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May 10, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **COMMUNITY AND SENIOR SERVICES PROCUREMENT REVIEW**

In 2007, your Board instructed the Auditor-Controller (A-C) to develop a risk-based plan to audit procurement operations in all County departments. In accordance with the developed plan, we completed a review of Community and Senior Services' (CSS or Department) compliance with County procurement policies and procedures. Our review covered areas such as warehousing/inventory, purchasing and payment controls, and capital and non-capital equipment.

Summary of Findings

We noted that CSS' purchases were generally appropriate and necessary for their operations. However, CSS management needs to ensure the Department complies with all County purchasing requirements. The following are examples of areas for improvement:

- CSS needs to ensure they obtain all required approvals for requisitions before ordering goods/services. The Department did not have all required approvals on requisitions for 56 (80%) of the 70 purchases reviewed, totaling approximately $1.3 million. CSS also could not provide requisitions for two (3%) purchases, totaling $12,800.

CSS' attached response indicates that they have revised the requisition form to require approvals before issuing purchase orders, including approvals by the Procurement Supervisor, who reviews all requisitions before processing purchase orders. CSS staff attended training on the new requisition form and other procedures to ensure that items are purchased in compliance with County fiscal policy.

- CSS needs to ensure that goods/services have been received before paying vendors. CSS did not have documentation that goods/services were received for seven (10%) of 70 purchases reviewed, totaling $54,700.

  CSS' response indicates that Department staff reviewed the policy on performing three-way matches of requisitions/purchase orders, packing slips, and invoices before paying vendors, and received additional training on the subject. CSS has also recently implemented the eCAPS Procurement system, which requires an electronic three-way match before payments are issued.

- CSS needs to ensure that they do not use vendor agreements to purchase non-agreement items, and that non-agreement purchases over the Department's $15,000 delegated authority are submitted to the Internal Services Department (ISD). CSS purchased non-agreement items, totaling $78,300, on three (15%) of 20 agreement purchases reviewed. In addition, two (67%) of these three purchases included non-agreement items that exceeded CSS' delegated authority, by a total of approximately $41,000, and should have been submitted to ISD.

  CSS' response indicates that Department staff reviewed policies regarding agreement item purchasing, and purchases over the Department's delegated purchasing authority. In addition, Department staff review all requisitions to ensure only agreement items are ordered, and purchases are within authorized amounts. Finally, CSS indicated that the newly implemented eCAPS Procurement system will help ensure compliance with County purchasing policies.

- CSS needs to improve its controls over capital and non-capital assets. CSS' capital equipment listing did not have the correct asset location for five (33%) of 15 items reviewed. The Department also did not have the correct asset location and/or staff assignment for six (15%) of 40 items reviewed from the non-capital equipment listing, and could not locate one (3%) item.

  CSS' response indicates that they have implemented a bar-code tracking system to inventory/account for all equipment items. The Department is also conducting bi-annual inventories of non-capital equipment, and annual inventories of capital equipment. CSS is also requiring managers to account for all unassigned non-capital equipment.

- CSS needs to re-evaluate its use of off-site storage units, determine if stored items should be salvaged or disposed of, and obtain Chief Executive Office (CEO) approval to rent the storage units. CSS rented 11 off-site storage units, at an annual cost of approximately $36,000, without CEO approval. Some of the storage units contained obsolete/surplus informational brochures and electronic equipment which had been in storage for approximately three years.

  CSS' response indicates that the Department vacated seven of the 11 rented storage units by discarding outdated supplies, and donating obsolete and surplus electronic equipment. CSS is also working with the CEO to get approval for the remaining rental units.

- CSS needs to conduct periodic/annual inventory counts of its supply/equipment stockrooms and off-site storage units, and maintain perpetual inventory records for its supplies/equipment. In addition, we noted that one CSS stockroom, which contained unassigned equipment (e.g., laptop and desktop computers), was sometimes left open and unattended.

