

OFFICE OF AUDITS & ADVISORY SERVICES



PLANNING AND DEVELOPMENT SERVICES 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

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JUAN R. PEREZ
CHIEF OF AUDITS

May 5, 2021

TO: Kathleen Flannery, Interim Director
Planning and Development Services

FROM: Juan R. Perez
Chief of Audits

**FINAL REPORT: PLANNING AND DEVELOPMENT SERVICES OFFICERS' TRANSITION
AUDIT**

Enclosed is our report on the Planning and Development 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:MPT:nb

Enclosure

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

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for Planning and Development Services (PDS). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Mark T. Wardlaw, and incoming officer, Kathleen A. Flannery, took appropriate actions and filed required reports as of January 15, 2021 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 all the reports filed by the outgoing and incoming officers for accuracy and completeness, obtained supporting documentation, and performed limited testing of internal controls over accounts receivable, trust fund administration, revolving funds, and inventories of materials and supplies, minor equipment, and fixed assets. Additionally, we reviewed the PDS Continuity of Operations Plan to ascertain if it has been recently updated and tested.

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:

Finding I: **Internal Controls Over Minor Equipment and Capitalized Property Need Improvement**

Minor Equipment:

Audit testing identified minor equipment property with no asset decals affixed. Specifically, 10 of the 10 (100%) minor equipment items selected for testing did not have "Property of the County of San Diego" decals affixed. The items missing asset decals are listed in Table 1.

Table 1. Minor Equipment Items Missing Asset Decals

Sample No.	Description	Acquisition Cost
1	Extron DXP 84 HDMI-8X4 HDMI Matric Switcher	4,501.58
2	Bind Punch	4,195.00
3	Check Protector	3,289.00
4	Folding Machine	2,875.00
5	GPS	2,411.67
6	Ice Machine	4,577.34
7	Paper Cutter Machine	3,750.00
8	Perforator	3,970.00
9	Scanner -Kodak I1420	3,795.61
10	APX4500 Control Station w/AES Encryption	3,093.00

Capitalized Property:

A sample of 10 capitalized assets were selected for detail testing. OAAS identified the following exceptions:

- **Missing Asset Tags** – 5 of the 10 assets sampled (50%) did not have the required capitalized asset tag affixed. Instead, a minor equipment tag was affixed to them. The items missing capitalized asset decals are listed in Table 2.

Table 2. Capitalized Property Items Missing Asset Decals

Asset No.	Description	Acquisition Cost
1029451	Sharp 65" Screensize Monitors	7,353.00
1481342	Fire/Water Safe Shelves	11,334.75
1502408	AMX MVP-0999I Gloss Black Touch Panel	5,316.25
1089292	Stacs. 100PP System	56,162.14
1932542	Action Drone Heavy	68,862.00

- **Un sighted Asset** – OAAS was not able to sight Asset No. **1004574** Plotter/Copier/Scanner Oce-Bruning. According to PDS this asset was replaced in 2017 with Asset No. **1759517**. However, Asset No. **1004574** was not properly removed from the Oracle Fixed Asset Module (OFAM).

These tags should have been replaced and updated as needed during the physical inventory or as noted. According to PDS, asset tags are missing due to staff oversight.

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 PDS from conducting an accurate physical inventory.

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

County Administrative 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. Further, decals must be affixed to assets in a spot that is easily visible when conducting inventories.

Recommendation: To improve internal controls over the administration of assets and ensure compliance with the Admin Manual, PDS should:

1. Develop the appropriate internal controls over the administration of the department assets to ensure that the 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. Develop a checklist to facilitate the completion of the physical inventory of assets and maintenance of inventory records. This list should include, but not be limited to:
 - a. Asset identification
 - b. Location
 - c. Working conditions
 - d. Asset tags
3. Ensure that asset decals are affixed to all minor equipment property including items noted in Table 1.
4. Submit Form AUD253 to Auditor and Controller's Projects, Revenue, and Grant Accounting Division to correct the capitalized property discrepancies noted, which include adding or updating capitalized asset tags and removing Asset No. 1004574 from the inventory.

Finding II: Internal Controls Over Revolving Funds Management Need Improvement

During the testing of the Revolving Funds, OAAS noted the following deficiencies:

Change Funds:

- PDS does not change the combination of the safe regularly.
- PDS does not have a Safe Activity Log for opening and closing the safe.
- Individuals in charge of cash need refresher training.

Improper internal controls over revolving funds management increase the risk of mishandling or misappropriation of funds.

PDS stated that the deficiencies noted were the result of following the most recent cash handling training provided by Treasurer-Tax Collector, which did not include the comprehensive guidance that is referenced in the policy.

County Administrative Manual Item No. 30-21 incorporates by reference the Treasurer-Tax Collector's Cash Handling Policies and Procedures (CHPP), which state that the Supervisor/Manager has overall responsibility and accountability for ensuring that all employees that receive and handle cash complete a course of instruction or training on the secure processing of moneys. The training should be completed within six months of employment and refresher instruction or training in cash handling attended at periodic intervals or when the need arises.

