
# INTERNAL AUDITOR'S REPORT

## Facilities Management

**November 22, 2006**

Office of
**Robert E. Byrd, CGFM**
County Auditor-Controller

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November 22, 2006

Mr. Robert Field, Director
Facilities Management
3133 Mission Inn Avenue
Riverside, CA 92507

Subject: Internal Auditor's Report # 2006–007 - Facilities Management

Dear Mr. Field:

We have completed an audit of the Facilities Management Department. We conducted the audit during the period May 30, 2006 through August 17, 2006, for operations of July 1, 2004 through June 30, 2006.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the department's processes and fiscal procedures.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined the department had a reasonably adequate system of internal controls over information security; however, it lacked effective policies and procedures over various accounting functions; billing procedures did not ensure recovery of the actual cost of providing maintenance services or for the approval of all rates charged as required by Board of Supervisors' policy; purchasing procedures were not in compliance with county purchasing policies; the department did not have an adequate system of accountability over revolving funds and non-capitalized assets; and, there were inadequate controls over the handling of cash and the monitoring of validations at the parking structures.

Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance with the appropriate level of management.

We thank the Facilities Management staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

By: Michael G. Alexander, MBA, CIA
Chief Internal Auditor

cc: Board of Supervisors
County Counsel
Grand Jury
Jennifer Sargent, County Executive Office

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## Executive Summary

**Overview**

Facilities Management's stated mission is to provide a safe physical working environment for the administration of county government through preventative, daily and emergency maintenance; daily and utility custodial services; professional real property management through acquisition, sale or lease of properties as required; and, professional project management for new construction and major renovations or remodel of county buildings. The Parking Division is responsible for maintaining and servicing the county's parking structures.

The County of Riverside owns approximately 6 million square feet of building space and leases approximately 2.1 million square feet of office space. It also owns 2,100 parcels of land. Current Facilities Management projects include renovation of the 1933 Historic Courthouse in Downtown Riverside, the Larry D. Smith Correctional Facility, and the Perris Family Care Clinic.

The Board of Supervisors authorized Facilities Management 55 new positions for fiscal year 2006-07 to provide the level of services needed countywide. In addition, Facilities Management will be opening a new 18,000 square feet maintenance facility on 3rd Street to relieve the overcrowding at the Mission Inn facility.

**Objectives**

To determine:

- if adequate controls exist over the revolving funds, purchasing process, and the cash collection of parking fees;
- if the billing procedures are adequate for the recovery of actual costs;
- if custodial workers receive the required background checks;
- if the criteria is met for classification of capital leases;
- if the inventory of county owned buildings is maintained and complete;
- the existence of capitalized equipment and the controls over acquisition, monitoring, and disposal;
- if non-capitalized assets are accounted for and monitored; and,
- if sensitive information is adequately safeguarded.

**Methodology**

To accomplish our objectives, we:

- conducted interviews with department personnel;
- completed narratives of the processes;
- reviewed revolving funds vouchers for fiscal year 2005/06 for appropriateness, authorization, reimbursement, and reconciliation;

- statistically selected a sample of 73 work orders from a total population of 40,563 with 95% confidence level and 5% sample precision (desired level of accuracy) for the billing audit testing;
- performed detailed testing of the purchasing process to ensure adherence to the county purchasing policy;
- reviewed parking fees collection for proper safeguarding, timeliness of deposit, monitoring and recording;
- reviewed the countywide background check policy approved by the board;
- reviewed building lease agreements for provisions relating to background checks for custodial workers;
- compared Facilities Management's building inventory to the buildings recorded in PeopleSoft Asset Management Module;
- reviewed the department's capital asset equipment listing for completeness and verified assets for existence;
- reviewed expenditures for non-capitalized assets; and,
- conducted on-site observations where sensitive information is stored and accessed.

