the PA vault. During one observation, property (jewelry and checks) was placed unsecured in a brief case and transported in single custody.	See Finding Number 6.
14. When a decedent has a safe deposit box, the PA must notify the bank in writing of the safe deposit box and request entry into the box by forcing the safety deposit box open. There must be two witnesses to the opening of the safe deposit box. Should wills or burial instructions be found they are to be removed from the box. All other items are to remain.	Judgmentally selected 20 closed cases, of which 4 had safe deposit boxes, to determine whether paperwork was properly completed. Observed the County gaining access to a decedent's safe deposit box to	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	search for a will and/or burial instructions. The Trust Officer was one witness and the Bank official was the second witness.	
15. When a witness is involved in an initial search the Instructions to Witness Form is to be completed by the Witness. The purpose of the Form is to inform the witness of their responsibilities during a search.	Reviewed 20 closed handled cases to determine whether the Instructions to Witness Form was properly completed. The Witness Form was not included in 8 out of 20 case files reviewed.	See Finding Number 2.
16. When cash is found at a residence during an initial investigation, a Cash Control Worksheet is prepared and pertinent information (i.e. amount of cash and/or foreign bills) regarding the cash is noted, recorded on the Property Sheets and taken to the PA vault. There is no policy for transporting cash in double custody when cash over \$2,000 is taken directly to the bank.	Through observation and discussion with staff, we noted that cash is not always verified in the presence of a witness, and is not taken to the vault in double custody. Once the cash is checked into the vault, it is recounted with the Deputy. It is the practice of the investigation section to take cash over \$2,000 directly to the bank and not the	See Finding Number 6.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	vault.	
17. When a deputy finds an SSA, SSI or VA Check during the initial search of a residence, they are to bring the check to the PA vault and prepare a letter either returning the check to the payor, or cash the check for deposit to the decedent's estate.	Observed a deputy performing an initial field investigation of a residence. During the observation, the Trust Officer gave two SSI checks to the apartment manager with instructions to return it to sender.	See Finding Number 6.
18. When it appears a decedent owns real property, the Trust Officer will verify ownership by calling the title company and reviewing tax rolls. If real property is owned, the Trust Officer completes a Real Estate Referral Form, attaches all correspondence including tax bills, grant deeds and escrow papers and forwards the information to Property Management for further processing.	Reviewed 20 closed handled case files to ensure that ownership of real property was researched and communicated to Property Management. Of the 20 cases reviewed, 7 involved real property. The referral form for 1 out of 7 case files with property reviewed was not signed and dated.	See Finding Number 2.
19. If items are delivered to the PA vault as "Sealed Uninspected Property," the Deputy and a witness sign and date the seal so that both signatures are on the seal and the bag. The Deputy prepares	Reviewed 20 closed handled cases for documentation relating to sealed and uninspected	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
a Property Sheet assigning a code of X-1 (which is an inventory code in LAPIS referring to property with no value) to the uninspected property.	property. Two cases had sealed and uninspected property.	
20. Door seals are affixed to doors after an initial search has been performed by a Trust Officer. When there is a torn door seal noted at the place of residence, the Trust Officer is to notify his/her immediate supervisor, and note it in the case file.	Observed entry into residence of a decedent. The seal affixed to the door during the initial search was not secured.	See Finding Number 7.
21. The Trust Officer, prior to entering a premise that has been sealed shut by the Sheriff's Office or local police department, will contact the appropriate agency for approval to gain access to the premises. Once approval has been granted, the Trust Officer will proceed with the cursory search.	Observed 2 initial investigations and confirmed through corroborative interview with the Senior Trust Officers the process to obtain entry into a sealed location.	No exceptions noted.
22. Should an individual(s) remain at a residence after the death of the owner the Trust Officer will request the person(s) to leave the premises and will take the keys to the property. If the person refuses to leave, the Trust Officer will provide the individual with a time frame to vacate the property and will record this information into LAPIS.	Observed 2 initial investigations. Reviewed 20 closed handled cases. There were no individuals remaining at a residence during our audit. Reviewed the process of removing individuals not authorized to be on the property through corroborative interview	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	with Trust Officers.	
23. The Trust Officer will log estate keys in and out of a lockbox used by the PA. The keys are to be secured when not in use by a Trust Officer. Whenever a key is checked in or out, the transaction is recoded in LAPIS on screen LA0614.	During our audit we were unable to observe the process of logging keys in and out, therefore, we interviewed Trust Officers and documented the process of checking keys in and out.	We were unable to observe the process of checking keys in and out of the lock box during the course of our fieldwork.
24. For all cases that are non-handled, the PA will bill the estate for labor and materials when the value of the estate exceeds \$3,000.	Reviewed 9 non-handled cases to determine whether the cases were properly billed for the PA's costs.	No exceptions noted.
<b><i>Case Management</i></b>		
1. To verify assets at financial institutions, the Trust Officer calls the bank, and follows up with letters if necessary to obtain bank balances and/or determine if a safe deposit box exists. Prepares Release of Information after Death Form and/or Certification and Declaration Regarding Entry after Death into Safe Deposit Box, and records information in the property book.	Observed and discussed with Trust Officers, the process used to obtain information and access to safe deposit boxes and the completion of required forms.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>2. If a drayage is required, the Trust Officer must request the drayage within 10 days from the date the case is received in Case Management. When a drayage is required, the Investigation Section is to complete the Information for Drayage Deputy Form to inform Property Management of the condition of the residences as well as how much time may be required.</p>	<p>Reviewed 20 closed case files to determine whether a drayage was requested within 10 days from the date the case was received. The Information for Drayage Deputy Form was not included in 11 out of 20 case files reviewed.</p>	<p>See Finding Number 2.</p>
<p>3. When real property is owned by a decedent, a “Real Estate Title Verification and Completion of the Real Estate Report” is to be prepared by the Trust Officer. A review of secured property taxes is to be noted, a title search and preliminary title report are to be requested from Property Management. The case narrative is to be updated for this information.</p>	<p>Reviewed 20 closed handled cases to determine whether the proper forms, review of property tax and title search were performed.</p>	<p>No exceptions noted</p>
<p>4. In situations where a decedent lived at a location on a rental basis and where it has been determined by a Trust Officer that personal property exists with little or no value, an Abandonment of Personal Property Form must be completed. The Trust Officer will request the landlord/manager to store personal property pursuant to the “Innkeeper’s Law”. Keys to the rental unit are returned to the landlord/manager. No personal papers are released to the innkeeper. If the case is determined to be non-</p>	<p>Reviewed 20 handled case files to determine whether the Abandonment of Personal Property Form was completed when abandoning personal property from a rental location.</p>	<p>No exceptions noted.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
handling, the Trust Officer informs the landlord that the property can be abandoned.		
5. When an automobile is owned by a decedent, a Cursory Search and Completion of the Automobile Form is to be completed. This Form records all pertinent information regarding the vehicle. The car is to be secured by the Trust Officer, personal items are to be inventoried and the case narrative is to be updated.	Reviewed 20 closed handled and 9 non-handled cases to determine whether the Cursory Search and Completion of the Automobile Form had been properly completed. The Form was not included in 1 out of the 9 non-handled cases reviewed.	See Finding Number 2.
6. All located wills are to be processed under Probate Code §7660(a)(2). The Trust Officer transfers the wills to the County Clerk for safekeeping.	Reviewed 20 closed handled cases and verified that all wills were forwarded to the County Clerk.	No exceptions noted.
7. If a will exists, County Counsel interprets the will for the court.	Reviewed 20 closed handled cases to determine whether the will interpretation was performed when a will was located.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
8. Trust Officers mail an Affidavit of Heirship to the next-of-kin. The original is forwarded to County Counsel. An Heirship Determination is prepared and filed with the court.	Reviewed 20 closed handled cases to ensure an Affidavit of Heirship and an Heirship Determination were properly obtained and filed.	No exceptions noted.
9. When additional assets, other than the assets identified and marshaled during the initial investigation, are found, the Trust Officer will verify the information on the new assets, review the case narrative, notify Estate Accounting of the additional assets, and review any papers received and forward Letters of Administration to Estate Accounting.	Observed three initial investigations to determine if the policies were followed. Reviewed 20 closed handled cases to determine if after discovered assets were processed in accordance with the policy. None of the case files reviewed had after discovered assets.	No exceptions noted.
10. In order to release miscellaneous papers and keys on non-handling cases, the Trust Officer complete a Receipt of Property Form, has the recipient show proper identification, has the recipient sign the Form and provides the recipient with a copy.	Reviewed 9 non-handled cases to determine how miscellaneous papers and keys were released.	No exceptions noted.
11. If a business is a party to an estate, the Trust Officer completes a Report of Possible Business Form and informs management, follows any special instructions and conducts a site visit if	Reviewed 20 closed handled cases to determine whether the Report of Possible Business	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
required.	Form was completed as required.	
12. If a case is deemed sensitive, management is informed, the Intake Unit prepares a Sensitive Case Report, copies are provided to all management, the case narrative is updated as to why the case is sensitive, and the Trust Officer keeps the supervisor informed daily.	Reviewed 20 closed handled cases to determine if appropriate paperwork was filed. No sensitive cases files were in the sample selected.	No exceptions noted.
13. In order to sell personal property of an estate, the Trust Officer verifies all items to be sold have been inventoried, requests the sale in LAPIS and provides a report of the items to be sold to Property Management.	Reviewed 20 closed handled cases to determine whether the sale of personal assets was properly documented.	No exceptions noted.
14. Inventories are required by the Court for estates with a value greater than \$30,000. The Trust Officer will verify all estate assets prior to final inventory. An Accounting Officer III reviews and approves the final inventory.	Reviewed 20 closed handled cases to determine whether inventories were performed, reviewed and approved on estates with a value greater than \$30,000. Ten cases were general and 10 cases were type A.	No exceptions noted.
15. The Report of Status of Administration (12-200 Petitions) is to be filed with the Court on General/CTA (is anyone who administers a will other than the person named in the will) cases in which one	Reviewed 20 closed handled cases to determine whether a 12-200 Petition was filed if the	See Finding Number 2.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>year has elapsed since the date of the Letters of Administration were originally issued and a final account will not be requested within 90 days. The Trust Officer prepares the draft, forwards it to the Assistant Division Manager for review and approval, who sends it to County Counsel to obtain court date.</p>	<p>Letters of Administration were more than 90 days old. Six cases required the report, one case had the report but it was unclear if it was ever filed as there was no signature or date and one case which was 22 years old did not have annual reports filed.</p>	
<b>PROPERTY MANAGEMENT</b>		
<b><i>Real Property</i></b>		
<p>1. The Property Management Trust Officers must perform a real property field inspection to determine the condition of the property and will document the results on the Original Inspection Sheet, Rental Fact Sheet and Recommended Repairs Sheet.</p>	<p>Reviewed 7 closed handled cases involving real property to determine that an initial field inspection was performed and properly documented.</p>	<p>No exceptions noted.</p>
<p>2. Real property administered by the PA must have fire and liability insurance. If the property does not have the required insurance, it</p>	<p>Reviewed 7 closed handled cases involving real property to</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>is purchased by Property Management. All properties must be re-evaluated for proper insurance on a quarterly basis. This is accomplished by the Trust Officers through LAPIS insurance screen LA0147.</p>	<p>determine that all properties had fire and liability insurance purchased. Judgmentally selected 20 closed handled cases to determine whether LAPIS Screen #287 (Request for Insurance) was generated to insurance agent and information entered into insurance screen LA0147.</p>	
<p>3. The PA contracts with handypersons, plumbers, locksmiths, etc. for repairs and maintenance on real property of a decedent. Each Property Officer is provided with a listing of approved contractors. Emergency repairs are to be handled immediately. Repairs exceeding \$5,000 must be approved by the Manger of Public Administrator Operations. Repairs exceeding \$10,000 must be approved by the court. An inspection is required on all repairs exceeding \$400 to ensure the repairs were made. The Assistant Division Manager approves the inspections. Trust Officer to provide a log of contractors/vendors used on the first work day of each month of the list of vendors used during the prior month and how they performed the work.</p>	<p>Confirmed through corroborative interviews with Property Management staff. Obtained copies of Master Agreement Forms and logs of repairs as reported to the Manager of Public Administrator Operations. Reviewed 7 closed handled cases to determine whether repairs were approved, if required, and were performed by authorized contractors. We noted that there is no pre-approved list of</p>	<p>See Finding Number 8.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	vendors.	
4. The Trust Officer eliminates title defects so that the real property can be sold at auction.	Reviewed 7 closed handled cases involving real property to determine whether all title defects had been properly eliminated.	No exceptions were noted.
5. If the real property of a decedent is occupied by a tenant and rent is delinquent, the Trust Officer is to: (1) Determine if rent is late (2) Discuss with Supervisor (3) prepare and issue notice (4) Enters restrictions on LA1020 which creates notification that mail room is to hold checks (this is in the policy) (5) receipts for cash and checks if tenant comes into pay (6) creates receipt transaction and takes cash to vault (7) removes restriction (8) follows up with County Counsel with a gram for unlawful detainer.	Reviewed 7 closed handled cases to determine whether real property that had rental delinquencies were properly addressed. Of the 7 cases reviewed, 1 case did not have a rental agreement on file. However, based on the case file, it appeared there were no tenants on the property.	See Finding Number 2.
6. Property Management processes all payments on notes and loans payable belonging to an estate. When processing payments, Property Management verifies the payee, the balance owing and the payment due date. The Trust Officer sends information to Property Management. The information is verified by the	Reviewed 7 closed handled cases involving real property to determine whether payments on notes and loans were properly processed.	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
Supervising Deputy Public Conservator Administrator II. LAPIS is updated and the Trust Officer is notified.		
7. All improved real property must be inspected quarterly. Photographs of the property are to be taken and a Periodic Visit Form is to be completed and sent to Estate Administration.	Reviewed 7 closed handled cases involving real property to determine that quarterly site visits were performed. During our review, we noted that 1 quarterly site visit was not documented.	See Finding Number 2.
8. If a decedent owns oil and mineral leases, the Property Officer notifies the manager of the lease company that the PA has been appointed to administer the estate. Future royalty payments are received and credited to the estate.	Reviewed 7 closed handled cases involving real property to determine that royalty payments were properly credited to the estate. Of the 7 cases, 1 case received royalty payments.	No exceptions noted.
9. When real property of a decedent is to be sold the Property Officer enters "Sell" on the LAPIS screen LA0130, sends real estate file and property inspection report to the Supervising Deputy Public Conservator Administrator II. The Supervising Deputy Public Conservator Administrator II reviews the file and notifies a contracted auction company.	Reviewed 7 closed handled cases involving real property to determine whether real estate files were properly reviewed and the auction company was notified that a property could be	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	sold at auction.	
<p>10. The PA contracts with a third-party auction company to auction all real property owned by decedents. The contractor sets up the auction, obtains a copy of the preliminary title report, places an advertisement of the auction in the newspaper, requests a current appraisal as well as the value of the property at the date of death, and sets the minimum bid at 90% of the appraised value. All sales of real property must be confirmed by the court. Escrow is opened the same day the sale is confirmed by the court. If escrow is not closed within 60 days, County Counsel prepares a petition for an Order Vacating the Order Confirming Sale. The Operations Manager has authority to grant extensions. Property Management staff will attend every auction.</p>	<p>Reviewed 7 closed handled cases involving real property to determine whether the proper paperwork was in the case files.</p>	<p>No exceptions noted.</p>
<p>11. All real property sales must have a signed offer from the successful bidder before requesting Court confirmation. The PA must vacate escrows not closed within 60 days. Instructions to vacate the sale or a request for continuance is approved by the Manager of PA Operations or Assistant Division Manager. All bids submitted at a private sale must be sealed and opened by the individual conducting the sale.</p>	<p>Reviewed 7 closed handled cases involving real property to determine that a signed offer from the successful bidder was obtained prior to court confirmation and that all instructions to vacate or requests for continuance were properly approved.</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
12. If a rental payment is made by a tenant at the PA's office, the payment is to be handled and processed only by Estate Accounting. Trust Officers are not to receipt monies brought in by tenants.	Reviewed 7 closed handled cases involving real property to determine that Trust Officers are not collecting rental payments.	No exceptions noted.
13. Insurance on real property is to be cancelled at the close of escrow. If the decedent is not on title and if there is double insurance coverage, the less expensive coverage is to be retained and the more expensive insurance is to be cancelled.	Reviewed 7 closed handled cases involving real property to determine whether insurance was properly cancelled. Insurance was cancelled 43 days after the property was sold on 1 of the 7 cases reviewed.	See Finding Number 9.
<b><i>Personal Property</i></b>		
1. The PA has an unapproved policy prepared by the Assistant Operations Chief of Property Management for collecting a decedent's assets during the drayage process and storing the assets at the warehouse.	Observed a drayage and warehouse storage activity. During the drayage, we noted that the Trust Officers serve as a witness to each other, valuables were at the sight that were missed by the initial	See Finding Numbers 10 and 11.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	investigation, and crate seals were not pre-numbered.	
2. The PA has an unapproved policy prepared by the Assistant Operations Chief of Property Management for towing motor vehicles of a decedent.	Reviewed policy and judgmentally selected 20 closed handled case files to determine whether the policy was followed.	See Finding Number 11.
3. The PA has an unapproved policy prepared by the Assistant Operations Chief of Property Management entitled Receiving Personal Property that addresses how the crates should be received at the warehouse, verification of the numbered ties, labeling and placing crates in storage, and set up of billing for monthly storage costs. The policy does not address re-inventorying the assets when they arrive at the warehouse.	Observed receipt of drayage crates at the warehouse. During the receipts of the crates noted that the crate inventory is not rechecked and no pre-numbered ties are used.	See Finding Number 10 and 11.
4. The PA has an unapproved policy prepared by the Assistant Operations Chief of Property Management entitled Abandonment of Tangible Personal Property that documents the procedures for abandoning personal property at the warehouse.	Confirmed policy through corroborative interview with the Assistant Operations Chief of Property Management. Judgmentally selected 20 closed handled cases to determine whether the policy was followed.	See Finding Number 11.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
5. The PA has an unapproved policy prepared by the Assistant Operations Chief of Property Management entitled Sale of Personal Property that documents the procedures for pulling property from the crates to get it ready for the auctioneer.	Observed preparation of and sale of personal property at auction to determine whether policy was followed.	See Finding Number 11.
6. The Trust Officer sets up to drayage the property with the vendor. The vendor and trust officer are to act in tandem to ensure neither is alone with property. They tag and inventory the property together, both signing the property sheets.	Observed drayage process and found items of value that should have been marshaled during the initial investigation.	See Finding Number 10.
7. The items are crated by the team and placed in the truck for transport to the warehouse.	Observed drayage process and noted that Trust Officers can serve as witnesses for each other.	See Finding Number 10.
8. Warehouse staff unloads the truck and verifies crate numbers to the property sheets.	Observed drayage process and noted that there is no verification of the contents of the crates.	See Finding Number 10.
9. The County has a formal contract with Nationwide Auction Systems to perform the personal property auctions.	Reviewed contract with Nationwide Auction Systems and observed personal property auction.	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
10. The County has a formal contract with Crest Labor, Inc. to perform drayage services to the Public Administrator.	Reviewed contract with Crest Labor and observed drayage process.	No exceptions noted.
11. If property is determined to be missing or lost, the warehouse personnel complete an Exception Report and submit it to a the Assistant Division Manager – Property Management, prepares a Missing Property Report, accepts or rejects the Missing Property Report and notes results in LAPIS.	Reviewed 20 closed handling cases to verify that the appropriate paper work has been completed. In one case an email correspondence identified missing property with no follow-up.	See Finding Number 2.
12. Warehouse is protected by a sprinkler and alarm system.	Interviewed warehouse staff and physically observed sprinkler and alarm system and reviewed recent invoices from the vendor.	No exceptions noted.
13. A firewall protects the crates that are not up for auction from the public during the auction.	Observed storage area throughout the auction held on August 31, 2005 and noted that a door remained open.	See Finding Number 12.
14. Vehicles are stored in an area outside which is secured by a chain link fence.	Observed vehicles in parking lot of the warehouse during the	See Finding Number 12.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	auction held on August 31, 2005.	
15. Two police officers watch over the jewelry and observe the crowd during the personal property auction.	Observed auction held on August 31, 2005 and noted the presence of 2 officers.	No exceptions noted.
16. Three contractors (Nationwide employees) watch the items in the glass display case.	Observed auction held on August 31, 2005 and noted the presence of contract employees monitoring the glass display case.	No exceptions noted.
17. Three TTC employees watch over the auction items.	Observed auction held on August 31, 2005 and observed 3 TTC employees monitoring the auction.	No exceptions noted.
18. There are 6 security cameras on the warehouse floor to record auction.	Observed auction held on August 31, 2005 and noted that the security cameras were not functioning properly.	See Finding Number 12.
19. Indoor car storage area is to be secured during the auction.	Observed auction held on August 31, 2005 and noted that	See Finding number 12.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	the indoor car storage area was not secure.	
20. Cashiers work behind a steel gauge counter.	Observed auction held on August 31, 2005 and noted that the cashiers work behind a steel gauge counter.	No exceptions noted.
21. No TTC employee is allowed to bid on auction items.	Discussed policy with vendor and observation of bidders at auction. We were informed that there is no process in place to ensure that TTC employees do not bid on auction items.	See Finding Number 12.
<p>22. Property can only be abandoned if one of the following circumstances exist:</p> <ul style="list-style-type: none"> <li>• The property has minimal or no value;</li> <li>• The property cannot be sold or distributed; or</li> <li>• The property cannot be identified with an estate.</li> </ul> <p>All property to be abandoned must be approved by the Abandonment Committee. Once approved for abandonment, the property is to be destroyed in the presence of a witness.</p>	Reviewed 20 closed handled cases in which three had abandoned property to ensure that only approved property was abandoned and subsequently destroyed in the presence of a witness.	No exceptions noted.

