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COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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August 25, 2023

TO: Each Supervisor

FROM: Oscar Valdez, Auditor-Controller

SUBJECT: **TREASURER AND TAX COLLECTOR – PUBLIC ADMINISTRATOR -
DECEDENT ESTATE REFERRAL INTAKE AND VAULT CONTROLS
REVIEW**

With the support and active participation of Treasurer and Tax Collector (TTC or Department) management, we evaluated the design of TTC's Public Administrator (PA) decedent estate referral (referral) intake and vault processes and controls to determine whether they provide reasonable assurance to management that operational objectives are being met, including sufficiently tracking and reviewing referrals, assigning referrals for investigation timely, appropriately restricting user access to the PA's Client Asset Management System (CAMS), and properly securing decedents' personal property in the vault. Our review did not include the investigation process (e.g., confirming residency, identifying and searching for decedent assets, gathering assets susceptible to theft, searching for a will, relatives, and/or next of kin), or estate administration (e.g., seeking appointment from the Court to administer the estate, liquidating assets, paying decedent's debts), except for vault controls.

We noted TTC established a system of processes and controls for assigning referrals for investigation timely. However, we identified opportunities to improve TTC's PA processes, controls, and control monitoring, which management has agreed to strengthen. For example:

- TTC management will establish a process to uniquely identify, track, and monitor all referrals to ensure referrals are maintained, appropriately and timely entered into CAMS, and referrals with missing information are identified, followed-up on, and accounted for.
- TTC management will immediately remove CAMS access for users who no longer need it, and remind PA Systems staff to promptly remove CAMS user access when necessary going forward.
- TTC management will immediately separate vault key and alarm code access so that no individual can open the vault by themselves, and codify this control into a formal policy.

These enhancements will provide greater assurance of meeting PA operational objectives, allow for referral monitoring, reduce the risk of inappropriate or unauthorized access to

NUMBER OF RECOMMENDATIONS
PRIORITY 1 5 CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS
PRIORITY 2 1 CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS
PRIORITY 3 2 CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

FAST FACTS

The TTC PA has the legal authority to administer estates of decedents who resided or had property in Los Angeles County when there is no known heir, executor, or appointed administrator.

Annually, TTC PA receives approximately 2,500 decedent estate referrals from various sources (e.g., Department of Medical Examiner-Coroner, hospitals) with 70% of referrals for general estates valued over \$50,000 and 30% for smaller estates which are often insolvent.

confidential decedent information, and enhance the security of the vault where decedents' personal property is stored, reducing the risk that assets secured in the vault are subject to theft or loss.

We shared our findings with TTC throughout the review, and as a result, the Department's response indicates they have already implemented almost all our recommendations. We will verify the implementation status during our follow-up review.

For details of our review, see Attachment I. The Department's response indicates general agreement with our findings and recommendations and is included in Attachment II.

We thank TTC management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at mpirolo@auditor.lacounty.gov.

OV:RGC:MP:ZP:am

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Keith Knox, Treasurer and Tax Collector

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
Page 1 of 8

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Mike Pirola
DIVISION CHIEF

AUDIT DIVISION

Report #K22BX

TREASURER AND TAX COLLECTOR – PUBLIC ADMINISTRATOR DECEDENT ESTATE REFERRAL INTAKE AND VAULT CONTROLS REVIEW

BACKGROUND

The Treasurer and Tax Collector's (TTC or Department) Public Administrator (PA) has the legal authority to administer estates of decedents who resided or had property in Los Angeles County (County) when there is no known heir, executor, or appointed administrator. The PA has a Fiscal Year (FY) 2022-23 budget of \$14.4 million and 86 budgeted positions. There are three primary PA processes: Referral Intake, Investigation, and Estate Administration. Each process is described below.

