

OFFICE OF AUDITS & ADVISORY SERVICES



COUNTY LIBRARY OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Laura R. Flores, CIA, CFE, CGAP
Auditor I: Kotomi Johnson, CPA
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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

March 10, 2017

TO: Migell Acosta, Director
County Library

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: COUNTY LIBRARY OFFICERS' TRANSITION AUDIT

Enclosed is our report on the County Library Officers' Transition Audit (Aponte to Acosta). 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 Erich Hannon at (858) 495-5651.

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

JUAN R. PEREZ
Chief of Audits

AUD:EH:aps

Enclosure

c: April Heinze, Deputy Chief Administrative Officer, Community Services Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Brian Hagerty, Group Finance Director, Community Services Group

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the County Library (Library). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Jose Aponte, and incoming officer, Migell Acosta, took appropriate actions and filed required reports as of September 26, 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 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 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:	<p>Internal Controls Over Fixed Assets Need To Be Strengthened</p> <p>The Library does not have sufficient internal controls over the physical inventory process of fixed assets to ensure that all items on hand are properly accounted and recorded. Specifically, OAAS selected a sample of 28 fixed asset items for detailed testing and found the following:</p> <ul style="list-style-type: none">• Asset Reported But Not Sighted – One fixed asset (tag #25952900) with a recorded value of \$9,584 could not be located by
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Library staff. As such, OAAS could not verify the existence of the reported asset.

- **Incorrect Asset Location** – Out of the sample of 28 fixed assets, 5 assets (18%) had the incorrect physical location recorded in the Oracle Fixed Asset Module (OFAM). Further, 16 assets (57%) had “default” as the designated physical location of the item.
- **Missing Fixed Asset Decals** – The following four fixed assets did not have fixed asset decals attached:

Table 1: Fixed Assets Missing Decals

Asset No. (Oracle)	Description	Recorded Value	Location
1318307	24 Hour Library System at COC	\$104,808	Automation Services
1023311	Grand Piano Yamaha C-3	\$12,920	Vista Branch
1026111	Sculpture Bronze Boy	\$6,174	Vista Branch
1008523	Sculpture Bronze Girl	\$6,174	Vista Branch

According to Library staff, they were unaware that the OFAM had incorrect physical locations assigned to fixed assets. Library staff added that the missing asset decals were the result of staff oversight.

According to the County of San Diego Administrative Manual #0050-02-01 (Admin Manual), department heads have the responsibility for all County property (assets) in their charge, including (fixed) capital assets. The Admin Manual also states that decals should be affixed to the asset in a spot that is easily visible when conducting inventories.

The County of San Diego Fiscal Year End Closing Manual requires departments to update each asset(s) with a missing physical location, or to correct the location, to correspond with the physical location of the property.

Incorrect physical location assigned to fixed assets and lack of asset decals, increases the risk that physical inventories are not conducted properly. Furthermore, missing fixed asset decals increases the risk of theft, loss, and/or misappropriation of assets without detection.

Recommendation:

To improve the internal controls over the administration of fixed assets and increase compliance with the Admin Manual, the Library should:

1. Provide refresher training to staff responsible for the administration of fixed assets; including, but not limited to physical inventory procedures to verify the existence of assets and ensure the completeness and accuracy of records.
2. Update fixed asset locations in the OFAM, including all assets with default locations.

3. Ensure that all fixed assets have assets decal affixed.
4. Locate missing asset; if the asset is not found, complete required forms to be removed from the OFAM.

Finding II:

Internal Controls Over Minor Equipment Need Improvement

The Library does not have sufficient internal controls over the physical inventory process of minor equipment to ensure that all items on hand are properly accounted and recorded. Specifically, OAAS tested a sample of 45 items from minor equipment and could not obtain reasonable assurance that the balance reported in the Minor Equipment and Books Inventory Certificate is accurately presented. Exceptions were noted in the following areas:

- **Assets Recorded But Not Sighted** – Out of a sample of 16 items from the minor equipment list, 2 (13%) items could not be located, as shown on Table 2:

Table 2: Minor Equipment Recorded but Not Sighted

Asset Tag	Description	Recorded Value	Location
10022914	RFID Pad	\$2,693	El Cajon Branch
00040108	RFID Pad	\$2,393	Rancho SD Branch

According to Library staff, these items could have been salvaged, but they were not certain as there was no documentation available to support the disposition of these assets.