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Control Activities	Test(s) Performed	Test Results
<b><u>ACCOUNTING</u></b>		
<b><i>General</i></b>		
1. The PA documents their policies and procedures in their Public Administrator Operations Manual.	Obtained copy of the Operations Manual. Several of the policies in the Manual are outdated as they include references to vendors the PA no longer uses. Additionally, some operational issues, such as the treatment of firearms, are not included in the Manual.	See Finding Number 14.
<b><i>The Vault</i></b>		
1. Property that is considered to be of high value (i.e. jewelry, items of negotiable value and cash) is to be delivered to the vault the same day it is marshaled. During working hours, property is delivered to the Vault Custodian. After-hours, Trust Officers deliver items to the night depository safe until the next working day. Trust Officers enter the property marshaled into LAPIS. High value is not defined within policy 400.06	Observed receipt of property at the vault.	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>2. The Vault Custodian reviews the Property Sheets for the following:</p> <ul style="list-style-type: none"> <li>• The property was delivered the same day it was marshaled;</li> <li>• Name, address and signature of the witness are on the Property Sheet;</li> <li>• Name, estate account number and Trust Officer's name are indicated;</li> <li>• Items delivered to the vault agree with the descriptions on the Property Sheet;</li> <li>• The descriptions on the Property Sheet agree with the descriptions in LAPIS; and</li> <li>• The Property Sheet has not been altered or changed.</li> </ul>	<p>Judgmentally selected a sample of 7 Property Sheets to ensure that verification by Vault Custodian was properly performed.</p>	<p>No exceptions noted.</p>
<p>3. The Vault Custodian signs and dates the property sheet to ensure items have been received and verified. If exceptions are noted, the Accounting Officer II is notified immediately and completes a written exception report.</p>	<p>Judgmentally selected a sample of 7 Property Sheets to ensure they were signed by the Vault Custodian.</p>	<p>No exceptions noted.</p>
<p>4. The Vault Custodian assigns a vault location and a Sealer seals the property in bags. The Deputy, Vault Custodian and Sealer sign the label to ensure items are sealed.</p>	<p>Observed Vault Custodian logging receipted property. The sealer used is common, can be purchased anywhere and was out of the custody of the Vault</p>	<p>See Finding Number 15.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	Custodian. Anyone could use the sealer and reseal a bag undetected.	
5. The vault has a set of keys that are to remain in the custody of the vault custodian for authorized entry and exit into the vault.	Observed the vault operations and noted the vault keys are kept in a box outside the vault instead of being personally held by the vault custodian.	See Finding Number 15.
6. The Vault Custodian conducts a cash count, if any, to ensure that the amount of cash is equal to the amount listed on the Property Sheet and recorded in LAPIS. A Cash Control sheet is utilized to itemize coins and currency. The Vault Custodian completes a Cash Control Log. The cash control log includes the date, the estate name, the Property Sheet number and the amount. The Vault Custodian signs and dates the property sheet and cash control log to document items have been received and verified.	Judgmentally selected a sample of 3 cash counts and traced to Property Sheets and Cash Control Logs. Cash is not deposited daily.	See Finding Number 17.
7. Personal property may be abandoned if the property has minimal or no value, cannot be sold or distributed, has been abandoned by the PA or cannot be identified with an estate. Two employees are to destroy the abandoned property and the items are not to be left in the custody of any one individual.	Through discussions with staff determined that in one instance property was abandoned in an employee's office without a witness and reviewed 20 closed	See Finding Number 16.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	handled cases in which there were 4 instances in which the proper signatures were not obtained.	
8. The Accounting Officer II observes the cash count being made by the Vault Custodian, prepares Cash Control Log, prepares deposit slip in triplicate and places cash along with original cash control sheet into the deposit bag. The Vault Custodian attaches deposit tag, locks and seals the deposit bag and enters information into the Brinks Control Log. The Vault Custodian gives the deposit bag to Brinks and obtains a signature on the Brinks Control Log.	Observed cash count between Accounting Officer II and Vault Custodian to determine whether the Cash Control Log and deposit slip is prepared, cash is locked and sealed in the deposit bag, information is entered into the Control Log and deposited daily. Cash is not deposited daily.	See Finding Number 17.
9. The Vault Custodian releases property only to specific individuals according to a Court Order/Receipt or Return of Personal Property Affidavit. The Vault Custodian retrieves the related Property Sheet, retrieves and verifies the items. The requestor also verifies the items retrieved and signs and dates the Property Sheet. Additionally, the requestor completes the Inspection/Removal Log. The Vault Custodian updates the property location in LAPIS and files the Property Sheet in the	Observed release of property and reviewed court order to determine whether receipt was prepared and the Property Sheet and Inspection/Removal Log were completed properly. Observed vault custodian updating LAPIS files.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
removed files.		
10. The Vault Custodian releases property only to specific individuals when it is to be auctioned. Two weeks prior to an auction, the Vault Custodian obtains a list of items to be sold. The Vault Custodian pulls the corresponding Property Sheets, retrieves the items from the vault for verification by the Auctioneer. The contracted auctioneer verifies items against the Property Sheets and assigns an auction number on the Property Sheet and Auction Listing. A contracted appraiser assigns a value to all items on the Auction Listing and places the items in a box and seals it. The auctioneer verifies all items against the Auction Listing, signs the Auction Listing and seals the box. The Vault Custodian lists the items removed on the back of each Property Sheet.	Observed the Vault Custodian pulling items for the auction, and observed the auctioneer and Vault Custodian verifying the items. Observed appraiser process and verified that all items had been listed as removed from the Property Sheets.	No exceptions noted.
11. Items of high value that are to be auctioned are moved to the Safety Police on the day before the auction. The Safety Police sign the Property Sheet acknowledging receipt, store the items overnight, and deliver them to the warehouse for auction the next morning.	Observed Safety Police picking up box and signing Property Sheet. The area in which the Safety Police store the high value items overnight is not secure.	See Finding Number 18.
12. The Vault Custodian releases property only to specific individuals when it is collected. An Accountant presents a Collection	Observed transaction between Vault Custodian and Accountant.	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
Request to the Vault Custodian. The Accountant verifies the pulled items against the Property Sheet and collection request by signing the Property Sheet and the Property Removal Log. The Vault Custodian updates the property location in LAPIS.	Judgmentally selected a sample of 2 property sheets to determine whether the property was properly documented and compared to property in LAPIS.	
13. The Vault Custodian releases securities only to specific individuals. An Accountant provides a Receipt Log indicating all stock certificates to be removed from the vault. The stock certificates, related Property Sheets and Receipt Log are verified by the Stock Broker who signs and dates the property Sheet and Receipt Log. The Security Cashier completes and signs the Inspection/Removal Register and the Property Sheet. The Vault Custodian updates the property location in LAPIS.	Judgmentally selected a sample of 9 securities released to ensure securities were released with proper documentation. Bearer bonds are delivered to the TTC in single custody.	See Finding Number 15.
14. Upon release of property, the Vault Custodian generates a disbursement transaction for storage charges against the estate and documents it on the Property Sheet. The Accounting Officer II approves the disbursement transaction in LAPIS.	Judgmentally select a sample of 5 disbursement transactions for storage charges and confirmed whether charges were properly made to the estate. There was no properly displayed standard fee schedule for storage charges.	See Finding Number 19.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
15. Property books are controlled in the following manner: mailroom staff receives the property books; the number of books received are verified against the print order; control numbers are entered into LAPIS; property books are delivered to the vault; and the Accounting Officer II reconciles property books received to LAPIS.	Reviewed samples of control procedures. Observed the log of control books and verified against records in LAPIS.	No exceptions noted.
16. Supervisor Accounting Officer II periodically assigns an employee who has no involvement with Vault operations to inventory the property books on hand. The assigned employee takes a physical inventory and notifies the Accounting Officer II of any discrepancies. If no discrepancies are noted, a Report of Findings is submitted to the Supervisor for approval.	Judgmentally selected 1 property book inventory to determine whether the Report of Findings had been completed.	No exceptions noted.
17. The Vault Custodian, upon receipt of used property book or written authorization to issue a new property book, issues a property book, records it in LAPIS, and completes the Issue Control Log. The Recipient signs the Control Slip and Issue Control Log.	Judgmentally selected 1 written authorization and Issue Control Log and compared to LAPIS	No exceptions noted.
18. On a quarterly basis, property books are inspected. The Vault Custodian ensures there are no missing pages and that all voided Property Sheets are approved by the Accounting Officer II. The inspection is documented in LAPIS and the date is included	Reviewed quarterly reports of inspection and reviewed documentation in LAPIS. Reviewed reports to Estate	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>recorded on the property book control slip and the property book itself. Any exceptions noted are approved by the Estate Division Manager, or designated person and placed on the Vault Exception Report. There is no requirement for follow up in the policy.</p>	<p>Division Manager.</p>	
<p>19. The Vault Custodian inspects returned property books, ensures no more property sheets are in LAPIS and completes the return portion of the Property Book Control Slip. A copy of the Property Book Control Slip is provided to the user. The used Property Book is stored in the vault.</p>	<p>Observed old property books to ensure the control slip has been given to the user and the information was recorded in LAPIS.</p>	<p>No exceptions noted.</p>
<p>20. On a daily basis, the Vault Custodian prints checks previously approved in LAPIS. Signature plates are requested from General Accounting and the information is recorded on the Control Sheet of the signature machine. The Accounting Technician observes loading of the checks into the signature machine and remains at the vault counter until the checks are signed. The Vault Custodian lists all checks greater than \$3,000 and \$25,000 on a check log prepared by the Vault Custodian and delivers them to Assistant Division Manager for approval. After approval, a list of checks maintained at the vault is updated and the checks are mailed.</p>	<p>Observed the check printing process. We noted that signature plate holders do not verify check numbers; the Vault Custodian has access to the blank check stock and can print checks; no independent review is performed to ensure all checks have been accounted for; and there is no verification that all the checks were returned from the Assistant Division Manager.</p>	<p>See Finding Number 20.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>21. On a daily basis, the Accounting Technician receives the Checks Signing Control Sheet from the Vault Custodian and verifies the ending number of the signing machine meter against the Checks Signing Control Sheet. Voided checks are initialed and dated. The Accounting Technician verifies the computation on the Checks Signing Control Sheet and updates the Blank Checks Control Log.</p>	<p>Observed the check printing process and noted that the Signature Plate Holder does not verify that the number of checks signed by the check signing machine agrees with the total number of checks printed.</p>	<p>See Finding Number 20.</p>
<p>22. When blank check stock is received at the Vault, the Accounting Technician verifies the number of blank checks ordered and the number received and submits the last fifty blank checks to the bank for inspection and approval prior to use to ensure the information printed on the check stock is correct. The Blank Check Stock Control Log is updated to log the balance on hand.</p>	<p>Reviewed Blank Check Stock Control Log inspection logs. We noted that all Vault Custodians have access to the blank check stock.</p>	<p>See Finding Number 20.</p>
<p>23. At least once a month, the Estate Accounting Supervisor selects an Accounting Technician to conduct a random estate property spot check at the Vault for two Public Administrator estates and one Public Guardian estate. The Accounting Technician selects a total of fifteen items and screen dumps each item from LAPIS screen LA1602. The Accounting Technician physically checks the property inside the sealed plastic bags brought out by the Vault Custodian to ensure the description is adequate and agrees with the description on the Property Sheet and the screen dump.</p>	<p>Performed a 100% audit of vault contents to verify the items physically in the vault to the items in LAPIS. We noted 43 exceptions during our physical count.</p>	<p>See Finding Number 21.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>The Accounting Technician inspects the sealed bag for tampering. The Accounting Technician reports any discrepancies to the Assistant Division Manager of Support Services Division and the Manager of Public Administrator Operations. The Accounting Technician completes the Inspection of Estate Property Form to reflect the inspection results and sends a copy to the Supervisor of General Accounting, the Supervisor of Estate Accounting, and to the Assistant Division Manager of Support Services Division. The Accounting Technician files the original form in the file for vault inspections and follows up weekly with the Supervisor of General Accounting regarding any discrepancies found during the inspection until the problem is resolved.</p>		