  CSS' response indicates that the Department now keeps a perpetual inventory of all supplies/equipment, which is audited quarterly. In addition, the Department has secured all stockrooms and off-site storage units, and limited access to authorized staff.

Although this report is a review of CSS' procurement operations, we recommend that other County departments review the findings in this report and ensure that necessary controls are in place.

The results of our review and our recommendations for corrective action are included in Attachment I.

Review of Report

We discussed the results of our review with CSS management. The Department's response (Attachment II) indicates general agreement with our findings and recommendations, and that the Department has already implemented most of the recommendations.

We thank CSS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Tom Tindall, Director, Internal Services Department
All Department Heads
Audit Committee
Public Information Office

COMMUNITY AND SENIOR SERVICES
PROCUREMENT REVIEW

Background

Community and Senior Services' (CSS or Department) Finance Management Division (FMD) and Internal Support Services Division (ISS) have primary responsibility for the Department's procurement functions. FMD, which includes Procurement and Accounts Payable, is responsible for ordering goods/services and approving payments. ISS is responsible for receiving ordered supplies/equipment, tracking supply inventories, controlling equipment, and disposing of obsolete/surplus items. CSS' Fiscal Year (FY) 2010-11 services and supplies budget, excluding contracted program services, was approximately $21 million.

Scope of Review

We reviewed CSS' procurement practices for compliance with County policies and procedures. Our review included interviewing CSS personnel, evaluating purchasing and payment controls, reviewing a sample of supplies/equipment, and observing warehouse/storage facility operations.

General Purchasing and Payment Controls

The County Fiscal Manual (CFM) requires departments to obtain approved requisitions before ordering goods/services, and to match invoices to requisitions/purchase orders and packing slips before paying vendors. In addition, departments should ensure vendors are paid timely, and that vendor discounts are taken when available. We reviewed 70 purchases, totaling approximately $2.7 million, and noted the following:

- **Purchase Approvals** – CSS did not have all required approvals on requisitions for 56 (80%) purchases, totaling approximately $1.3 million. CSS also could not provide requisitions for two (3%) purchases, totaling $12,800.

- **Verifying Goods/Services were Received** – FMD staff should ensure they have a vendor packing slip, or other documentation that goods/services were received, before paying vendors. CSS did not have documentation that goods/services were received for seven (10%) purchases, totaling approximately $54,700.

- **Prepayments** – Internal Services Department (ISD) Policy states that prepayments for goods/services should only be made when there is no alternative (i.e., when a vendor requires prepayment), and should be approved by ISD if it is not a normal or customary purchase (e.g., gift cards, training and consulting services, etc.). CSS did not obtain the required ISD approval for five (63%) of eight prepayments, totaling $21,700. We also noted that FMD's Accounts Payable staff did not verify if the prepaid goods/services were received.

To ensure prepayments were made for approved goods/services, FMD's Accounts Payable staff should verify that the goods/services are actually received.

- **Invoice Processing** – Departments are required to do a three-way match of requisitions/purchase orders, packing slips, and invoices before paying vendors, and mark invoices "paid" to prevent duplicate payments. For five (7%) purchases, totaling approximately $136,800, the requisition/purchase order, packing slip and/or invoice did not match. Although the discrepancies were minor (e.g., differences in sales tax amounts), CSS needs to ensure they immediately resolve these discrepancies before paying the invoices. In addition, CSS staff did not mark three (4%) invoices "paid".

- **Timeliness of Payments** – CFM Section 4.5.13 requires departments to pay vendors within 30 days of receiving the invoice, or earlier if a discount is available.

  CSS considers an invoice "received" when it arrives at FMD's Budget and Finance Section. However, other units sometimes receive invoices first, and do not date-stamp them. As a result, we could not determine how long it took to pay some invoices. However, at least four (10%) of 40 purchases reviewed, totaling $28,000, were paid an average of 120 days after the invoice date. In addition, one (9%) of 11 invoices that had discounts available was paid after the discount period, resulting in a lost discount of $436. Finally, two (5%) invoices, totaling $10,200, were paid an average of 13 days late after they were received and date stamped by FMD.