- **Assets Sighted But Not Recorded** – During a walkthrough of the Library facilities, OAAS randomly selected 29 minor equipment items for detailed review. Out of the selected sample, 15 items (52%) were not recorded. These items consisted of RFID Pads located at the La Mesa Library Branch and the Rancho San Diego Library Branch. According to Library records, the RFID Pads should be valued between \$2,400 and \$2,700.
- **Missing County of San Diego Decals** – Out of the sample of 45 minor equipment items, 9 items (20%) had no “Property of the County of San Diego” decals affixed to them. The items missing asset decals were the RFID Pads.

According to Library staff, they were unaware that some items were missing asset decals.

According to the Admin Manual, department heads are required to maintain listings of minor equipment for which they are responsible, adding new items as they are received and deleting items that are disposed. Minor equipment list should identify the quantity and nature of the items, their location and assigned value.

In addition, in accordance with the Admin Manual, departments should establish a control system over all minor equipment and affix unnumbered "County of San Diego" decals to these assets.

Insufficient accountability of minor equipment increases the risk of theft, loss, and/or misappropriation of assets without detection. In addition, the balance reported to OAAS in the Minor Equipment and Books Inventory Certificate is incorrect.

Recommendation: To improve the internal controls over the administration of minor equipment, the Library should:

1. Provide refresher training to staff responsible for the administration of minor equipment; including, but not limited to performing a physical inventory to verify the existence of assets and ensure the completeness and accuracy of records.
2. Ensure that decals are affixed to all minor equipment.
3. Add/remove the assets from the minor equipment listing to correct exceptions noted above.

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

MIGELL ACOSTA
LIBRARY DIRECTOR
858-694-2415
Fax 858-495-6668

COUNTY LIBRARY
5560 OVERLAND AVENUE, SUITE 110, SAN DIEGO, CA 92123
www.sdcl.org

March 6, 2017

RECEIVED

MAR 08 2017

TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Migell Acosta, Director
Library

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: COUNTY
LIBRARY OFFICERS' TRANSITION AUDIT

Finding I: Internal Controls Over Fixed Assets Need to be Strengthened

OAAS Recommendation: To improve the internal controls over the administration of fixed assets, the Library should:

1. Provide refresher training to staff responsible for the administration of fixed assets; including, but not limited to physical inventory procedures to verify the existence of assets and ensure the completeness and accuracy of records.
2. Update fixed asset locations in the OFAM, including all assets with default locations.
3. Ensure that all fixed assets have assets decal affixed.
4. Locate missing asset; if the asset is not found, complete required forms to be removed from the OFAM.

Action Plan:

The Budget and Finance Services Department is working with the Facilities Department to ensure all minor equipment and fixed assets are properly accounted for. The Department is updating the fixed asset locations in Oracle, including all assets with default locations. For assets currently missing decals, the department will process the necessary paperwork to A&C for issuance of new decals for the assets. As for the missing assets, BFS will confirm and then fill out the necessary paperwork to have the items removed from the minor equipment list.

The IT Principal has spoken to the SDCL-IT staff. The IT staff will tag and document any County-owned IT equipment (e.g., RFID readers, receipt printers, barcode scanners, etc.) during branch visits for IT support, and will inform branch personnel on the internal controls for fixed assets and minor equipment.

Planned Completion Date: December 8, 2017

Contact Information for Implementation: Jimmy Chau, Senior Accountant

Finding II: Internal Controls Over Minor Equipment Need Improvement

OAAS Recommendation: To improve the internal controls over the administration of minor equipment, the Library should:

1. Provide refresher training to staff responsible for the administration of minor equipment; including but not limited to performing a physical inventory to verify the existence of assets and ensure the completeness and accuracy of records.
2. Ensure that decals are affixed to all minor equipment.
3. Add/remove the assets from the minor equipment listing to correct exceptions noted above.

Action Plan:

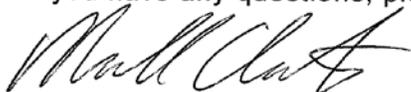
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The IT Principal has spoken to the SDCL-IT staff. The IT staff will tag and document any County-owned IT equipment (e.g., RFID readers, receipt printers, barcode scanners, etc.) during branch visits for IT support, and will inform branch personnel on the internal controls for fixed assets and minor equipment.

Planned Completion Date: December 8, 2017

Contact Information for Implementation: Jimmy Chau, Senior Accountant

If you have any questions, please contact me at 858-694-2389.



Migell Acosta
Director

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