Referral Intake - Annually, the PA receives approximately 2,500 decedent estate referrals (referral) from various sources (e.g., Department of Medical Examiner-Coroner (DMEC), hospitals, law enforcement agencies, mortuaries, decedents' friends/neighbors). The PA's intake process involves reviewing referrals for completeness to determine whether they have enough information to initiate an investigation. The PA receives referral forms via a central e-mail inbox which includes information such as name, date of birth, date of death, place of death, gender, Social Security number (SSN), etc. Approximately 5% of referrals are rejected for various reasons (e.g., decedent resided outside of the County, duplicate referral). After ensuring the referral information is complete, PA staff create a case in their Client Asset Management System (CAMS). The PA then assigns the case for investigation to gather additional information and determine whether the PA will administer the decedent's estate. CAMS is used for Investigation and Estate Administration processes.

Investigation – Cases are assigned to PA public conservators for investigation, which entails:

- Confirming residency
- Identifying and searching for decedent assets
- Gathering, inventorying, and securing assets susceptible to theft
- Searching for a will
- Identifying and searching for relatives and/or next of kin

During the investigation process, PA staff will confirm whether the estate will be administered by the PA or referred to another administrator or jurisdiction (e.g., family member decides to administer the estate, decedent resided outside County).

Estate Administration – For PA-administered estates, PA staff are responsible for:

- Seeking appointment from the Probate Court (Court) to administer the estate
- Making funeral arrangements
- Drayage/marshaling other decedent assets beyond those gathered during the investigation process
- Inventorying and securing assets in the PA vault/warehouse
- Liquidating assets
- Paying decedent's debts
- Determining heirship
- Preparing financial reports
- Complying with Court requisites (e.g., hearings, notices)
- Distributing estate funds

Estate administration generally takes 12 to 24 months depending on the complexity of the estate.

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

BACKGROUND

Our review did not include the investigation process (e.g., confirming residency, identifying and searching for decedent assets, gathering assets susceptible to theft, searching for a will, relatives, and/or next of kin), or estate administration (e.g., seeking appointment from the Court to administer the estate, liquidating assets, paying decedent's debts), except for vault controls.

We evaluated the design of TTC's PA referral intake and vault processes and controls to determine whether they provide reasonable assurance to management that operational objectives are being met, including sufficiently tracking and reviewing referrals, assigning referrals for investigation timely, appropriately restricting user access to CAMS, and properly securing decedents' personal property in the vault. While we noted TTC PA established a sufficient system of processes and controls for assigning referrals for investigation timely, we identified opportunities for improvement, as noted in the table below.

TTC's vault operations moved to another location near the end of our review. TTC should ensure the opportunities for improvement noted in our review are appropriately addressed at the new location.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

ISSUE	RECOMMENDATION
<p>1 Tracking Referrals – TTC PA receives decedent referrals via a central e-mail box for review to determine whether they have enough information to initiate an investigation. In addition, other decedent information (e.g., medical information, bank confirmations) and information requests are also received via the central e-mail box from agencies (e.g., healthcare agencies, banks) and PA staff, respectively. The PA receives up to 15 referrals each day. Access to the e-mail box is limited to intake clerks, the intake supervisor, assistant operations manager, and secretary. Intake clerks are responsible for reviewing all e-mails and referrals, following-up on referrals with missing information, and entering referrals in CAMS (i.e., creating cases) no later than the following business day.</p> <p>We noted that PA does not uniquely identify, track, and monitor all referrals to ensure referrals are maintained, appropriately and timely entered into CAMS, or that referrals with missing information are identified, followed-up on, and accounted for. For example, the tracking controls/procedures for referrals could include:</p> <ul style="list-style-type: none"> • A unique number to identify each referral • Date the referral was received • Name of clerk assigned to enter referral into CAMS or follow-up on missing information, if applicable • Status of pending information, if applicable • Date entered into CAMS <p>The lack of tracking controls could result in referrals being deleted from the inbox without detection, which could in turn lead to the loss or theft of decedent property and estates going unresolved. These weaknesses could also prevent management from ensuring all referrals are addressed.</p>	<p>Priority 1 – TTC PA management:</p> <ul style="list-style-type: none"> a) Establish a process to uniquely identify, track, and monitor all referrals to ensure referrals are maintained, appropriately and timely entered into CAMS, and referrals with missing information are identified, followed-up on, and accounted for. b) Consider developing a new system for receiving referrals that does not rely on an e-mail box. c) Establish timeframes for addressing non-referral e-mails. <p>Department Response: Agree Implementation Date: January 2023</p> <p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>