<p>24. The following controls are in place when conducting a vault inventory:</p> <ul style="list-style-type: none"> <li>• The General Accounting Supervisor obtains the Vault Report (LA0225), and selects the pages to be verified against vault property.</li> <li>• The General Accounting Supervisor assigns an employee from the General Accounting section that has no duties in the vault to perform the vault inventory.</li> <li>• The Vault Custodian and the assigned employees will go inside the vault using the vault report and verify the items on that report.</li> </ul>	<p>Reviewed the most recent physical inventory conducted by the PA and noted how many items were inventoried. The results of the inventory most recently completed disclosed 43 exceptions. The last inventory completed by the Accounting staff disclosed 36 exceptions.</p>	<p>See Finding Number 21.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<ul style="list-style-type: none"> <li>• All discrepancies must be clearly noted by the assigned employee on the report and verified by the assigned employee against the vault transactions.</li> <li>• Outstanding discrepancies must be investigated with the Vault Custodian.</li> <li>• Unresolved discrepancies have to be included in a report which includes all findings and is addressed to the Manager of Public Administrator Operations, Assistant Division Manager of General Accounting, Section Head and Vault Supervisor.</li> <li>• The General Accounting Supervisor investigates all findings and ensures that proper action is being taken in accordance with existing policies, procedures, and the fiscal manual.</li> </ul>		
<p>25. Prior to the monthly auction, an employee from TTC and Nationwide (auction contractor) review items to be sold from the vault (in double custody).</p>	<p>Observed process of the auctioneer and the PA employee taking items out of the vault and inventorying the items in preparation of an upcoming auction.</p>	<p>No exceptions noted.</p>
<p>26. Valuable items to be appraised are placed in an “appraiser box” to be appraised by an outside appraiser (in double custody) and are</p>	<p>Interviewed Conservator/ Administrative Assistant on the</p>	<p>See Finding Number 13.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
sealed with tape in a cardboard box.	process of how the appraiser comes to the PA and appraises any jewelry that is to go to auction.	
27. After the appraisal process, the jewelry is stored with the safety police.	Interviewed Supervising Deputy II, Conservator/Administrative Assistant and Safety Police. Observed secure area within Safety Police section. All employees in the "secure" area have access to the jewelry.	See Finding Number 18.
<b><u>Accounting</u></b>		
1. If an estate is overdrawn, the Accounting Technician /Collection Desk would access LAPIS screen LA0113, Case Status Display to identify the charge back estates with red balances (negative) and notes on the check the name of the Trust Officer and the Accountant assigned to the case. Accounting Technician forwards a copy of the check and copy of the debit memo from the bank to the Revenue Desk.	Judgmentally selected a sample of 4 overdrawn estates and reviewed to determine they were handled properly.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>2. Accounting Technician/Revenue Desk receives the Cases Overdrawn Report daily and verifies that the cases reported by the Collection Desk are on the report. The Accounting Technician/Revenue Desk prepares a gram (memo) with a copy of the check and bank debit memo for approval by the General Accounting Supervisor. If the court accounting has not been prepared, the charge back gram is then sent to the Trust Officer. If the case is in Distribution, the charge back gram is sent to the Accountant in Distribution. The Accountant Technician/Revenue Desk files the charge back gram and follows up with the Trust Officer regarding resolution of the problem. If resolved, the Accounting Technician/Revenue Desk closes the case file. If not resolved, the Trust Officer submits a request to General Accounting to obtain funds needed from Auditor-Controller.</p>	<p>Judgmentally selected a sample of 4 overdrawn estates and reviewed to ensure proper paperwork was sent to the Auditor-Controller.</p>	<p>No exceptions noted.</p>
<p>3. If a check is lost, stolen, destroyed or forged, the Trust Officer receives notification from the payee that the check was lost, stolen, destroyed or forged. The Trust Officer reviews LAPIS screen LA0189, Check Status Display, to determine the current status of the check and the next course of action.</p>	<p>Reviewed 20 closed handled cases to determine if there were instances of lost or stolen checks. No instances were found, therefore, confirmed through corroborative interview with Assistant Operating Chief.</p>	<p>No exceptions noted.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
4. If a check was forged, the Trust Officer sends an Affidavit of Declaration of Forgery along with a copy of the front and back of the check to General Accounting. If the check is still outstanding, the Trust Officer sends an Affidavit for the lost, stolen or destroyed check to General Accounting. The Trust Officer sends a gram to notify the General Accounting Reconciliation Desk to place a stop payment on the check.	Reviewed 20 closed handled cases to determine if there were instances of lost or stolen checks. No instances were found, therefore, confirmed through corroborative interview with Assistant Operating Chief.	No exceptions noted.
5. The Trust Officer receives the Affidavit from Payee through the mail, reviews the document and forwards it to General Accounting.	Confirmed through corroborative interview with Assistant Operating Chief.	No exceptions noted.
6. If a check was not paid, the Accountant reviews the Affidavit and files it with any related documents. The Accountant notifies the Estate Accounting Section to reissue a replacement check when written confirmation for stop payment is received.	Reviewed 20 closed handled cases to determine if there were instances when a check was not paid. No instances were found, therefore, Confirmed through corroborative interview with Assistant Operating Chief.	No exceptions noted.
7. If a check was forged, the Accountant prepares a letter to the bank to investigate the forgery matter. The letter, along with the "Affidavit of Declaration of Forgery" and the original check are forwarded to the Manager of PA Operations for signature. Upon	Reviewed 20 closed handled cases to determine if there were instances of forged checks. No instances were found, therefore,	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>receipt of the letter, the bank issues a credit memo for the amount of the forged check, posts funds into the affected estate, and informs the Accounting Technician assigned to the case to reissue the replacement check.</p>	<p>confirmed through corroborative interview with Assistant Operating Chief.</p>	
<p>8. Interest is distributed to the estates by the Accountant who receives a monthly Countywide Accounting &amp; Purchasing System (CAPS) Report distributed by the Auditor-Controller and ensures that the amount of interest posted to CAPS for special investment reconciles with the amount of anticipated interest based upon special investment records, and ensures that the amount of interest posted to CAPS for the pooled investment reconciles with the amount shown on the statement for interest distribution. The Accountant records information related to interest earnings into LAPIS using the Interest Clearing Account.</p>	<p>Judgmentally selected 2 quarters and recalculated interest earned and credited to the estates.</p>	<p>No exceptions noted.</p>
<p>9. The Accountant receives a statement of monthly interest rates from TTC/Cash Management Staff and inputs the rates into LAPIS. Accountant receives an Interest Calculation Report and ensures that the computation of interest is correct according to the rates entered into system. If the interest distribution is correct, the Accountant notifies Pacific Western Information Systems (PWIS) to proceed with the posting of interest to estates. Based on the dollar value of the estate, four categories are used to allocate the</p>	<p>Judgmentally selected the 4 categories of estates for 2 quarters and recalculated quarterly interest.</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
interest.		
<p>10. The Accountant prepares a quarterly interest analysis quarterly to report interest earned, interest distributed and revenue derived from the difference between the interest earned and interest distributed. The Accountant submits the interest analysis to the Assistant Operations Chief for review and approval. The Assistant Operations Chief forwards copies of the completed report to Manager of PA Operations and Assistant Division Manager of General Accounting. Upon approval, the Accountant requests a check for AB1018 revenue drawn against the Interest Clearing Account. The Accountant submits the request to the Assistant Operations Chief for approval. The Assistant Operations Chief verifies the amount of the transaction and approves it for payment. The Assistant Operations Chief signs for the check at the vault and forwards the check to the Revenue Desk for deposit. The Revenue Desk deposits the check with other cash receipts into the proper revenue account with County Treasurer.</p>	<p>Judgmentally selected 2 quarters to verify revenue to County Treasurer.</p>	<p>No exceptions noted.</p>
<p>11. Monitoring of Special Accounts is performed by the accounting staff during the monthly bank reconciliation process. The Assistant Operations Chief reviews the disbursements, approves and reconciles any discrepancies. The Special Accounts are used</p>	<p>Reviewed items in the Special Account including entries and length of time items remained in the account.</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
for securities, traveler's checks and collection of bank accounts when more than one inventory item is involved in the transaction.		
12. The Auction Clearing Account is used in posting proceeds from the auction of personal property to individual estates and allows for the deduction of auction expenses from the estate. Property Management generates a transaction receipt to check the amount of the auction proceeds to the clearing account.	Reviewed items in the Auction Clearing Accounts including entries and length of time items remain in the account.	No exceptions noted.
13. The Unidentified Funds Account is used when a check received cannot be identified to a particular estate. On a monthly basis, General Accounting prints the ledger of each account from the last cutoff date and reviews the ledger in accordance with guidelines.	Reviewed items in the Unidentified Funds Account including entries and length of time items remain in the account. Stale-dated receivables were noted.	See Finding Number 22.
14. Miscellaneous Charges are reconciled during court reporting to determine whether the estate owes either Petty Cash or the Revolving Fund for estate costs. The Accountant identifies the reason for the request, ensures expenses were appropriate, approves the request and prepares the expense claim. The Assistant Operations Chief approves the request and forwards it for processing.	Reviewed 20 closed handled cases to determine if there were instances miscellaneous charges. No instances were found, therefore, reviewed policy with affected personnel to ensure that only legitimate and unfunded charges are expensed to one of	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	the County's expense accounts.	
<p>15. To process checks, the Accounting Technician loads the blank check stock, prints checks and calls for signature plates. The Vault Custodian witnesses the signing of the checks, reviews for errors and lists all checks greater than \$3,000 and \$25,000. Signatures are obtained from the Assistant Division Chief. Checks greater than \$25,000 are sent to the TTC for signature. The Check Signing Control Log is provided to General Accounting to control blank checks.</p>	<p>Observed the check printing process of the Accounting personnel. We noted that signature plate holders do not verify check numbers; the Vault Custodian has access to the blank check stock and can print checks; no independent review is performed to ensure all checks have been accounted for; and there is no verification of all large dollar checks returned from the Assistant Division Manager.</p>	<p>See Finding Number 20.</p>
<p>16. The PA's fees are charged to outside attorneys for non-handled cases for which the County has already incurred various charges that need to be reimbursed. The request is made by the Estate Administration Section. The Accountant reviews the request, calculates the fees and processes the bills. The Accountant follows up on receivables if not paid within 30 days.</p>	<p>Reviewed procedures with the Accountant in charge of processing various non-handled case billings to ensure that all charges incurred by the County have been charged to the outside attorney when applicable. An approved fee schedule is not</p>	<p>See Finding Number 19.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	displayed and is outdated.	
<p>17. The Revolving Fund is used to preserve estate assets when there are insufficient funds in the individual estate to pay for expenses. The Revolving Fund is only to be used for asset preservation, and is to be reimbursed when there are sufficient estate assets. The Trust Officer requests the advance, the Assistant Operations Chief approves the request. Estate Accounting reviews the request and the Accounting Supervisor approves the request. LAPIS is updated for payment information.</p>	<p>Performed interviews with Accounting personnel regarding procedures in effect over disbursements from the two Revolving Funds. Walked through the process from beginning to end.</p>	<p>No exceptions noted.</p>
<p>18. A Memorandum of Special Warrant is initiated when a request for a refund of revenue that was generated and deposited in error. Estate Accounting prepares a memo outlining the error. The Revenue Desk reviews the information and forwards it to the Assistant Division Manager for review and approval. The Assistant Division Manager approves the request. A copy is maintained in the General Accounting records and a copy is forwarded to the Auditor-Controller.</p>	<p>Reviewed 20 closed handled cases to determine if the case had a Memorandum of Special Warrant. As no case selected had a special warrant, we performed a walk-through with the Accounting Technician in charge of special warrants to review procedures regarding the processing of the memorandums to ensure that all procedures are properly performed and to determine why errors occurred.</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
<p>19. If petty cash is required for services that cannot be paid for through normal channels, not to exceed \$150, a Conservator Administrative Assistant submits a request to General Accounting. The request and supporting documentation is reviewed. The Petty Cash Custodian verifies the numbers and provides the petty cash. The Revolving Fund Custodian generates a disbursement transaction against the estate. This item is reconciled during the bank reconciliation process.</p>	<p>Reviewed 20 closed handled cases and no petty cash disbursements were included in the cases selected, therefore, we interviewed the Accounting Technician to determine whether advances are within guidelines, that necessary documentation is received, proper approvals for all transactions are obtained and reconciliations are performed. Cash counts are performed on a periodic basis. We noted that the same individual performing petty cash also prepares the bank reconciliation.</p>	<p>See Finding Number 20.</p>
<p>20. County Council Reimbursements are prepared by County Counsel and forwarded to the PA. The Executive Office receives the billing and forwards it to Accounting for processing. Accounting verifies the estate cash balances, prepares bills and disbursement transactions and obtains approval from the Accounting Supervisor. Transactions are recorded in LAPIS and reconciled during the bank reconciliation process.</p>	<p>Reviewed procedures in place with the Accounting Officer III to determine whether the procedures outlined are being followed and determine how the Revolving General Fund is reimbursed for expenses paid for</p>	<p>No exceptions noted.</p>

