

OFFICE OF AUDITS & ADVISORY SERVICES



HEALTH & HUMAN SERVICES AGENCY – REGIONAL OPERATIONS OFFICERS’ TRANSITION AUDIT

FINAL REPORT

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Auditor II: Brian Nesvig, CFE
Auditor II: Ida Miclat, CPA

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County of San Diego

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DEPUTY CHIEF ADMINISTRATIVE OFFICER/
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JUAN R. PEREZ
CHIEF OF AUDITS

September 27, 2016

TO: Barbara Jimenez, Director
HHSA – Regional Operations Central Region

Charles Matthews, Director
HHSA – Regional Operations North Coastal Region

FROM: Juan R. Perez
Chief of Audits

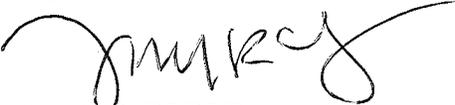
FINAL REPORT: HEALTH & HUMAN SERVICES AGENCY – REGIONAL OPERATIONS OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Health & Human Services Agency – Regional Operations Officers' Transition Audit (Brown-Mercadel to Jimenez and Matthews). We have reviewed your response 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 of Supervisors 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 Ida Miclat at (858) 694-2050.

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


JUAN R. PEREZ
Chief of Audits

AUD:IM:aps

Enclosure

c: Nick Macchione, Director, Health and Human Services Agency
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Dean Arabatzis, Chief Operations Officer, Health and Human Services Agency
Andrew Pease, Executive Finance Director, Health and Human Services Agency
James Lardy, Revenue & Budget Manager, Health and Human Services Agency

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Health & Human Services Agency – Regional Operations (HHSA-Reg Ops). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Marie Brown-Mercadel, and incoming interim officers, Barbara Jimenez and Charles Matthews, took appropriate actions and filed required reports as of April 4, 2016 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, Section 801.1(a), 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 and ethical conduct; fiscal stability; and continuous improvement and innovation.
Audit Scope & Limitations	<p>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.</p> <p>This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.</p>
Methodology	OAAS reviewed all the reports filed by the outgoing and incoming interim officers, obtained supporting documentation, and performed limited internal control testing.

AUDIT RESULTS

Summary	In our opinion, there is reasonable assurance that the outgoing and incoming interim officers took appropriate actions and filed required reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition. However, we noted the following exceptions:
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Finding I:	Internal Controls Over Fixed Assets Need To Be Strengthened The Capitalized Property Inventory Certificate provided by HHSA-Reg Ops in April 2016 identified 10 fixed assets as sighted, but not recorded in the Oracle Fixed Asset Module (OFAM). This represents 66% of the total fixed assets owned by HHSA-Reg Ops. During the audit, OAAS found that 1 of the 10 assets was actually properly recorded in the OFAM. The other 9; however, gave rise to the current issue.
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The unrecorded assets were identified by HHS-Reg Ops during a physical inventory conducted on January 31, 2016. Audit test conducted on May 12, 2016 confirmed that these assets were still not recorded in the OFAM. Fixed assets sighted but not recorded are shown in the table below.

Unrecorded Fixed Assets	Invoice Date	Unit Cost¹	Location
Qmatic Kiosk	5/13/2015	\$5,194.80	FRC El Cajon
Qmatic Kiosk	5/13/2015	\$5,194.80	
Kodak color scanner	12/28/2012	\$37,500.00	Viewridge DPC
Kodak color scanner	12/28/2012	\$37,500.00	
Kodak color scanner	12/28/2012	\$37,500.00	Lemon Grove DPC
Kodak color scanner	12/28/2012	\$37,500.00	
Kodak color scanner	9/26/2014	\$43,187.92	
Presentation System 300	1/30/2015	\$5,882.35	East Region Public Health (El Cajon)
Treadmill (Integrity Series)	11/12/2014	\$5,123.30	

Further research determined that when these assets were purchased, they were incorrectly classified as minor equipment. Specifically:

- Eight of these assets were charged through the iTrack system which can only charge items to a non-capital expenditure account. However, purchasing departments are responsible for properly reclassifying acquired assets charged through iTrack.
- Procurement of the four Kodak scanners acquired in 2012 was coordinated by the County Technology Office (CTO) as part of a larger purchase for the CalWIN Electronic Records Management System (CERMS) program. Since the CTO acted as the purchasing agent, iTrack charged the cost of these assets to the CTO. However, the cost was not transferred to HHS-Reg Ops.
- The purchase of the Integrity Series treadmill in 2014 was not charged through iTrack; however it was mistakenly coded as minor equipment because it was procured along with other minor equipment.

While the physical inventory conducted in January 2016 identified unrecorded assets, the inventory conducted prior to January 2016 did not detect the four Kodak scanners acquired in 2012 as unrecorded assets.