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

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<p>Furthermore, PA discards referrals after two weeks if staff cannot obtain missing information from the referring party. These referrals should be retained and a process established to reinstate them if missing information is subsequently provided that allows the PA to initiate an investigation.</p> <p>TTC should also consider developing a new system for receiving referrals given the inherent limitations of using e-mail (e.g., insecure method for transmitting sensitive information, difficulty tracking deleted records). A new system could also potentially integrate with CAMS (improve efficiency) and include a mechanism for tracking/monitoring referrals.</p> <p>While the PA has an appropriate timeframe for entering referrals in CAMS (i.e., no later than the following business day after receipt), the Department has not established timeframes for addressing other investigation and administration related e-mails (e.g., forwarding decedent bank/medical information to respective PA staff working on the case, responding to information requests from other PA staff about a decedent's case). Formally establishing timeframes sets expectations and helps ensure key processes including investigations and administration are performed timely.</p> <p>Impact: Annually, the PA receives approximately 2,500 referrals from various sources including DMEC, hospitals, law enforcement agencies, mortuaries, and the decedents' friends/neighbors. Without a method for tracking and monitoring referrals, there is an increased risk of unnecessary delays in conducting the investigation and initiating the estate administration process (e.g., gathering assets susceptible to theft and securing them in vault, seeking appointment by the Court to administer estate, making funeral arrangements) which is the PA's primary responsibility. These delays can result in misappropriation of decedent assets, funeral postponements, and a prolonged time for heirs to receive estate proceeds. In addition, delays may create reputational and legal risks for the County.</p>	
2	<p>CAMS User Access Rights – PA staff and staff from other County departments (e.g., DMEC, Department of Mental Health's Office of the Public Guardian) access CAMS to track and enter decedent case information (e.g., SSN, date of birth, death certificate, Medi-Cal identification number). The PA is responsible for ensuring only users with a business need and the required approvals have access to CAMS.</p>	<p>Priority 1 – TTC PA management:</p> <ul style="list-style-type: none"> a) Immediately remove CAMS access for users who no longer need it. b) Remind PA Systems staff to promptly remove CAMS user access when necessary.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>PA Systems staff review user access rights quarterly to ensure access is appropriate and consistent with the user's job duties. PA Systems staff also review inactivity reports quarterly to identify users who have not logged into CAMS for over 90 days. They contact user management to identify whether access remains necessary, request justification to maintain access, and must promptly process any resulting access changes. However, during our walkthrough of one quarterly review, we noted PA management approved the removal of CAMS access for several users, yet these users continued to appear in the inactive user report the following quarter. PA management should immediately remove CAMS access for those users determined to no longer need access.</p> <p>In addition, CAMS users must submit User Access Change Request forms immediately upon changing roles/positions. However, PA Systems indicated staff do not always submit the forms timely (approximately two weeks late).</p> <p>PA management should remind staff of their CAMS access responsibilities and requirements. In addition, management monitoring of these processes could have detected these issues (see Issue No. 8).</p> <p>Impact: CAMS has approximately 280 users and contains confidential/sensitive decedent information (e.g., SSN, date of birth, Medi-Cal identification number). If user access is not removed timely, it increases the risk of inappropriate or unauthorized access to decedent information, which can be used for a variety of improper purposes (e.g., identity theft). Also, if users do not submit User Access Change Request forms timely, it prevents staff from effectively completing their newly assigned duties when changing roles/positions.</p>	<p>c) Remind PA staff to immediately submit a CAMS User Access Change Request form upon changing roles/positions.</p> <p>Department Response: Agree Implementation Date: January 2023</p> <p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>
<p>3 Vault Access – The PA secures valuable decedent property such as jewelry, collectibles, and other items susceptible to theft in their vault. These items are stored in the vault until they are auctioned, distributed, or disposed of.</p> <p>PA requires that the vault be opened and closed in dual custody. To open the vault, staff must disarm the vault alarm and use a key to open the vault door. Staff conduct the same process in reverse to close the vault. The two individuals involved in opening and closing the vault must sign a log to document dual custody. During our walkthrough, we noted seven individuals have both a personal vault alarm code and access to the safe where the vault key is stored. As a result, any of those seven individuals could open and close the vault by themselves.</p>	<p>Priority 1 – TTC PA management:</p> <p>a) Immediately separate vault key and alarm code access so that no individual can open the vault by themselves, and codify this control into a formal policy.</p> <p>b) Document the periodic review of vault access and any follow-up of discrepancies. This documentation should include the identity of the person who conducted the review (who should have no other vault responsibilities), the time and date of the review, and the resolution of any discrepancies. The documentation should be maintained for management review and future</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>This is concerning given that the PA does not activate the vault time lock-out function as discussed in Issue No. 5.