  CSS should ensure vendors send invoices directly to FMD's Budget and Finance Section, that invoices are date-stamped immediately upon receipt, and that vendors are paid within 30 days of receiving the invoice, or earlier if a discount is available.

Recommendations

CSS management:

1. **Ensure staff prepare and managers approve requisitions before purchases are made, and keep copies of approved requisitions.**

2. **Ensure staff maintain copies of packing slips and other documentation verifying that goods/services were received.**

3. **Obtain ISD approval for prepayments that are not considered normal or customary.**

4. **Require FMD staff to document and resolve discrepancies when matching requisitions/purchase orders, packing slips, and invoices before paying vendors.**

5. **Require FMD Accounts Payable staff to verify that prepaid goods/services are actually received.**

6. **Require staff to mark invoices "paid" to prevent reuse.**

7. **Instruct vendors to send invoices directly to FMD's Budget and Finance Section.**

8. **Ensure staff date stamp invoices immediately upon receipt.**

9. **Ensure vendors are paid within 30 days of receiving the invoice, or earlier if discounts are available.**

Non-Agreement and Agreement Purchases

ISD establishes agreements with vendors for commonly purchased items through a competitive solicitation process. Departments can purchase items covered by ISD agreements without a transaction limit in most cases, and do not need to obtain price quotes. Departments cannot use these agreements to purchase non-agreement items. ISD also delegates authority to departments to purchase non-agreement items, up to certain limits. Departments may be required to obtain price quotes for non-agreement items, depending on the amount of the purchase. In addition, departments may not split purchases to stay under their limit.

ISD has given CSS delegated authority to purchase non-agreement items under $1,500 without price quotes. CSS is required to obtain three price quotes for non-agreement purchases between $1,500 and $15,000, unless the item is only available from one vendor and cannot be easily substituted (sole source purchases). For purchases over $15,000, ISD will obtain the price quotes, select a vendor, set up a direct purchase order, and order the items. We reviewed CSS' purchases and noted the following:

- **Inappropriate Use of Vendor Agreements** – CSS purchased non-agreement items on three (15%) of 20 agreement purchases reviewed, totaling $78,300. For these purchases, the vendor agreements did not include all the items purchased (e.g., computer software licenses and maintenance packages), and one of the items was available as an agreement item from another vendor. In addition, two (67%) of these three purchases included non-agreement items that exceeded CSS' delegated authority, by a total of approximately $41,000.

- **Split Purchases** – CSS split purchases to stay within their delegated purchasing authority. We reviewed ten judgmentally selected non-agreement purchases, and noted three (30%) where CSS split the purchases to stay within the

Department's delegated purchasing authority. For example, CSS prepared three separate purchase orders, totaling $37,700, for one vendor on the same day. Each of the three purchase orders were below the Department's delegated purchasing authority, ranging from $12,200 to $13,200. The vendor subsequently issued three invoices matching the purchase orders.

- **Unsupported Selection of a More Costly Vendor** – When a more costly vendor is selected, ISD requires departments to justify why the lowest price quote was not selected (e.g., did not conform with the quote specifications). We reviewed five purchases where CSS did not select the lowest cost vendor, and noted three (60%) where CSS did not have documentation to justify the decision.

- **Lack of Price Quote Documentation** – Five (17%) of 30 non-agreement purchases reviewed, totaling $25,600, did not have all necessary price quote information (e.g., installation costs, delivery costs/terms, contact names/telephone numbers, etc.).

