



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

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May 20, 2022

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
(REPORT #IOR-2019-16145) – FIRST FOLLOW-UP REVIEW**

We completed a follow-up review of our Department of Health Services (DHS or Department) Improvement Opportunities Noted During Limited Review dated October 19, 2020 (Report #IOR-2019-16145). As summarized in Table 1, DHS partially implemented the one recommendation. DHS needs to fully implement the recommendation to ensure proper controls over equipment.

Table 1 - Results of First Follow-up Review

PRIORITY RANKINGS	TOTAL RECOS	RECOMMENDATION IMPLEMENTATION STATUS		
		FULLY IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
PRIORITY 1	1	0	1	0
PRIORITY 2	0	0	0	0
PRIORITY 3	0	0	0	0
TOTAL	1	0	1	0
			1	

For details of our review and the Department’s corrective actions, see Attachment. We will perform a second follow-up review and report back on the outstanding recommendation in accordance with our standard procedures.

We thank DHS management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0058 or via e-mail at rcampbell@auditor.lacounty.gov, or your staff may contact Supervising Investigator Steven Lee at (213) 893-0551 or slee2@auditor.lacounty.gov.

RGC:GH:SL

Attachment

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

Report #F1-2019-16145

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Office of County Investigations

Report #F1-2019-16145

**DEPARTMENT OF HEALTH SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (#IOR-2019-16145)
FIRST FOLLOW-UP REVIEW**

	RECOMMENDATION	A-C COMMENTS
1	<p>Priority 1 – Department of Health Services (DHS or Department) needs to ensure that Warehouse and Information Technology (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>Original Issue/Impact: Inadequate physical and inventory controls over valuable portable</p>	<p>Recommendation Status: Partially Implemented</p> <p>We conducted a site visit and confirmed that LAC+USC management implemented a deployment checklist procedure to ensure that all equipment work orders are signed and dated before any IT equipment is released for deployment. We reviewed sample Deployment Checklist forms and Work Orders and we confirmed that they included the serial numbers of IT devices, the responsible technician’s name, deployment date, and that they were signed and dated. LAC+USC management also indicated that training information was disseminated to staff highlighting the new workflow.</p> <p>We noted that LAC+USC management implemented additional physical security controls, including installing an access card reader for the warehouse and that access is limited to authorized, permanent County employees assigned to the DHS Asset Management Control (AMC) Unit. We reviewed the warehouse card reader access logs and confirmed that access is limited to authorized AMC Unit staff.</p> <p>We found that LAC+USC management replaced the legacy Asset Management database with the new Hospital Equipment Management System (HEMS) in July 2021. This new system includes an inventory of IT equipment, as well as purchase order, vendor, asset tag, and equipment location information. LAC+USC management provided a HEMS generated “IT Stock Report – All Inventory” report, which identified 39,847 pieces of IT equipment as well as the location and status</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.

RECOMMENDATION	A-C COMMENTS
equipment such as computers increases the risk of theft and impairs management's ability to timely detect and quantify thefts.	(e.g., deployed, pending salvage) of each asset. LAC+USC management indicated that they plan to upgrade HEMS so it will provide auditing functionality that periodically requires physical inventory counts to promptly identify any missing equipment and to verify the accuracy of inventory reported in HEMS.

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

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.