</p> <p>The Department can ensure the vault is only opened in dual custody by restricting any one individual from having both a personal vault alarm code and access to the safe where the vault key is stored.</p> <p>PA management indicated they verify the vault is opened and closed in dual custody by periodically comparing sign-in sheets to a report received from the Internal Services Department identifying the date and time the vault was opened or closed, and the user who armed or disarmed the vault alarm based on the personal vault alarm code they entered. However, the Department does not document these reviews.</p> <p>Impact: Based on PA's records and our observations, PA's walk-in vault stores 3,000-4,000 decedent personal property items on a given day. If dual custody of opening and closing the vault is not maintained, it increases the risk of inappropriate and unauthorized vault access, employee malfeasance, and misappropriation of property secured in the vault going undetected. Loss or theft of decedent property could also result in financial liability and reputational harm to the County.</p>	<p>audits in accordance with PA's record retention schedule.</p> <p>Department Response: Agree Implementation Date: August 2023</p> <p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>
<p>4 Annual Vault Inventory – When decedent property is placed in the vault, the vault custodians verify the property matches the property inventory listing, store the property in pre-numbered bins, and record bin numbers in CAMS. When property is removed, PA procedures require proper authorization, and the disposition is noted in CAMS. Based on process walkthroughs and reviews of documentation, PA's procedures for recording and accounting for property are appropriate.</p> <p>PA's operating procedures require TTC's Internal Controls Branch to conduct an annual physical inventory of the vault to account for all items, confirm bin locations in CAMS, and investigate any discrepancies. However, the Department indicated they have not performed a complete inventory of the vault in over five years. Management monitoring of this process would help ensure an annual inventory is conducted, as required (see Issue No. 8).</p> <p>Impact: The PA stores valuable decedent personal property such as jewelry, collectibles, and other items susceptible to theft in the vault. Failing to perform an annual vault inventory increases the risk that decedent assets are lost or stolen, and that the losses go undetected. It also</p>	<p>Priority 1 – TTC PA management:</p> <p>a) Immediately conduct a complete inventory of the vault and investigate any discrepancies. b) Remind Internal Controls Branch to conduct an annual inventory of the vault, as required.</p> <p>Department Response: Partially Agree Implementation Date: June 30, 2024</p> <p>The Department's response indicates they partially agree with the recommendation. Specifically, regarding the annual inventory recommendation, the Department indicates they plan to alternate the inventory approach each year between a complete inventory and a sampling review. The Department believes this approach continues to ensure the accuracy and existence of the inventory while minimizing estate administration costs. The Department accepts the associated risks with</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
increases the risk that misplaced property in the vault is not identified, which increases the time involved when releasing property from the vault.	the alternating approach and will monitor and revise the approach as appropriate.
<p>5 Vault Alarm – When closing the vault at the end of the day, staff must set the vault alarm and the time lock-out function, which prevents the vault door from opening until a pre-set number of hours have passed, even if the correct alarm code is entered. However, PA staff indicated they are not setting the lock-out function because they occasionally need to access the vault after business hours to secure decedent assets. Management indicated this occurs approximately once a quarter. We noted the PA can implement alternate procedures to secure assets received after-hours. For example, assets could be stored in a separate safe along with an inventory form detailing the assets and identifying the transferor and transferee until the vault is re-opened.</p> <p>In addition, PA's operating procedures require periodic tests of the vault alarm, emergency alarm (activation alerts law enforcement), and time lock-out function, which must be documented. However, the procedures do not specify how often these tests should be performed. During our walkthrough, we noted that although PA conducted annual vault alarm tests and maintained documentation to support these tests, they did not have documentation to support that the emergency alarm button was tested and indicated they have not tested the time lock-out function.</p> <p>Impact: The vault alarm, emergency alarm, and time lock-out are critical physical security controls which reduce the risk that vault property is stolen or lost outside of regular business hours. Failing to regularly test or use these systems increases the risk of unauthorized vault access, employee malfeasance, and misappropriation of personal property going undetected.</p>	<p>Priority 1 – TTC PA management:</p> <ul style="list-style-type: none"> a) Reinstruct staff to set the vault lock-out function when closing the vault at the end of the day. b) Establish an appropriate alternate method for handling occasional after-hours receipt of assets. c) Update standards and procedures to specify how often alarm tests should be conducted. d) Immediately perform the required vault alarm tests, remind staff to document vault tests, and continue to perform tests at specified intervals. <p>Department Response: Agree Implementation Date: December 2023</p>