Recommendations

CSS management ensure FMD staff:

10. **Only buy agreement items when making agreement purchases.**

11. **Do not make purchases in excess of the Department's delegated purchasing authority.**

12. **Do not split purchases to circumvent the Department's delegated purchasing authority.**

13. **Maintain documentation justifying selection of more costly vendors.**

14. **Record all necessary information (e.g., installation costs, delivery costs, etc.) for non-agreement price quotes.**

Capital and Non-Capital Equipment

Capital equipment includes assets costing more than $5,000 with a useful life of more than one year. Non-capital equipment includes items that can be easily carried or moved (e.g., laptop computers, etc.). The CFM requires departments to assign responsibility for equipment to specific individuals. In addition, departments must regularly update the equipment listings for any items that are lost or disposed of, and complete appropriate documentation (e.g., Fixed Asset Disposition or FD Document) when disposing of equipment. Departments are also required to file an annual Report of Equipment Loss form with the Auditor-Controller's (A-C) Capital Asset Unit for any stolen, missing, or destroyed capital equipment.

We reviewed controls over CSS' capital and non-capital equipment, and noted the following:

- **Inaccurate Capital and Non-Capital Equipment Listings** – CSS' capital equipment listing did not have the correct asset location listed for five (33%) of 15 items reviewed. The Department also did not have the correct asset location and/or staff assignment for six (15%) of 40 items reviewed from the non-capital equipment listing, and could not locate one (3%) item. CSS was unaware that the one item was missing. While departments are not required to report missing non-capital equipment to the A-C, they should investigate and maintain records of lost equipment.

- **Lack of Controls over Capital and Non-Capital Equipment** – CSS does not always assign responsibility for capital and non-capital equipment to specific individuals, and some of the individuals did not have a list of the equipment assigned to them.

- **Disposal of Capital Equipment** – CSS had missing/incomplete documentation for five (50%) of ten disposed of equipment items. For example, one document indicated a piece of equipment was salvaged, while another document indicated the same item was missing. The Department also did not complete the FD Document to remove a transferred item from the A-C's Capital Asset System.

- **Report of Equipment Loss Form** – CSS did not submit the Report of Equipment Loss forms for FYs 2007-08 and 2008-09 to the A-C's Capital Asset Unit by the December 31 due date. CSS provided the forms to the A-C's Capital Asset Unit after we informed them of this requirement.

Recommendations

CSS management:

15. **Maintain accurate capital and non-capital equipment listings.**

16. **Ensure staff investigate and maintain records of missing non-capital equipment.**

17. **Assign responsibility for all capital and non-capital equipment to specific individuals, and require them to keep a list of equipment assigned to them.**

18. **Ensure staff complete and maintain all required documentation for the disposal of capital equipment, and update the capital equipment listing when assets are lost or disposed.**

19. File the Report of Equipment Loss form with the A-C's Capital Asset Unit annually, as required.

Warehousing/Inventory

CFM Sections 5.2.5 and 5.2.6 require departments to maintain perpetual inventory records for supplies/equipment; conduct annual physical inventories; and review inventory records periodically to identify slow moving, obsolete, and/or overstocked items. County departments should also ensure that supply/equipment stockrooms are secured to prevent unauthorized access.

CSS had six supply/equipment stockrooms, and rented 11 off-site storage units at a warehouse storage facility, at an annual cost of approximately $36,000. At the time of our review, CSS had been renting the 11 units for up to eight years due to a lack of storage space. However, we noted that some of the off-site storage units, as well as some of the Department's supply/equipment stockrooms, contained significant quantities of obsolete/surplus items. CSS should not pay to store obsolete/surplus items. However, some of the storage units contained obsolete/surplus informational brochures and electronic equipment which had been in storage for approximately three years. In addition, approximately half of the storage units were not filled to capacity, indicating the items could have been consolidated to reduce the number of rented units.

We also noted that CSS did not have the Chief Executive Office's (CEO) approval for the off-site storage space rental. CSS indicated they were not aware they needed CEO approval.

Finally, we noted that one CSS stockroom, which contained unassigned equipment (e.g., laptop and desktop computers), was sometimes left open and unattended.

CSS needs to re-evaluate the items in all of its storage facilities, and dispose of any obsolete/surplus items. The Department should then consolidate items in storage, reassess its storage needs, and obtain CEO approval for any rental units.

