

OFFICE OF AUDITS & ADVISORY SERVICES

PUBLIC ADMINISTRATOR / PUBLIC GUARDIAN WAREHOUSE & VAULT AUDIT

FINAL REPORT



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JUAN R. PEREZ
CHIEF OF AUDITS

January 8, 2024

TO: Naomi Chavez, Acting Director
Aging & Independence Services, Public Administrator, Public Guardian

FROM: Juan R. Perez
Chief of Audits

**FINAL REPORT: PUBLIC ADMINISTRATOR / PUBLIC GUARDIAN WAREHOUSE & VAULT
AUDIT**

Enclosed is our report on the Public Administrator / Public Guardian Warehouse & Vault 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:EH:nb

Enclosure

c: Patty Kay Danon, Chief Operations Officer, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Amy Thompson, Executive Finance Director, Health and Human Services Agency
Christy Carlson, Group Program Manager, Health and Human Services Agency

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 Public Administrator (PA) / Public Guardian (PG) warehouse and vault. The objective of the audit was to determine if controls over the PA/PG warehouse and vault are sufficient to ensure assets for decedents, individuals under guardianship, and the County of San Diego (County) are properly safeguarded.

The scope of the audit focused on evaluating whether key internal controls and internal PA/PG procedures are in place and operating effectively to ensure assets for decedents, individuals under guardianship, and the County are properly safeguarded.

AUDIT RESULTS

Within the scope of the audit, OAAS determined that controls over the PA/PG warehouse and vault need improvement to ensure assets for decedents, individuals under guardianship, and the County are properly safeguarded. Specific details regarding these areas for improvement are presented in the following findings and related recommendations.

Finding I: Areas for Improvement Identified in Asset Management

OAAS conducted site visits and walkthroughs of the warehouse and vault to better understand and evaluate the internal controls and procedures in place to safeguard client and County assets. During this assessment, OAAS noted the following instances where improvement is needed:

- Multiple envelopes, dropped off by PA/PG Deputies (Deputies), were observed inside the vault near the entrance door. These envelopes held items from various estates, intended for sorting for either disposal or inventory inclusion. They had been in the vault for several weeks and in some instances months. During the performance of the audit, a PA/PG policy was created that states Deputies are expected to sort items within 30 days.
- The armored carrier, who is not a County employee, was entering the vault to pick up the daily deposit and occasionally signing the vault access log.
- Numerous cell phones were viewed in the vault that were retrieved from an estate. OAAS inquired about the process to dispose of or salvage cell phones, but no relevant policy has been created.
- Foreign currency was identified that had been in the vault for multiple months. OAAS inquired about the procedure for converting or inventorying foreign currency for estates, but no documented policy on handling foreign currency exists.
- No physical inventories have ever been performed on the assets stored in the warehouse or vault. Deputies used to conduct spot checks on the inventories of fellow Deputies, but there was never a formal process established to carry out regular physical inventories.

In addition to the walkthroughs and site visits, OAAS conducted the following in-depth testing procedures to verify whether identified controls were operating as intended and if the administration of estate assets adhered to the established policies and procedures:

- Reviewed a sample of ten PA/PG estate cases, opened between July 1, 2021, and May 31, 2023, to assess whether the steps taken to evaluate the estate and retrieve assets were conducted in accordance with the PA/PG Policies and Procedures.
- Vouched a sample of twenty items listed in the software Panoramic (Panosoft) to the vault and warehouse floors to verify their existence.
- Traced a sample of ten items from the vault and warehouse floors to Panosoft to verify they were properly recorded.

Based on the testing performed, OAAS noted the following instances where improvements are needed when handling estate assets to comply with PA/PG policies and procedures:

Review of PA/PG Estate Cases

- Initial assessments were properly completed on eight of the 10 estate cases reviewed, however; for two of the 10 estate cases reviewed, the Deputy did not perform the initial assessment of the estate's property within 10 business days as required by PA/PG policies and procedures.
- Warehouse staff, also known as Estate Property Specialists, do not complete a field receipt of items removed from a property. A field receipt must be completed to confirm delivery of items with a vault Custodian, and to enter items into Panosoft.
- Responsibilities for entering inventory into Panosoft were unclear. OAAS found one policy that states the Deputy is responsible to list estate inventory items and another policy that states Sr. Estate Property Specialists and Estate Property Specialists can input inventory items.

