

# OFFICE OF AUDITS & ADVISORY SERVICES



## DEPARTMENT OF HUMAN RESOURCES OFFICERS' TRANSITION AUDIT

### *FINAL AUDIT REPORT*

Chief of Audits: [James L. Pelletier, CIA, CICA](#)  
Senior Audit Manager: [Lynne Prizzia, CISA](#)  
Auditor II: [Kathleen M. Whitehead, CGAP, CICA](#)

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# County of San Diego

**DONALD F. STEUER**  
CHIEF FINANCIAL OFFICER  
(619) 531-5413  
FAX (619) 531-5219

**AUDITOR AND CONTROLLER**  
1600 PACIFIC HIGHWAY STE 166, SAN DIEGO, CALIFORNIA 92101-2478

**TRACY M. SANDOVAL**  
ASST. CHIEF FINANCIAL OFFICER/  
AUDITOR & CONTROLLER  
(619) 531-5413  
FAX (619) 531-5219

April 26, 2011

**TO:** Mrs. Willie Cook, Acting Director  
Department of Human Resources

**FROM:** James L. Pelletier  
Chief of Audits

## FINAL REPORT: DEPARTMENT OF HUMAN RESOURCES OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Department of Human Resources Officers' Transition Audit. We have reviewed your responses to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the 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. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Kathleen Whitehead at (858) 495-5653.

If you have any questions, please contact me at (858) 495-5661.

**JAMES L. PELLETIER**  
Chief of Audits

AUD:KMW:aps

Enclosure

c: Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Brian M. Hagerty, Group Finance Director, Finance and General Government Group

## INTRODUCTION

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### **Audit Objective**

The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of Human Resources (DHR). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Carlos G. Arauz, and incoming officer, Wilhelmine E. Cook, took appropriate actions and filed complete and accurate reports as of February 9, 2011 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer.

### **Background**

The County Charter requires that the OAAS conduct 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/transparency, fiscal stability, and continuous improvement.

### **Audit Scope & Limitations**

The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.

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.

### **Methodology**

OAAS reviewed all the reports filed by the outgoing and incoming officers and obtained supporting documentation to test completeness and accuracy of the reports.

## AUDIT RESULTS

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### **Summary**

In our opinion, there is reasonable assurance that the outgoing and incoming officers filed complete and accurate reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition, except for in the reporting of capital assets as noted below:

### **Finding I:**

#### **Inaccurate Fixed Asset Report**

OAAS tested all six of DHR's capital assets from the Oracle Fixed Asset Register Report (FARR)<sup>1</sup> and could not obtain reasonable assurance that the Capitalized Property Inventory Certificate (AUD Form 504) is accurately presented. Exceptions noted in the following areas:

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<sup>1</sup> This report was provided by the DHR as supporting documentation for the certificate (AUD Form 504).

- **Asset Reported But Not Sighted.** A color copier with a cost of \$17,231 was unsighted, but was included in the certificate as sighted. According to DHR, this asset was reported as “not sighted” during the triennial inventory in September 2005 and 2008. However, DHR did not review the monthly Report of Change (ROC) to ensure that this asset was removed from the FARR.
- **Asset Sighted But Not Reported.** A standing kiosk was sighted at the Human Resources and Services Division. This asset was listed on the minor equipment listing with a cost of \$4,472. However, the invoice has a total amount of \$5,442. According to DHR, this asset was misclassified since the other parts of the kiosk such as the touch screen with controllers and cables were not considered as part of the total value.
- **Missing Asset Tags.** Out of six capital assets tested from the FARR, three assets (50%) did not have the required asset tags affixed. According to DHR, asset tags may not have been affixed when these items were purchased. These tags should be replaced as needed during the physical inventory process, or as noticed.
- **Asset Location Inaccuracies.** Rather than the actual current location of the assets, “Default” is listed as the location for two assets on the FARR.

The reporting errors were a result of inadequate policies and procedures related to updating the OFAM to reflect dispositions and adjustments following triennial inventories. In addition, missing asset tags can result in inaccurate or incomplete inventories due to the inability to confirm whether the sighted item is the item listed on the report.

In accordance with the County of San Diego Administrative Manual Item No: 0050-02-1 (COSD Admin Manual), the departments should:

- Account for all County property (assets) which includes the identification and control of these assets, the filing of inventories, and the submission of reports as specified by the Board of Supervisors;
- Review the monthly "Report of Change" that is sent if activity occurs and ensure the accuracy of the report by signing and returning the report to Auditor and Controller (A&C); and
- Obtain identifying labels from A&C and affix them to the assets.