CSS should also keep inventory records of all supplies/equipment, conduct annual physical inventories to identify slow moving, obsolete, and/or overstocked items, and dispose of any unneeded items. Finally, CSS should ensure supply/equipment stockrooms and off-site storage units are secured to prevent unauthorized access.

Recommendations

CSS management:

20. Evaluate the items in all of its storage facilities and supply/equipment stockrooms, and dispose of any obsolete/surplus items.

21. **Consolidate items in storage, reassess its storage needs, and obtain CEO approval for any rental units.**

22. **Keep perpetual inventory records of all supplies/equipment.**

23. **Conduct annual physical inventories to identify slow moving, obsolete, and/or overstocked items, and dispose of any unneeded items.**

24. **Ensure supply/equipment stockrooms and off-site storage units are secured to prevent unauthorized access.**

Internal Control Certification Program

The A-C developed the Internal Control Certification Program (ICCP) to assist County departments in evaluating and improving internal controls over fiscal operations. Departments must review and evaluate controls in key fiscal areas, and certify that proper controls are in place, or that action is being taken to correct any deficiencies or weaknesses noted.

Many of the issues noted in CSS' procurement operations should have been identified when CSS completed the FY 2008-09 ICCP. However, CSS' ICCP did not identify any procurement control weaknesses. CSS management should ensure that the ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.

Recommendation

25. **CSS management ensure the ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.**

Departmental Desk Procedures

On December 16, 2009, the A-C issued a memo to all County departments recommending departments develop and/or continue to update specific desk procedures, and cross-train employees regularly on critical processes/functions to reflect current County and department policies and practices. We noted that CSS does not have current desk procedures for its procurement and payment processes. To ensure consistency in business operations, and that employees are aware of their duties and the steps required to complete their assignments, CSS management should develop and periodically update desk procedures for the Department's procurement and payment processes.

Recommendation

26. **CSS management develop and periodically update desk procedures for the Department's procurement and payment processes.**

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COMMUNITY AND SENIOR SERVICES

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Enriching Lives Through Effective And Caring Service

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Chief Deputy

April 5, 2012

To: Wendy Watanabe
Auditor-Controller

From: CYNTHIA D. BANKS CDB
Director

Subject: **COMMUNITY AND SENIOR SERVICES RESPONSE TO PROCUREMENT REVIEW**

Attached is Community and Senior Services (CSS) response to the 26 recommendations contained in the Auditor-controller's (A-C) report of the Procurement Review.

In general, we agree with the audit findings. We are committed to taking the necessary corrective actions to ensure full implementation of the report recommendations. During the A-C's review to present, CSS has taken numerous actions to address recommendations provided by the A-C and has implemented new policies, procedures and forms to ensure that effective controls are in place.

We appreciate the professionalism in which the A-C team conducted their review and look forward to working with them in the future.

Please contact me if you have any questions, or your staff may contact Ellie Wolfe at ewolfe@css.lacounty.gov or (213)738-2681.

CDB:JW:ew

Attachment

ATTACHMENT

COMMUNITY AND SENIOR SERVICES
PROCUREMENT REVIEW
RESPONSE

General Purchasing and Payment Controls

Recommendation 1: Ensure staff prepare and managers approve requisitions before purchases are made, and keep copies of approved requisitions.

CSS Response to Recommendation 1: Agree and implemented.

Since the Auditor-Controller's (A-C) review, CSS revised the existing Multi-Purpose Requisition (MPR) form requiring approval from various levels of management prior to the issuance of purchase orders. In addition, all Procurement staff attended training that included the review of the newly implemented purchase requisition and other procedures to ensure that all procured items were purchased according to County fiscal policy. The Procurement Supervisor reviews all requisitions prior to processing purchases.

Recommendation 2: Ensure staff maintain copies of packing slips and other documentation verifying that goods/services were received.

CSS Response to Recommendation 2: Agree and implemented.

Since the A-C's review, Finance Management Division (FMD) Accounts Payable staff reviewed the policy regarding three-way matching and received additional training on the subject.

