

LOS ANGELES COUNTY AUDITOR-CONTROLLER

John Naimo
AUDITOR-CONTROLLER

Arlene Barrera
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ASSISTANT AUDITOR-CONTROLLER

Mike Pirolo
INTERIM DIVISION CHIEF

AUDIT DIVISION

September 10, 2018

Department of Health Services' LAC+USC Medical Center ASSETS AND SUPPLY WAREHOUSING REVIEW



NUMBER OF RECOMMENDATIONS

PRIORITY 1

2

CORRECTIVE ACTION REQUIRED
WITHIN 90 DAYS

PRIORITY 2

7

CORRECTIVE ACTION REQUIRED
WITHIN 120 DAYS

PRIORITY 3

1

CORRECTIVE ACTION REQUIRED
WITHIN 180 DAYS



BOARD OF SUPERVISORS

Hilda L. Solis
FIRST DISTRICT

Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

REPORT #K18EE

LOS ANGELES COUNTY AUDITOR-CONTROLLER

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September 10, 2018

FACT SHEET

Department of Health Services' LAC+USC Medical Center

ASSETS AND SUPPLY WAREHOUSING REVIEW

With the support and active participation of the Department of Health Services' LAC+USC Medical Center (LAC+USC or Facility), we evaluated the design of the Facility's processes and controls over their capital assets, non-capital assets, and supply warehousing to determine whether they provide reasonable assurance to management that their asset and supply warehousing operations are appropriate, and in accordance with County and Facility requirements.

Key Outcomes

We noted opportunities to improve and strengthen the Facility's processes and controls over assets and supply warehousing, which management has agreed to implement. We will assess and report on management's corrective actions in our planned future follow-up review. Examples of corrective actions include:

- LAC+USC will implement processes that will ensure that a Facility-issued non-capital asset tag number is used for tracking, usage, and monitoring purposes.
- LAC+USC will implement processes that will ensure that a Facility-wide master listing of all non-capital assets is maintained, and that a current listing of all non-capital assets is maintained by the assigned custodian at each location.
- LAC+USC will implement processes that will ensure detailed written standards and procedures are established to adequately guide supervisors and staff in the performance of their duties for all non-capital asset processes.

Impact

These enhancements will provide greater assurance that LAC+USC's capital and non-capital assets and supplies are appropriately identified, tracked, safeguarded, and monitored. In addition, implementation of these recommendations will reduce the likelihood of missing assets going undetected and employee improprieties.

FAST FACTS

As of June 30, 2018, LAC+USC had over 4,000 capital assets, totaling approximately \$106.6 million.

LAC+USC maintains supplies in five warehouses, with inventory totaling approximately \$903,000, as of June 30, 2018.

NUMBER OF RECOMMENDATIONS

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CORRECTIVE ACTION REQUIRED
WITHIN 180 DAYS



This report is also available online at auditor.lacounty.gov
Report Waste, Fraud, and Abuse: fraud.lacounty.gov

For questions regarding the contents of this report, please contact Mike Pirolo, Interim Audit Division Chief, at mpirolo@auditor.lacounty.gov or (213) 253-0100.

REPORT #K18EE



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

September 10, 2018

TO: Supervisor Sheila Kuehl, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: John Naimo
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' LAC+USC MEDICAL CENTER
– ASSETS AND SUPPLY WAREHOUSING REVIEW**

We have completed a review of the Department of Health Services' (DHS) LAC+USC Medical Center's (LAC+USC or Facility) processes and controls over their capital assets, non-capital assets, and supply warehousing. Capital assets include equipment with acquisition costs greater than \$5,000, and a useful life greater than one year (e.g., computer servers and medical workstations). Non-capital assets have a unit cost of less than \$5,000, and include items that are easily carried or moved (e.g., laptops, blood pressure monitors, and wheelchairs). Supplies include low cost items that are held for consumption (e.g., latex gloves and paper products). Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our review.

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Scope and Objectives

Our review primarily focused on evaluating the design of LAC+USC's processes and controls over assets and supply warehousing to determine whether they provide assurance to management that their operations are appropriate, and in accordance with County (County Fiscal Manual and Internal Services Department) and Facility requirements. Our review included interviewing LAC+USC management and staff, examining procedures and controls, and conducting detailed walkthroughs of processes.