<p>6 Monthly Vault Spot Check – PA's operating procedures require accounting staff to perform monthly spot checks of the vault to ensure items are properly accounted for by selecting a sample of items from CAMS, tracing them to the vault and confirming storage bin numbers. However, these monthly spot checks are not performed consistently. At the time of our review, the Department indicated the spot checks had only been completed twice in the prior six months due to accounting staff shortages.</p> <p>We reviewed the completed spot checks and noted they appropriately identified discrepancies (e.g., items already released from vault, incorrect bin numbers) and generated</p>	<p>Priority 2 – TTC PA management:</p> <ul style="list-style-type: none"> a) Evaluate methods for ensuring monthly vault spot checks are performed as required. b) Strengthen the monthly spot checks by selecting a sample of items from the vault and tracing them back to CAMS to ensure item descriptions and locations are accurate. <p>Department Response: Agree Implementation Date: January 2023</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>CAMS corrections. As a result, PA management should evaluate methods for ensuring spot checks are performed monthly, as required (e.g., using other staff). In addition, management monitoring of this process would help ensure the monthly spot checks are performed, as required (see Issue No. 8).</p> <p>PA management can also strengthen their monthly spot checks by selecting a sample of items from the vault and tracing them back to CAMS to ensure the items and location are properly recorded.</p> <p>On December 3, 2019, the Auditor-Controller issued a report recommending a periodic independent review of a sample of vault contents arising from a fraud investigation in the PA function. On November 2021, the Department reported that TTC Accounting staff would conduct documented monthly reviews (spot checks) of PA vault contents, but our current review determined those spot checks are not consistently performed.</p> <p>Impact: As mentioned, the PA vault stores valuable decedent property such as jewelry, collectibles, and other items susceptible to theft. If monthly vault spot checks are not consistently performed, this increases the risk of not properly accounting for decedent assets, not identifying misplaced property (increased time involved when releasing property from vault), and the loss or misappropriation of property going undetected.</p>	<p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>
<p>7 Written Standards and Procedures - The Department does not have detailed written standards and procedures to adequately guide supervisors and staff in the performance of their Public Administrator duties. Specifically, written standards and procedures either did not exist or were outdated/incomplete for the following areas noted in our review:</p> <ul style="list-style-type: none"> Tracking referrals CAMS user access rights management Opening/closing vault dual custody review (including frequency) Vault alarm (e.g., alarm test frequency) <p>Standards and procedures should provide detailed guidance to staff and supervisors in performing their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and an audit trail of key events where practical.</p>	<p>Priority 3 - TTC PA management enhance or establish written standards and procedures to adequately guide supervisors and staff in the performance of their duties, including those areas noted in our review.</p> <p>Department Response: Agree Implementation Date: January 2023</p> <p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>Impact: Increased risk of staff performing tasks incorrectly or inconsistently and deviating from processes designed by management to accomplish departmental objectives. Increased effort to train new staff. Prevents management from effectively evaluating processes and controls.</p>	
<p>8 Management Monitoring of Internal Controls - PA needs to establish self-monitoring processes over the following areas to ensure processes and controls are working as intended, as required by County Fiscal Manual Section 1.0.2:</p> <ul style="list-style-type: none"> • Tracking referrals • CAMS user access rights management • Vault access and security (alarm and lock-out function) • Annual vault inventory • Monthly vault spot check • Opening/closing vault in dual custody review <p>Effective self-monitoring processes could include tests or observations, examining an adequate number of items on a regular basis (e.g., 5-10 weekly, quarterly, semi-annually) to ensure adherence to policies, rules, and/or generally accepted control principles, and documenting and retaining evidence of this review in such a manner that a third party could subsequently validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated, so management is informed of control risks on a timely basis, and that appropriate corrective actions are implemented.</p> <p>Impact: Prevents management from having reasonable assurance that important departmental objectives are being achieved. Increased risk of not promptly identifying and correcting process/control weaknesses or instances of non-compliance with relevant standards and procedures.</p>	<p>Priority 3 – TTC PA management establish ongoing self-monitoring processes to include:</p> <ul style="list-style-type: none"> a) Examining process and control activities, such as reviewing an adequate number of items on a regular basis to ensure adherence to standards and procedures. b) Documenting the monitoring activity and retaining evidence for future validation. c) Elevating material exceptions to management on a timely basis to ensure awareness of control risks, and that appropriate corrective actions are implemented. <p>Department Response: Agree Implementation Date: July 30, 2023</p> <p>The Department indicated they fully implemented the recommendations during our review. We will assess and report on the status during a follow-up review.</p>