In addition, effective July 1, 2011, the Department implemented the eProcurement system to process payments for procured items and services. The new computer system requires an electronic three-way match of purchase orders, invoices and receipt orders prior to allowing payments to be processed.

Recommendation 3: Obtain ISD approval for prepayments that are not considered normal or customary.

CSS Response to Recommendation 3: Agree and implemented.

Since the A-C's review, Procurement staff reviewed the policy regarding obtaining Internal Services Department's (ISD) approval for prepayments that are not normal or customary purchases and received additional training on the subject.

Recommendation 4: Require FMD staff to document and resolve discrepancies when matching requisitions/purchase orders, packing slips and invoices before paying vendors.

CSS Response to Recommendation 4: Agree and implemented.

Since the A-C's review, FMD Accounts Payable staff reviewed the policy regarding discrepancy resolution prior to payment of invoice and received additional training. Where applicable, Procurement is notified of the discrepancies and further review is conducted.

In addition, effective July 1, 2011, the Department implemented the eProcurement computer system. Controls within the system do not allow payments to vendors, unless a three-way match of purchase order, receiving document and invoice is conducted and material discrepancies are noted.

Recommendation 5: Require FMD Accounts Payable staff to verify that prepaid goods/services are actually received.

CSS Response to Recommendation 5: Agree and implemented.

Since the A-C's review, FMD Accounts Payable staff reviewed the policy regarding verification of prepaid goods/services received and obtained additional training on the subject. The Report of Goods Received (RGR) form was developed and implemented to ensure that all requesters confirm receipt of goods/services. The form requires two signatures along with the attachment of any packing slips and supporting documentation (if any). In addition, Department staff was notified to forward all receipts, packing slips, or other supporting documentation to FMD Accounts Payable along with the required RGR. Upon receipt, a three-way match will be conducted prior to filing the invoice.

Recommendation 6: Require staff to mark invoices "paid" to prevent reuse.

CSS Response to Recommendation 6: Agree and implemented.

Since the A-C's review, FMD Accounts Payable staff reviewed the policy and was trained on marking invoices as "paid". All invoices, packing slips, and other supporting documentation are stamped as "paid" to ensure that duplicate payments do not occur.

Recommendation 7: Instruct vendors to send invoices directly to FMD's Budget and Finance Section.

CSS Response to Recommendation 7: Agree and implemented.

Since the A-C's review, the Department notifies vendors on a continuous basis to send invoices to the attention of FMD Accounts Payable Unit.

Recommendation 8: Ensure staff date stamp invoices immediately upon receipt.

CSS Response to Recommendation 8: Agree and implemented.

Since the A-C's review, FMD staff continues to retrieve invoices on a daily basis, at which time they are opened, stamped, and recorded in an invoice log upon receipt.

Recommendation 9: Ensure vendors are paid within 30 days of receiving the invoice, or earlier if discounts are available.

CSS Response to Recommendation 9: Agree and implemented.

Since the A-C's review, Procurement provided training for all Department staff. The training included review of the entire procurement and payment process and policies, including completion of the revised MPR and policies for agreement and non-agreement purchases. All Department staff was notified of the importance of providing supporting documentation to Procurement and FMD Accounts Payable to ensure timely processing of invoices.

In addition, FMD Accounts Payable created a log/folder for vendors that offer discounts to monitor and ensure invoices are paid within the discount period. The Accounts Payable supervisor reviews the vendors periodically for compliance.

Non-Agreement and Agreement Purchases

Recommendation 10: Only buy agreement items when making agreement purchases.

CSS Response to Recommendation 10: Agree and implemented.

Since the A-C's review, Procurement staff reviewed the policy regarding the purchasing of agreement items and reviews all MPR's to ensure that only agreement items were being ordered.

In addition, effective July 1, 2011, the Department began utilizing the County's eProcurement computer system. The system is designated to ensure that purchasing is processed according to County policies. This includes identifying an agreement or non-agreement item.

