

OFFICE OF AUDITS & ADVISORY SERVICES



DEPARTMENT OF PUBLIC WORKS OFFICERS' TRANSITION AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Lynne Prizzia, CISA, CRISC
Auditor I: Mercedes Pereira-Trent, MBA

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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

March 27, 2020

TO: Brian Albright, Acting Director
Department of Public Works

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: DEPARTMENT OF PUBLIC WORKS OFFICERS' TRANSITION AUDIT

Enclosed is our report on the Department of Public Works 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:MPT:nb

Enclosure

c: Sarah Aghassi, Deputy Chief Administrative Officer, Land Use and Environment Group
Tracy Drager, Auditor and Controller
Renee Loewer, Group Finance Director, Land Use and Environment Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Department of Public Works (DPW). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Richard Crompton, and incoming officer, Brian Albright, took appropriate actions and filed required reports as of September 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 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.

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.

Methodology OAAS reviewed the reports filed by the outgoing and incoming officers for accuracy and completeness, obtained supporting documentation, and performed limited internal control testing. Additionally, we reviewed the DPW Continuity of Operations Plan (COOP) to ascertain if it has been recently updated and tested.

Due to the size and complexity of DPW, a judgmental sample of organizational units (low orgs) was selected for testing. See Table No. 1 for details:

**Table No. 1
Sample of Accounts and Locations Selected for Testing**

Description	Sample Selected
Accounts Receivable	Account No. 11100-11192 Developers and Util. Accts. Account No. 10100-11179 Developers and Util. Accts. Account No. 15000-11031 Flood Control District (FCDT) Account No. 11100-11041 Caltrans, SDGE, US Housing
Trust Funds	Fund No. 44581 Future Improvements Fund No. 44583 Transportation Impact Fee Fund No. 44584 Drainage Fee ORD 5856 NS
Revolving Funds	Petty Cash - Financial Services Petty Cash - Transportation Division
Materials and Supplies	Creative Service Division (52338) Streetlight Districts Division (95995)
Minor Equipment	Spring Valley Road Station (53495) Spring Valley Operations (76900) Watershed Protection Program (WPP Lab. 50855)
Capitalized Assets	DPW, HQ 5510 Overland Ave., (53460, 53485, 53655) Gillespie and Palomar Airport (97095) Ramona Station (97079)

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, exceptions were identified in the reporting of materials and supplies, capitalized assets, and the DPW Continuity of Operations Plan as follows:

Finding I:

Inaccurate Materials and Supplies Certificate

DPW omitted 662 light bulbs held by a vendor for a total of \$74,184 from the Streetlight Districts Materials and Supplies Certificate. As a result, the Materials and Supplies Certificate is understated.

Underreporting materials and supplies could increase the risk that the County may not have sufficient insurance coverage in the event of losses.

These errors resulted in the materials and supplies balances being inaccurately reported on the inventory certificates.

DPW stated that the error was an oversight by the staff performing the inventory of materials and supplies. The light bulbs were paid in full but held at the vendor warehouse due to limited storage space at the Streetlight Districts warehouse. A request was made for the vendor to deliver the bulbs to the Streetlight Districts warehouse in three deliveries to accommodate for the limited space.

The Fiscal Year-End Closing Manual requires that materials and supplies which are County property and are in the hands of suppliers, processors, or stored in outside warehouses be reported on separate inventory listings.

Recommendation: To ensure accuracy of the materials and supplies inventory and compliance with the Fiscal Year-End Closing Manual, DPW should implement procedures to ensure that the department's inventory coordinators verify that all applicable materials and supplies are tracked and reported for all locations, including those purchased but not yet delivered.

Finding II: **COOP Training Not Conducted Annually**
Some DPW staff involved with the COOP activities have not received training in over a year.

According to DPW, the last comprehensive COOP training exercise was conducted in 2015 when the Office of Emergency Services performed a tabletop drill.

If annual training is not provided to DPW staff involved with COOP activities, they may not be adequately prepared in the event of a disaster.

According to DPW, they are in the process of updating their COOP, and they anticipate that training materials will be available for training during the first quarter of 2020.

The Admin Manual Item No. 0050-01-12 states that each County department shall conduct an annual COOP review and COOP exercises every other year.

FEMA's Continuing Guidance for Non-Federal Governments recommends that team training and internal testing/exercising of COOP plans and procedures be conducted at least annually, including training on the roles and responsibilities for personnel who are assigned to activate, support, and sustain continuity and devolution operations.

Recommendation: To ensure compliance with County requirements and FEMA's Continuity Guidance for Non-Federal Government, DPW should provide team training and exercising of COOP activities at least annually.

Finding III: **Internal Controls Over Capitalized Assets**
A sample of 25 capitalized assets were selected for detail testing. OAAS identified the following exceptions:

- **Missing Asset Tags** – Two of the 25 assets sampled (8%) did not have the required asset tag affixed: Asset No. 1005161 Noise Monitor System and Asset No. 1004771 High Water Warning Sys Automated.
- **Asset with Incorrect Tag No.** – The Asset Tag No. listed in the Oracle Fixed Assets Module (OFAM) for Asset No. 1004925 Pressure Aging

Vessel #BM-73 was 25412300. However, the Asset Tag No. affixed to the asset was 25412500.