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	an estate with insufficient funds that later become available.	
21. The PA prepares a daily bank transmittal to provide the necessary information to complete the bank reconciliation. Accounting obtains the check register daily, prepares the transmittal and delivers the transmittal along with a magnetic tape to the Vault Custodian who seals the information in a bag and delivers it to the bank messenger. PA uses a positive pay system with the bank.	Confirmed through corroborative interview with the Accounting Officer III.	No exceptions noted.
22. If bearer bonds are marshaled in the field or mailed to the PA they are kept in a special safe. The Trust Officer identifies the bonds on a separate Property Sheet and submits to the vault for safekeeping. The Vault Custodian enters information into LAPIS and makes 3 copies of the bonds and coupons. The Assistant Manager opens the safe and places the bonds in the safe until they are taken to the TTC vault for eventual transfer to a safekeeping facility.	Judgmentally selected a sample of 9 securities to ensure securities were released with proper documentation and confirmed through corroborative interview with the Accounting Officer III. Bearer bonds are delivered to the TTC in single custody.	See Finding Number 15.
23. When a drayage is completed on a residence, the PA must pay the contractor who performed the Drayage. Accounting receives the invoice and bill of lading from the contractor and reviews the charges. An invoice is sent to the Internal Services Department	Reviewed 20 closed handled cases 10 of which had a drayage. Confirmed through corroborative interview with the Accounting	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
for processing. LAPIS is updated for the estate charges.	Officer II.	
24. The PA is responsible for preparing all types of tax returns for decedents. In January of each year, a LAPIS LA9072 report is run to determine which estates need tax returns to be filed. The cases are assigned, tax ID numbers requested, 1099 and W-2 forms received and the federal and state tax returns are prepared.	Confirmed through corroborative interview with the Accounting Officer II. Reviewed 60 estate tax returns.	No exceptions noted.
25. A Federal Employer Identification Number (FEIN) is to be obtained for each estate administered by the PA's office.	Confirmed through corroborative interview with Accountant in charge of obtaining FEIN numbers.	No exceptions noted.
26. The PA follows-up on estates with a value that exceeds \$600,000 to ensure that the Estate Tax Returns are filed within prescribed time frames.	Confirmed through corroborative interview with the Accounting Officer II responsible for preparing Estate Tax Returns. We reviewed 60 estate tax returns.	No exceptions noted.
27. If an estate has collections, bonds or foreign accounts, the Trust Officer will forward a request to the Collections Desk, who will assign a sequential control number to each collection request and remove the items from the vault and complete the release forms.	Reviewed 20 closed handled cases to determine if there was a collection of foreign accounts. None were in the selected	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
LAPIS is updated, forms are sent to the Assistant Operations Chief, and items sent to the bank for processing. Accounting receives the "Advice Memo" and takes necessary action.	sample. Confirmed through corroborative interview with the Accounting Technicians in charge of collections, bonds and foreign accounts.	
28. Securities are held in third party safekeeping.	Judgmentally selected 25 stocks and traced to safekeeping statements.	No exceptions noted.
29. Securities Dividends must be collected on stocks owned by a decedent. The Accounting staff runs a LAPIS LA0208, Inventory and Stocks by Location and Bonds Report, for a six-month period. A Standard and Poor's Dividend Book is reviewed to ensure that the right amount has been received for all securities held. A securities budget is prepared for each estate and submitted to either the Assistant Operations Chief or the Accounting Officer II for review and approval. Once approved, the Accounting staff updates the estate information in LAPIS.	Reviewed 20 closed handled cases 5 of which had securities. Reviewed 2 stock sales transactions and dividends were reported and confirmed through corroborative interview with Accountant II.	No exceptions noted.
30. When securities are marshaled from the mailroom or the field, a Property Sheet is completed for each security. The Accountant sends letters to the security company inquiring on the estate assets. Responses are documented and forwarded to the Assistant	Determined whether the proper controls are in effect to ensure the decedent's estate is properly credited with the sales proceeds,	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
Operations Chief for signature.	when applicable. Observed opening of mail in the mailroom.	
31. In order to resolve issues with disbursements, the County Counsel will petition the court for clarification and resolution. The PA follows the NUNC PRO TUNC legal process. After court decision, the Accountant distributes funds in accordance with the court order.	Reviewed 20 closed handled cases to determine whether the Petitions-Distributions were properly filed and verified distribution of funds was accurate. The Petitions-Distributions was not filed for 1 out of 20 cases reviewed.	See Finding Number 2.
32. When a case is determined to be non-handling, the Accounting Supervisor receives an update on the Accountant Assignment screen and requests a final copy of the court accounting for each non-handling case. A review of property which may be in the vault is checked. If there is no property, the Accountant makes sure all ledgers have a zero balance. The Accounting Supervisor approves and case is closed. If the PA is owed money, the investigation section will prepare the number of hours spent on the case and forward to accounting for processing of billing. After the bill is sent, accounting will notify County Counsel of the receivable. Once the notice is given, the PA does not follow-up on the funds owed to the PA.	Confirmed through corroborative interview with the Accounting Technician, performed a walk-through of the process and reviewed 9 non-handled cases.	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
33. To collect assets from a bank, the Trust Officer will enter bank information onto Property Sheets and in LAPIS. The Property Sheets and related information is given to vault personnel. Copies of the information are provided to the Collections Desk, which follows-up with the bank to collect the assets. The mailroom staff receives bank statements in the mail and forwards them to the Collection Desk. On a monthly basis, the Accountant reviews appointment status to determine if collection is necessary.	Confirmed through corroborative interview with the Accounting Technician I and review of cash collection procedures from banks. We noted that mail is opened in single custody and that bank collection follow-up is not performed timely.	See Finding Number 23.
<b><i>Support Services</i></b>		
1. To prepare final accounts for each estate, the final account is received from Court Accounting, a statement of Public Administrator is prepared which identifies information regarding the estate, an Order Approving Final Statement and Report Granting Petition for Distribution is completed.	Reviewed 20 closed handled case files and determined whether the Order Approving Final Statement and Report Granting Petition for Distribution are completed and filed as required.	No exceptions noted.
2. To process court accounting, information is updated in LAPIS, the case file is checked to ensure that Letters of Administration, Death Certificate, inventory, correspondences, will interpretation	Reviewed 20 closed handled cases to determine if court processing was completed. 15	No exceptions noted.