Recommendation 11: Do not make purchases in excess of the Department's delegated purchasing authority.

CSS Response to Recommendation 11: Agree and implemented.

Since the A-C's review, Procurement staff reviewed the policy regarding purchases over the Department's delegated purchasing authority and ensures that purchases are within the authorized amount.

In addition, effective July 1, 2011, the Department began utilizing the County's eProcurement computer system. The system is designated to ensure that purchasing is processed according to County policies. This includes notifying the user of orders placed over the Department's delegated purchasing authority, in turn directing the purchase to ISD.

Recommendation 12: Do not split purchases to circumvent the Department's delegated purchasing authority.

CSS Response to Recommendation 12: Agree and implemented.

Since the A-C's review, Procurement staff reviews all MPR's to ensure that purchase orders are not split. Any MPR that is questionable is returned to requester for additional explanation.

Recommendation 13: Maintain documentation justifying selection of more costly vendors.

CSS Response to Recommendation 13: Agree and implemented.

Since the A-C's review, Procurement staff has notified supply/service requestors and their supervisors to provide detailed justification when selecting more costly vendors. The Rejection of Low Bid Memo has been implemented and is required as an attachment to the MPR when a more costly vendor is utilized.

Recommendation 14: Record all necessary information (e.g., installation costs, delivery costs, etc.) for non-agreement price quotes.

CSS Response to Recommendation 14: Agree and implemented.

Since the A-C's review, Procurement staff reviewed the policy and received training on completion of non-agreement purchase requests. It was emphasized that all information must be included in the MPR prior to issuance of purchase order.

Capital and Non-Capital Equipment

Recommendation 15: Maintain accurate capital and non-capital equipment listings.

CSS Response to Recommendation 15: Agree and implemented.

Since the A-C's review, the Internal Support Services Division (ISSD) began utilizing the Controlled Asset Tracking System (C.A.T.S) to inventory all equipment using bar-coding. Upon implementation, CSS Headquarters, Aging and Adult Services Headquarters, 15 Community and Senior Centers, 15 Adult Protective Services (APS) field offices, and all storage units were inventoried and equipment was bar-coded. In addition, during Phase II of the C.A.T.S. implementation, CSS staff inventoried and bar-coded over 14 subcontracted agencies within the unincorporated areas of Los Angeles

County. On-going non-capital inventory audits are conducted on a bi-annual basis and capital equipment inventory audits on an annual basis.

Furthermore, CSS is in the process of strengthening its Movement of Equipment and Controls Policy. This policy will require managers to account for the removal and return of all unassigned non-capital equipment.

Recommendation 16: Ensure staff investigate, and maintain records of missing non-capital equipment.

CSS Response to Recommendation 16: Agree and implemented.

Since the A-C's review, CSS has worked with the Chief Executive Office (CEO) and Office Security Management (OSM) to develop and implement new policies to report, investigate, and maintain records of missing or stolen equipment.

Moreover, CSS will file a Report of Equipment Loss form with the A-C's Capital Asset Unit (CAU) prior to the end of each calendar year. For inventory that is being salvaged or disposed, CSS will complete a Fixed Asset Disposition Form and submit it to the A-C for removal from the A-C's Capital Asset System.

Furthermore, CSS is in the process of strengthening its Movement of Equipment and Controls Policy. This policy will detail the managers' responsibilities for investigating and reporting missing non-capital equipment.

Recommendation 17: Assign responsibility for all capital and non-capital equipment to specific individuals, and require individuals to keep a list of equipment assigned to them.

CSS Response to Recommendation 17: Agree and implemented.

Since the A-C's review, through the use of the C.A.T.S., equipment was assigned to individual staff enabling the Department to track equipment by location and division. Effective August 2011, each CSS Program Manager (PM) was provided with a listing of equipment assigned to their division enabling them to track all capital and non-capital equipment.

Recommendation 18: Ensure staff complete and maintain all required documentation for the disposal of capital equipment, and update the capital equipment listing when assets are lost or disposed.