**Overall Conclusion**

Based upon the results of our audit, we determined the department had a reasonably adequate system of internal controls over information security; however, it lacked effective policies and procedures over various accounting functions; billing procedures did not ensure recovery of the actual cost of providing maintenance services or for the approval of all rates charged as required by Board policy; purchasing procedures were not in compliance with county purchasing policies; the department did not have an adequate system of accountability over revolving funds and non-capitalized assets; and, there were inadequate controls over the handling of cash and the monitoring of validations at the parking structures.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

**Results**

**Revolving Funds**

The Facilities Management Department is authorized two revolving funds in the amounts of $1,000 and $315 according to Treasurer's and Auditor-Controller's records. These funds are kept as petty cash by the fiscal unit and in outlying areas. The funds are used to reimburse general office expenses such as postage and small parts for maintenance use.

The fiscal unit made 56 expenditures using petty cash funds during fiscal year 2005/06. All 56 expenditures were reviewed for authorization and appropriateness.

**Finding 1**

There are no department policies or procedures for the management and maintenance of revolving funds. As a result there is inadequate separation of duties over the use of revolving funds and a lack of clarity over the responsibilities for reconciliations, proper documentation, timely reimbursements and verification of the appropriate use of revolving funds.

- We confirmed only $600 of $1,315 in authorized revolving funds because fiscal personnel could not provide the locations for $615 of the fund balance or documentation to support the transfer of a $100 fund to Indio.
- There are no documented reconciliations performed for the revolving fund.
- There were three reimbursements requested in five month intervals during fiscal year 2005/06. This infrequent reimbursement indicates that the fund may be too large for the department's needs.

Standard Practice Manual Policy III-E-1-2.1, Revolving Funds, requires departments to document all transactions affecting the revolving fund to include the date, description of expenditure, warrant or voucher number, amount, disbursement appropriation code, and running fund balance. Chapter 2 of the Internal Control Handbook requires one person be vested with the responsibility for the revolving fund, that there be a segregation of duties, daily reconciliation, and surprise verification counts.

**Recommendation 1.1**

Research the disposition of the missing funds and document their location, amount, and custodian. If the existence cannot be confirmed, prepare and submit a cash shortage report to the Auditor-Controller along with a request for reduction in the revolving fund amount.

**Management's Reply** Concur. Facilities Management staff will conduct an audit of disposition of the missing revolving funds and document their location, total amount, and custodian. If the existence cannot be confirmed, assigned staff shall submit a cash shortage report to the Auditor-Controller with a request for reduction in the revolving fund amount.

Estimated Date of Corrective Action: June 30, 2007

**Recommendation 1.2** For those funds that are confirmed, perform an analysis to ensure the funds are necessary in their current location and if not, funds should be returned to the Treasurer and appropriate documentation submitted to the Auditor-Controller's Office to reduce the revolving fund amount.

**Management's Reply** Concur.

Estimated Date of Corrective Action: June 30, 2007

**Recommendation 1.3** Develop procedures to address required supporting documentation, appropriate reimbursable expenses, periodic reconciliations, reimbursement procedures and individual responsibilities for revolving funds.

**Management's Reply** Concur.

Estimated Date of Corrective Action: June 30, 2007

**Results** **Billing Process**

Facilities Management recovers the cost for providing custodial and maintenance services through direct billing; however, cost that is not billed directly is allocated in the Countywide Cost Allocation Plan. Maintenance service requests and material cost are tracked by a work order system called Facility Center. In addition, maintenance and custodial staff track hours on timesheets.

Facilities Management's direct billing process is performed in the following manner: upon completion of a service request, maintenance staff return work orders to the customer service desk for data entry of hours worked and material costs into Facility Center. On a monthly basis all completed work orders are extracted from Facility Center into an excel schedule for billing.

We obtained an excel schedule with the work orders for the past twelve months from July 5, 2006. We statistically selected a sample of 73 work orders from a population of 40,563 with 95% confidence level and 5% sample precision (desired level of accuracy) for audit testing.

Our audit also included a review of the following billing rates charged by Facilities Management: custodial, maintenance, real estate acquisitions and lease management, design and construction, and parking. The Board of Supervisors approved a rate adjustment in December 2003 for use in fiscal year 2004/05. Prior to that adjustment, rates had not been increased since fiscal year 1992/93. Board Policy B-4 requires that rates be adjusted at least annually upon Board of Supervisors approval.

