

OFFICE OF AUDITS & ADVISORY SERVICES



DEPARTMENT OF THE PUBLIC DEFENDER OFFICERS' TRANSITION AUDIT

FINAL REPORT

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INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of the Public Defender (PD). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Henry Coker, and incoming officer, Randy Mize, took appropriate actions and filed required reports as of March 31, 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 of 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 identified the following exception related to the internal controls over fixed assets.
Finding I:	<p>Incorrect Asset Capitalization</p> <p>OAAS selected a sample of five fixed assets for detail testing and could not obtain reasonable assurance that the Capitalized Property Inventory Certificate (AUD Form 504) is accurately presented.</p> <p>Specifically, OAAS determined that the following two assets were incorrectly capitalized:</p>

Table 1: Fixed Assets Incorrectly Capitalized

Asset No.	Description	Cost
26556000	Audiovisual System - Central Training Room	\$111,528.46
26555900	Audiovisual System - South Bay Training Room	\$126,866.30

OAAS reviewed the supporting documentation provided by PD and noted that each of these assets is composed of 43 and 67 individual units, respectively. Based on our review, 3 of the 43 individual units for asset number 26556000 and 5 of 67 individual units for asset number 26555900 meet the capitalization threshold of \$5,000 or above per unit. However, these items were recorded as single assets and categorized as fixed assets. Also, PD incorrectly capitalized maintenance cost.

When these assets were acquired, Hewlett Packard, the County's IT contractor, billed a single invoice. According to PD staff, this caused them to determine that each item within the audiovisual system operated as a whole unit. Therefore all items were capitalized and recorded as a single asset.

As a result, the balance reported on the Capitalized Property Inventory Certificate and the Oracle Fixed Asset Module (OFAM) is inaccurate.

According to the County of San Diego Administrative Manual Item No. 0050-02-1 (Admin Manual), department heads have the responsibility for all County property (assets) in their charge, including (fixed) capital assets. The Admin Manual states that capital assets should have a unit cost of \$5,000 or above plus ancillary cost (taxes, freight charges, installation and site preparation charges) required to place the asset in service.

Recommendation: To improve the accuracy of fixed assets reported and ensure compliance with the Admin Manual, PD should:

1. Contact Auditor & Controller, Projects, Revenue and Grants Accounting (PRGA), and make necessary corrections to the OFAM to accurately list the number and value of fixed assets owned by PD.
2. Provide refresher training to staff responsible for managing assets.
3. Submit a revised Capitalized Property Inventory Certificate (AUD Form 504) with updated inventory balances.

Office of Audits & Advisory Services

Compliance **R**eliability **E**ffectiveness **A**ccountability **T**ransparency **E**fficiency

VALUE