What Prompted the Review

We reviewed LAC+USC's assets and supply warehousing processes and controls in accordance with our plan to review procurement functions (e.g., purchasing, warehousing, and capital and non-capital assets) at all DHS facilities.

Process Overview

LAC+USC Supply Chain Operations (SCO) include the Procurement Unit, Receiving Unit, Invoice Processing, and Property Management. These sections/units are responsible for the acquisition, recordkeeping, tracking, monitoring, etc., for the Facility's assets and supplies.

Risks and Opportunities

Capital and non-capital assets have various associated risks, including inaccurate inventory records, employee improprieties, missing supplies/equipment going undetected, increased time involved in locating supplies/equipment, and non-adherence to applicable County and Facility requirements. Opportunities include efficient and effective acquisition, recordkeeping, tracking, safeguarding, and monitoring processes and controls.

Scope Exclusions

Our review was limited to an evaluation of the design of the processes and controls over LAC+USC's assets and supply warehousing. While our review included tests to confirm the existence of controls (e.g., interviews and walkthroughs), it did not include tests to identify whether processes and controls were consistently operating as designed or whether the Facility continually complied with County and Facility requirements. In addition, our review did not include the Facility's requisitioning system, purchasing operations, contracting function, and information technology security and operations. The remaining areas either have or will be reviewed, and reported on separately.

Review of Report

We discussed our report with the LAC+USC and SCO management. The Facility's attached response (Attachment II) indicates **general agreement** with our findings and recommendations.

Follow-up Process

The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

Management's Responsibility for Internal Controls

As indicated in County Fiscal Manual Section 1.0, management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.

Limitations of Internal Controls

Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.

We thank LAC+USC and SCO management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

JN:AB:PH:MP:JU

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Fred Leaf, Interim Director, Los Angeles County Health Agency
Christina Ghaly, M.D., Acting Director, Department of Health Services
Jorge Orozco, Chief Executive Officer, LAC+USC
Efrain Munoz, Chief Financial Officer, LAC+USC
Jason Ginsberg, Chief, Supply Chain Operations
Edgar M. Soto, Director, Audit and Compliance and Risk Management
Audit Committee
Countywide Communications