**Finding 2** The department charged a $60.00 hourly rate for work on acquisitions and a four percent lease management fee without obtaining a fee review by the Auditor-Controller and County Executive Office, and adoption by the Board of Supervisors. Board Policy B-4, Rates Charged for Current Services, requires that charges for services be adopted by the Board upon recommendation of the Auditor-Controller and the Administrative Officer. There is no evidence these rates are based on an analysis of the cost to provide the services.

**Recommendation 2.1** Develop rates based on a cost study.

**Management's Reply** Concur. By April 30, 2007, the Department of Facilities Management will have conducted a comprehensive cost study for its various cost recovery rates. Professional level accounting staff will be assigned to accomplish this task, as well as revisit each rate methodology annually on a going forward basis to ensure full cost recovery for services provided.

Estimated Date of Corrective Action: April 30, 2007

**Recommendation 2.2** Submit rates to the Board of Supervisors for approval in accordance with Board Policy B-4.

**Management's Reply** Concur. Annual comprehensive rates will be taken to the Board by Facilities Management by June 13, 2007, to ensure that the new rates can be implemented by the start of the new fiscal year. This will be an ongoing annual process to ensure full cost recovery for services provided by Facilities Management.

Estimated Date of Corrective Action: June 13, 2007

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**Finding 3** The overall billing process did not provide adequate assurance about the accuracy or completeness of billings to recover the department's cost.

- The department used two different ways of identifying materials cost: maintenance technician's entry of materials cost on the work order which was then recorded into Facility Center when the work order was turned in or when requisitions were completed at the storeroom.
- The department used two different methods to bill for maintenance services: one method was based on actual time and materials recorded on work orders; the other was based on either actual or a percentage of time from timesheets.
- Maintenance engineers and technicians did not return completed work orders for posting; therefore, charges were not billed when the fiscal staff ran the report of completed work orders to be used for billing. Thirteen of the sixty-one work orders reviewed were not returned; therefore, were not billed as required. We also found material costs recorded in Facility Center that were never billed to the departments.
- Buildings identified for chargeback were not billed and buildings listed as a non-chargeback were billed. Buildings also existed that were not included in the building listing; therefore, it is unclear if these buildings should be billed for maintenance services.

There were no written policies and procedures over the billing process to provide the guidance that is necessary for performance to be consistent and reliable. According to the fiscal management, the processes in place have been used for years and were not changed.

**Recommendation 3.1** Develop written policies and procedures over the billing process to ensure that billing is performed timely and accurately.

**Management's Reply** Concur. This would allow us to formulate the new procedures and processes around the new rate structure and methodology.

Estimated Date of Corrective Action: July 30, 2007

**Recommendation 3.2** Develop a standardized written agreement documenting billing criteria, description of services provided, and billing rates for department's acceptance and acknowledgment.

**Management's Reply** Concur. A standardized MOU will be written documenting billing criteria, scope and description of services provided, and billing rates for department's acceptance and acknowledgement. With the time line to establish the new rates and related procedures, it is necessary to have adequate time to prepare MOU language and boilerplate contractual terms and conditions for each MOU.

Estimated Date of Corrective Action: July 1, 2008

**Recommendation 3.3** Review open work orders in Facility Center that are over two weeks old and research with appropriate staff to determine status.

**Management's Reply** Concur. This issue will be addressed through the implementation of Facilities Management's CMMS System TRIRIGA.

Estimated Date of Corrective Action: July 1, 2007

**Recommendation 3.4** Update the building listing to reflect the billing criteria for each building.

**Management's Reply** Concur. This issue will be resolved once Facilities Management implements its square foot billing rate methodology for on-going facility preventive maintenance.

