

OFFICE OF AUDITS & ADVISORY SERVICES



HHSA NORTH REGIONS 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
Auditor II: Tatiana Foster, CPA

Intentionally Left Blank



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

August 4, 2011

TO: Barbara E. Jimenez, Deputy Director
Health and Human Services Agency

Pamela B. Smith, Deputy Director
Health and Human Services Agency

FROM: James L. Pelletier
Chief of Audits

FINAL REPORT: HHSA NORTH REGIONS OFFICERS' TRANSITION AUDIT

Enclosed is our report on the HHSA North Regions 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: Nick Macchione, Director, Health and Human Services Agency
Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
Michael Van Mouwerik, Executive Finance Director, Health and Human Services Agency

INTRODUCTION

Audit Objective

The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Health and Human Services Agency (HHSA) – North Regions. The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Donna Hand, and incoming officers, Pamela B. Smith (North Central) and Barbara E. Jimenez (North Coastal and Inland) took appropriate actions and filed complete and accurate reports as of March 30, 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

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; however, the following area can be improved:

Finding I:

Minor Equipment Control Procedures Should be Improved

OAAS tested a sample of 28 minor equipment items and obtained reasonable assurance that the Minor Equipment and Books Inventory Certificates (AUD Form 501) are accurately presented; however, improvement opportunities in the following areas were observed:

- **Asset Sighted But Not Recorded.** During a walkthrough of the facilities, an Incubator Thelco at the North Coastal Public Health

Center in Oceanside was sighted but not recorded on the minor equipment listing.

- **Duplicate Recording of an Asset.** The North Central Public Health Center's minor equipment listing included a Sahara Bone Scan with an estimated cost of \$4,500. Another item was listed on the Oracle Fixed Asset Register Report (FARR), a Densitometer QDR Sahara X-ray (Tag No.259019) with a cost of \$7,564. HHS staff indicated that these assets are the same item and the Sahara Bone Scan was incorrectly included on the minor equipment list. OAAS was not able to sight the asset since the capital asset was sent to Property Disposal.
- **Missing Minor Equipment Decals.** Out of 28 minor equipment items sampled, 9 items (38%) at the Family Resource Center in Escondido had no minor equipment "County of San Diego" decals affixed to them. Specifically, five items (an executive wood desk, metal desks, and three scanners) were noted without decals affixed to properly identify them as County property and four items (metal desks) were noted with old numbered capital asset tags.

Improved training and monitoring could eliminate these errors in the future. While the exceptions noted were immaterial in relation to the total minor equipment amount tested, more rigorous controls over minor equipment will help to ensure that County property is safeguarded from loss and misappropriation.

In accordance with the County of San Diego Administrative Manual Item No: 0050-02-1 (COSD Admin Manual), department heads are required to maintain listings of minor equipment items for which they are responsible, adding new items as they are received and deleting items that are disposed of or no longer in use. Lists should identify the quantity and nature of the minor equipment items, their location, and assigned value. In addition, the COSD Admin Manual states that departments should establish a control system over minor equipment and affix unnumbered "County of San Diego" decals to these assets.

Recommendation:

To improve accuracy and reliability of minor equipment reporting, HHS North Regions should:

1. Strengthen controls over physical inventory process. This should include but not limited to:
 - a. Enhance coordination between the Region/Division Asset Coordinator (RDAC) and the Site Asset Coordinator (SAC) in regard to maintaining accurate listings of minor equipment, in accordance with the HHS Capital Assets and Minor Equipment Policy (FSSD-S-07);

- b. Enhance training to staff conducting the physical inventory, including how to assess completeness and accuracy of inventory counts; and
 - c. Enhance monitoring procedures over physical inventory process by ensuring that the RDAC reviews the inventory results for completeness and accuracy and by implementing spot-checks of the inventory.
2. Add the asset noted above as sighted but not recorded to the minor equipment listing and remove the duplicate recording of the asset from the minor equipment listing.
 3. Ensure that all minor equipment items have unnumbered "County of San Diego" decals affixed to them and old capital asset tags are removed.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

DEPARTMENT'S RESPONSE



County of San Diego

HEALTH AND HUMAN SERVICES AGENCY

1600 PACIFIC HIGHWAY, SAN DIEGO, CA 92101-2417
(619) 515-6555 • FAX (619) 515-6556

NICK MACCHIONE, FACHE
DIRECTOR

DEAN ARABATZIS
CHIEF OPERATIONS OFFICER

August 2, 2011

RECEIVED

AUG 02 2011

OFFICE OF AUDITS &
ADVISORY SERVICES

TO: James L. Pelletier
Chief of Audits

FROM: Barbara E. Jiménez, Deputy Director
Health and Human Services Agency

Pamela B. Smith, Deputy Director
Health and Human Services Agency

VIA: Jim Lardy, Finance Officer
Health and Human Services Agency

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HHSA NORTH REGIONS OFFICERS' TRANSITION AUDIT

Finding I: Minor Equipment Control Procedures Should be Improved

OAAS Recommendation: To improve accuracy and reliability of minor equipment reporting, HHSA North Regions should:

1. Strengthen controls over physical inventory process. This should include but not limited to:
 - a. Enhance coordination between the Region/Division Asset Coordinator (RDAC) and the Site Asset Coordinator (SAC) in regard to maintaining accurate listings of minor equipment, in accordance with the HHSA Capital Assets and Minor Equipment Policy (FSSD-S-07);
 - b. Enhance training to staff conducting the physical inventory, including how to assess completeness and accuracy of inventory counts; and
 - c. Enhance monitoring procedures over physical inventory process by ensuring that the RDAC reviews the inventory results for completeness and accuracy and by implementing spot-checks of the inventory.
2. Add the asset noted above as sighted but not recorded to the minor equipment listing and remove the duplicate recording of the asset from the minor equipment listing.

August 2, 2011

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HHS NORTH REGIONS
OFFICERS' TRANSITION AUDIT

Page 2

3. Ensure that all minor equipment items have unnumbered "County of San Diego" decals affixed to them and old capital asset tags are removed.

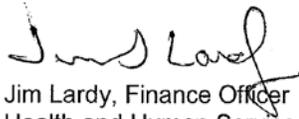
Action Plan/Taken: We are in agreement with the audit recommendations and action plans/taken are as follows:

1. To strengthen controls over physical inventory process we (North) will implement internal regional policy to require attendance of Site Asset Coordinators (SAC) in the Annual Inventory Training given by the Agency Asset Coordinator (AAC). In addition, Region/Division Asset Coordinator (RDAC) will perform random site visits to reconcile minor equipment inventory reports submitted by the SAC.
2. The sighted asset noted above has been recorded to the minor equipment listing and the duplicate recording of the asset has been corrected.
3. To ensure that all minor equipment items have unnumbered "County of San Diego" decals affixed and old capital assets tags are removed, we will add a column on the Minor Equipment Listing form to check off that a tag is affixed. RDAC will bring the updated form to North Regions' sites and will perform the actual check-off for the COSD decals.

Planned Completion Date: August 31, 2011

Contact Information for Implementation: Elvie P. Bernales, Principal Administrative Analyst.

If you have any questions, please contact Elvie P. Bernales at (760) 740-4157.



Jim Lardy, Finance Officer
Health and Human Services Agency

JL/eb