



DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT

FINAL REPORT

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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

July 26, 2016

TO: Amy Harbert, Assistant Director
Department of Environmental Health

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT (POZZEBON TO HARBERT)

Enclosed is our report on the Department of Environmental Health Officers' Transition Audit (Pozzebon to Harbert). We have reviewed your response to our recommendations and have attached them to the audit report. The actions taken, in general, are responsive to the recommendations in the report.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

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

A handwritten signature in black ink, appearing to read "JRN R J".

JUAN R. PEREZ
Chief of Audits

AUD:WA:aps

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use & Environment Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller

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, Elizabeth A. Pozzebon, and interim incoming officer, Amy Harbert, took appropriate actions and filed required reports as of October 30, 2015 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	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.
Methodology	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.

AUDIT RESULTS

Summary	In our opinion, there is reasonable assurance that the outgoing and interim 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:
Finding I:	Internal Controls Over Assets DEH's internal controls over assets need to be strengthened. Specifically, OAAS found that DEH does not maintain a complete list of all assets, including those that have been depreciated.
	Depreciated Minor Equipment was Not Recorded. During a walkthrough of DEH facilities, OAAS sighted a microscope that was not recorded in the minor equipment inventory list. The asset was found to have a current market value between \$1,399.99 and \$2,450.00.

According to DEH management, this asset was not listed because it was fully depreciated. Management also stated that staff responsible for performing inventory was unaware that fully depreciated assets must be included in the minor equipment inventory or properly disposed/salvaged if no longer used.

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.

Assets Under \$500 Were Not Formally Tracked. OAAS also sighted two assets under \$500 that were not being tracked by DEH, as shown in Table 1.

Table 1. Sighted Assets under \$500 not Tracked

	Description	Current Assigned Value
222820	Intralux 5000	Under \$500
N/A	Fender Passport Sound System	Under \$500

DEH management stated that procedures are not in place to track assets that are under \$500 because there is no formal guidance available. While the Admin Manual addresses in detail the management and safeguarding of assets valued from \$500 and greater, there is no specific guidance provided regarding how to safeguard assets that are under \$500.

The Internal Control Guidelines for California Local Agencies from the State of California, Office of the Controller advises local governments to establish physical controls, ensuring the safeguarding of both tangible and intangible assets. The local government should have policies that ensure the physical security over all assets, whether they are capital assets, cash and investments, or other assets, and procedures to periodically count or reconcile the assets to the records.

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

Recommendation:

To ensure accountability of assets and accuracy of inventory records, DEH should:

1. Make the necessary corrections to the minor equipment inventory list to be in compliance with Admin Manual Item No. 0050-02-01. Specifically, ensure that minor equipment with a current assigned value of over \$500 is added to the minor equipment inventory list or properly disposed/salvaged if it is no longer in use.
2. Establish procedures to track assets valued at under \$500.

Finding II:**Inconsistent Administration of Outstanding Accounts Receivable**

OAAS found that there is inconsistency in the collection of outstanding Accounts Receivable (A/R) balances.

According to DEH A/R Procedures for Development Projects, DEH Fiscal will send late notices to customers that are delinquent 30 or 60 days. Customer statements will continue to be mailed to customers with deficit balances for at least one year from the date the account first became delinquent. Thereafter, the account will be reviewed for write-off or referral to Revenue and Recovery for collection.

OAAS identified one sampled A/R balance for the Meth Lab Cleanup Program (MLCP) outstanding for 928 days, as of the fieldwork test date (January 2016). The MLCP is governed by the California Health and Safety Code (HSC) Section 245400.17, which allows DEH to put a lien on the title of the property if the customer does not pay off the debt. Although 10 collection notifications were sent to the customer, DEH has not made an attempt to put a lien on the property.

Additionally, as of the fieldwork test date (January 2016), the average age of uncollected sampled A/R balances was 447 days, as illustrated in Table 2.