Estimated Date of Corrective Action: July 1, 2007

**Results** **Purchasing Process**

Facilities Management expended more than $6.5 million on goods and services for general maintenance between July 1, 2004 and June 30, 2006. Retail credit card purchases comprised $164,000 of those expenditures. County Ordinance 459.4 requires Facilities Management to obtain written authority from the County of Riverside Purchasing Agent prior to making purchases. The County Purchasing Agent delegated purchasing authority to several personnel within Facilities Management allowing them to purchase goods and services with varying limitations. These personnel were required to obtain the maximum value for each dollar spent while meeting county purchasing policies and standards.

Facilities Management utilized Super Low Value Purchase Orders (SLVPO) for purchases less than $200, Low Value Purchase Orders (LVPO) for daily purchases less than $2,500 per vendor, and Extended Low Value Purchase Orders (ELVPO) for purchases less than $25,000. Additionally, Facilities Management maintained retail credit accounts from Home Depot, OfficeMax, and Staples and also participated in the county Purchasing Procurement Card (P-Card) Program. The Purchasing Department has published policies and procedures over the P-Card program to ensure that the system of internal controls over this program functions effectively.

Auditor-Controller Standard Practice Manual No. 104 requires departments to establish, document, and maintain an effective system of internal control to reduce the likelihood of errors, inefficiencies, and fraud. Facilities Management purchasing process utilized a purchase requisition, Form FM210-701, as the media to request, communicate, authorize, and track purchasing requests. Facilities Management's purchasing policy required an appropriately authorized purchase requisition for all purchases submitted to the Facilities Management fiscal unit for payment.

Our audit of the purchasing process included a random sample of general and maintenance expenditures which excluded salaries, benefits, and capital assets for the period of July 2003 though June 2006. Furthermore, we performed additional audit tests of purchases made using the P-Cards and retail credit cards.

**Finding 4**

The overall system of internal controls over Facilities Management's purchasing process was ineffective. Facilities Management personnel with department signature authority had the ability to prepare purchase requisitions, authorize purchases, and receive goods. This inadequate segregation of duties significantly weakened the system of internal controls over the purchasing process. Additionally, Facilities

Management did not have procedures to account for non-capitalized assets purchased, but rather relied on purchase requisitions and the memory of personnel to track these assets. The inadequate segregation of duties coupled with the lack of control over monitoring and accountability of non-capitalized assets puts the department at risk of making unauthorized expenditures or misappropriation through the purchasing process.

We requested supporting documentation for 73 expenditures with a value of more than $69,700 with the following results:

- Facilities Management could not locate documentation related to nine of these expenditures totaling more than $17,500;
- Receiving documents could not be provided for ten expenditures;
- Purchase requisitions could not be provided to show approval for seven purchases; and,
- Two vendor invoices/receipts that support the amount paid could not be provided.

**Recommendation 4** Develop, document and implement a system of internal controls over the purchasing process.

**Management's Reply** Concur. Facilities Management will implement an electronic inventory bar coding systems, enlist assigned accountants to conduct cyclical inventory counts on a regular basis throughout the fiscal year, as well as track capitalized and non-capitalized assets in the PeopleSoft Asset Management Module.

Estimated Date of Corrective Action: March 1, 2007

**Finding 5** Facilities Management utilized retail credit accounts without proper authorization and without an adequate system of internal controls over their use. Cards used included 47 Home Depot credit cards and one each from OfficeMax and Staples.

The Home Depot cards were part of a department account with a credit limit of $27,500. Each card was authorized to be used up to the account limit. The department maintained an average outstanding account balance of $19,294 on the Home Depot account during the period reviewed. One employee had two active cards, three cardholders had not been employed since 2004, and only one cardholder was an authorized purchasing agent. We requested supporting documentation for 53 randomly selected Home Depot expenditures representing over $17,700 in purchases made between October 2005 and May 2006. Payments for the Home Depot purchases were made upon presentation of a purchase requisition and receipt; however, requisitions were not available for all purchases reviewed. The process allowed cardholders to make the purchasing decision and receive the items purchased without assurance there was appropriate approval or that the items purchased were used for the purpose intended.

