

OFFICE OF AUDITS & ADVISORY SERVICES



HEALTH & HUMAN SERVICES AGENCY – AGING & INDEPENDENCE SERVICES OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Laura R. Flores, CIA, CFE, CGAP
Auditor I: Erich Hannon, CGAP

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County of San Diego

TRACY M. SANDOVAL
DEPUTY CHIEF ADMINISTRATIVE OFFICER/
AUDITOR AND CONTROLLER

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JUAN R. PEREZ
CHIEF OF AUDITS

May 28, 2017

TO: Mark Sellers, Assistant Director
HHSA, Aging & Independence Services

FROM: Juan R. Perez
Chief of Audits

**FINAL REPORT: HHSA – AGING & INDEPENDENCE SERVICES OFFICERS' TRANSITION AUDIT
(SCHMEDING TO SELLERS)**

Enclosed is our report on the HHSA – Aging & Independence Services Officers' Transition Audit (Schmeding to Sellers). 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:dp

Enclosure

c: Nick Macchione, Director, Health & Human Services Agency
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Dean Arabatzis, Chief Operations Officer, Health & Human Services Agency
Andrew Pease, Executive Finance Director, Health & Human Services Agency
James Lardy, Budget and Revenue Manager, Health & 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 – Aging and Independence Services (AIS). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Ellen Schmeding, and interim incoming officer, Mark Sellers, took appropriate actions and filed required reports as of January 3, 2017 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 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, continuous improvement, and innovation.
Audit Scope & Limitations	<p>The reports are the responsibility of the officer who signs them. 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 interim 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 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, OAAS identified the following exceptions related to the internal controls over fixed assets and minor equipment.
Finding I:	<p>Internal Controls Over Fixed Assets and Minor Equipment</p> <p>AIS' internal controls over fixed assets and minor equipment need to be strengthened. Specifically, the following was found:</p> <ul style="list-style-type: none">• Incorrect Location Recorded in Oracle – OAAS selected a sample

of seven fixed assets for detail testing. While the correct building number was recorded for five of the seven fixed assets (71%), the incorrect department and suite number were assigned in the Oracle Fixed Asset Module (OFAM), as described in Table 1 below. The AIS office is located at 5560 Overland Avenue, Suite 310, San Diego, CA 92123.

Table 1. Fixed Assets with an Incorrect Location

Asset No. (Oracle)	Description	Recorded Value	Location
1240430	Medium Conference Table	\$13,484	Dept. of Human Resources, 5560 Overland Ave. Ste. 270
1241308	Medium Conference Table	\$13,484	Dept. of Human Resources, 5560 Overland Ave. Ste. 270
1240433	Small Conference Table	\$6,370	Dept. of Human Resources, 5560 Overland Ave. Ste. 270
1240434	Small Conference Table	\$6,370	Dept. of Human Resources, 5560 Overland Ave. Ste. 270
1240456	Large Conference Table	\$23,009	Dept. of Human Resources, 5560 Overland Ave. Ste. 270

- **Missing Fixed Asset Decals** – Four of the seven assets tested (57%) did not have fixed asset decals attached.
- **Missing Minor Equipment County of San Diego Decals** – A sample of 29 minor equipment items was selected for testing. Two minor equipment items (7%) did not have “Property of the County of San Diego” decals attached. The items missing asset decals included a Kodak scanner and an air purifier.
- **Duplicate Recording of Minor Equipment** – OAAS found four minor equipment items that were reported on both the Minor Equipment Inventory List and the Material and Supplies Inventory Certificate. The minor equipment items recorded twice are shown on Table 2 below:

Table 2. Duplicate Minor Equipment Items Recorded

Location	Description	Quantity	Price	Total
401 Mile of Cars Way, National City, CA 91950	Scanner Kodak i1320	2	\$2,113 ea.	\$4,226
401 Mile of Cars Way, National City, CA 91950	Scanner Kodak i2800	2	\$1,578 ea.	\$3,156

According to AIS management, the issues described above were the result of staff oversight. In addition, the duplicate recording of minor equipment was done unintentionally after the department moved to the National City location in April 2016.

An incorrect physical location recorded in the OFAM and missing asset decals can increase the risk of physical inventory errors due to the

inability to easily locate the items listed on the report. Further, it increases the risk of assets being lost or stolen.

The duplicate recording of minor equipment items reported in the Materials and Supplies Inventory Certificate resulted in an overstatement of \$7,382.

The County of San Diego Administrative Manual Item No. 0050-02-1 (Admin Manual) requires department heads to be responsible for all County property (assets) in their charge. The Admin Manual also states that decals should be affixed to the asset in a spot that is easily visible when conducting inventories and departments should establish a control system over all minor equipment and affix unnumbered "County of San Diego" decals to these assets.