- **Asset with Minor Equipment Tag Affixed** – Asset No. 1018332 Dynamic Shear Rheometer did not have the required capitalized asset tag affixed. Instead, a minor equipment tag was affixed.
- **Unsighted Asset** – OAAS was not able to sight Asset No. 1004771 High Water Warning Sys Automated during fieldwork testing. The location listed in the OFAM, COC Bldg. 02, 5555 Overland Ave, San Diego, CA 92123, was incorrect. DPW found the asset located at 2518 Country Club Road. However, the asset did not have the Asset Tag No. affixed. DPW added that the asset is fully depreciated but still in working condition. They submitted Form AUD253 to remove the asset from the OFAM and transfer it from the Transportation Division to the Flood Control District (FCDT) as minor equipment.

Missing, illegible or incorrect tags affixed to assets may result in inaccurate or incomplete inventories due to the inability to confirm whether the sighted asset is listed in the OFAM report. Further, it increases the risk of assets being lost or stolen and may prevent DPW from conducting an accurate physical inventory.

An effective system of internal controls over capitalized assets involves the establishment of control activities designed to ensure accurate recording and accounting of capitalized assets. These activities include, but are not limited to, adequate records of inventory with an asset description, identification tag, location, and historical cost.

According to DPW, asset tags are missing due to wear and exposure to nature. However, these tags should be replaced and updated as needed during the physical inventory, or as noted.

Admin Manual Item No. 0050-02-01 states that department heads are responsible for all County property in their charge. These responsibilities include identification and control of these assets, filing of inventories, and submission of reports as specified by the Board of Supervisors. Furthermore, decals must be affixed to assets in a spot that is easily visible when conducting inventories.

Recommendation: To strengthen inventory controls over capitalized assets, DPW should:

1. Develop appropriate internal controls over administration of department assets to ensure that individuals in charge of the assets have a clear understanding of their duties and responsibilities and are aware of County policies related to the administration of assets.

2. Submit Form AUD253 to A&C PRGA to correct discrepancies noted which include adding or updating asset tags and transferring Asset No. 1004771 to the minor equipment listing.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE
(DEPARTMENT OF PUBLIC WORKS)



County of San Diego

BRIAN ALBRIGHT
DIRECTOR

DEPARTMENT OF PUBLIC WORKS
5510 OVERLAND AVENUE, SUITE 410
SAN DIEGO, CA 92123-1237
(858) 694-2212
www.sdcountry.ca.gov/dpw/

RECEIVED

MAR 25 2020

OFFICE OF AUDITS &
ADVISORY SERVICES

March 25, 2020

TO: Juan R. Perez, Chief of Audits
Auditor and Controller

FROM: Brian Albright, Director
Department of Public Works Brian Albright

Digitally signed by Brian
Albright
Date: 2020.03.25
10:23:36 -07'00'

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: DEPARTMENT OF PUBLIC WORKS OFFICERS' TRANSITION AUDIT

I have reviewed the Preliminary Draft Audit Report for Department of Public Works (DPW) Officers' Transition Audit, and the following are DPW's intended action plan and completion dates for individual audit findings:

Finding I: Incomplete Materials and Supplies Certificates for Light Bulbs

- **OAAS Recommendation:** To ensure accuracy of the materials and supplies inventory and compliance with the Fiscal Year-End Closing Manual, DPW should implement procedures to ensure that the department's inventory coordinators verify that all applicable materials and supplies are tracked and reported for all locations, including those purchased but not yet delivered.
- **Action Plan:** DPW concurs with the OAAS recommendation and recognizes that additional work is needed to improve accuracy and consistency across DPW. DPW Financial Services will provide training to program staff and managers on the inventory and asset management process by May 29, 2020. To address the specific finding, an email was sent to staff that handle materials and supplies regarding the procedures for inventorying shipments and distributions.
 - **Planned Completion Date:** May 29, 2020
 - **Contact Information for Implementation:** Dana Hua, Principal Accountant

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Finding II: COOP Training Not Conducted Annually

- **OAAS Recommendation:** To ensure compliance with County requirements and FEMA's Continuity Guidance for Non-Federal Government, DPW should provide team training and exercising of COOP activities at least annually.
- **Action Plan:** DPW concurs with the OAAS recommendation and recognizes the need to ensure the review and update of the COOP happens annually and that it is exercised in detail every two years. Training has taken place regularly but it has not been comprehensive to include all department employees. The department has completed the process to update the COOP and will initiate a departmentwide training by June 1, 2020.
 - **Planned Completion Date:** June 1, 2020
 - **Contact Information for Implementation:** Derek Gade, Assistant Director

Finding III: Internal Controls Over Capitalized Assets

- **OAAS Recommendation:** To strengthen inventory controls over capitalized assets, DPW should:
 1. Develop appropriate internal controls over administration of department assets to ensure that individuals in charge of the assets have a clear understanding of their duties and responsibilities and are aware of County policies related to the administration of assets.
 2. Submit Form AUD253 to A&C PRGA to correct discrepancies noted which include adding or updating asset tags and transferring Asset No. 1004771 to the minor equipment listing.
- **Action Plan:** DPW concurs with the OAAS recommendations and recognizes that additional work is needed to improve accuracy and consistency across DPW. DPW Financial Services will provide training to program staff and managers on the inventory and asset management process by May 29, 2020. To address the specific finding, an email was sent to staff to correct the noted issues and Forms AUD 253 has been submitted to A&C PRGA to correct discrepancies on December 5, 2019 for the items noted in the audit.
 - **Planned Completion Dates:**
 - Training: May 29, 2020
 - Asset 1004771: Completed on December 5, 2019

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- **Contact Information for Implementation:**
Accountant

To ensure these items are completed by the proposed dates, a departmentwide referral will be issued. If you have any questions, please contact Dana Hua at (858) 694-3625, or Orelia DeBraul at (858) 505-6470.

cc: Orelia DeBraul – Department of Public Works
Dana Hua – Department of Public Works