Table 2: Uncollected A/R Test Samples

Debtor	Amount	Invoice Date	Notices Sent	Aged Days (As of Jan-2016)
DTSC (126978)	\$5,5492.65	3/5/2015	3	315
City of San Diego (IH123263)	\$2,514.53	2/18/2015	2	330
Meth Lab Cleanup Program	\$4,669.20	6/30/2013	10	928
Meth Lab Cleanup Program	\$5,751.40	3/31/2015	7	289
Solid Waste Late Fee	\$150.00	1/2/2015	2	377
Average Age of Outstanding A/R				447 days

Although documented procedures exist to evaluate delinquent accounts and write off uncollectable accounts, collection notifications and account referrals to Revenue and Recovery do not always take place according to stated procedures. The lack of consistent processes to administer outstanding A/R increases the risk of delayed collection of A/R balances, missed reviews of accounts eligible for write-off, and referral to Revenue and Recovery.

Pursuant to Board Policy B-29, Departments are responsible for recovering the full cost of all services they provide to agencies or individuals outside the County of San Diego organization on a contractual or fee basis or when obtaining grant funding.

Also, as detailed in Chapter 2: Policies (2.03 – Internal Controls), the Accounting Standards and Procedures For Counties from the State of California, Office of the Controller, states “all accounting systems must

contain appropriate internal controls". Internal controls for A/R requires adequate review, monitoring, and follow-up on delinquent accounts.

Recommendation: Ensure that existing policies and procedures regarding the overall management of A/R are properly and consistently followed.

Office of Audits & Advisory Services

Compliance

Reliability

Effectiveness

Accountability

Transparency

Efficiency

VALUE

DEPARTMENT'S RESPONSE



County of San Diego

ELISE ROTHSCHILD
DIRECTOR

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AMY HARBERT
ASSISTANT DIRECTOR

July 18, 2016

RECEIVED

TO: Juan R. Perez
Chief of Audits

FROM: Amy Harbert, Assistant Director
Department of Environmental Health

JUL 22 2016

OFFICE OF AUDITS &
ADVISORY SERVICES

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: DEPARTMENT OF ENVIRONMENTAL HEALTH OFFICERS' TRANSITION AUDIT

Finding I: Internal Controls Over Assets

OAAS Recommendation 1: Make the necessary corrections to the minor equipment inventory list to be in compliance with Admin Manual Item No. 0050-02-01. Specifically, ensure that minor equipment with a current assigned value of over \$500 is added to the minor equipment inventory list or properly disposed/salvaged if it is no longer in use.

Action Plan: Department of Environmental Health (DEH or Department) assets with a current assigned value of over \$500 were added to the minor equipment inventory list in accordance with Admin Manual Item no. 0050-02-01. In addition, the Department has created a policy and procedure for tracking of all assets within the Department to include tagging of fixed assets, minor equipment and assets under \$500, reconciliation process to ensure accurate reporting of assets and detailed inventory logs. DEH also provided training to finance and operations staff to review the Admin Manual and other policies related to proper asset management and will be reviewing this training on an annual basis.

Planned Completion Date: Completed on 6/30/2016

Contact Information for Implementation: Tanya Eames, Finance Chief

OAAS Recommendation 2: Establish procedures to track assets valued at under \$500.

Action Plan: Departmental procedures were created to properly manage and track all assets within DEH valued at under \$500. The procedures identify steps to be taken by each DEH employee involved in the inventory process. All DEH inventory logs were complete to include assets valued at under \$500. Verification of this asset tracking and compliance with the established procedures will be performed by DEH staff on a monthly basis.

"Environmental and public health through leadership, partnership and science"

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Planned Completion Date: Completed on 7/18/16

Contact Information for Implementation: Tanya Eames, Finance Chief

Finding II: Inconsistent Administration of Outstanding Accounts Receivable (A/R)

OAAS Recommendation 1: Ensure that existing policies and procedures regarding the overall management of A/R are properly and consistently followed.

Action Plan: The accounts identified in the uncollected accounts receivable sample have been paid to date or written off. To ensure existing policies and procedures are consistently followed, the Department has implemented a secondary reviewer and approver process as well as training to include the review of the current policies and procedures for all fiscal staff. In addition, DEH has executed a Revenue and Recovery Memorandum of Understanding with the Office of Revenue and Recovery to assist the Department with further collection of past due accounts receivable accounts on an ongoing basis.

Planned Completion Date: Completed on 6/30/2016

Contact Information for Implementation: Tanya Eames, Finance Chief

If you have any questions, please contact me at (858) 505-6672.

Respectfully,



Amy Harbert
Assistant Director