

OFFICE OF AUDITS & ADVISORY SERVICES



DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: [Juan R. Perez](#)
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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

September 4, 2014

TO: Elizabeth A. Pozzebon, Director
Department of Environmental Health

FROM: Juan R. Perez
Chief of Audits

**FINAL REPORT: DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION
AUDIT**

Enclosed is our report on the Department of Environmental Health Officers' Transition Audit (Miller to Pozzebon). 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 Michelle Ludwick at (858) 495-5655.

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

JUAN R. PEREZ
Chief of Audits

AUD:ML:aps

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use & Environment Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Lisa Keller-Chiodo, Group Finance Director, Land Use & Environment Group

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of Environmental Health (DEH). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Jack L. Miller, and incoming officer, Elizabeth A. Pozzebon, took appropriate actions and filed required reports as of March 21, 2014 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, OAAS noted the following exceptions.
Finding I:	<p>Administration of Accounts Receivable</p> <p>OAAS identified the following internal control deficiencies related to the administration of Accounts Receivable (A/R):</p> <ul style="list-style-type: none">• Follow-up of Outstanding A/R Related to the Voluntary Assistance Program is Not Conducted Timely. As of the transition date, DEH reported A/R balance of approximately \$963k. From this amount, about \$75k was related to balances outstanding for over 180 days. OAAS selected a sample of about \$10k for detail testing, which consisted of 20 individual transactions including 19

invoices dated from 2009 to 2012. OAAS found that on average, these invoices were 1,092 days past due from the invoice date. Further, it was noted that on average, the last collection effort processed by DEH was 630 days ago.

According to DEH management, these invoices are related to an old A/R before the implementation of Accela, their new case business management system. DEH management added that prior to Accela; there was no report to easily identify overdue accounts. Therefore, the review and monitoring of A/R was conducted manually. Further, limited resources were available during the implementation of Accela and priority was given to collecting current year revenue.

- **Inaccurate A/R Balance Reported.** OAAS identified an error with the A/R balance reported. Specifically, invoice no. DEH12-8953 for \$256 was cancelled by program staff in May 2012; however, it was not removed by fiscal staff from the A/R balance until April 2014. As a result, the reported A/R balance was overstated.

According to DEH management, program staff did not properly communicate with fiscal staff of the cancellation of the invoice; thus the A/R balance was not updated timely.

- **Lack of Written Policies and Procedures.** OAAS found that DEH does not have formal written policies and procedures for the proper management of A/R, including timely follow-up of delinquent accounts.

Insufficient management and oversight of A/R could increase the risk of not collecting revenues. Further, inconsistent communication between program staff and fiscal staff about A/R activity could result in inaccurate balances reported to the Auditor and Controller (A&C).

According to the State of California Controller's Office (SCO), Accounting Standards and Procedures for Counties, March 2013 Edition, Chapter 2 Policies, §2.03 Internal Controls, "All accounting systems must contain appropriate internal controls." An appropriate internal control system requires adequate review and monitoring of A/R, including timely follow-up of delinquent accounts.

Recommendation: DEH management should:

1. Formalize and communicate policies and procedures regarding management of A/R. These procedures should require the preparation and review of an aged trial balance of A/R to ensure timely follow-up of outstanding balances.
2. Enhance communication between program and fiscal staff to increase the accuracy of A/R balances. For instance, provide monthly reports to program staff to ensure that delinquent accounts are resolved promptly.
3. Resolve outstanding A/R balances identified during the audit.

Finding II: Review and Reconciliation of Unidentified Funds

OAAS found DEH has accumulated about \$20k of unidentified funds since August 2012 that have not been reconciled. This unidentified balance was initially classified as "Other" in the DEH Trust Fund No. 61123. These funds were later transferred to the DEH Suspense Fund No. 61124 to match the purpose of the trust fund.

According to management, the implementation of their new system Accela in November 2013 was an extensive effort that utilized a large number of resources. As a result, the few resources available had to prioritize their work based on risks and impact to operations.

The untimely reconciliation, research, and clearing of suspense accounts, could increase the risk of misapplication of funds and the inability to detect inappropriate transactions.