The CHPP also states that safe combinations should be changed periodically and always when permanent custody changes (i.e., employee turnover). In addition, access to the safe must be monitored through a written access log.

Recommendation: To improve internal controls over revolving funds management PDS should:

1. Establish internal control procedures to address the revolving funds management deficiencies noted.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE
(PLANNING AND DEVELOPMENT SERVICES)



County of San Diego

KATHLEEN A. FLANNERY
ACTING DIRECTOR

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VINCE NICOLETTI
ACTING ASSISTANT DIRECTOR

April 30, 2021

TO: Juan R. Perez
Chief of Audits

FROM: Kathleen A. Flannery, Acting Director
Planning & Development Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: PDS Officer’s Transition Audit

Finding I: Internal Controls Over Minor Equipment and Capitalized Property Need Improvement

OAAS Recommendation:

To improve internal controls over the administration of assets and ensure compliance with the Admin Manual, PDS should:

1. Develop the appropriate internal controls over the administration of the department assets to ensure that the 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. Develop a checklist to facilitate the completion of the physical inventory of assets and maintenance of inventory records. This list should include, but not be limited to:
 - a. a. Asset identification
 - b. b. Location
 - c. c. Working conditions
 - d. d. Asset tags
3. Ensure that asset decals are affixed to all minor equipment property including items noted in Table 1.
4. Submit Form AUD253 to Auditor and Controller’s Projects, Revenue, and Grant Accounting Division to correct the capitalized property discrepancies noted, which include adding or updating capitalized asset tags and removing Asset No. 1004574 from the inventory.

Action Plan:

PDS agrees with the audit recommendation and have taken the following actions to comply with the recommendations:

1. All staff involved in minor equipment are required to attend A&C training regarding the maintenance of departmental assets no less than biannually.
2. A checklist to facilitate the completion of physical inventory of assets and maintenance of inventory has been created and will be used moving forward to complete inventory starting with Fiscal Year End 20/21 activities.
3. All assets (both minor equipment and capitalized assets) now have asset decals affixed as of 4/16/2021. Moving forward all decals will be validated annually based on the inventory checklist created in item # 2.
4. Form AUD 253 has been submitted to A&C, PRGA to correct the capitalized property discrepancies noted. PDS has verified Asset No 1004574 has been removed properly from the Capital Asset Listing Report as of April 13, 2021.

Planned Completion Date:

Item # 1 will be completed at the next available training set for May 2021.

Item # 2 has been completed as of 4/30/2021.

Item # 3 is completed as of 4/16/2021. A full inventory is set to be completed as part of fiscal year end which will be completed by August 2021.

Item # 4 was completed as of 4/13/2021.

Contact Information for Implementation: Stephanie Nicholas, Chief, Departmental Operations

Finding II: Internal Controls Over Revolving Funds Management Need Improvement**OAAS Recommendation:**

To improve internal controls over revolving funds management PDS should:

1. Establish internal control procedures to address the revolving funds management deficiencies noted.

Action Plan: PDS agrees with the audit recommendation and have taken the following actions to comply with the recommendations:

1. PDS cashiering procedures have been updated to require the safe combination be changed when any of the three FTE positions responsible for unlocking the safe experience turnover. This will comply with the TTC Cash Handling Policy and Procedure. Identified safe opening safe staff include: Associate Accountant, Senior Accounting, Admin Analyst III (Budget Unit). The safe combination has been changed as of 4/2/2021.
2. Cashiering procedure has been updated to include the completion and maintenance of a Safe Log to track staff accessing the safe during business. This will comply with the TTC Cash Handling Policy and Procedure. The log has already been implemented effective 03/24/2021 and is assigned to the Staff Accountant (Cashier Supervisor) for monitoring.
3. All appropriate staff will be required to attend the Cash Handling Seminar at least once every two years. Furthermore, PDS will require the same individuals review CAO Policy 0030-21 Revolving Funds and 0030-24 Cash Receipts on an annual basis via LMS each calendar year by December 31st. The Senior Accountant will coordinate with the HR Unit to ensure staff are assigned the annual LMS training. Staff who need to attend the seminar will need to be enrolled when the next session

becomes available. PDS currently has identified three staff that need training (four are current).

Planned Completion Date:

Item # 1 was completed as of 4/2/2021.

Item # 2 was completed as of 3/24/2021.

Item # 3 will be completed at the next available cash handling training offered by TTC estimated to be in October 2021.

Contact Information for Implementation: Stephanie Nicholas, Chief, Departmental Operations

If you have any questions, please contact me at kathleen.flannery@sdcounty.ca.gov or (858) 694-2962.



**KATHLEEN A. FLANNERY, Acting Director
Planning & Development Services**