The OfficeMax and Staples accounts each had a credit limit of $10,000. Although these cards were secured and tracked when given to various personnel for purchases, there was no documentation to show the history of possession of these cards; therefore, if unauthorized purchases were made, management had no way of identifying those purchased with a responsible employee. The department used these cards on the premise that the account allowed them to purchase items at a price lower than those available through County Purchasing Supply Services; however, they were not aware of the County Purchasing Department's low price guarantee that will match any price available through an external vendor.

As part of our review of credit card purchases, we attempted to locate 34 non-capitalized assets purchased with credit cards between August and December 2005. We were able to locate 32 of the items; the other two items had been issued to personnel no longer employed with Riverside County.

It appeared that the various credit accounts were regularly used as a means for bypassing conventional purchasing methods when there did not appear to be adequate justification for doing so. An example was the December 2005 purchase of six Dewalt Tool Sets for $3,222. There did not appear to be an immediate need that would justify bypassing the informal competitive bid process County Purchasing required for all purchases greater than $1,000. Consequently, use of the credit accounts may have also resulted in significantly higher costs to Facilities Management in the form of lost government discounts, higher retail prices, and credit line finances charges.

**Recommendation 5.1** Retrieve all retail credit cards from employees and close all retail store credit accounts.

**Management's Reply** Concur. Department management took immediate action on this item as soon as it recognized that retail credit cards were being used in a manner contrary with sound governmental accounting practices, as well as outside of acceptable purchasing guidelines. All retail store credit cards have been retrieved and applicable accounts closed.

Estimated Date of Corrective Action: September 2006

**Auditor's Comment** We obtained and reviewed a copy of the department's letter to Home Depot requesting the closure of the credit card account; however, at the time of this review, the department had not received a response from

Home Depot confirming the account closure. The department also indicated that all credit cards were retrieved and destroyed. We were not present to observe the destruction.

**Recommendation 5.2** Work with County Purchasing Department to obtain approval and issuance of Procurement Cards to those employees with a legitimate business need to make credit purchases.

**Management's Reply** Concur.

Estimated Date of Corrective Action: Currently in process

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**Finding 6** County purchasing policy requires departments to purchase products from vendors holding existing county awards. During the audit period, Facilities Management averaged more than $150,000 annually in purchases from vendors that did not have county awards. Additionally, Facilities Management purchased supplies independent of the contracts established with vendors for county-wide purchases. Facilities Management indicated that it had not been able to initiate contracts in a timely manner for the non-contracted vendors due to the limitations on Facilities Management's purchasing authority.

For vendors that did not have a contract, Facilities Management may have been able to negotiate significant discounts or obtain similar products from contracted vendors. By purchasing the supplies independent of the contract, Facilities Management impairs the county's ability to negotiate optimal savings for departments county-wide. Establishing contracts with vendors that provided essential supplies to multiple departments allows County Purchasing to obtain significant discounts not attainable by these departments separately.

**Recommendation 6** Establish policies and procedures that will ensure purchases made from vendors holding existing county awards.

**Management's Reply** Concur.

Estimated Date of Corrective Action: March 1, 2007

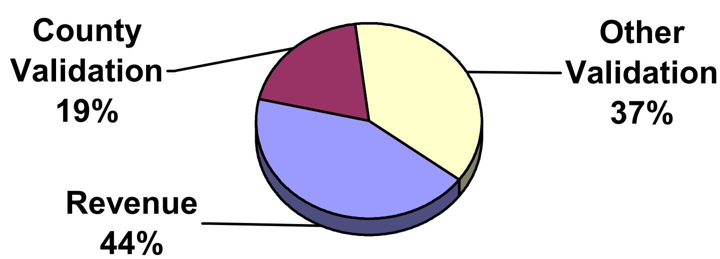
**Results**

**Parking Fee Cash Handling Process**

The Facilities Management Department operates two parking structures located at 4090 Lemon Street and 3535 Twelfth Street. These structures are also known as the CAC and 12th Street parking structures, respectively. The parking structures produced revenue of $631,968 in fiscal year 2005/06. Revenue is accepted at booths located in the structures and facilitated by the Automated Access System.