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<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
and heirship determination are in the file. The Accountant prepares a fee schedule, creditors' claims, and final distribution information. The Accounting Officer III reviews the information and closes the accounts.	cases had court accounting information. Also, confirmed through corroborative interview with staff in charge of court accounting, the Accounting Officer III.	
3. To file Court Accounting Petitions, the Account Clerk receives the information regarding the estate to be closed, the final accounting of charges and disbursements as prepared by court accounting, updates LAPIS and forwards it to the Court Accounting Supervisor. The Assistant Division Manager reviews and signs the Petition. County Counsel files the Petition with the Court. After court approval, the final distribution is completed by Accounting.	Reviewed 20 closed handled case files and determined whether Court Accounting Petitions were completed as required.	No exceptions noted.
4. The PA can charge for services performed which are outside the normal estate administration duties. Fees for these services are charged according to the PA's Schedule of Extraordinary Fees Policy.	Reviewed 20 closed handled case files to determine whether the proper worksheets and rates are being charged for extraordinary fees. An approved fee schedule exists, but has not been updated since 1992.	See Finding Number 19.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
5. The Accounting Status Report is a listing of accounts due, accounts requested, accounts completed, accounts approved, distributions completed and cases in transfer binders.	Reviewed procedures in place for use of these reports.	No exceptions noted.
6. The Decedent Case Status Report (LA9135) is a listing of estates in various stages of the case administration process. The Assistant Operations Chief reviews the report to ensure cases are resolved in a timely manner.	Reviewed 20 closed handled case files to determine whether cases were closed in a timely manner. We noted that 3 case files did not contain the Decedent Case Status Report, some cases dated back to the 1990's. However, this is typical if the court system is involved.	See Finding Number 2.
7. A checklist has been developed by Accounting to be used for all open and closed cases as a measure of quality control from beginning to the end of case life.	Reviewed 20 closed handled cases to determine whether the checklist was used. Final accountings are not organized and a cold reviewer is not able to follow the final accounting. We noted that 1 case file had no final accounting, 2 cases had checklists that were not signed, and 1 case had no review	See Finding Number 2.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	signature. Two cases had no checklist.	
8. Payment of claims are to be made in priority of debts based upon the following: (1) funeral expenses; (2) expenses of last illness; (3) family allowances; and (4) wage claims. The Accountant reviews the Claims Approved Unpaid Report monthly, receives priority claims from Trust Officers, ensures proper approvals have been obtained, pays claims, approves disbursements and forwards to the Accounting Officer III for review.	Reviewed 20 closed handled cases to determine whether claims were paid in the proper order of priority.	No exceptions noted.
9. To process disbursements, the Accounting Supervisor receives a request from the Trust Officers. The Accountant verifies proper documentation is included with the request and enters the check request into LAPIS. The Accounting Supervisor approves disbursements.	Judgmentally selected 25 disbursements to determine whether the disbursements were properly supported and approved.	No exceptions noted.
10. The Senior Clerk prepares deposits of checks. This process includes coding the check with the proper account information, batching according to type, assigning a batch number, entering the check into LAPIS, running a tape to verify balances and preparing a deposit slip. The Accounting Supervisor reviews and approves the deposit. Once approved, the deposit is placed in a sealed bag and delivered to the vault. Vault personnel are to	Judgmentally selected 25 deposits to determine whether they were properly posted and accumulated in the general ledger, deposited timely and properly credited to the estate accounts. Observed checks	See Finding Number 17.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
deposit the checks the same day.	being stored in the vault overnight and deposited the next business day in single custody.	
11. Claims must be processed within 5 business days of receipt. The mailroom receives the claim, a copy is made and estate information is written on claim. Accounting reviews creditors' claims and enters information into LAPIS.	Reviewed 20 closed handled cases to determine whether claims were processed as required.	No exceptions noted.
12. Cash receipts are posted to the estates on a daily basis. Accounting receives copies of cash receipts, checks and attachments, posts items in LAPIS, provides information to the Trust Officers, who update the inventory and Property Sheets. Accounting verifies the Property Sheets and updates the LAPIS transaction receipt screens. The Accounting Officer III reviews and approves the transactions.	Judgmentally selected 25 deposits to determine whether they were properly posted and accumulated in the general ledger, deposited timely and properly credited to the estate accounts.	No exceptions noted.
13. The Insurance Revolving Fund is used for real property when an estate is insolvent prior to the sale of the property. A request to purchase insurance is made by Property Management. Accounting reviews the request for accuracy and reviews the amount of cash available from the estate. If not enough funds are available, the Trust Officer prepares a disbursement request from the Insurance Revolving Fund. The Accounting Officer III	Reviewed 20 closed handled cases of which 7 cases involved real property to determine whether the Insurance Revolving Fund was used when necessary, and that if the Fund was used, that proper procedures were	See Finding Number 9.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
approves the request.	followed and approvals were obtained. One property had the insurance cancelled 43 days after the sale of the property.	
14. The General Revolving Fund is used for estates that are insolvent for a period of time, but in which enough assets exist that the PA will be reimbursed for their costs once the estate assets are sold. A disbursement request is made by the Trust Officer. Accounting reviews the request for accuracy and reviews the amount of cash available from the estate. If not enough funds are available, the Trust Officer prepares a disbursement request from the General Revolving Fund. The Accounting Officer III approves the request.	Reviewed 20 closed handled cases to determine whether the General Revolving Fund was used when necessary, and that if the Fund was used, that proper procedures were followed and approvals were obtained.	No exceptions noted.
15. Inventories are to be posted to estates. The Accountant accesses LAPIS and enters the estate number, checks the posted inventory schedules in LAPIS for unposted items, enters appraisal date and information, compares totals to ensure accuracy, and posts inventories in LAPIS.	Reviewed 20 closed handled cases to determine whether inventories were properly posted to the estates.	No exceptions noted.
16. When manual checks are required to be issued, a request is made by the Trust Officer. The Accounting Officer III reviews the request for proper authorization, updates LAPIS and forwards to	Confirmed the manual check process through corroborative interview with the Accounting	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
Accounting for processing.	Officer II.	
<p>17. Bank collections are referred to Accounting by Trust Officers. Accounting reviews the case status display and assigns a control number for each bank, determines type of letter to be sent to the bank, prints the letter and verifies it for accuracy. Letters are forwarded to the Assistant Division Manager for signature. Accounting sends follow-up letters to the bank every 30 days until no response is received after 100 days. At that point, the matter is turned over to County Counsel.</p>	<p>Reviewed the Collection Aging Account Report (LA0053) as of 8/5/05 and found 15 of 28 cases were over 100 days old.</p>	<p>See Finding Number 22.</p>
<p>18. The mailroom is to open all mail in double custody. All mail received is to be sorted by unit, opened and date stamped. Credit cards are cut. Cash receipts are to be entered on a cash log. Wills are not to be left overnight in the mailroom, but are to be deposited in the vault.</p>	<p>Observed mailroom procedures over several days to ensure that all mail is opened in double custody and any valuables and securities, including cash, are handled according to policy. Mail was not opened in double custody. Original checks to be deposited were left in open on employee's desk. Checks were not secured if not deposited the same day. Checks were not assigned a control number when</p>	<p>See Finding Number 23.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	received, and the Log of checks is a batch, not individual control numbers. The same person logs checks and inputs information into LAPIS.	
19. During the final accounting process, the items marked removed in LAPIS should be reconciled to the property sheets and court orders to verify the removal was legitimate.	Interviewed Accounting staff to determine if reconciliation is performed for items removed from LAPIS to the property sheets and court orders. Determined no reconciliation is performed.	See Finding Number 24.
20. Auction Mailing Lists are created for all auctions. The data is updated weekly and labels are printed twice a month.	Reviewed to determine whether Auction Mailing Lists were updated weekly.	No exceptions noted.
21. Letters of Administration are requested by the Court Coordinator, reviewed and filed by County Counsel.	Reviewed 20 closed handled case files and determined whether the appropriate Letters of Administration were being used and filed in a timely manner with the court.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
22. The vault door is secured by an alarm system.	Confirmed through corroborative interview with Accounting Officer II that vault alarm has never been tested.	See Finding Number 15.
<b>LOS ANGELES PUBLIC ADMINISTRATOR INFORMATION SYSTEM (LAPIS)</b>		
1. Adequate physical security controls shall be implemented: (1) physical safeguards shall be established that are commensurate with the risks of physical damage or access; (2) visitors shall be controlled.	Walked-through facilities housing LAPIS servers and personal computers (PCs) and reviewed for adequate physical access controls.	No exceptions noted.
2. All door entry code combinations are changed periodically.	Confirmed through corroborative interviews with Assistant Operations Chief and Accounting Officer III whether door entry codes are changed periodically. The punch code lock combinations on the 8 <sup>th</sup> and 9 <sup>th</sup> floors of the Hall of Records have not been changed	See Finding Number 25.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	periodically.	
3. Physical safeguards to restrict access to authorized users are implemented for all workstations that access LAPIS.	Walked-through facilities housing LAPIS PCs and reviewed for adequate physical access controls.	No exceptions noted.
4. A punch code combination is needed to enter the server room.	Walked-through facility housing LAPIS server and reviewed for adequate physical access controls.	No exceptions noted
5. Access is limited to those individuals who routinely need access through the use of guards, identification badges, punch code combinations and swipe card badges.	Walked-through facilities housing LAPIS servers and PCs and reviewed for adequate physical access controls.	No exceptions noted.
6. Visitors to sensitive areas such as the server room must be escorted.	Walked through facility housing LAPIS server and reviewed for adequate physical access controls. Per observation and inquiry with the Information Systems Coordinator, visitors to the restricted area, including the	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	server room, must be escorted.	
7. Actual or attempted unauthorized, unusual, or sensitive access shall be monitored. Security violations and activities, including failed log on attempts, other failed access attempts and sensitive activity are identified, reported, and reacted to by intrusion detection software. The identified unauthorized, unusual, and sensitive access activities are reported to management and investigated.	Confirmed through corroborative interview with the Data Center Manager whether attempted unauthorized, unusual, or sensitive access in LAPIS is monitored. Unauthorized access reports for LAPIS are not provided for management review. Consequently, LAPIS data owners did not have the opportunity to review reports of unauthorized access attempts in LAPIS.	See Finding Number 26.
8. Attempts to log on with invalid passwords are limited to three (3) attempts.	Through discussion with PA employees and testing, determined whether attempts to log on with invalid passwords are limited to 3 attempts. Although LAPIS automatically logs users out of Dynamic Connect and LAPIS when they	See Finding Number 26.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	<p>make 3 incorrect log-in attempts, with Dynamic Connect, users are assigned different user numbers each time they log in. Consequently, the system does not maintain the information that the individual was logged out by the system, and the same individual can continue to make 3 attempts to log in for as many iterations as they choose.</p>	
<p>9. Passwords are: (1) unique for specific individuals, not groups; (2) controlled by the assigned user and not subject to disclosure; (3) changed periodically--every 30 to 90 days, when an individual changes positions, or when security is breached; (4) not displayed when entered; (5) at least six alphanumeric characters in length; and (6) prohibited from reuse for at least 6 generations.</p>	<p>Through discussion with the Data Center Manager, determined whether LAPIS passwords meet minimum standards. LAPIS does not require users to periodically change their personal passwords, and does not require passwords to have a minimum level of complexity (e.g., a minimum combination of upper- and lower-case letters, numbers,</p>	<p>See Finding Number 27.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	and/or symbols).	
<p>10. Inactivity at any given workstation for a specific period of time shall cause the system to automatically shut down that workstation. However, in a controlled (supervised) environment, involving the use of sign-on and password routines, there is no "time-out" disconnect requirement. Screensavers with passwords are utilized where supported by existing operating systems.</p>	<p>Through observation and discussion with the Assistant Operations Chief and Departmental Information Security Officer (DISO), verified that the Enterprise Network did not lock workstations after a specified period of inactivity. The LAPIS system locks LAPIS after two hours of inactivity; however, workstations subject to use by multiple users (such as those at the vault counter) do not automatically shut down at the end of a session.</p>	<p>See Finding Number 28.</p>
<p>11. Personnel files are automatically matched with actual system users to remove terminated or transferred employees from the system.</p>	<p>Through testing based on lists of current LAPIS users and discussion with various LAPIS user group employees, determined whether terminated</p>	<p>See Finding Number 26.</p>