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



KEITH KNOX
TREASURER AND TAX COLLECTOR

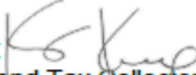
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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August 17, 2023

TO: Oscar Valdez
Auditor-Controller

FROM: Keith Knox 
Treasurer and Tax Collector

SUBJECT: **RESPONSE TO THE TREASURER AND TAX COLLECTOR –
PUBLIC ADMINISTRATOR DECEDENT ESTATE REFERRAL
INTAKE AND VAULT CONTROLS REVIEW**

I appreciate your team's efforts in this audit. We reviewed your response and agree with the majority of your findings and recommendations. We will complete the necessary remediation tasks as indicated attached.

Should you have any questions, please contact me directly or your staff may contact Lisa Proft, Assistant Treasurer and Tax Collector, at (213) 974-0418 or LProft@ttc.lacounty.gov.

KK:EBG:LP:ms

Attachment

**TREASURER AND TAX COLLECTOR – PUBLIC ADMINISTRATOR
DECEDENT ESTATE REFERRAL INTAKE AND VAULT CONTROLS REVIEW
DEPARTMENT ACTION PLAN / RESPONSE**

ISSUE 1: TRACKING REFERRALS	
A/C Recommendation	<p>TTC PA management:</p> <ul style="list-style-type: none"> a) Establish a process to uniquely identify, track, and monitor all referrals to ensure referrals are maintained, appropriately and timely entered into CAMS, and referrals with missing information are identified, followed-up on, and accounted for. b) Consider developing a new system for receiving referrals that does not rely on an e-mail box. c) Establish timeframes for addressing non-referral e-mails.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	<ul style="list-style-type: none"> a) PA management has created an Intake Referral Spreadsheet to identify, track and monitor all incoming referrals daily. The newly implemented Spreadsheet also includes the date the referral was received, the name of the clerk assigned to ensure the referral documents are complete and once completed, the date the clerk enters the referral into CAMS. The Spreadsheet is reviewed by a PA Supervisor and Manager weekly to ensure the referral is complete and to determine whether the referral is accepted and will be administered by the PA, or whether the referral is rejected because the referral does not meet PA criteria. Once the referral is entered into CAMS an Estate Account Number is generated and the case is transferred to PA investigations for further administration. b) During the pandemic when the County building where the PA is located was shut down, the PA changed the intake referral process from receiving hard copy faxed documents, to an email only in-box. This change allowed the PA to work remotely, without interruptions in the intake process. As circumstances dictate, the PA will continue to consider, evaluate, and analyze new processes for receiving referrals as the PA attempts to move from paper-driven to electronic, more efficient, processes. c) Non-intake/referral emails received by PA are routed to the correct Department within two business days of receipt.
Planned Implementation Date	January 2023.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 2: CAMS USER ACCESS RIGHTS	
A/C Recommendation	<p>TTC PA management:</p> <ul style="list-style-type: none"> a) Immediately remove CAMS access for users who no longer need it. b) Remind PA Systems staff to promptly remove CAMS user access when necessary. c) Remind PA staff to immediately submit a CAMS User Access Change Request form upon changing roles/positions.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	<ul style="list-style-type: none"> a) The PA collaborates with TTC's Systems Branch and submits requests for removal from CAMS within 24 hours of an individual's exit from the PA or when an individual no longer requires such access. b) Upon receipt of such removal requests, TTC's System Branch processes the requests within 24 hours. All PA users who no longer require CAMS access are removed promptly. c) All PA staff have been reminded to promptly submit removal requests on the last day the individuals are employed by PA. Additionally, PA users who change roles/positions are reminded to timely submit a CAMS change request form.
Planned Implementation Date	January 2023.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 3: VAULT ACCESS	
A/C Recommendation	<p>TTC PA management:</p> <ul style="list-style-type: none"> a) Immediately separate Vault key and alarm code access so that no individual can open the Vault by themselves and codify this control into a formal policy. b) Document the periodic review of Vault access and any follow-up of discrepancies. This documentation should include the identity of the person who conducted the review (who should have no other Vault responsibilities), the time and date of the review, and the resolution of any discrepancies. The documentation should be maintained for management review and future audits in accordance with PA's record retention schedule.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	<ul style="list-style-type: none"> a) The PA installed a keycard system in the Vault as a mitigating control. Additionally, the PA rekeyed the Vault door. This secondary control will prevent any one person from accessing the Vault without maintaining dual custody, as required. Additionally, TTC installed security cameras in and outside the Vault. The security cameras are monitored by Warehouse staff, the Warehouse supervisor and manager. The PA is in the process of revising Vault policies to conform to updated practices. b) PA management (not responsible for Vault functions) conducts periodic reviews of Warehouse and Vault access. PA commits to documenting such review to include the identity of the reviewer, the date of the review and resolution of any discrepancies. Such documentation will be maintained pursuant to departmental record retention policies.