As a result of the issues noted above, the OFAM does not accurately reflect the fixed asset balance for HHS-Reg Ops. Also, insufficient accountability of fixed assets could increase the risk of assets being lost or stolen without detection.

¹ As reported by HHS-Reg Ops to the Auditor & Controller (A&C) Projects, Revenue and Grants Accounting Division (PRGA) for asset valuation purposes.

According to the County of San Diego Administrative Manual, Item No. 0050-02-01, Control of Capital Assets and Minor Equipment (COSD Admin Manual) requires department heads to be responsible for all County property (assets). These responsibilities include the proper identification and control of these assets, and the filing of inventory discrepancies noted during the physical inventory. In addition, the Admin Manual also states that:

“If capital assets are purchased using another sub-object account other than a 54000 sub-object account, the owning department must submit a Form 253 to Project, Revenue, and Grants Accounting (PRGA) to add the asset(s) to the department’s inventory.”

Recommendation: To ensure compliance with the COSD Admin Manual, HHSA-Reg Ops should:

1. Establish stronger internal controls to improve the tracking and recording of all fixed assets, including measures to ensure acquisition costs are booked appropriately.
2. File required forms and supporting documentation with PRGA to properly reclassify all nine fixed assets to a capital expenditure account.
3. In coordination with the CTO, process the appropriate journal entries to transfer the cost for the four scanners from the CTO to HHSA-Reg Ops.
4. Provide refresher training to staff responsible for conducting physical inventory counts to ensure discrepancies are identified promptly and timely reported to PRGA.

Office of Audits & Advisory Services

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VALUE

DEPARTMENT'S RESPONSE

September 22, 2016

RECEIVED

TO: Juan R. Perez
Chief of Audits

SEP 26 2016

FROM: Barbara Jimenez, Director
HHSA – Regional Operations Central Region

OFFICE OF AUDITS &
ADVISORY SERVICES

Charles Matthews, Director
HHSA – Regional Operations North Coastal Region

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HEALTH & HUMAN SERVICES AGENCY – REGIONAL OPERATIONS OFFICERS' TRANSITION AUDIT

Finding I: Internal Controls Over Fixed Assets Need To Be Strengthened

OAAS Recommendation: To ensure compliance with the COSD Admin Manual, HHSA-Reg Ops should:

- *Establish stronger internal controls to improve the tracking and recording of all fixed assets, including measures to ensure acquisition costs are booked appropriately.*

Action Plan:

The Health and Human Services Agency, Regional Operations, agrees with the recommendation.

To implement the recommendation, the Department will maintain an internal listing of fixed assets for tracking and recording purposes. To ensure acquisition costs are booked appropriately, a Monthly Fixed Asset Change report would be solicited from staff, primarily who has iTrack reviewer/approver responsibility, so that the financial lead would be informed of any transactions pertaining to acquiring fixed assets.

Planned Completion Date: December 2016

Contact Information for Implementation: Edward Nieto, Sr Accountant and Melissa Bartolome, Admin Analyst III

- *File required forms and supporting documentation with PRGA to properly reclassify all nine fixed assets to a capital expenditure account.*

Action Plan:

The Health and Human Services Agency, Regional Operations, agrees with the recommendation.

The recommendation has been implemented and completed.

Planned Completion Date: July 8, 2016

Contact Information for Implementation: Maryneeza Moraleja, Principal Admin Analyst and Melissa Bartolome, Admin Analyst III

- *In coordination with the CTO, process the appropriate journal entries to transfer the cost for the four scanners from the CTO to HHSA-Reg Ops.*

Action Plan:

The Health and Human Services Agency, Regional Operations, agrees with the recommendation.

The recommendation has been implemented and completed.

Planned Completion Date: June 22, 2016

Contact Information for Implementation: Maryneeza Moraleja, Principal Admin Analyst and Melissa Bartolome, Admin Analyst III

- *Provide refresher training to staff responsible for conducting physical inventory counts to ensure discrepancies are identified promptly and timely reported to PRGA.*

Action Plan:

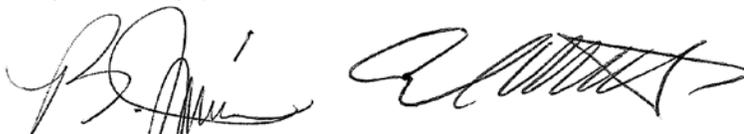
The Health and Human Services Agency, Regional Operations, agrees with the recommendation.

To implement the recommendation, we will provide power point presentation for inventory training to the financial leads during our Financial Threading Group meeting prior to the next inventory.

Planned Completion Date: April 2017

Contact Information for Implementation: Edward Nieto, Sr Accountant and Melissa Bartolome, Admin Analyst III

If you have any questions, please contact me at (619) 668-3864.



Barbara Jimenez and Charles Matthews
Directors

MCM:EN