DEPARTMENT OF HEALTH SERVICES' LAC+USC MEDICAL CENTER - ASSETS AND SUPPLY WAREHOUSING REVIEW

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
1	<p>Non-Capital Asset Tagging: LAC+USC Medical Center (LAC+USC or Facility) does not have a process/control to ensure they use a Facility-issued non-capital asset tag number for tracking, usage, and monitoring purposes, as required by County Fiscal Manual (CFM) Section 6.8.1.</p> <p>LAC+USC management indicated that their Bio-Med and Information System Units tag their non-capital assets. However, the Facility's other units (e.g., Clinical Equipment and Supply Chain Operations) do not tag their non-capital assets.</p>	<ul style="list-style-type: none"> Increased risk that missing, lost, or stolen items will go undetected. Increased risk that non-capital assets is not appropriately recorded, tracked, monitored, and reported. 	<p>LAC+USC management establish a process/control to ensure a Facility-issued non-capital asset tag number is used for tracking, usage, and monitoring purposes.</p>	1	<p>Agree Target Implementation Date: October 31, 2018</p> <p>LAC+USC's response (Attachment II) indicates they will create a process/control to ensure untagged non-capital asset items are tagged.</p>
2	<p>Non-Capital Asset Facility-wide and Unit Listings: LAC+USC does not have a process/control to ensure a Facility-wide master listing of non-capital assets is maintained, or that the assigned custodian at each location maintains a current listing of all non-capital assets, as required by CFM Section 6.8.2.</p>	<ul style="list-style-type: none"> Increased risk that missing, lost, or stolen items will go undetected. Increased risk that the Facility will not be able to locate their assigned non-capital assets. Prevents each unit within the Facility from performing an accurate and complete physical inventory count, and investigating discrepancies. 	<p>LAC+USC management establish a process/control to ensure:</p> <p>a) A Facility-wide master listing of all non-capital assets is maintained.</p> <p>b) A current listing of all non-capital assets is maintained by the assigned custodian at each location.</p>	1	<p>Agree Target Implementation Date: October 31, 2018 and May 31, 2019</p> <p>LAC+USC's response indicates they will establish a process to create a Facility-wide master listing, and that the listing will be maintained by assigned custodians at each location. In the interim, LAC+USC management will create a listing of newly purchased non-capital assets.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
3	<p>Non-Capital Asset Annual Physical Inventory: LAC+USC does not have a process/control to ensure a physical inventory of all non-capital assets is conducted annually and reconciled to the Facility's master listing, as required by CFM Section 6.8.2.</p>	<ul style="list-style-type: none"> Increased risk that non-capital assets are not appropriately recorded, tracked, monitored, and reported. Prevents LAC+USC management from identifying and investigating discrepancies (e.g., missing, lost, or stolen) between their non-capital assets listing and actual inventory counts. 	<p>LAC+USC management establish a process/control to ensure a physical inventory of all non-capital assets is conducted annually, and reconciled to the Facility's master listing.</p>	2	<p>Agree Target Implementation Date: October 31, 2018 and May 31, 2019</p> <p>LAC+USC's response indicates they will establish a process/control to ensure a physical inventory of all non-capital assets is conducted annually and reconciled to the master listing once created. In the interim, LAC+USC management will create a listing of newly purchased non-capital assets.</p>
4	<p>Written Standards and Procedures: LAC+USC does not have detailed written standards and procedures in place over non-capital asset operations and controls.</p> <p>Standards and procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties, and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and provide an audit trail of key events where practical.</p> <p>For example, procedures would describe duties such as maintaining an accurate listing of non-capital assets both Facility-wide and at the custodian level.</p>	<ul style="list-style-type: none"> Increased risk that staff will perform tasks, such as tracking non-capital assets and conducting physical inventories, incorrectly or inconsistently. Increased effort required to train new staff to update the Facility-wide and Unit non-capital asset listings, conduct physical inventories, etc. Prevents management from effectively evaluating process/control environments. 	<p>LAC+USC management establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all non-capital asset processes.</p>	2	<p>Agree Target Implementation Date: October 31, 2018</p> <p>LAC+USC's response indicates they will establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all non-capital asset processes.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
5	<p>Management Monitoring of Internal Controls: LAC+USC does not have self-monitoring processes in place to ensure controls function as intended in the capital assets, non-capital assets, and supply warehousing areas, as required by CFM Section 1.0.</p> <p>Effective self-monitoring processes may include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 to 10 transactions weekly, quarterly, and semi-annually) to ensure adherence to departmental policy and the CFM, and documenting and retaining evidence of this review in such a manner that a third party can subsequently validate it.</p> <p>The monitoring process should also ensure material exceptions are elevated to management to ensure awareness of relative control risk on a timely basis, and to ensure appropriate corrective actions are implemented.</p>	<ul style="list-style-type: none"> • Prevents management from having reasonable assurance that their objectives are being achieved. • Increased risk for not promptly identifying and correcting any process/control weaknesses or instances of non-compliance. 	<p>LAC+USC management implement ongoing self-monitoring processes that include:</p> <p>a) Examination of process/control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to the departmental policies and the CFM.</p> <p>b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated.</p> <p>c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented.</p>	2	<p>Agree Target Implementation Date: October 31, 2018</p> <p>LAC+USC's response indicates they will implement and maintain documentation of ongoing self-monitoring processes.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
6	Non-Capital Asset Custodian List: LAC+USC does not have a process/control to ensure that a Facility-wide non-capital asset custodian list is maintained, as required by CFM Section 6.8.2.	<ul style="list-style-type: none"> Increased risk that non-capital assets are not appropriately recorded, tracked, and monitored. 	LAC+USC management establish a process/control to ensure a Facility-wide non-capital asset custodian list is maintained.	2	<p>Agree Target Implementation Date: October 31, 2018</p> <p>LAC+USC's response indicates they will establish a process/control to maintain a Facility-wide non-capital asset custodian list.</p>
7	Non-Capital Asset Sign-in/Sign-out Logs: LAC+USC does not have a process/control to ensure they maintain "sign-in/sign-out" logs for the usage of non-capital assets assigned to employees on a temporary basis, as required by CFM Section 6.8.2.	<ul style="list-style-type: none"> Borrowed non-capital assets may not be returned or returned timely. Potential for the Facility to spend additional time and resources trying to locate non-capital assets that are not appropriately signed-in/signed-out. 	LAC+USC management establish a process/control to ensure that sign-in/sign-out logs are used and maintained for non-capital assets assigned to employees on a temporary basis.	2	<p>Agree Target Implementation Date: October 31, 2018</p> <p>LAC+USC's response indicates they will establish a process/control to ensure that sign-in/sign-out logs are used and maintained for non-capital assets assigned to employees on a temporary basis.</p>
8	Separation of Duties: LAC+USC does not have a process/control to ensure appropriate separation of duties exist over their annual physical inventories of supply warehouses, as required by CFM Sections 5.2.5 and 5.3.2. Specifically, annual physical inventories are currently conducted by warehouse workers with supply and stockroom operation responsibilities. In addition, physical counts are compared to perpetual records by employees with inventory control responsibilities.	<ul style="list-style-type: none"> Increased risk for employee improprieties that are difficult to detect. 	LAC+USC management establish a process/control to ensure appropriate separation of duties exist over their annual physical inventories of supply warehouses.	2	<p>Agree Target Implementation Date: December 31, 2018</p> <p>LAC+USC's response indicates they will establish a process/control to ensure appropriate separation of duties exist over annual physical inventories of supply warehouses.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION					
	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
9	Supplies Annual Physical Inventory Supervisory Review: LAC+USC does not have a process/control to ensure a supervisor performs a walkthrough on the final day of the annual physical inventory counts of the supply warehouses confirming all inventory was counted and recorded, as required by CFM Section 5.3.2.	<ul style="list-style-type: none"> Increased risk for incomplete or inaccurate annual physical inventory counts. 	LAC+USC management establish a process/control to ensure a supervisor performs a walkthrough on the final day of the annual physical inventory counts of the supply warehouses, including signing and dating the tally sheets.	2	Agree Target Implementation Date: October 31, 2018 LAC+USC's response indicates they will establish a process/control to ensure a supervisor performs a walkthrough on the final day of the annual physical inventory, and signs and dates inventory tally sheets.
10	User Access Reviews: While LAC+USC does perform a quarterly review of inactive users with access to capital assets and supplies in the electronic Countywide Accounting and Purchasing System (eCAPS), they do not have a process/control to perform a periodic review of all user access to ensure access capabilities remain consistent with users' job duties, as required by CFM Section 8.7.4.2.	<ul style="list-style-type: none"> Increased risk for untimely systems access removal and inappropriate or unauthorized access. 	LAC+USC management establish a process/control to periodically review eCAPS user access rights to ensure access capabilities remain consistent with users' job duties.	3	Agree Target Implementation Date: October 31, 2018 LAC+USC's response indicates they will establish a process/control to periodically review eCAPS user access rights to ensure access capabilities remain consistent with users' job duties.