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	or transferred employees are removed from the system. LAPIS access was not promptly revoked for LAPIS user groups including Public Guardian, County Counsel, Rep Payees, and Mortuary/Morgue.	
12. Inactive user accounts are monitored and removed when not needed.	Through discussion with PA employees, determined whether inactive users' accounts are monitored and removed when not needed. Per discussion with the Data Center Manager, no review is performed to find inactive LAPIS accounts and revoke users' access.	See Finding Number 26.
13. The PA conducts periodic reviews of employees' access to LAPIS program screens for appropriate segregation of duties.	Through discussion with PA employees, determined whether periodic reviews of employees' access to LAPIS program screens are conducted. Per discussion with the Assistant	See Finding Numbers 26 and 29.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	Operations Chief and Accounting Officer III, only one review of employees' access to LAPIS program screens has been conducted to their knowledge.	
14. The LAPIS general password is changed every six months. LAPIS users can change their individual LAPIS passwords whenever they choose.	Through discussion with PA and CompuTrust employees, determined whether the LAPIS general password is changed periodically, and if LAPIS users change their individual LAPIS passwords periodically. Per discussion with various employees, the general LAPIS password is changed every six months; however, LAPIS users are not required to change their individual LAPIS passwords periodically.	See Finding Number 27.
15. Access to system software is restricted to a limited number of personnel, corresponding to their job responsibilities.	Through discussion with PA and CompuTrust employees and	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	review of access groups, determined that only CompuTrust programmers had access to LAPIS system software.	
16. Duties in critical control and financial functions are split. (e.g., establish special controls involving more than one person over blank and voided checks.)	Through discussion with the Assistant Operations Chief and Accounting Officer III, we noted that three employees under one LAPIS access group code had access to both create and approve check requests.	See Finding Numbers 26 and 29.
17. Management reviews are performed to determine that control techniques for segregating incompatible duties are functioning as intended and that the control techniques in place are maintaining risks within acceptable levels (e.g., periodic risk assessments)	Through discussion with the Data Center Manager and the DISO, periodic information technology risk assessments have not been performed for the PA and LAPIS.	See Finding Number 29.
18. Physical and logical access controls help restrict employees to authorized actions, based upon organizational and individual job responsibilities.	Through observation and discussion with PA employees including the DISO and Data	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	Center Manager, physical access controls are used including punch code locks and swipe card ID badges. Logical access controls are used including LAPIS passwords with user access rights controlled by group codes.	
19. Incompatible duties shall be identified and policies implemented to segregate these duties. Management has analyzed operations and identified incompatible duties that are then segregated through policies and organizational divisions. No individual has complete control over incompatible transaction processing functions.	Through discussion with the Assistant Operations Chief and Accounting Officer III, we noted that three employees under one LAPIS access group code had access to program screens to both create and approve check requests.	See Finding Number 29.
20. Adequate environmental controls shall be implemented. Controls have been implemented to mitigate other disasters, such as floods, earthquakes and fire. Redundancy exists in the air cooling system. Fire suppression and prevention devices have been installed and are working (e.g., smoke detectors, fire extinguishers and sprinkler systems).	Walked-through the server room to observe the existence of adequate environmental controls.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
21. An uninterruptible power supply or backup generator has been provided so that power is adequate for orderly shut down.	Walked-through the server room to verify the existence of an uninterruptible power supply.	No exceptions noted.
22. A contingency plan shall be documented. The contingency plan provides for backup personnel so that it can be implemented independent of specific individuals. User departments have developed adequate manual processing procedures for use until automated operations are restored. The contingency plan clearly assigns responsibilities for recovery.	During discussion with the Information Systems Manager, DISO, Data Center Manager, and Assistant Treasurer and Tax Collector, requested copies of any contingency plans that have been developed; however, written business continuity and disaster recovery plans have not been approved or tested for the enterprise network or the LAPIS system.	See Finding Number 30.
23. Data and program backup procedures have been implemented. Backup files are created on a prescribed basis and rotated off-site often enough to avoid disruption if current files are lost or damaged. The backup storage site is geographically removed from the primary site(s) and protected by environmental controls and physical access controls.	Confirmed through corroborative interviews with the Information Systems Manager, DISO, and Information Systems Coordinator that LAPIS server back-ups are maintained across	See Finding Number 30.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	the street; however, back-ups are not maintained in further off-site locations. Also, system and application documentation is not maintained in off-site storage locations.	
24. The organization uses Hardware Intrusion Detection Systems (HIDS) and Network Intrusion Detection Systems (NIDS) to provide real-time identification of unauthorized use, misuse, and abuse of computer assets by internal network users and external hackers.	Confirmed through corroborative interview with the Information Systems Coordinator that the intrusion detection systems are in place and operational.	No exceptions noted.
25. Documentation is updated for software, hardware, operating personnel and system users when a new or modified system is implemented.	Through discussion with the Data Center Manager, LAPIS documentation is not updated for software, hardware, operating personnel, and system users after changes to LAPIS.	See Finding Number 31.
26. A comprehensive set of test transactions and data have been developed that represents the various activities and conditions that will be encountered in processing. Live data is not used in	Confirmed through corroborative interviews with the Assistant Operations Chief	See Finding Number 31.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
testing of program changes except to build test data files.	and Data Center Manager that live data is generally used during testing of program changes.	
27. Program changes are moved into production only upon documented approval.	Through discussion with the Assistant Operations Chief and Data Center Manager, program changes are frequently moved into production without documented approval from users and system development management.	See Finding Number 31.
28. Authorizations for software modifications are documented and maintained.	Through discussion with the Assistant Operations Chief and the Data Center Manager, authorizations for software modifications are not documented and maintained. Change requests are not approved by both system users and data processing staff. Instead, an informal process is generally used in approving and	See Finding Number 31.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
	implementing LAPIS system changes.	
29. All transactions are logged as entered, along with the User ID of the person entering the data.	Through discussion with the Assistant Operations Chief and the Data Center Manager, all transactions are logged as entered.	No exceptions noted.
30. Each operator is required to use a unique password and identification code before being granted access to the system.	Through discussion with the Information Systems Manager and the Data Center Manager, each operator is required to use a unique password and identification code before being granted access to the enterprise network and LAPIS system	No exceptions noted.
31. When workstations are not in use, workstation rooms are locked and the workstations are capable of being secured.	Through observation and discussion with the Assistant Operations Chief, workstation rooms are locked after normal business hours and on weekends.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
32. Users shall be limited to a set of authorized transactions.	Through discussion with the Data Center Manager, LAPIS users are limited to a set of authorized transactions based on their group code.	No exceptions noted.
33. LAN/computer room access controls are in place. Physical access to enclosures housing network equipment is restricted.	Through discussion with the Information Systems Manager and the Data Center Manager, LAN/ computer room access controls are in place.	No exceptions noted.
34. Virus-scanning software is provided at critical entry points, such as servers, and at each desktop system on the network.	Through discussion with the Information Systems Manager and Information Systems Coordinator, virus-scanning software is provided for servers and PC's on the enterprise network. Users must be inside the enterprise network to access LAPIS; there are no remote access servers.	No exceptions noted.