Planned Implementation Date	Key cards were installed December 2022; ISD has scheduled re-keying in August 2023; periodic reviews were implemented January 2023.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 4: ANNUAL VAULT INVENTORY	
A/C Recommendation	<p>TTC PA management:</p> <ol style="list-style-type: none"> Immediately conduct a complete inventory of the Vault and investigate any discrepancies. Remind Internal Controls Branch to conduct an annual inventory of the Vault, as required.
Priority	PRIORITY 1
Agree/Disagree	Partially Agree
Department Action Plan ¹	<ol style="list-style-type: none"> A complete inventory of all contents of the PA Vault was accomplished in April 2022 and again in October 2022. No discrepancies were noted. Monthly reviews of a sampling of Vault contents are conducted by staff not responsible for Vault activities. TTC agrees that a complete inventory should be performed. However, TTC believes that alternating the inventory approach each year, between a complete inventory and a sampling audit, ensures the accuracy and existence of the inventory for the following reasons: <ol style="list-style-type: none"> Existing mitigating controls: PA has other internal controls in place that provide periodic checks/verification of the estate inventory with the appropriate level of segregation of duties. These controls include: <ul style="list-style-type: none"> PA Field Deputies secure estate property in dual custody using pre-numbered, tamper-evident, sealed bags and documents all contents on property sheets and in CAMS, the case management system. When the items are placed in the Vault, the Vault Custodian, in the presence of the PA Field Deputy, verifies the contents of the sealed bags to the property sheet and to the inventory record in CAMS before securing the items in the Vault. The Vault Custodian also ensures that CAMS accurately identifies the Vault as the safekeeping location. In preparation for each monthly auction, the Vault Custodian and auction vendor verify, in dual custody, the location, quantity, and description of the items to be sold. Surveillance cameras, installed in and outside the Vault, are monitored by the Warehouse supervisor and manager to ensure Vault items are secure. Cost Effectiveness: As fiduciaries, it is prudent for the TTC/PA to ensure efficient processes and limit costs in administering estates. From experience, we noted that a complete inventory requires approximately 200 hours to accomplish, with roughly 30% of the time spent on high volume items with historically low market values. Conversely, the sampling audit tested the controls over the Vault operation and provided effective recommendations in less time (within 40 hours) and mitigated the negative impact on staffing resources, the Department's budget, and the Vault operation which can lead to additional costs to the estates. <p>TTC believes that the change in inventory approach ensures appropriate controls are in place while also striking the right balance of cost effectiveness and risk management (i.e., the dollar value of potential loss vs. the cost of auditing and mitigating losses). TTC accepts the risks associated with the inventory approach, will actively monitor results, and revise where appropriate. TTC plans to conduct a sampling audit in FY 2023-24, with a complete inventory in FY 2024-25. TTC and PA will update departmental procedures to include the change in the inventory approach.</p>
Planned Implementation Date	June 30, 2024.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 5: VAULT ALARM	
A/C Recommendation	<p>TTC PA management:</p> <ul style="list-style-type: none"> a) Reinstrcut staff to set the Vault lock-out function when closing the Vault at the end of the day. b) Establish an appropriate alternate method for handling occasional after-hours receipt of assets. c) Update standards and procedures to specify how often alarm tests should be conducted. d) Immediately perform the required Vault alarm tests, remind staff to document Vault tests, and continue to perform tests at specified intervals.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	<ul style="list-style-type: none"> a) Upon receipt of these findings, PA staff were instructed to set the Vault lock-out function when closing the Vault daily. b) PA has implemented an alternate method for handling after-hours receipt of assets. Estate property items collected from the field are placed in sealed, pre-numbered, tamper-evident bags, and stored in a secure location (Brown safe at Warehouse) until the items are received by the Vault Custodian the following business day. c) PA is currently updating the procedures regarding alarm testing. d) ISD conducts PA Vault alarm testing monthly. The Vault alarm tests are documented by ISD and reports are sent to PA.
Planned Implementation Date	Implementation of the alternate method occurred in January 2023; Updating policies and procedures relating to the Vault alarm and testing are planned to be complete by December 2023; Vault alarm testing was implemented February 2023.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 6: MONTHLY VAULT SPOT CHECK	
A/C Recommendation	TTC PA management: a) Evaluate methods for ensuring monthly Vault spot checks are performed as required. b) Strengthen the monthly spot checks by selecting a sample of items from the Vault and tracing them back to CAMS to ensure item descriptions and locations are accurate.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	a) PA has re-implemented monthly Vault spot checks by the Accounting staff, which were temporarily suspended during the pandemic. Reports generated by the monthly spot check are forwarded to PA management for review. b) Monthly spot checks are conducted on a sampling of items stored in the Vault. All items are traced back to the property sheets and CAMS, ensuring the accuracy of item descriptions and location.
Planned Implementation Date	January 2023.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