The County of San Diego Fiscal Year-End Closing Manual (Year-End Manual) states that departments should correct or enter any missing location code numbers to correspond with the physical location of the property.

Recommendation:

To improve the internal controls over the administration of fixed assets and minor equipment and ensure compliance with the Admin Manual, AIS should:

1. Provide refresher training to staff to ensure that they are aware of County policies related to the administration of fixed assets and minor equipment.
2. Make the necessary corrections to the OFAM to accurately reflect the physical location(s) of assets.
3. Ensure that all fixed assets and minor equipment items have asset decals affixed.
4. Remove the two duplicate minor equipment items from the materials and supplies listing.

Office of Audits & Advisory Services

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DEPARTMENT'S RESPONSE

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MAY 24 2017

OFFICE OF AUDITS &
ADVISORY SERVICES



County of San Diego

HEALTH AND HUMAN SERVICES AGENCY
Financial and Support Services Division

NICK MACCHIONE, FACHE
DIRECTOR

ANDREW PEASE
EXECUTIVE FINANCE DIRECTOR

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(619) 515-6555 Fax (619) 515-6556

May 24, 2017

TO: Juan R. Perez
Chief of Audits, OAAS

FROM: James Lardy
Revenue & Budget Manager, HHSA

SUBJECT: Response to Final Report: HHSA- Aging & Independent Services
Officers' Transition Audit

We have received your final audit report of May 8, 2017 and have included the responses to the audit findings and recommendations below:

Finding 1: Internal Controls Over Fixed Assets and Minor Equipment

Action Plan:

Incorrect Location Recorded in Oracle – AIS has updated Oracle's Fixed Asset Module for the five fixed assets to reflect the correct physical location for the following equipment (please see attached COSD Fixed Asset Register Report).

- Asset 1240430
- Asset 1241308
- Asset 1240433
- Asset 1240434
- Asset 1240456

Of those five, four had incorrect building description due to the Project Management Space Allocation Report by the Department of General Services which is used by the Auditor & Controller to index the location code in Oracle.

May 24, 2017
Page Two

Missing Fixed Asset Decals – AIS has physically placed yellow Property of County of San Diego decals for four of the fixed assets identified in the audit finding. Going forward, the AIS Facility Coordinator will ensure that all fixed assets will be properly labeled and identified through an on-site inspection and that fixed assets are properly reported on the correct form before final submission to the Auditor & Controller

Missing Minor Equipment County of San Diego Decals – AIS has physically placed yellow Property of County of San Diego tags on the two minor equipment identified in the audit finding. Going forward, the AIS Facility Coordinator will ensure that all minor equipment items will be properly labeled and identified through an on-site inspection and that materials are properly reported on the correct form before final submission to the Auditor & Controller.

Duplicate Recording of Minor Equipment – HHSA has removed the two duplicate minor equipment items from the Material and Supplies Inventory listing (please see attached Materials and Supplies Inventory listing).

Planned Implementation Date: All action items have been implemented in April 2017.

Contact Information for Implementation: Maria (Tet) De Guzman, Sr. Accountant, 858-495-5881, email maria.deguzman@sdcounty.ca.gov

HHSA Fiscal will also conduct a refresher training for AIS staff to ensure that they are aware of County policies related to the administration of fixed assets and minor equipment. The planned implementation date is October 2017.



James Lardy
Revenue & Budget Manager
Health & Human Services Agency

JL:md

Attachments

Date

TO: Juan Perez
Chief of Audits

FROM: Department Head's Name, Title
Department

QUARTERLY STATUS UPDATE: INSERT TITLE OF THE AUDIT

Pursuant to Board of Supervisors Policy B-44, below is the quarterly status update of outstanding recommendations included in the audit report.

Finding I: Insert Audit's Finding Title

OAAS Recommendation: Insert Audit's Recommendation from the audit report.

Action Plan: Insert the Department's response from the audit report.

Action Plan Update: If your action plan has changed, include why they have changed and describe the alternative actions you are taking. If your action plan has not changed, put NA.

The current status is:

Implemented In Progress Pending-Not Started

Original Planned Completion Date: Insert date from audit report

Completion Date Reported Last Quarter: If applicable, insert date from most recent quarterly update status.

Current Planned Completion Date (If different from last quarter, include reason for the change): Insert estimated date of implementation with an explanation if the plan completion date is different from the original planned completion date.

Contact Information for Implementation: Insert Contact Name and Title

If you have any questions, please contact me at phone number (xxx) xxx-xxxx.

Department Head's Name
Title

XX:xx