We selected a sample of 13 days from October 17, 2005 to April 25, 2006 in order to ensure the complete capture of revenue. The department earned an average of $1,350 daily over the 13 days tested and validated 440 parking tickets. Two hundred of the validated parking tickets were county validations and the remaining 240 were for handicapped parking, public parking and juror parking.

**Daily Revenue and Validation Costs**




**Finding 7**

There is no oversight over validations which accounts for 56 percent of potential parking revenue to the county. We estimate the value of validations to be about $804,322 based on fiscal year 2005/06 revenue collections. Attendants validate customers parking in any of several categories including county department validation, handicapped, juror, or public. Of the four categories, only county department validation requires documentation; the remaining three categories representing 37 percent or $531,427 of potential revenue require no documented support from the Attendants.

Parking

We observed two other parking facilities and discussed validations with Diamond Parking, which operates the City of Riverside parking facility. These facilities either use cameras at the collection booths or a limited use prepaid validation system.

Standard Practice Manual Policy 104, Internal Controls, requires departments to safeguard assets and ensure the accuracy, reliability, and timeliness of financial records and reports by routinely reviewing and reconciling items to ensure that transactions were properly processed.

**Recommendation 7** Implement a system of controls that includes the use of cameras or similar devices to deter improper activities by Parking Attendants, and to provide management with evidence that can be used to support validations or analyzed to detect suspicious trends.

**Management's Reply** Partially Concur. Facilities Management will assign an Accounting Technician position to be physically located at the parking structure to monitor access to the Parking Structure safe, make change for parking attendants, as well as prepare and oversee the daily deposit of parking structure cash receipts. In addition, we currently have cameras installed in the parking attendant booths. The appropriate staff will be assigned to review all security tapes for parking attendant misconduct, as well as support validations and recognize suspicious trends.

Estimated Date of Corrective Action: January 1, 2007

**Auditor's Comment** Although the Department of Facilities Management indicates a partial concurrence, the plan of action meets the intent of the recommendation.

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**Finding 8** There are inadequate controls to ensure that all cash collected at the parking structures is safeguarded and deposited timely and intact. The 12th Street parking structure has three booths and the CAC parking structure has two booths where parking fees are collected from customers. Each Parking Attendant prepares a separate deposit for the revenue collected during their shift. The following discrepancies were discovered during testing and observations:

- The safe used at the CAC parking structure to store daily revenue dropped by Parking Attendants at the end of their shift is left unlocked during working hours. Although procedures require that the safe be kept locked and employees use the drop-slot, we observed employees opening the safe to leave their deposits.

- There is no transfer of accountability from either of the two parking structures to the carrier who transports deposits to the fiscal unit.

- Of two collection booths for the CAC parking structure, only one booth's receipts was deposited for October 31, 2005 and neither booth had a deposit for April 25, 2006. No event explains why these two days differed from the norm.

- The fiscal unit received a deposit envelope and documentation for $60.75; however, the cash was not included and subsequently noted as missing.

- On average, revenue was deposited with the Treasurer's office two days after collection. Standard Practice Manual 705 requires departments to deposit funds the day of receipt or the next business day if revenue is accepted after the deadline for deposit with the Treasurer.

Standard Practice Manual Policy 104, Internal Controls, requires the safeguarding of assets though physical controls and separation of custodial and record keeping functions.

**Recommendation 8.1** Require the safe to remain locked at all times and issue the CAC parking structure staff a lockbox that can be kept separate of the safe to allow personnel to issue change efficiently.

**Management's Reply** Concur. In addition, the Department will be assigning one (1) Accounting Technician I position to be located in one of the two County parking structures. This position will be responsible for handling, receipting, and depositing cash receipts for the parking structures, making change for the parking attendant booths, as well as monitoring access to the parking structure safe to ensure that the safe is not left open and vulnerable. The new position will be supported by parking garage fees.

