



***Final
Report***

County of San Diego, California

Auditor and Controller

Department of General Services Officers' Transition Audit

Office of **A**udits & **A**dvisory **S**ervices

**December 2008
Report No. A07-027**



COUNTY OF SAN DIEGO

INTER-DEPARTMENTAL CORRESPONDENCE

January 7, 2009

TO: April F. Heinze, Director
Department of General Services

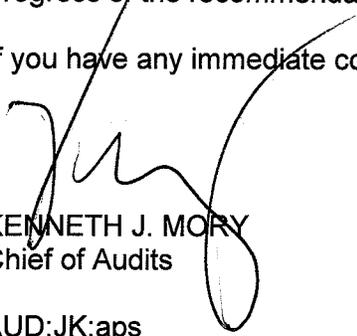
FROM: Kenneth J. Mory
Chief of Audits

FINAL REPORT: Department of General Services Officers' Transition Audit

Enclosed is our report on the Department of General Services Officers' Transition audit. The report includes various audit findings and recommendations.

We have reviewed your responses and have attached them to the audit report. Except as noted in our reply following the attached response, the actions taken and planned, in general, are responsive to the findings and recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.


KENNETH J. MORY
Chief of Audits

AUD:JK:aps

Enclosure

c: Mikel D. Haas, Deputy Chief Administrative Officer, Community Services Group
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Kaye Hobson, Group Finance Director, Community Services Group
Christopher P. Gilmore, Deputy Controller, Auditor and Controller

DEPARTMENT OF GENERAL SERVICES OFFICERS' TRANSITION AUDIT

In accordance with the County Charter, the Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of General Services (DGS) Executive Office. The OAAS conducts such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets and promote the County's General Management System (GMS), including its key disciplines of accountability, fiscal stability, regional leadership, and continuous improvement.

Accordingly, we audited the reports filed by the outgoing and incoming officers of the Department of General Services Executive Office. John McTighe and April Heinze were required to file outgoing and incoming officer's reports, respectively, as of February 2, 2007. The reports are the responsibility of the officer who signs them. Our purpose is to provide an opinion on the reports based upon our audit.

AUDIT SCOPE AND METHODOLOGY

The audit scope is to determine whether the outgoing and incoming officials took appropriate actions and filed complete and reasonably accurate reports as County officers in compliance with California Codes and the County's regulatory requirements as explained in the instruction letter provided to each officer. To determine that the reports are reasonably accurate and to provide assurance for the incoming officer, we tested controls designed to establish accountability for the fixed assets, minor equipments, accounts receivable, trust fund liabilities and revolving funds.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

AUDIT RESULTS

In our opinion, except for the following items, the outgoing and incoming officers filed complete and reasonably accurate reports in compliance with California law and the County's regulatory requirements in connection with an officer's transition.

Finding I: Fixed Assets Amounts Reported on Form 255-A Appear Understated

DGS has not provided reasonable fair market values to the Auditor and Controller's Central Projects and Accounting Services (CPAS) for the items DGS assigned a \$1 amount and cited as unrecorded in its official Inventory Certificate to CPAS. The items are also included in the Form 255-A at \$1 amounts; however, OAAS is unable to determine the magnitude of the understatement.

The DGS Chief of Projects Management stated they are aware of the inaccuracies in the Oracle Fixed Assets records, are working diligently with the Auditor and Controller's staff to correct the

situation, and have made some progress over the last two years. Practices and procedures are now under evaluation to ensure that current entries into Oracle contain accurate, complete, and reliable information.

Finding II: Amount Reported on the Details of Accounts Receivable Form is Overstated

The \$3.39 million reported by DGS on the Details of Accounts Receivable form includes a \$997,000 error due to an adjustment to an inactive account (#11166 – ARMS) rather than to the current account (#11015). The amount reported on the form was taken directly from the current account without taking the adjustment into consideration.

Finding III: Internal Service Fund Revenue is Reported as Trust Liabilities

Trust Liabilities reported as \$826,000 includes \$650,000 classified as Internal Service Fund (ISF) Other Revenue in the County General Ledger.

RECOMMENDATIONS

Recommendation I: File revised reports with correct amounts.

Recommendation II: Work with the Deputy Controller's staff and strengthen managerial controls by developing written internal policies and procedures, and related desk procedures that implement the wider County policies and procedures regarding fixed assets transactions and reporting. Additionally, evaluate, for implementation, inventory best practices by referring to authoritative publications such as the US GAO's EXECUTIVE GUIDE: Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property (GAO-02-447G).

COMMENDATION

The Office of Audits & Advisory Services commends and sincerely appreciates the courtesousness and cooperation extended by the Department of General Services' officers and staff.

AUDIT TEAM

Joseph Kelly, Jr., Senior Auditor

DEPARTMENT RESPONSE



County of San Diego

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December 23, 2008

TO: Ken Mory, Chief of Audits
Auditor & Controllers Office

FROM: April F. Heinze, Director
Department of General Services

RESPONSE TO FINAL DRAFT REPORT – DEPARTMENT OF GENERAL SERVICES OFFICERS' TRANSITION AUDIT

The Department of General Services would like to thank the Office of Audits for the opportunity to respond to the findings and recommendations of the Final Draft Report: Department of General Services Officers' Transition Audit.

The following are the findings and recommendations, and our Department's responses:

Finding I: Fixed Assets Amounts Reported on Form 255-A Appear Understated

Recommendation: File revised reports with correct amounts.

Department Response: Concur.

Actions Taken: Real Estate Services staff is currently researching Assessor's records to determine a value for the properties based on the value at the time of acquisition or other appropriate methods

Planned Actions: File revised report

Implementation Estimate Time Frame: February/March 2009

Finding II: Amount Reported on the Details of Accounts Receivable Form is Overstated

Recommendation: Work with the Deputy Controller's staff and strengthen managerial controls by developing written internal policies and procedures, and related desk procedures that implement the wider County policies and procedures regarding fixed assets transactions and reporting. Additionally, evaluate, for implementation, inventory best practices by referring to authoritative publications such as the US GAO's EXECUTIVE GUIDE: Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property (GAO-02-447G).

MISSION: To provide cost-effective, efficient, high quality and timely support services to County departments, groups and agencies

Ken Mory
December 23, 2008
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Department Response: Concur.

Actions Taken: The transition error (between ARMS and Oracle) was corrected in December 2007. Documentation of the correction was submitted to the Office of Audits & Advisory Services prior to the issuance of this report.

Planned Actions: No further action is required.

Implementation Estimate Time Frame: Not Applicable

Finding III: Internal Service Fund Revenue are Reported as Trust Liabilities

Recommendation: None

Department response: With a few exceptions, Trust Liabilities are being reported exclusive of ISF earned or unearned revenue.

Actions Taken: Amounts identified as Internal Service Fund Revenue have been removed from the Trust Liabilities as of October 2007.

Planned Actions: No further action is required.

Implementation Estimate Time Frame: Not Applicable

I would like to take this opportunity to thank Audit's staff for their professionalism during this process.

If you have any questions or need additional information, please contact me at (858) 694-2527.


APRIL F. HEINZE, Director
Department of General Services

**OFFICE OF AUDITS AND ADVISORY SERVICES
REPLY TO THE DEPARTMENT RESPONSE**

OAAS appreciates the Department of General Services' quick response to the officers' transition audit report. Upon reviewing the response, we recognized that we should have been more clear in stating our recommendations. We want to emphasize both recommendations, revise reports and develop internal policies and procedures (including desk procedures), apply to all three findings.