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment III for definitions of priority rankings.



August 27, 2018

**Los Angeles County
Board of Supervisors**

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

TO: John Naimo
Auditor-Controller

FROM: Christina R. Ghaly, M.D.
Acting Director

SUBJECT: **RESPONSE TO THE AUDITOR-CONTROLLER'S
ASSETS AND SUPPLY WAREHOUSING REVIEW OF
LAC+USC MEDICAL CENTER**

Christina R. Ghaly, M.D.
Acting Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Medical Officer

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DHS facilities and through
collaboration with community and
university partners.*



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Attached is the Department of Health Services' response to recommendations made in the Auditor-Controller's report of LAC+USC Medical Center's Assets and Supply Warehousing Review.

We concur with and have taken or initiated corrective actions to address the recommendations contained in the report.

If you have any questions or require additional information, please contact Loretta Range at (213) 288-7755.

CRG:lr

Attachment

c: Arun Patel, M.D.
Edgar M. Soto
Jorge Orozco
Laura Sarff
Phillip Franks
Jason Ginsburg
Dolores Gonzales
Debra Logan
Loretta Range
Frank Weathers

**DEPARTMENT OF HEALTH SERVICES' LAC+USC MEDICAL CENTER
ASSETS AND SUPPLY WAREHOUSING REVIEW
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: NON-CAPITAL ASSET TAGGING	
A/C Recommendation	LAC+USC management establish a process/control to ensure a Facility-issued non-capital equipment tag number is used for tracking, usage, and monitoring purposes.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC non-capital asset IT equipment is tagged by the Information Systems Unit. LAC+USC management will create a process/control to ensure untagged non-capital asset items are tagged.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