ISSUE 7: WRITTEN STANDARDS AND PROCEDURES	
A/C Recommendation	TTC PA management enhance or establish written standards and procedures to adequately guide supervisors and staff in the performance of their duties, including those areas noted in our review.
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	The PA has over 200 policies and procedures which adequately guide all staff in the performance of duties. As the result of this review, PA is currently updating policies and procedures to reflect changes in operations and outlining expectations for the performance of PA staff.
Planned Implementation Date	January 2023 and ongoing.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.

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

ISSUE 8: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
A/C Recommendation	TTC PA management establish ongoing self-monitoring processes to include: a) Examining process and control activities, such as reviewing an adequate number of items on a regular basis to ensure adherence to standards and procedures. b) Documenting the monitoring activity and retaining evidence for future validation. c) Elevating material exceptions to management on a timely basis to ensure awareness of control risks, and that appropriate corrective actions are implemented.
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	a) PA Supervisors and Managers routinely monitor control activities, field work, case administration and inventory to ensure staff adherence to policies and procedures. b) PA management has not traditionally documented periodic reviews of staff's work, except under circumstances involving high profile or sensitive matters, or other personnel related concerns. However, PA management commits to documenting monitored activities as suggested in this report. c) All Vault exceptions are timely elevated to the PA management, when they occur.
Planned Implementation Date	July 30, 2023

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation.