

OFFICE OF AUDITS & ADVISORY SERVICES



HEALTH AND HUMAN SERVICES AGENCY – CHILD WELFARE SERVICES OFFICERS’ TRANSITION AUDIT

FINAL REPORT

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

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County of San Diego

TRACY DRAGER
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

August 12, 2019

TO: Kimberly Giardina, Acting Director
Health and Human Services Agency – Child Welfare Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: HEALTH AND HUMAN SERVICES AGENCY – CHILD WELFARE SERVICES OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Health and Human Services Agency – Child Welfare Services 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. 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. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

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

A handwritten signature in blue ink, appearing to read "Juan R. Perez".

JUAN R. PEREZ
Chief of Audits

AUD:EH:nb

Enclosure

c: Nick Macchione, Director, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Dean Arabatzis, Chief Operations Officer, Health and Human Services Agency
Andrew Pease, Executive Finance Director, Health and Human Services Agency
Debbie Ordonez, Revenue & Budget Manager, Health and Human Services Agency

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Health and Human Services Agency (HHSA) – Child Welfare Services (CWS). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Cathi Palatella, and interim incoming officer, Kimberly Giardina, took appropriate actions and filed required reports as of March 29, 2019 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, and 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 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 exceptions:
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Finding I:	Errors in Minor Equipment Inventory Balance CWS reported a balance of \$5,559,277 on the Minor Equipment (ME) and Books Inventory Certificate. However, we identified errors in the inventory balance reported, and could not obtain reasonable assurance that the balances reported for ME are accurately presented. Specifically:
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One Asset Incorrectly Listed as Minor Equipment – The CWS ME inventory register listed a fixed asset (table) valued at \$13,430. We found

that the fixed asset was also listed in the CWS Fixed Asset Inventory Register.

Items Listed in the Minor Equipment with No Assigned Cost – The CWS ME inventory register listed seven items, as described in Table 1 below, with a value of \$0.

Table 1. ME Items without Assigned Value

Description	Quantity	Cost
TV, LED, NEC 80"	5	\$0
LED TV, Sharp Aquos, 80"	1	\$0
iPad Controller-Conference Room	1	\$0

We sighted one of these items as part of our audit testing and noted that the item was recently acquired. According to CWS, HHSA-Facilities purchased and provided multiple ME items to CWS, but they did not include invoices for all the ME items they purchased. As such, there was no cost available to list for each of these items.

As a result of these errors, the balance reported in the ME and Books Inventory Certificate is inaccurate.

The County of San Diego Administrative Manual (Admin Manual) No. 0050-02-01 - Control of Capital Assets and Minor Equipment, provides the following criteria:

- Equipment is further distinguished in that capital equipment has a unit cost of \$5,000 or greater and can function on its own, while minor equipment has a unit cost between \$500 and \$4,999.
- Department heads are required to maintain listings of minor equipment items for which they are responsible for, adding new items as they are received and deleting items that are disposed of or no longer in use. Lists must identify the quantity and nature of the minor equipment items, their location and assigned value.

Additionally, the Auditor & Controller (A&C) Fiscal Year End Manual states that ME items should be priced as follows: use purchase price (if available), use an estimated purchase price, or use estimated value at time of donation (if donated).

Recommendation: To improve the internal controls over the administration of minor equipment and ensure compliance with the Admin Manual, CWS should:

1. Remove the fixed asset from the ME inventory register.
2. Request invoices from HHSA-Facilities and assign proper values to the seven ME items.
3. Develop a process to ensure that assets purchased through HHSA-Facilities include corresponding invoices upon delivery.

Finding II: Errors in Materials and Supplies Inventory Balance

CWS reported a balance of \$673,491 on the Materials & Supplies Inventory Certificate. However, we identified errors in the inventory balance reported, and could not obtain reasonable assurance that the balance reported for materials and supplies is accurately presented. Specifically, we noted the following:

Equipment costing over \$500 listed as materials and supplies – Based on our review of the Materials & Supplies inventory listing reported to OAAS, we identified 43 items with a recorded cost of over \$500; therefore, these items should be classified as minor equipment. See Table 2:

Table 2. Items with a Cost of Over \$500

Description	Quantity	Cost	Total
Think Chair, Upholstered back, Frame Finish; Textured Paint	30	\$627.72	\$18,832
Tabletop-Racetrack, 48D x 96W, w/bases, Natural Cherry	2	\$715.63	\$1,431
Organizer, triple, 23x40x18, Birch, w/storage trays	7	\$545.62	\$3,819
Organizer, triple, 23x40x18, Birch, w/storage trays	2	\$555.04	\$1,110
Workstations on built in counter (Modular Furniture)	2	\$736.37	\$1,473
Totals	43		\$26,665

Based on this error, the Materials & Supplies inventory balance reported as part of the transition audit, and to A&C, as part of the Fiscal Year End process (FY 2017-18), was overstated while the ME inventory balance was understated.

According to CWS, the inclusion of items with a cost above \$500 in the Materials & Supplies inventory balance was due to staff oversight.

Admin Manual No. 0050-02-01 - Control of Capital Assets and Minor Equipment, states that minor equipment has a unit cost between \$500 and \$4,999.

Recommendation: To improve the internal controls over the administration of materials and supplies and ensure compliance with County policies, CWS should:

1. Remove the 43 items listed on the CWS Materials & Supplies inventory with a value over \$500 and add them to the ME inventory register.
2. Provide refresher training to staff responsible for the administration of inventory, including HHSA-Facilities staff, to ensure that they are aware of County policies and procedures.

3. Submit amended inventory balance reports to A&C reflecting adjustments made to Materials & Supplies and ME (including implementation of recommendations related to Finding I).

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

DEPARTMENT'S RESPONSE
(CHILD WELFARE SERVICES)

RECEIVED

AUG 12 2019

OFFICE OF AUDITS & ADVISORY SERVICES



County of San Diego

NICK MACCHIONE, FACHE
AGENCY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY

CHILD WELFARE SERVICES
8965 BALBOA AVENUE, MAIL STOP W-473
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KIMBERLY GIARDINA, DSW, MSW
ACTING DIRECTOR
CHILD WELFARE SERVICES

August 7, 2019

TO: Juan R. Perez
Chief of Audits

FROM: Kimberly Giardina, Acting Director
Child Welfare Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HEALTH AND HUMAN SERVICES AGENCY -- CHILD WELFARE SERVICES OFFICERS' TRANSITION AUDIT

Finding I: Errors in Minor Equipment Inventory Balance

OAAS Recommendation: To improve the internal controls over the administration of minor equipment and ensure compliance with the Admin Manual, CWS should:

1. Remove the fixed asset from the ME inventory register.
2. Request invoices from HHSA-Facilities and assign proper values to the seven ME items.
3. Develop a process to ensure that assets purchased through HHSA-Facilities include corresponding invoices upon delivery.

Action Plan: CWS agrees with this finding and will take the following steps to comply:

1. We will remove the fixed asset from the ME inventory register.
2. We will continue to request invoices from HHSA-Facilities so that we may assign proper values to the seven ME items. We will update the ME inventory register using estimated purchase prices and will update again upon invoice receipt.
3. HHSA-Fiscal will work with HHSA-Facilities and CWS to develop a process to ensure that assets purchased through HHSA-Facilities include corresponding invoices upon delivery and have proper assigned values.

Planned Completion Date: 1/1/20

Contact Information for Implementation: Mike Weissenburger, Departmental Budget Manager

Finding II: Errors in Materials and Supplies Inventory Balance

OAAS Recommendation: To improve the internal controls over the administration of materials and supplies and ensure compliance with County policies, CWS should:

1. Remove the 43 items listed on the CWS Materials & Supplies inventory with a value over \$500 and add them to the ME inventory register.
2. Provide refresher training to staff responsible for the administration of inventory, including HHSA-Facilities staff, to ensure that they are aware of County policies and procedures.
3. Submit amended inventory balance reports to A&C reflecting adjustments made to Materials & Supplies and ME (including implementation of recommendations related to Finding I).

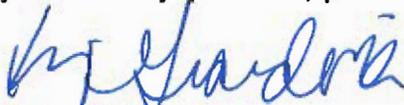
Action Plan: CWS agrees with this finding and will take the following steps to comply:

1. We will remove the 43 items listed on the CWS Materials & Supplies inventory with a value over \$500 and add them to the ME inventory register.
2. HHSA-Fiscal will provide refresher training to CWS and HHSA-Facilities staff responsible for the administration of inventory.
3. We will submit amended inventory balance reports to A&C reflecting adjustments made to Materials & Supplies and ME (including implementation of recommendations related to Finding I).

Planned Completion Date: 1/1/20

Contact Information for Implementation: Mike Weissenburger, Departmental Budget Manager

If you have any questions, please contact me at (858) 616-5815.



KIMBERLY GIARDINA, DSW MSW
Acting Director, Child Welfare Services

KG:mw