Estimated Date of Corrective Action: January 1, 2007

**Recommendation 8.2** Implement controls - a bank bag system for example, that ensures accountability for the daily deposit from the Parking Attendants to the fiscal unit.

**Management's Reply** Concur.

Estimated Date of Corrective Action: January 1, 2007

**Recommendation 8.3** Refine deposit processing procedures to ensure all funds are deposited with the Treasurer's Office by the next business day.

**Management's Reply** Concur.

Estimated Date of Corrective Action: January 1, 2007

**Results** **Custodial Background Checks**

On February 9, 2005 the Board of Supervisors approved Policy C-33 requiring all potential new hires to undergo a Department of Justice LiveScan criminal background check. In addition to the LiveScan, the Sheriff, District Attorney, Probation, and Public Social Services departments conduct additional background checks on employees. These departments have requested that Facilities Management provide them with the names of custodial workers servicing their buildings, in order to have them undergo the additional background check.

**Finding 9** There was no assurance that non-county employees used to provide custodial services in leased buildings used by the Sheriff, District Attorney, Probation, and Public Social Services departments undergo a background check. Although county employees performing the same functions for these departments are required to undergo a LiveScan criminal background check and an additional, more in-depth departmental background check, there is no such requirement included in lease agreements. While the departments obtain the names and in some cases a photograph of the lessor's employees, the level of assurance about their trustworthiness is less than is obtained for county employees. Custodial workers do not generally handle personal information in the normal course of their duties; however, they may have access to this information during the course of performing their custodial duties.

**Recommendation 9** Include custodian background check requirements in the lease agreements for county leased facilities and implement procedures to ensure lessors' compliance.

**Management's Reply** Partially Concur. It is unlikely that the majority of lessors and landlords will accept such a provision in our lease agreements. Facilities Management will work with County Counsel to draft appropriate contractual language to be included in future lease agreements.

Estimated Date of Corrective Action: January 1, 2007

**Auditor's Comment** Although the Department of Facilities Management indicates a partial concurrence the plan of action meets the intent of the recommendation.

**Results**

**Lease Classification: Capital Versus Operating**

Facilities Management's Real Estate Division is responsible for the negotiation of leases on behalf of county departments. The Real Estate Division oversees all stages of the lease process: selection of site, space and furniture design, lease agreement, Form-11 and routing for required approvals from County Counsel, Executive Office, and the Board of Supervisors. Throughout the term of the lease Facilities Management makes lease payments directly to the lessor on behalf of the department. In addition, the Real Estate Division staff tracks and monitors annual lease increases as stated in the agreement, extends leases as requested by departments, and prepares amendments to the lease agreement as needed.

Each fiscal year Facilities Management forwards the Auditor-Controller a listing of county leased buildings for financial reporting. Governmental Accounting Standards Board Statement No. 13, *Accounting for Leases,* prescribe different accounting treatment for leases depending on whether they are classified as capital or operating leases. A lease is defined as a capital lease if it meets any one of the following four tests:

- The lease conveys ownership to the lessee at the end of the lease term.
- The lessee has an option to purchase the asset at a bargain price at the end of the lease term.
- The term of the lease is 75% or more of the economic life of the asset.
- The present value of the rents, using the lessee's incremental borrowing rate, is 90% or more of the fair market value of the asset.

The Auditor-Controller has created and provided a Capital Lease Versus Operating Lease Test worksheet on the department's web site to assist in determining the classification of a lease.

We obtained the lease listing for fiscal year 2005/06 identifying new leases for the fiscal year and tested to determine if they were properly categorized as capital or operating leases.

**Finding 10**

There was no documentation to support some of the information used to classify leases as capital or operating. In performing the Capital Versus Operating Lease Test, the department used economic life and fair market value of the leased buildings without having documented support for those numbers.

The county has approximately 197 leases; 188 of them are classified as operating leases. This classification allows the county to annually recover the full cost of the leases when claiming Federal Awards. If these leases were classified as capital leases, the recovery will be limited to two percent annually under Office of Management and Budget Circular A-87. There is a significant cash flow disincentive to classify leases as capital leases and a corresponding risk that leases which are misclassified could result in the county being disallowed cost claimed against Federal Awards.

