

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Arlene Barrera

ACTING AUDITOR-CONTROLLER

Peter Hughes

ASSISTANT AUDITOR-CONTROLLER

Robert Campbell

DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

June 4, 2019

Department of Health Services **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14061**



NUMBER OF
RECOMMENDATIONS

PRIORITY 1

0

CORRECTIVE ACTION REQUIRED
WITHIN 90 DAYS

PRIORITY 2

1

CORRECTIVE ACTION REQUIRED
WITHIN 120 DAYS

PRIORITY 3

0

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

#2018-14061

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**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

ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
OFFICE OF COUNTY INVESTIGATIONS
500 W. TEMPLE ST., ROOM 515
LOS ANGELES, CA 90012-3756

June 4, 2019

TO: Christina R. Ghaly, M.D., Director
Department of Health Services

FROM: Robert G. Campbell, Chief
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2018-14061**

During a limited review at the Department of Health Services (DHS) High Desert Regional Health Center, we noted areas where DHS can strengthen its internal controls over supplies inventory. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations. The Auditor-Controller's follow-up process and internal control disclosures are included in Attachment II.

Review of Report

We discussed our report with DHS management. The Department's response (Attachment III) indicates general agreement with our findings and recommendations.

We thank DHS management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 893-0058, or your staff may contact Jim Christensen at (213) 893-0793.

RGC:GH:JS:JC:wv
IOR-2018-14061

Attachments

c: Fred Leaf, Interim Director, LA County Health Agency
Beryl Brooks, High Desert Health System Administrator
Arlene Barrera, Acting Auditor-Controller
Audit Committee
Audit Division

DEPARTMENT OF HEALTH SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14061

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

| | ISSUE | RISK | RECOMMENDATION | P¹ | SUMMARY OF RESPONSE |
|----------|---|--|--|----------------------|--|
| 1 | <p>Supply Inventory Controls: Department of Health Services (DHS) High Desert Regional Health Center does not have an adequate inventory control system for copier and printer supplies as required by County Fiscal Manual Section 5.2.2. Specifically, DHS does not track receipt and usage of copier and printer supplies inventory received from the Managed Print Services contract vendor.</p> | <p>Inadequate controls over copier and printer supplies increases the likelihood that these items may be lost or stolen. Copier and printer supplies may also be subject to greater risk of loss because these consumables are generally shipped to the County automatically, under the Managed Print Services contract, and therefore are not subject to the same procurement process and management approvals as other supplies.</p> | <p>DHS management implement procedures and controls, such as incorporating copier and printer supplies into their warehouse inventory tracking system, to ensure that copier and printer supply inventories are safeguarded from theft or loss.</p> | 2 | <p>Agree Target Implementation Date: August 15, 2019</p> <p>DHS indicated agreement with the findings and recommendation. DHS High Desert Regional Health Center Management will implement procedures and controls to ensure that copier and printer supply inventories are safeguarded from theft or loss.</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 IV for definitions of priority rankings.

FOLLOW-UP AND INTERNAL CONTROL DISCLOSURES

***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.



**Los Angeles County
Board of Supervisors**

Hilda L. Solis
First District

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Second District

Sheila Kuehl
Third District

Janice Hahn
Fourth District

Kathryn Barger
Fifth District

April 23, 2019

TO: Robert G. Campbell, Chief
Office of County Investigations

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

A handwritten signature in black ink, appearing to read "Christina R. Ghaly", written over the printed name and title.

**SUBJECT: RESPONSE TO AUDITOR-CONTROLLER
IMPROVEMENT OPPORTUNITIES NOTED DURING
LIMITED REVIEW #2018-14061**

Christina R. Ghaly, M.D.
Director

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

Attached is the Department of Health Services' response to the finding and recommendation made in the Auditor-Controller's report of its limited review of High Desert Regional Health Center's internal controls over copier and printer supplies inventory.

313 N. Figueroa St., Ste. 106
Los Angeles, CA 90012

Tel: (213) 288-7901

If you have any questions or require additional information, please contact Angelo Cariaga at (213) 288-8437.

CRG:ac

www.dhs.lacounty.gov

Attachment

c: Arun Patel, M.D.
Hal F. Yee, Jr., M.D., Ph.D.
Beryl Brooks
John Grant

*To ensure access to high-quality,
patient-centered, cost-effective
health care to Los Angeles County
residents through direct services at
DHS facilities and through
collaboration with community and
university partners.*



www.dhs.lacounty.gov

**DEPARTMENT OF HEALTH SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14061**

| ISSUE 1: SUPPLY INVENTORY CONTROLS | |
|--|--|
| A/C Recommendation | DHS management implement procedures and controls, such as incorporating copier and printer supplies into their warehouse inventory tracking system, to ensure that copier and printer supply inventories are safeguarded from theft or loss. |
| Priority | PRIORITY 2 |
| Agree/Disagree | Agree |
| Department Action Plan¹ | <i>High Desert Regional Health Center Management will implement procedures and controls to ensure that copier and printer supply inventories are safeguarded from theft or loss.</i> |
| Planned Implementation Date | August 15, 2019 |
| Additional Information (optional)² | |

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.