CSS Response to Recommendation 18: Agree and implemented.

Since the A-C's review, CSS has continued to notify the A-C's CAU of all disposed, salvaged or lost capital equipment and supplies by completing a FD Disposition Document to request removal from the A-C's Capital Asset System. For capital equipment or supplies that are sold, CSS submits a CAS 04 Form (Sales and Disposition Document), to the A-C's CAU along with all relevant supporting documentation.

Upon submission of required documentation, ISSD updates all necessary capital equipment listings.

Recommendation 19: File the Report of Equipment Loss form with the A-C's Capital Asset Unit, annually as required.

CSS Response to Recommendation 19: Agree and implemented.

Since the A-C's review, CSS submitted the Report of Equipment Loss form for FY 2009-10 and 2010-11 to the A-C and will continue to do so by the annual due date.

Warehousing/Inventory

Recommendation 20: Evaluate the items in all of its storage facilities and supply/equipment stockrooms, and dispose of any obsolete/surplus items.

CSS Response to Recommendation 20: Agree and implemented.

Since the A-C's review, several items in storage have been donated or disposed of and CSS will continue to conduct comprehensive reviews of the stored inventory.

Recommendation 21: Consolidate items in storage, reassess its storage needs, and obtain CEO approval for any rental units.

CSS Response to Recommendation 21: Agree and implemented.

Since the A-C's review, CSS has consolidated inventory stored in rented facilities to maximize space and reduce storage costs. CSS has vacated seven (7) of its eleven (11) rented storage facilities by discarding outdated supplies and donating obsolete and surplus non-capital equipment. CSS is working with the CEO to obtain a CEO-approved rental agreement for the balance of the rental units and has submitted a Space Request Evaluation for review and approval.

Recommendation 22: Keep perpetual inventory records of supplies/equipment.

CSS Response to Recommendation 22: Agree and implemented.

Since the A-C's review, a perpetual inventory is kept of all supplies and audited quarterly. Staff does a physical inventory of supplies. Also, through the C.A.T.S, CSS conducts comprehensive inventory reviews. The system maintains thorough asset information: (equipment type, model number, serial number, etc.) and administrative information (asset location, property assignee, etc.).

Recommendation 23: Conduct annual physical inventories to identify slow moving, obsolete, and/or overstocked items, and dispose of any unneeded items.

CSS Response to Recommendation 23: Agree and implemented.

Since the A-C's review, CSS has conducted a review of supplies to identify if items are slow moving, obsolete and/or overstocked. Items determined as unneeded were disposed of accordingly. CSS will include review of such items during the annual inventory process.

Recommendation 24: Ensure supply/equipment stockrooms and off-site storage units are secured to prevent unauthorized access.

CSS Response to Recommendation 24: Agree and implemented.

Since the A-C's review, all supply and equipment stockrooms and off-site storage units have been secured. Access is limited to authorized staff only.

Internal Control Certification Program

Recommendation 25: CSS management ensure the ICCP questionnaires are completed accurately, all internal control weaknesses are identified, and an improvement plan is developed to address each weakness.

CSS Response to Recommendation 25: Agree and implemented.

During the A-C's review, CSS formed an independent task force to conduct a comprehensive review of all assessable units. The team was tasked with providing assistance with the preparation of the ICCP questionnaires, identifying internal control weaknesses, and providing recommendations to address such weaknesses. In addition, the task force is in the process of conducting a follow-up review to ensure that all identified weaknesses are addressed. It should be noted that several of the findings identified in this report were also identified and addressed during the review.

Departmental Desk Procedures

Recommendation 26: CSS management develop and periodically update desk procedures for the Department's procurement and payment processes.

CSS Response to Recommendation 26: Agree and partially implemented.

The Department has an existing Purchasing Policies and Procedures Manual that was provided to the Auditor-Controller during the review. Since the A-C's review, the Department has updated the manual to incorporate new procedures resulting from the implementation of eProcurement, along with desk procedures for the various operations. The target date for completion is June 30, 2012.