ISSUE 2: NON-CAPITAL ASSET FACILITY-WIDE AND UNIT LISTINGS	
A/C Recommendation	LAC+USC management establish a process/control to ensure: a) A Facility-wide master listing of all non-capital assets is maintained. b) A current listing of all non-capital assets is maintained by the assigned custodian at each location.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	By May 31, 2019, LAC+USC management will establish a process utilizing Hospital Equipment Management Software (HEMS) to create a facility-wide master listing of all non-capital assets and their assignment. LAC+USC will implement an interim process to track newly purchased non-capital assets via a facility-wide master listing which will be updated to include previously purchased non-capital assets when staffing resources become available. The master listing will be maintained by assigned custodians at each location.
Planned Implementation Date	October 31, 2018 and May 31, 2019
Additional Information (optional) ²	

ISSUE 3: NON-CAPITAL ASSET ANNUAL PHYSICAL INVENTORY	
A/C Recommendation	LAC+USC management establish a process/control to ensure a physical inventory of all non-capital assets is conducted annually, and reconciled to the Facility's master listing.
Priority	PRIORITY 2
Agree/Disagree	Agree

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 3: NON-CAPITAL ASSET ANNUAL PHYSICAL INVENTORY	
Department Action Plan ¹	LAC+USC management will establish a process/control to ensure a physical inventory of all non-capital assets is conducted annually and reconciled to the Facility's master listing created by HEMS. While awaiting HEMS implementation, LAC+USC will begin maintaining a listing/inventory of all new non-capital assets. The master listing will be updated to include previously purchased non-capital assets as staffing resources become available.
Planned Implementation Date	October 31, 2018 and May 31, 2019
Additional Information (optional) ²	

ISSUE 4: WRITTEN STANDARDS AND PROCEDURES	
A/C Recommendation	LAC+USC management establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all non-capital asset processes.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish detailed written standards and procedures to adequately guide supervisors and staff in the performance of their duties for all non-capital asset processes.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

ISSUE 5: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
A/C Recommendation	LAC+USC management implement ongoing self-monitoring processes that include: a) Examination of process/control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to the departmental policies and the CFM. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative controls risk, and to ensure appropriate corrective actions are implemented.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will implement and maintain documentation of ongoing self-monitoring processes that include an examination of process/control activities, timely elevation of material exceptions to management, and implementation of appropriate corrective actions.
Planned Implementation Date	October 31, 2018

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 5: MANAGEMENT MONITORING OF INTERNAL CONTROLS	
Additional Information (optional) ²	

ISSUE 6: NON-CAPITAL ASSET CUSTODIAN LIST	
A/C Recommendation	LAC+USC management establish a process/control to ensure a Facility-wide non-capital asset custodian list is maintained.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish a process/control to maintain a Facility-wide non-capital asset custodian list.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

ISSUE 7: NON-CAPITAL ASSET SIGN-IN/SIGN-OUT	
A/C Recommendation	LAC+USC management establish a process/control to ensure that sign-in/sign-out logs are used and maintained for non-capital assets assigned to employees on a temporary basis.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish a process/control to ensure that sign-in/sign-out logs are used and maintained for non-capital assets assigned to employees on a temporary basis.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

ISSUE 8: SEPARATION OF DUTIES	
A/C Recommendation	LAC+USC management establish a process/control to ensure appropriate separation of duties exist over their annual physical inventories of supply warehouses.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish processes/controls to ensure appropriate separation of duties exist over annual physical inventories of supply warehouses.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 8: SEPARATION OF DUTIES	
Planned Implementation Date	December 31, 2018
Additional Information (optional) ²	

ISSUE 9: SUPPLIES ANNUAL PHYSICAL INVENTORY	
A/C Recommendation	LAC+USC management establish a process/control to ensure a supervisor performs a walkthrough on the final day of the annual physical inventory counts of the supply warehouses, including signing and dating the tally sheets.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish processes/controls to ensure a supervisor performs a walkthrough on the final day of the annual physical inventory counts of the supply warehouses, and signs and dates inventory tally sheets.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

ISSUE 10: USER ACCESS REVIEW	
A/C Recommendation	LAC+USC management establish a process/control to periodically review eCAPS user access rights to ensure access capabilities remain consistent with users' job duties.
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	LAC+USC management will establish a process/control to periodically review eCAPS user access rights to ensure access capabilities remain consistent with users' job duties.
Planned Implementation Date	October 31, 2018
Additional Information (optional) ²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.