

OFFICE OF AUDITS & ADVISORY SERVICES



FIRST 5 COMMISSION OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Senior Audit Manager: Laura R. Flores, CIA, CFE, CGAP
Auditor I: Mercedes Pereira-Trent, MBA

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County of San Diego

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

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5530 OVERLAND AVENUE, SUITE 330, SAN DIEGO, CA 92123-1261
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

January 2, 2018

TO: Alethea M. Arguilez, Executive Director
First 5 Commission

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: FIRST 5 COMMISSION OFFICERS' TRANSITION AUDIT

Enclosed is our report on the First 5 Commission Officers' Transition Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report.

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

JUAN R. PEREZ
Chief of Audits

AUD:MPT:nb

Enclosure

c: Nick Macchione, Agency Director, Health & Human Services Agency
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
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 First 5 Commission. The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Kimberly Gallo, and incoming officer, Alethea Arguilez, took appropriate actions and filed required reports as of October 9, 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 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 exception:
Finding I:	<p>Error Noted on Accounts Receivable Balance Recorded in Oracle</p> <p>The First 5 Commission reported a zero balance on the Accounts Receivable Form (AUD Form 505) as of the transition audit date. OAAS reviewed the account receivable balance reported in the Oracle system and noted that the recorded balance totaled \$1,015,801.</p> <p>OAAS inquired with the First 5 Commission regarding the outstanding balance reported in Oracle. First 5 Commission staff indicated that, due to an oversight, the receivable was not reversed in the system when the revenue was received in July 2017.</p>

As a result, the First 5 Commission's account receivable balance reported in Oracle as of October 2017 was overstated.

Standard accounting procedures require reversing entries to be made on the first day of the accounting period in order to offset adjusting accrual entries made in the previous accounting period. Reversing entries are used to avoid the double booking of revenues or expenses when the accruals are settled in cash.

If account receivable balances are incorrectly reported, this could result in misinforming management, and others, regarding the financial condition of the organization, and could also result in inappropriately relying on funding that will not be realized.

Recommendation: To prevent reporting an account receivable balance incorrectly, and to ensure compliance with standard accounting procedures, the First 5 Commission should:

1. Record the appropriate journal entry to correct the outstanding account receivable balance in Oracle.
2. Strengthen internal controls to ensure timeliness of year-end activities by developing a checklist to assist staff in the year-end process.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE
(FIRST 5 COMMISSION)



COMMISSION MEMBERS

RON ROBERTS - Chairman

CAROL SKILJAN - Vice Chair

SANDRA L. MCBRAYER- Secretary

NICK MACCHIONE - Commissioner

DR. WILMA J. WOOTEN - Commissioner

ALETHEA ARGUILEZ – Executive Director

December 28, 2017

To: Juan R. Perez
Chief of Audits

From: Alethea Arguilez
Executive Director of First 5 San Diego

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OFFICE OF AUDITS &
ADVISORY SERVICES

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: First 5 Commission Officers' Transition Audit

Finding I: Error Noted on Accounts Receivable Balance Recorded in Oracle

OAAS Recommendation: To prevent reporting an account receivable balance incorrectly, and to ensure compliance with standard accounting procedures, the First 5 Commission should: 1) Record the appropriate journal entry to correct the outstanding account receivable balance in Oracle; 2) Strengthen internal controls to ensure timeliness of year-end activities by developing a checklist to assist staff in the year-end process.

Action Plan: The journal entry to correct the outstanding accounts receivable balance has been completed in Oracle. Additionally, the First 5 Commission has already created a Year End Check Sheet to ensure account receivable balances are accurately reported. Responsible First 5 staff have also been trained on the implementation of this year end check sheet to mitigate this issue in the future.

Planned Completion Date: December 29, 2017

Contact Information for Implementation: Martin Cherry, Agency Program and Operations Manager

If you have any questions, feel free to contact me at 619-523-7710 or alethea.arguilez@sdcounty.ca.gov.

Sincerely,

Alethea Arguilez
Executive Director