Items Vouched from Panosoft to Warehouse/Vault

- The inventory status for seven out of 20 items was not properly updated in Panosoft in accordance with policies and procedures.

Items Traced from Warehouse/Vault to Panosoft

- Four out of ten items selected from the vault (three total) and warehouse (one total) were not recorded in Panosoft.
- Two out of ten items had been in inventory for over 18 months. The policies and procedures indicate that all probate cases should be closed within 12-18 months.
- One of 10 items had been auctioned/sold, but the warehouse inventory tracking identified the item as still being in inventory.

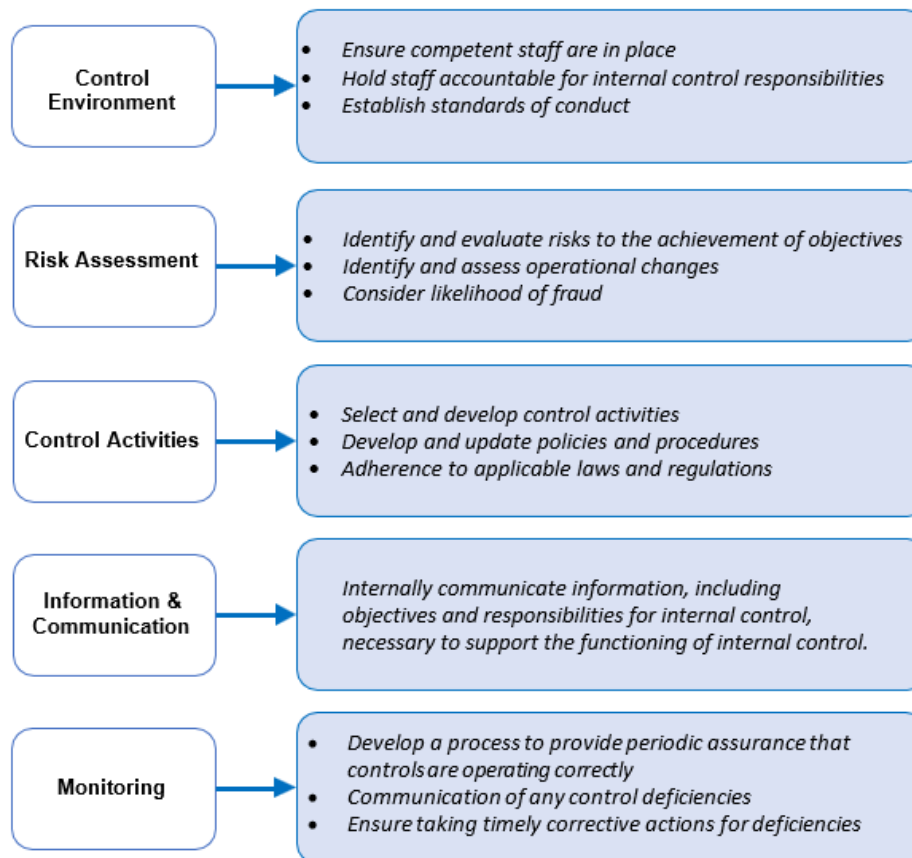
Based on feedback from PA/PG, there is uncertainty regarding why the documented procedures were not followed. The two cases in question were initially assigned to Deputies who are no longer employed by the County. Additionally, updated policies and procedures need further refinement, as they currently lack comprehensive instructions for managing all aspects of client estates and

associated assets. Specifically, warehouse operations present an opportunity for improvement as no documented policies and procedures currently exist for these functions.