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**RESULTS OF PROCEDURES PERFORMED (CONTINUED)**

<b>Control Activities</b>	<b>Test(s) Performed</b>	<b>Test Results</b>
35. Adequate network password policies have been implemented. Passwords must be changed every 75 days, must be at least six characters in length, and cannot be reused for at least 5 iterations (i.e., the same password can't be used again until five other passwords have been used).	Through discussion with the Information Systems Manager and Information Systems Coordinator, adequate network password policies have been implemented.	No exceptions noted.
36. Communication software has been implemented to verify workstation identifications in order to restrict access through specific workstations: (1) verify IDs and passwords for access to specific applications; (2) control access through connections between systems and workstations; (3) restrict an application's use of network facilities; (4) protect sensitive data during transmission; (5) maintain network activity logs; (6) restrict access to table that defines network options, resources, and operator profiles; (7) allow only authorized users to shutdown network components; (8) restrict in-house access to telecommunications software; (9) control changes to telecommunications software; (10) ensure that data are not accessed or modified by an unauthorized user during transmission or while in temporary storage and; (11) restrict and monitor access to telecommunications hardware or facilities.	Through discussion with the Information Systems Manager and Data Center Manager, communication software has been implemented as described.	No exceptions noted.

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***RESULTS OF PROCEDURES PERFORMED (CONTINUED)***

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# COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR



500 WEST TEMPLE STREET  
437 KENNETH HAHN HALL OF ADMINISTRATION  
LOS ANGELES, CALIFORNIA 90012

July 27, 2006

**MARK J. SALADINO**  
TREASURER AND TAX COLLECTOR

TELEPHONE  
(213) 974-2101

TELECOPIER  
(213) 626-1812

TO: J. Tyler McCauley  
Auditor-Controller

FROM: Mark J. Saladino  
Treasurer and Tax Collector 

SUBJECT: **RESPONSE TO PUBLIC ADMINISTRATOR INTERNAL CONTROL  
REVIEW**

Last year, I requested an independent audit of the Public Administrator's (PA) system of internal controls and fiscal operations. I requested the review because it had been more than five years since the PA's internal control and fiscal operations had been evaluated. As well, there had been some indication that internal controls, particularly related to property drayage and warehouse operations, and staff's compliance with those controls, warranted re-evaluation.

Conrad and Associates performed the audit and worked collaboratively with my staff throughout the entire engagement. Conrad's review was extensive, having tested a total of 160 internal controls among the PA's three sections: Estate Administration, Estate Accounting and Property Management. As well, Conrad reviewed access and other controls of the Los Angeles County Public Administrator/Public Guardian Information System (LAPIS).

I was pleased that Conrad determined the majority of the controls they tested and reviewed were sufficient and operating as intended. However, as with any organization as complex as the PA, the auditors identified areas for improvement. In general, we agree with the auditor's recommendations, and we have responded to each of the findings and recommendations in the body of the report itself.

My staff took immediate and focused action throughout the audit engagement to implement as many of the recommendations as possible. We will report to you on the status of the audit recommendations every six months, until fully implemented.

I would like to thank the members of the Conrad audit team for their professional and collaborative approach to this engagement. As well, we appreciated the assistance of Auditor-Controller, Audit Division staff.

If there are any questions, please contact me, or your staff may contact Henry Roman, Assistant Treasurer and Tax Collector, at (213) 974-0703.

MJS:HR:JK

Mr. J. Tyler McCauley  
Auditor-Controller  
County of Los Angeles  
500 W. Temple Street, Room 525  
Los Angeles, California 90012-2766

During the performance of the Los Angeles County Treasurer and Tax Collector, Public Administrator Internal Controls Evaluation, we identified several instances of weaknesses in internal controls for the period February 1, 2005 through July 31, 2005 that were reported to the County of Los Angeles in a report dated March 7, 2006. As part of that evaluation, we considered the Public Administrator's internal controls over estate administration, property management and estate accounting and compliance controls in order to evaluate the design and operating effectiveness of those controls, and not to provide assurances on the internal controls over estate administration, property management and estate accounting, nor to render an opinion on compliance.

Our consideration of the internal control over estate administration, property management and estate accounting would not necessarily disclose all matters in internal control that might constitute material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that errors or irregularities that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We have rendered a separate report, "2004-05 Treasurer and Tax Collector, Public Administrator Internal Control Evaluation", dated March 7, 2006. The aforementioned report, disclosed matters involving compliance or internal control over estate administration, property management and estate accounting that we consider to be material weaknesses.

In addition, during our audit, we became aware of other matters that are opportunities for the Public Administrator to strengthen internal controls, increase operating efficiency and ensure compliance with certain laws and regulations. We offer the following recommendations for consideration by management:

**(1) Need to Establish an Effective Process to Locate Decedent's Heirs**

During our review of the initial investigation and case management investigations, we noted that there is not a policy or procedure or time limit on how long a Trust Officer should spend searching for a decedent's heirs. As there is no process in place, the Trust Officers could spend an inordinate amount of time looking for heirs that may not exist. The County of Los Angeles has a wealth of information and access due to its law enforcement activity. In discussions with Public Administrator and County Coroner staff, the Public Administrator may be more successful in identifying heirs if the Trust Officers had access to the same data bases as the

**(1) Need to Establish an Effective Process to Locate Decedent’s Heirs (Continued)**

Coroner. Sound business practices require that the Public Administrator perform due diligence when searching for heirs. However, once all avenues of the search have been exhausted, the Public Administrator is obligated to make a decision on the case in a timely manner and move forward with the probate process.

**Recommendation**

We recommend that the Public Administrator establish sound procedures for searching for heirs. Additionally, we recommend that the Public Administrator work with the Coroner to determine whether the Public Administrator can access the same databases as the Coroner when searching for heirs.

**(2) Ensure that Required Reports are Done in a Timely Manner and Documented in the Case Files**

During our review of case management, we noted that the Report of Status of Administration (12-200 Petitions) is to be filed with the Court on General/CTA cases in which one year has elapsed since the date of the Letters of Administration were originally issued and a final account will not be requested within 90 days. The Trust Officer prepares the draft, forwards it to the Assistant Division Manager for review and approval, who sends it to County Counsel to obtain a court date. We reviewed 20 closed handled cases to determine whether a 12-200 Petition was filed if the Letters of Administration were more than one year old. In one instance the petition was not completed with the required time frame and in another the petition may have been filed but there was no evidence of court approval.

Public Administrator Operations Manual, Policy Number 595.00 states, in part:

“In order to comply with Section 12200 of the Probate Code, a petition will be filed on General/CTA estates in which one year has lapsed since the date Letters of Administration were issued and a Final Account will not be requested within (90) days.”

**Recommendation**

We recommend that the Public Administrator establish review mechanisms to ensure all 12-200 Petitions are filed in a timely manner.

