



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

OFFICE OF COUNTY INVESTIGATIONS
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 514
LOS ANGELES, CALIFORNIA 90012

ARLENE BARRERA
AUDITOR-CONTROLLER

OSCAR VALDEZ
CHIEF DEPUTY AUDITOR-CONTROLLER

October 19, 2020

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
#2019-16145**

NUMBER OF RECOMMENDATIONS
PRIORITY 1 1 CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS
PRIORITY 2 0 CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS
PRIORITY 3 0 CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

During a limited review at the Department of Health Services' (DHS or Department) LAC+USC Medical Center (LAC+USC), we noted areas where LAC+USC can strengthen its internal controls over non-capital asset inventory (e.g., computers). Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendation.

Review of Report

We discussed our report with LAC+USC management. The Department's response (Attachment II) indicates general agreement with our findings and recommendation.

We thank LAC+USC management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0058 or rcampbell@auditor.lacounty.gov, or your staff may contact Greg Hellmold at (213) 893-0243 or ghellmold@auditor.lacounty.gov.

RGC:GH:SL

Attachments

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division

REPORT #IOR-2019-16145

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert G. Campbell
DIVISION CHIEF

Office of County Investigations

Report #IOR-2019-16145

**DEPARTMENT OF HEALTH SERVICES
LAC+USC MEDICAL CENTER
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2019-16145**

BACKGROUND

The Department of Health Services (DHS or Department) operates four acute care medical centers, 26 health centers, and employs over 22,000 employees. DHS medical centers utilize computing devices and multiple systems/applications to access/store medical records and other related sensitive information. In 2018, DHS implemented the Windows 10 Refresh Project to upgrade the computers to HP ProDesk computers. DHS purchased 12,885 HP ProDesk computers, valued at \$9.7 million, for the project. During a limited review involving stolen County computers at the LAC+USC Medical Center (LAC+USC) Warehouse, we noted areas where DHS can strengthen its internal controls over non-capital asset inventory (e.g., computers) and oversight over contracted Information Technology (IT) personnel.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Computer Equipment Inventory Safeguards – DHS needs to ensure that Warehouse and IT Section management comply with internal controls over non-capital asset equipment as required by County Fiscal Manual (CFM) Section 6.8.2. We found that LAC+USC Warehouse and IT Section staff did not consistently document the transfer of computer equipment to contracted IT staff who received it or maintain a perpetual and accurate inventory of computers on hand. Specifically, we noted instances where IT Section personnel signed for and picked up more than 20 computers valued at over \$12,000 from the warehouse and gave them to contracted IT staff, without documenting the transfer.</p> <p>While we were investigating the theft of a significant number of computers from LAC+USC, Warehouse and IT Section management could not tell us how many computers had been issued from the warehouse or the whereabouts of the computers. As a result, they had to perform a complete physical inventory to determine how many computers were missing. We also noted that while new computers were stored in a secured room, numerous staff had access to the room, impairing accountability, and security over the stored computers. CFM Section 6.8.2 describes the required internal controls over non-capital asset equipment.</p>	<p>Priority 1 - DHS management:</p> <ul style="list-style-type: none"> a) Ensure Warehouse and IT Section staff comply with CFM Section 6.8.2 internal controls for maintaining accountability and physical security over non-capital asset equipment (e.g., computer equipment); b) Ensure that Warehouse and IT Section staff understand their responsibility to maintain accountability and physical security over such equipment, and; c) Perform periodic monitoring to ensure that staff complies with the established procedures. <p>Department Response: Agree Implementation Date: December 31, 2020</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
Impact: Inadequate physical and inventory controls over valuable portable equipment such as computers increases the risk of theft and impairs management's ability to timely detect and quantify thefts.	

For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.



October 6, 2020

**Los Angeles County
Board of Supervisors**

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Fifth District

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

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

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER FINDINGS
AND RECOMMENDED CORRECTIVE ACTIONS –
REPORT #2019-16145**

Christina R. Ghaly, M.D.
Director

Hal F. Yee, Jr., M.D., Ph.D.
Chief Deputy Director, Clinical Affairs

Nina J. Park, M.D.
Chief Deputy Director, Population Health

The Department has reviewed the Auditor-Controller's report and agrees with the finding and recommendation. Attached is the Department's plan of corrective action.

If you have any questions or require additional information, please contact Oscar Autelli at (424) 409-1230.

CRG:lr

Attachment

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 288-7901

www.dhs.lacounty.gov

c: Arun Patel, M.D.
Oscar Autelli
Kevin Lynch
Maria Lorena Andrade-Guzman
Loretta Range
Angelo Cariaga

*"To advance the health of our
patients and our communities by
providing extraordinary care"*



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**DEPARTMENT OF HEALTH SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2019-16145
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: COMPUTER EQUIPMENT INVENTORY SAFEGUARDS	
A/C Recommendation	DHS management: d) Ensure Warehouse and Information Technology (IT) Section staff comply with County Fiscal Manual Section 6.8.2 internal controls for maintaining accountability and physical security over non-capital asset equipment (e.g., computer equipment). e) Ensure that Warehouse and IT Section staff understand their responsibility to maintain accountability and physical security over such equipment. f) Perform periodic monitoring to ensure that staff complies with the established procedures.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	LAC+USC IT Management will ensure Warehouse and IT staff comply with County Fiscal Manual Section 6.8.2 and ensure staff understand their responsibility in maintaining accountability and physical security over computer equipment. In addition, IT Management will perform periodic monitoring to ensure that staff complies with the established procedures.
Planned Implementation Date	December 31, 2020
Additional Information (optional)²	