According to the SCO, Accounting Standards and Procedures for Counties March 2013 Edition, Chapter 2 Policies, §2.03 Internal Controls, "All accounting systems must contain appropriate internal controls." Appropriate controls over account management require periodic reconciliations of transactions to ensure the early identification of errors or inappropriate activities.

Recommendation: DEH should establish strong internal controls over unidentified funds and ensure that periodic reconciliations are conducted. For instance, when allocating responsibility for carrying out or reviewing reconciliations, separation of duties should be considered.

Finding III: Internal Controls Over Minor Equipment

DEH does not have sufficient internal controls in place to maintain accountability over their minor equipment. Therefore, OAAS could not obtain assurance that the balance reported in the Minor Equipment and Books Inventory Certificate are accurately presented. The exceptions noted include:

- **Inaccurate Minor Equipment Inventory List.** DEH does not maintain an accurate list of all of their minor equipment. The minor equipment inventory list provided by DEH is a list of assets created two years ago, when the last physical inventory was taken. As such, items purchased or removed after the last physical inventory are not included in the minor equipment inventory list.

Insufficient accountability of assets could increase the risk of assets being lost or stolen without detection.

- **Duplicate Asset Recording.** OAAS found an asset incorrectly included in the minor equipment inventory list that was also recorded in the Oracle Fixed Asset Module (tag #24744500). The asset is valued at \$7,596; therefore, should be classified as a fixed asset. As a result, the minor equipment balance reported on the certificate was overstated by \$7,596.

- **Incorrect Asset Cost Recorded in Minor Equipment Inventory List.** OAAS identified an asset (Ion Chamber Survey Meter) in the minor equipment inventory list that did not reconcile with the amount recorded in the invoice. The asset was incorrectly recorded at cost of \$1,508 while the invoice amount was \$2,300.

According to DEH management, staff was unaware that the asset recorded at \$1,508 was disposed of and replaced with a new asset valued at \$2,300.

In accordance with the County Administrative Manual (Admin Manual) 0050-02-01, Section I (I), 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 minor equipment items, their location and assigned value. In addition, Section I (H) states that unit costs between \$500 and \$4,999 should be classified as minor equipment.

Recommendation: To improve accuracy and reliability of the minor equipment inventory list, DEH should:

1. Conduct a physical inventory of minor equipment to include all assets on hand and develop an accurate and complete list of minor equipment inventory in compliance with the Admin Manual 0050-02-01.
2. Make the necessary corrections to the minor equipment inventory list. Specifically:
 - a. Remove the duplicate asset from the minor equipment inventory list.
 - b. Update the cost recorded for the Ion Chamber Survey Meter to properly reflect its \$2,300 acquisition cost.
3. Provide adequate training to staff responsible for conducting physical inventory of assets to ensure proper procedures are followed in compliance with the Admin Manual 0050-02-01. At a minimum, sufficient training should be provided for staff to ensure:
 - a. Acquisitions and dispositions are recorded and reported in accordance with County established procedures.
 - b. Minor equipment unit cost is recorded in compliance with established thresholds.

Office of Audits & Advisory Services

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DEPARTMENT'S RESPONSE



County of San Diego

ELIZABETH A. POZZEBON
DIRECTOR

DEPARTMENT OF ENVIRONMENTAL HEALTH
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AMY HARBERT
ASSISTANT DIRECTOR

September 2, 2014

RECEIVED

TO: Juan R. Perez
Chief of Audits

FROM: Elizabeth Pozzebon, Director
Department of Environmental Health

SEP 02 2014

OFFICE OF AUDITS &
ADVISORY SERVICES

Department's response to audit recommendations: Department of Environmental Health Officers' Transition Audit

Finding I: Administration of Accounts Receivable (A/R)

OAAS Recommendations:

1. Formalize and communicate policies and procedures regarding management of A/R. These procedures should require the preparation and review of an aged trial balance of A/R to ensure timely follow-up of outstanding balances.

Action Plan: Document the Department's policies and procedures regarding the management of A/R for the Department of Environmental Health's Land and Water Quality division's Voluntary Assistance Program. Provide communication and training to relevant staff regarding the policies and procedures.

Planned Completion Date: Action plan has been implemented.

Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

2. Enhance communication between program and fiscal staff to increase the accuracy of A/R balances. For instance, provide monthly reports to program staff to ensure that delinquent accounts are resolved promptly.

Action Plan: Develop a process whereby fiscal staff and program staff, at minimum on a monthly basis, communicate about the status and follow up activity of delinquent accounts to ensure the accounts are reconciled promptly and staff in both divisions have the most up to date information.

Planned Completion Date: Action plan has been implemented.

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Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

3. Resolve outstanding A/R balances identified during the audit.

Action Plan: For each line item determine whether the outstanding A/R balance identified for the Voluntary Assistance Program is collectable and if uncollectable reverse or discharge the item.

Planned Completion Date: Action plan has been completed.

Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

Finding II: Review and Reconciliation of Unidentified Funds

OAAS Recommendation: DEH should establish strong internal controls over unidentified funds and ensure that periodic reconciliations are conducted. For instance, when allocating responsibility for carrying out or reviewing reconciliations, separation of duties should be considered.

Action Plan: 1. Establish and practice a procedure that ensures reconciliations are conducted on a regular, routine basis. 2. Confirm that DEH procedure and practice includes a separation of duties for carrying out reconciliations and reviewing reconciliations. 3. For the unidentified balance, reconcile and clear the suspense account.

Planned Completion Date: Items 1 and 2 are complete. For Item 3 all but approximately \$2,100 been cleared. Planned completion date for the remaining balance is September 12, 2014.

Contact Information for Implementation: Arlene DeOcampo, Principal Accountant

Finding III: Internal Controls Over Minor Equipment

OAAS Recommendations:

To improve accuracy and reliability of the minor equipment inventory list, DEH should:

1. Conduct a physical inventory of minor equipment to include all assets on hand and develop an accurate and complete list of minor equipment inventory in compliance with the Admin Manual 0050-02-01.

Action Plan: Update minor equipment inventory spreadsheets to comply with County policy and to keep a perpetual inventory. Conduct a physical inventory of minor equipment during the next biennial County cycle which will reflect inventory as of September 30, 2014.

Planned Completion Date: Inventory spreadsheets have been updated. Physical inventory will be completed in accordance with Auditor & Controller instructions which provides inventory needs to be completed by December 31, 2014.

Contact Information for Implementation: Michael Viernes, Administrative Analyst

2. Make the necessary corrections to the minor equipment inventory list. Specifically:
 - a. Remove the duplicate asset from the minor equipment inventory list.

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Action Plan: Remove the duplicate asset from the minor equipment inventory list.

Planned Completion Date: Action plan has been implemented.

Contact Information for Implementation: Michael Viernes, Administrative Analyst

- b. Update the cost recorded for the Ion Chamber Survey Meter to properly reflect its \$2,300 acquisition cost.

Action Plan: Update the cost recorded for the Ion Chamber Survey Meter to properly reflect its \$2,300 acquisition cost.

Planned Completion Date: Action plan has been implemented.

Contact Information for Implementation: Michael Viernes, Administrative Analyst

- 3. Provide adequate training to staff responsible for conducting physical inventory of assets to ensure proper procedures are followed in compliance with the Admin Manual 0050-02-01.

At a minimum, sufficient training should be provided for staff to ensure:

- a. Acquisitions and dispositions are recorded and reported in accordance with County established procedures.

Action Plan: Develop minor equipment written procedures and distribute to staff.

Review and re-train staff on Admin Manual 0050-02-01 requirements. Establish procedure to train staff on the minor equipment program annually.

Planned Completion Date: Action plan has been implemented.

Contact Information for Implementation: Michael Viernes, Administrative Analyst

- b. Minor equipment unit cost is recorded in compliance with established thresholds.

Action Plan: Update minor equipment inventory to only include items that meet the minor equipment thresholds.

Planned Completion Date: Action plan has been implemented.

Contact Information for Implementation: Michael Viernes, Administrative Analyst

Contact Information for Implementation of the aforementioned action plans: Cathy Martinez,
Finance Chief, Department of Environmental Health

If you have any questions, please contact me at (858) 505-6671.

Sincerely,



ELIZABETH POZZEBON, Director

EP:ah