**(3) Need to Ensure that Estate Assets Identified in LAPIS to be Abandoned, Sold or Distributed are Properly Documented in the Case Files**

During our review of case files, we noted the following in 4 of 20 closed handled cases reviewed:

- In one case, no documentation was in the file to support why the stock certificates listed to be abandoned were destroyed;
- In one case, the property sheet did not reflect that the documents on the property sheet which included miscellaneous papers and stock certificates in question was ever turned into the vault custodian as there was no signature on the property sheet;
- In one case, there were two abandonment memos in the file for the same document, dated one year apart; and
- In one case, an item was listed on the property sheet as shares of stock, when in fact they appear to be warrants entitling the holder to purchase stock which have no cash value to them.

Sound business practices require the Public Administrator document the abandonment of personal property and value those items to be destroyed. Failure to document an item have little or no value could lead to assets having value destroyed without performing due diligence.

Public Administrator Operations Manual, Policy Number 560.01 states, in part:

...“Before any property can be abandoned, it must be approved by an abandonment committee... The abandonment committee shall meet quarterly...and shall have written approval for abandonment by the committee. The committee, and/or designated persons, shall have access to LAPIS screens necessary to change the final status of items from “TOSS” to ABAN” status...”

**Recommendation**

We recommend that the existing policies and procedures in place for the abandonment of personal property be followed.

**(4) Need to Implement Processes for Better Communication and Training**

During our interviews with Estate Administration employees, several employees commented that the communication between management and supervisors and staff was not as effective as it could be. This lack of communication causes misunderstandings, decreases productivity and lowers morale. In addition, it was noted that there are no regular training programs or

**(4) Need to Implement Processes for Better Communication and Training (Continued)**

information provided to staff on how best to perform their job duties. There are no regularly scheduled meetings with the staff to discuss issues.

Good communication and training programs will improve productivity, increase employee morale and lower the risk of lawsuits. Training programs will ensure that all employees are following the same policies and procedures and are versed in the Probate Code.

**Recommendation**

We recommend that the PA develop a formal training program for all employees and implement training programs to develop investigative skills, case management skills, accounting skills and property management skills to better perform their job duties. We further recommend that management consider holding periodic meetings with staff to discuss operational issues.

**(5) Need to Create Standards and Case Loads for Handling of Estate Cases**

During our interviews with Estate Administration employees, it was determined that there is no formal process for handling a probate case. Since there are no standards, each Trust Officer can handle the case differently and this may result in poor performance with no criteria to base that performance upon. In addition, there are no mechanisms in place to manage the effectiveness and efficiency of case management.

Although each case handled by Estate Administration is different, sound business practices require that procedural standards be established in order to protect the assets of the decedent and close the case as efficiently and effectively as possible. Without standards, it is difficult to determine who is performing and who is not. There is no quality review of case management files once the case has been closed.

**Recommendation**

We recommend that the PA establish performance standards for handling a probate case. We further recommend that all employees be trained so that they clearly understand the standards, and then their performance be measured against the standards. We would recommend the PA implement a quality review process at the close of the case and perform a review and clean up of the case files.

**(6) Need to Have On-Call Contracts with Insurance Companies Who Provide Real Property Insurance**

During our review of Property Management, we noted that real property administrated by the PA must have fire and liability insurance. If the property does not have the required insurance, it is

**(6) Need to Have On-Call Contracts with Insurance Companies Who Provide Real Property Insurance (Continued)**

purchased by Property Management. All properties must be re-evaluated for proper insurance on a quarterly basis. This is accomplished by the Trust Officers through LAPIS insurance screen LA0147.

The County currently uses one insurance company for all real property insurance. There is no contract between the vendor and the County. Failure to competitively bid the insurance services can result in the estate paying more than is necessary for insurance.

**Recommendation**

We recommend that the County prepare a request for proposal for insurance services and award several contracts to insurance companies that can be utilized on a rotating basis.

**(7) Need to Protect Vehicles Stored at the Warehouse**

During our review of vehicles stored at the warehouse, we performed two separate tests to determine the condition of the vehicles and the timeliness of disposing of assets. Our first testing included 26 vehicles at the Pico Rivera warehouse, we noted the following exceptions: 23 of 26 vehicles tested were found to be dirty, dusty, and/or have cobwebs; 5 of 26 vehicles tested had flat tire(s); 2 of 26 vehicles tested were rusty; 6 of 26 vehicles tested were found to have body damage; 2 of 26 vehicles tested had the wrong license number entered into LAPIS.

Additionally, during testing of the 26 vehicles at the Pico Rivera warehouse, we noted the following observations.

- The Auditor observed that the barbed-wire chain-link fencing surrounding the area does not protect from vandals throwing objects at the vehicles.
- Only the front gate is connected to the security alarm. The back gate is not connected to the security alarm.
- There was a large sinkhole that is developing outside the warehouse where the cars are stored.
- Property sheets do not list the conditions of the vehicles when they arrive at warehouse.

Our second test included 62 vehicles at the warehouse, all in estates administered by the Public Administrator. We noted that 11 vehicles or (17.7%) of the vehicles tested were at the warehouse over one year (365 days).

**(7) Need to Protect Vehicles Stored at the Warehouse (Continued)**

Generally accepted business practices require that estate assets be accounted for, located, and secured. A vehicle's value will depreciate rapidly if stored outside for a long period of time. This leads to loss of value for the estate, especially if the car is to go up for auction. Most vehicles are stored outside where the vehicles are exposed to the elements. Some of the vehicles are brought to the warehouse in bad condition already. Condition of vehicle upon arrival is not noted or documented in LAPIS.

**Recommendation**

We recommend that Public Administrator look into ways to protecting the cars stored outside from the elements. We suggest at least car covers that can be reused for each vehicle stored outside. We also recommend that the Public Administrator look into fixing the sinkhole if possible.

**(8) Need to Establish a Definition of an Illegal Item**

During our review of the warehouse operations, we noted that warehouse personnel discard all "illegal" personal items. The Warehouse personnel have indicated that an illegal personal item could consist of photographs that are deemed to be pornographic in nature. However, there is no definition of what constitutes an illegal personal item. As such, this decision is made solely by the warehouse staff.

Generally accepted business practices require that estate assets be accounted for, located and properly secured. Since the warehouse personnel discard all "illegal" items, and there is no definition of what constitutes an "illegal" item, it is possible for the warehouse staff to designate an item as illegal and throw it away, when in fact it may be an item of value to the heirs. This also increases the likelihood of theft of estate assets.

**Recommendation**

We recommend that the PA establish a definition of what constitutes an illegal item and document procedures for the destruction of an illegal item. Additionally, heirs or other interested third parties should be made aware of these illegal items that are being destroyed.

**(9) Ensure Management Documents Supervisor Reviews of Credit Card Statements, Tax Returns and Stock Reconciliations**

During our review of the Accounting Section operations, we were unable to determine whether a supervisor had reviewed the work of their employees. There was no evidence on work performed by employees that it was reviewed as to accuracy. Sound business practices require

**(9) Ensure Management Documents Supervisor Reviews of Credit Card Statements, Tax Returns and Stock Reconciliations (Continued)**

that supervisors review the work of their subordinates and document that review. Failure to review work by subordinates could result in a loss of estate assets.

**Recommendation**

We recommend that the Accounting Section supervisors document their review of all work performed by staff. This documentation of review can take the form of initialing the work product.

**(10) LAPIS System is Old and Needs to be Replaced**

During our interviews with employees of the Public Administrator, we discussed the LAPIS computer system used by all staff. LAPIS has been used by the Public Administrator since the mid 1980's. Since that time the system has not been changed or upgraded. The staff, in general, is frustrated by the system's shortcomings and inability to access and print data the same day. The following recommendations are a result of our interviews.

**Recommendation**

We recommend that the following enhancements be considered when developing a set of requirements for a system to replace LAPIS.

1. The system should take advantage of the current Windows standards to allow users to open multiple screens without re-entering identification information.
2. PA employees should only have access to PA cases, and Public Guardian (PG) employees should only have access to PG cases or to the extent practical.
3. The system should allow the PA to make internal transfers to the TTC rather than the current manual process of writing checks to the TTC from the estates for estate storage charges, etc.
4. When pre-numbered inventory bags have to be opened (to sell one item in the bag), the system should allow for easy updating to the new pre-numbered bag number. Additionally, an audit trail should be maintained of all changes in bag numbers.
5. Reference guides or training materials should be made available to users.
6. Users should only be required to enter their individual user IDs and passwords, assuming that their individual passwords must be changed periodically. A log-in with a general user ID and password is unnecessary.

**(10) LAPIS System is Old and Needs to be Replaced (Continued)**

7. The system should include the ability to automatically revoke the access of users who haven't used LAPIS for a specified period of time. Such users may represent terminated employees whose access had not yet been revoked.
8. Programmers should be limited to making programming changes. They should not be able to initiate transactions in the live database.
9. The system should allow unlimited space for case narratives. The current system only allows five (5) lines for call records, which is inadequate.
10. The system should support data entry of relevant case information by all authorized users, such as Coroner employees updating case narratives with additional information with regard to family members, etc.
11. The system should be able to detect security violations such as:
  - Use of the same user ID and password at multiple workstations (which could indicate unauthorized users);
  - Multiple failed log-in attempts using the same user ID (which could indicate attempts to "hack-in" to the system);
  - Approved users who aren't using the system (which could indicate terminated employees whose access hasn't been revoked);
  - Inappropriate usage including attempts to access screens a user is not authorized to use (which could indicate attempts by employees to circumvent internal controls);
  - Logins at unusual times (which could indicate unauthorized users or transactions).
12. The system should be designed to allow Trust Officers to print bank request letters immediately on the most convenient network printer. The system should track the date letters are sent and responses are received, and automatically prompt the Trust Officers to send second and third bank request letters as needed.
13. CompuTrust employees should not have access to post live data; and
14. Stock shares that are labeled as an 'X', or non-value inventory item, should be added to the LAPIS LA208 Report – Inventory Stocks by Location.
15. PA should purchase a bar coding/tagging system which would allow the Trust Officers to bar code assets as well as enter descriptions which could then be uploaded into the new computer system.

\* \* \* \* \*

Mr. J. Tyler McCauley  
Auditor-Controller  
County of Los Angeles

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This letter is intended solely for the information and use of the County of Los Angeles. We have not reviewed the internal control structure since October 21, 2005. However, this is a matter of public record and its distribution is not limited.

*Comrad and Associates, L.L.P.*

October 21, 2005



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



**MARK J. SALADINO**  
TREASURER AND TAX COLLECTOR

July 27, 2006

TO: J. Tyler McCauley  
Auditor-Controller

FROM: Mark J. Saladino  
Treasurer and Tax Collector

A handwritten signature in black ink, appearing to read "MJS", written over the printed name "Mark J. Saladino".

**SUBJECT: RESPONSE TO PUBLIC ADMINISTRATOR INTERNAL CONTROL  
REVIEW: MANAGEMENT LETTER**

We have reviewed the management letter issued by Conrad and Associates related to their review of the Public Administrator's (PA) internal controls.

In general, the matters included in the management letter related to case documentation, staff training, vendor contracts and warehouse security. In addition, the audit team recommended the PA take steps to shorten searches for decedent's heirs. However, we believe it is important to acknowledge that Los Angeles County, and the PA itself, serves a large immigrant population which may complicate the next of kin/heir search process. We are in general agreement with the auditor's recommendations and will implement appropriate corrective actions and report our progress accordingly.

I would like to thank the members of the Conrad audit team for their professional and collaborative approach to this engagement. As well, we appreciated the assistance of Auditor-Controller, Audit Division staff.

If there are any questions, please contact me, or your staff may contact Henry Roman, Assistant Treasurer and Tax Collector, at (213) 974-0703.

MJS:HR:JK