According to the County of San Diego Fiscal Year-End Closing Manual, the departments should correct or enter any missing location code numbers to correspond with the physical location of the property.

**Recommendation:**

To improve the accuracy and reliability of the capital asset reporting, DHR should:

1. Implement procedures for maintaining accurate reporting of all capital assets, in accordance with the COSD Admin Manual. This should include, but not limited to:
  - a. Ensuring that dispositions are recorded properly by submitting a Form 253 to the A&C and conducting follow-up by reviewing the Report of Change to ensure that the appropriate change has occurred in the Oracle Fixed Asset Module (OFAM);
  - b. Ensuring that acquisitions are recorded properly by assessing the entire costs associated with the asset; and
  - c. Ensuring that all capital assets have an asset tag affixed.
2. Submit Form 253 to classify the standing kiosk as a fixed asset and remove asset from the minor equipment listing.
3. Submit Form 253 to correct discrepancies noted which includes removing the color copier, requesting new asset tags, and updating locations for all valid assets with location inaccuracies.

## COMMENDATION

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The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the officers and staff of the Department of Human Resources throughout this audit.

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### Office of Audits & Advisory Services

**C**ompliance    **R**eliability    **E**ffectiveness    **A**ccountability    **T**ransparency    **E**fficiency

**VALUE**

## **DEPARTMENT'S RESPONSE**



# County of San Diego

DEPARTMENT OF HUMAN RESOURCES  
EXECUTIVE OFFICE

5560 Overland Ave., Suite 270, San Diego, CA 92123

MRS. WILLIE COOK  
ACTING DIRECTOR

(858) 505-6522  
FAX (858) 505-6519

**RECEIVED**

April 19, 2011

APR 21 2011

**OFFICE OF AUDITS &  
ADVISORY SERVICES**

TO: James L. Pelletier, Chief of Audits  
Auditor & Controller

FROM: Mrs. Willie Cook, Acting Director  
Department of Human Resources

*Mrs. Willie Cook*

## DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: DEPARTMENT OF HUMAN RESOURCES OFFICERS' TRANSITION AUDIT

**Finding I:** Exceptions with the reporting and management of capital assets included:

1. Inaccuracies on the asset report.
2. Assets were reported but not sighted.
3. Assets were sighted but not reported.
4. Asset tags were missing.
5. Asset location codes were inaccurate.

**OAAS Recommendation:** To improve the accuracy and reliability of the capital asset reporting DHR should:

1. Implement procedures for maintaining accurate reporting of all capital assets, in accordance with the COSD Admin Manual. This should include, but not be limited to:
  - a. Ensuring that dispositions are recorded properly by submitting a Form 253 to the A&C and conducting follow-up by reviewing the Report of Change to ensure that the appropriate change has occurred in the Oracle Fixed Asset Module (OFAM);
  - b. Ensuring that acquisitions are recorded properly by assessing the entire costs associated with the asset; and
  - c. Ensuring that all capital assets have an asset tag affixed.

Winner IPMA-HR Large Agency Award for Excellence  
Winner SD SHRM Workplace Excellence Award

April 19, 2011  
A&C James Pelletier  
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2. Submit Form 253 to classify the standing kiosk as a fixed asset and remove asset from the minor equipment listing.
3. Submit Form 253 to correct discrepancies noted which includes removing the color copier, requesting new asset tags, and updating locations for all valid assets with location inaccuracies.

**Action Plan:** I concur with your findings. The following actions have been completed.

1. Corrected the inaccuracies on the asset report.
2. Coordinated with the Auditor and Controller to remove the color copier that was not sighted from the asset report.
3. Coordinated with the Auditor and Controller to reclassify the standing kiosk to an asset; issue an asset tag and requested that it be removed from the minor equipment inventory. Additionally, our department staff removed the minor equipment tag from the standing kiosk. An asset tag was received and placed on the standing kiosk.
4. Coordinated with the Auditor and Controller to request three new asset tags. The asset report reflects the new asset tag numbers. The asset tags were received and attached to the capital assets.
5. Submitted Auditor and Controller Form 253 to update the location code of two assets that had a default location noted on the asset report.

Additionally, departmental staff reviewed and will follow the County policies and procedures for all inventories; and manage the asset report on a monthly basis.

**Planned Completion Date:** April 14, 2011

**Contact Information for Implementation:** Marilyn Mendoza, Principal Accountant

If you have any questions, please contact me at 858-505-6522.

MW: mw