

OFFICE OF AUDITS & ADVISORY SERVICES

INVENTORIES AUDIT

FINAL REPORT



Chief of Audits: [Juan R. Perez](#)
Audit Manager: [Christopher Efird, CPA](#)
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TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
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JUAN R. PEREZ
CHIEF OF AUDITS

December 13, 2023

TO: Steven Campman, M.D., Chief Medical Examiner
County Medical Examiner

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: INVENTORIES AUDIT

Enclosed is our report on the Inventories 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.

JUAN R. PEREZ
Chief of Audits

AUD:VC:nb

Enclosure

c: Holly Porter, Deputy Chief Administrative Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Rosemarie Degracia, Group Finance Director, Public Safety Group

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

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.



AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) completed an audit of the biennial inventories of capitalized assets and minor equipment. The objective of the audit was to conduct direct observation of physical inventories for a sample of County departments, to assess the adequacy of related internal controls and reporting processes.

The scope of the audit included observing the biennial inventories of capitalized assets and minor equipment for FY 2022-23 and assessing departments' conformance with A&C guidelines. OAAS selected the County Medical Examiner's (CME) office and all divisions therein for audit detail testing.

AUDIT RESULTS

Within the scope of the audit, OAAS observed that the inventories were conducted in accordance with the Admin Manual Item 0050-02-01 and the schedule established in the Year-End Manual for the Biennial Physical Inventories. However, we identified opportunities for the CME to further improve existing controls and strengthen compliance with County policies and procedures.

Finding I: Internal Controls Over Minor Equipment Need Improvement

On May 11 and 12, 2023, OAAS observed the CME conduct inventories of capitalized assets and minor equipment. The following deficiencies related to the administration of minor equipment were identified:

- 88 minor equipment assets with a total value of \$78,255.50 were included in the Minor Equipment Inventory Listing (MEIL) but were not sighted during the inventory count.
- Twenty minor equipment assets were missing asset tags and not included in the MEIL.
- Twelve minor equipment assets were missing asset tags and were included in the MEIL.
- Six minor equipment assets were included in the MEIL that are not functional.
- Seven tagged minor equipment assets were not included in the MEIL.
- A Form DPC-203 was not submitted to the Department of Purchasing and Contracting (DPC) to properly dispose of lost and/or salvaged minor equipment assets.

Due to a scheduled carpet replacement, many of the assets listed on the MEIL were misplaced and/or mixed up with similar equipment which resulted in inaccuracies in the inventory updates. Additionally, the existing Biennial Physical Inventory guidelines do not specify that Form DPC-203 is required for disposal of minor equipment.

County 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.

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.

Deficiencies in internal controls related to the tracking of minor equipment and supplies increases the risk of asset misappropriation, misuse, or loss.

RECOMMENDATION:

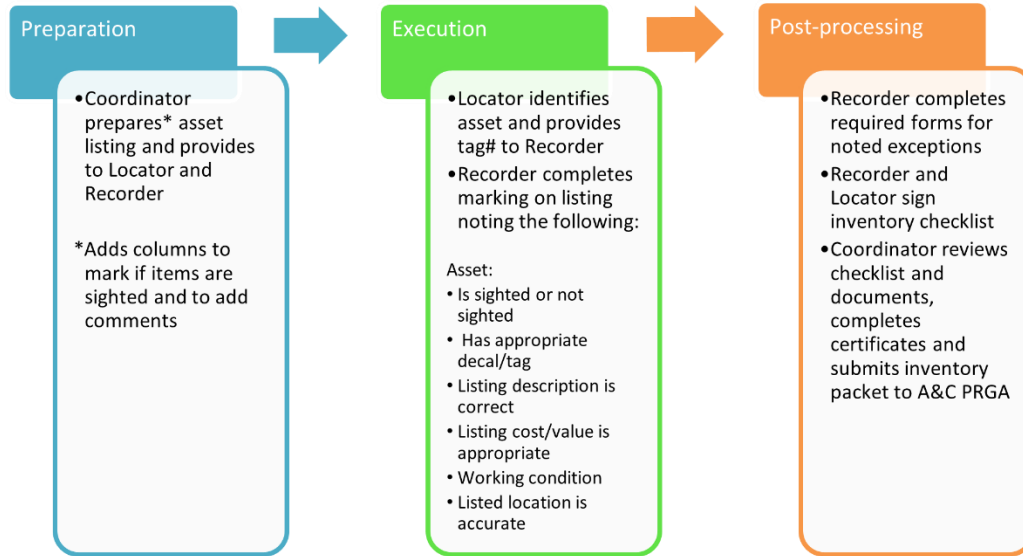
To improve internal controls over the administration of assets, adequacy of controls over inventory taking, and reporting processes and ensure compliance with the Admin Manual, the CME should:

1. Ensure that employees with asset management responsibilities are trained and understand their duties as required by County policy.
2. Ensure that the exceptions noted above are resolved.
3. Update the MEIL to accurately reflect the total minor equipment under the County Medical Examiner's control.

BACKGROUND

Government Code Section 24051 and Administrative Code Sections 80 and 91.1 through 91.3 confer to County officers and department heads the responsibility for all County property (assets) in their charge, including capital assets and minor equipment. These responsibilities include the identification and control of these assets, the filing of inventories, and the submission of reports as specified by the County Board of Supervisors.

County of San Diego Administrative Manual (Admin Manual) Item 0050-02-01 states that County departments are required to conduct a complete physical inventory of all capital assets, minor equipment, and books on a biennial basis. Additionally, Government Code Section 26881 provides authority for the County Auditor and Controller to prescribe, supervise, and review departmental and Countywide internal controls, including forms and methods of keeping the accounts of all offices. Inventories are to be conducted according to the schedule published in the Auditor and Controller (A&C) Fiscal Year-End Closing Manual. All physical inventories must be signed and certified by the department head. The inventory process is described in the Biennial Physical Inventory of Capital Assets guide published by A&C and available on the A&C website. The inventory process includes three phases as described in Figure 1.

Figure1. Inventory Cycle

METHODOLOGY

OAAS performed the audit using the following methods:

- Reviewed applicable audit standards, County policies and procedures, the Fiscal Year-End Manual, and required forms.
- Reviewed best practices for physical inventory of assets.
- Selected the CME's office for detailed testing.
- Performed the following testing:
 - Conducted an unannounced visit for testing during the time the biennial inventories were being conducted.
 - Interviewed management and staff in charge of the biennial inventories to determine their awareness of County policies and procedures for conducting inventories.
 - Verified that the inventories were conducted in accordance with the Admin Manual Item 0050-02-01 and the Biennial Physical Inventory of Capital Assets procedures.
 - Reviewed the Oracle Fixed Asset Module (OFAM) to ensure that it did not have any unsighted assets listed. If unsighted assets were listed, verified that the department followed up on the procedures to locate or dispose of the assets.

DEPARTMENT'S RESPONSE
(COUNTY MEDICAL EXAMINER)



County of San Diego

STEVEN C. CAMPMAN, M.D.
CHIEF MEDICAL EXAMINER

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JONATHAN R. LUCAS, M.D.
CHIEF DEPUTY MEDICAL EXAMINER

December 5, 2023

TO: Juan R. Perez
Chief of Audits

FROM: Steven Campman, M.D., Chief Medical Examiner
Department of the Medical Examiner

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: INVENTORIES AUDIT

Finding I: Internal Controls Over Minor Equipment Need Improvement

OAAS Recommendation: To improve internal controls over the administration of assets, adequacy of controls over inventory taking, and reporting processes and ensure compliance with the Admin Manual, the CME should:

1. Ensure that employees with asset management responsibilities are trained and understand their duties as required by County policy.
2. Ensure that the exceptions noted above are resolved.
3. Update the MEIL to accurately reflect the total minor equipment under the County Medical Examiner’s control.

Action Plan: The Medical Examiner agrees with the audit recommendations. The Medical Examiner will ensure employees with asset management responsibilities are trained and understand their duties as required by County policy. The Medical Examiner will conduct another minor equipment inventory to update the MEIL to accurately reflect the total minor equipment and resolve any exceptions.

Planned Implementation Date: March 30, 2024

Contact Information for Implementation: Myra Colon, Admin Services Manager I

If you have any questions, please contact Myra Colon at (858) 694-3072.

Steven Campman, M.D.
Chief Medical Examiner