Without the presence of adequate internal controls over estate assets, possibilities such as asset misappropriation, inaccurate reporting, operational challenges, loss of assets through theft or negligence, compromised decision-making due to unreliable data, increased susceptibility to fraud, and potential non-compliance with regulatory requirements could exist.

The COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework provides a structured approach to designing and implementing effective internal controls. The framework consists of five integrated components, which together provide a foundation for establishing, assessing, and enhancing internal controls. Figure 1 below highlights these components and provides points of focus that should be considered by PA/PG when designing, implementing, evaluating, and revising internal controls.

Figure 1: Components for Effective Internal Control



Overall, the County has implemented robust internal controls to protect its assets. Under these measures, County Administrative Manual Item 0050-02-01 mandates biennial physical inventories of County assets. PA/PG estate assets should be safeguarded at the same level as County assets, with periodic inventories conducted for both vault and warehouse assets. Conducting periodic inventories ensures that estate assets are adequately protected, accurately recorded in inventory and accounting records, and consistently monitored.

RECOMMENDATION:

1. PA/PG should evaluate their existing policies, procedures, and internal controls related to the warehouse and vault. They should identify any gaps and update the necessary controls, policies, and procedures accordingly to ensure that all steps related to asset management are adequately addressed. Specifically, the following areas should be considered:
 - a. Proper handling of foreign currency.
 - b. Vault access and physical security.
 - c. Procedures for home computers, cell phones, and mobile computing devices retrieved from estates.
 - d. Process to perform physical inventories on a periodic basis.
 - e. Reconciliation of items inventoried to items recorded in Panosoft.
 - f. Process to ensure that items dropped off in the vault are properly tracked, inventoried, or disposed of in a timely manner.
 - g. Documentation of warehouse processes.
2. Provide training to all staff involved in asset management to ensure compliance with PA/PG Policies and Procedures, including training on areas of concern noted above.

Finding II: Need for a Contingency Plan to Process Work Orders

The PA/PG warehouse uses one box truck to process work orders for the retrieval and delivery of estate's assets. Based on interviews with the warehouse Manager, when the box truck requires any maintenance, no work orders can be processed. Specifically, the warehouse Manager noted that extensive maintenance was performed on the box truck in early March 2023 to late April 2023 and it was estimated that between four to six work orders could not be completed during that time.

OAAS inquired if a back-up box truck was available to process work orders and we were advised no back-up box truck, or option, is available.

Business continuity planning is critical to ensure that essential functions are uninterrupted in the event of unforeseen circumstances.

The lack of a back-up box truck, or option, delays the warehouse from satisfying the objectives of PA/PG and could cause additional risk of theft if items are sitting at estates for an extended period.

RECOMMENDATION:

To ensure continuity of warehouse operations to process work orders, establish a back-up plan when the warehouse box truck is unavailable for an extended period.

BACKGROUND

The County Administrative Code Section 397.1 authorizes the Office of PA/PG to perform the functions of a Public Administrator pursuant to the California Probate Code and general law, and to perform the duties of a Public Guardian pursuant to the Government Code.

The functions of the PA and PG are distinct. The PA administers estates of persons who die with no will or without an appropriate person to act as an administrator, protects the decedent's property from waste, loss, or theft, and ensures the estate is administered according to the decedent's wishes. The overall objectives of the administration of an estate are to:

- 1) Collect a decedent's assets.
- 2) Determine and pay the debts, expenses, and taxes.
- 3) Distribute the balance of the assets to the persons (sometimes trusts) entitled to them.

The PG serves as the legally appointed guardian or conservator for persons found by the Probate Courts to lack the capacity to care for themselves or their assets and no other person is available to reasonably act on the persons behalf. When appointed as conservator of the estate, the PG locates and takes control of the conservatee's assets, collects income, pays debts and taxes, and invests funds. When appointed as conservator of the person, the PG is responsible for making sure the conservatee has proper food, clothing, shelter, and health care.

PA/PG stores estate assets in its vault and warehouse. Panosoft is used for all PA/PG case management activities, including recording of all estate assets stored in the vault and warehouse for each estate.

METHODOLOGY

The audit was performed using the following methods:

- Examined PA/PG policies, procedures, and relevant controls over the PA/PG warehouse and vault to obtain an understanding of the processes performed to ensure assets are properly safeguarded.
- Identified and reviewed applicable probate code laws and regulations applicable to the asset management of PA/PG estates.
- Interviewed key personnel on policies, procedures, regulations, and processes relevant to PA/PG asset management.
- Conducted specific audit procedures on the following processes:
 - Asset identification and management
 - Asset sales at auction
 - Warehouse/vault security

DEPARTMENT'S RESPONSE
(PUBLIC ADMINISTRATOR / PUBLIC GUARDIAN)



County of San Diego

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KIMBERLY GALLO
DIRECTOR
AGING AND ADULT SERVICES
PUBLIC ADMINISTRATOR
PUBLIC GUARDIAN

January 8, 2024

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

FROM: Naomi Chavez, Acting Director, Aging and Adult Services
Public Administrator/Public Guardian
Aging & Independence Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: PUBLIC ADMINISTRATOR / PUBLIC GUARDIAN (PA/PG) WAREHOUSE & VAULT AUDIT

Finding I: Areas for Improvement Identified in Asset Management

OAAS Recommendation 1:

PA/PG should evaluate their existing policies, procedures, and internal controls related to the warehouse and vault. They should identify any gaps and update the necessary controls, policies, and procedures accordingly to ensure that all steps related to asset management are adequately addressed. Specifically, the following areas should be considered:

- a) Proper handling of foreign currency.
- b) Vault access and physical security.
- c) Procedures for home computers, cell phones, and mobile computing devices retrieved from estates.
- d) Process to perform physical inventories on a periodic basis.
- e) Reconciliation of items inventoried to items recorded in Panosoft.
- f) Process to ensure that items dropped off in the vault are properly tracked, inventoried, or disposed of in a timely manner.
- g) Documentation of warehouse processes.

Action Plan:

PA/PG agrees with this recommendation. PA/PG will update the policy and procedure handbook to include policies for the warehouse procedures, handling foreign currency, procedures for safeguarding electronic devices, and performing physical inventories, tracking, and reconciliation to Panosoft. PA/PG met with Financial & Support Services Division (FSSD) to discuss the updating of vault access and physical security procedures. FSSD will update their internal policies to limit access to the vault to County staff only.

Department Response to Audit Recommendations

December 28, 2023

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Planned Completion Date: June 30, 2024

Contact Information for Implementation: Leticia Silva, Human Services Program Manager

OAAS Recommendation 2: Provide training to all staff involved in asset management to ensure compliance with PA/PG Policies and Procedures, including training on areas of concern noted above.

Action Plan:

PA/PG agrees with this recommendation. PA/PG will schedule trainings for all Deputies and will include topics such as inventory and appraisals, and vault/warehouse procedures. In addition, PA/PG will review policies and procedures during monthly meetings to address any questions that staff may pose.

Planned Completion Date: June 30, 2024

Contact Information for Implementation: Leticia Silva, Human Services Program Manager

Finding II: Need for a Contingency Plan to Process Work Orders

OAAS Recommendation 1:

To ensure continuity of warehouse operations to process work orders, establish a backup plan when the warehouse box truck is unavailable for an extended period.

Action Plan:

PA/PG agrees with this recommendation. PA/PG leadership has met to discuss and implement potential contingency plans should the box truck require maintenance. PA/PG will continue to explore all avenues to ensure a contingency plan is in place including but not limited to reaching out to the fleet department and/or having an agreement with external partners to rent a vehicle temporarily. Once a plan is determined, it will be documented in a Policy and Procedure Guide.

Planned Completion Date: June 30, 2024

Contact Information for Implementation: Leticia Silva, Human Services Program Manager

If you have any questions, please contact me at (619) 496-7395.

Sincerely,

NAOMI CHAVEZ, Acting Director, Aging and Adult Services
Public Administrator/Public Guardian
Aging & Independence Services