While we make no assertion that the leases are misclassified, the county can not prove the appropriate classification without presenting documentation showing fair market value or economic useful life.

**Recommendation 10** In negotiating leases, obtain all information required to support the lease classification.

**Management's Reply** Concur.

Estimated Date of Corrective Action: January 1, 2007

**Results**

**Land and Building Asset Inventory**

Facilities Management maintains the County of Riverside Owned Building Inventory. The inventory listing is comprised of building numbers which correspond to the physical address, the department name, the usage, the year built, and the square footage. The inventory listing is the recordkeeping of historical data for the County of Riverside owned buildings; therefore, buildings sold or demolished are not removed from the inventory listing. Updates are made to the inventory listing by Facilities Management when the staff responsible for maintaining the inventory listing is informed. There are other county departments besides Facilities Management that purchase county buildings; however, the information is not formally communicated to Facilities Management therefore, the inventory listing is not updated accordingly. In addition, when county departments acquire more space or move, the change of square footage is also not formally communicated which results in inaccurate information contained in the inventory listing. Currently, there are no countywide policies and procedures in place dictating the reporting of county purchased buildings or changes in usage of county owned building space.

We obtained a copy of the building inventory listing maintained by Facilities Management (Report Dated April 12, 2006) and a listing of buildings from PeopleSoft's Asset Management Module for Facilities Management. The two reports were compared to determine if all county owned buildings were recorded in the county's financial records.

**Finding 11**

The building inventory maintained by Facilities Management did not agree to PeopleSoft Asset Management Module. There were numerous buildings not included in the PeopleSoft Asset Management Module. In addition, there were three buildings listed in PeopleSoft; however, were not included in Facilities Management's inventory listing. With the absence of written polices and procedures over the maintenance and reporting of county owned buildings the county is subject to recordkeeping that is inconsistent and unreliable. Additionally, this information is used as the basis for allocating building cost to user departments and for updating the county's insurance requirements. Incomplete records placed the county at risk that some cost may be incurred and not allocated to the users, thereby not recovered. We recognize that this is a topic which will require extensive review and have scheduled it for a separate audit in the fiscal year 2006/07 audit plan.

**Recommendation 11.1** Update Facilities Management's PeopleSoft Asset Management Module to include county owned and occupied buildings as reported in the inventory listing.

**Management's Reply** Concur.

Estimated Date of Corrective Action: July 1, 2007

**Recommendation 11.2** Develop written policies and procedures to ensure that information required for maintaining the inventory report is obtained.

**Management's Reply** Concur.

Estimated Date of Corrective Action: July 1, 2007

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**Finding 12** Facilities Management did not have an individual assigned to update the PeopleSoft Asset Management Module therefore, contributing to the inconsistency between the two reports.

**Recommendation 12** Assign the task of updating Facilities Management's PeopleSoft Asset Management Module to an individual in the Fiscal/Accounting Division to ensure that all real property is recorded as described in the Standard Practice Manual, Policy No. 913.

**Management's Reply** Concur. An Accountant II position will be assigned the responsibility for updating and maintaining the Department's asset information in the PeopleSoft Asset Management Module.

Estimated Date of Corrective Action: January 1, 2007

**Results** | **Capitalized Assets**

Capital assets are broadly characterized as land, buildings, and equipment, or intangible items with significant value having utility that extends beyond the current year. The value of an asset includes all costs necessary to place the asset in service. Departments must submit an annual certification of their capital asset equipment, not land or buildings, on or about July 10th to ensure accurate reporting of capital asset inventories. Departments are also required to notify the Auditor-Controller's Office within 30 days of acquisition, betterment, or disposal to provide effective controls over the recording of capital assets.

Our audit consisted of verifying the existence, proper authorization and monitoring of acquisition and disposals of capital asset equipment listed in the department's PeopleSoft Asset Management (AM) Module. We also reviewed vouchers to ensure all assets meeting capitalization thresholds were capitalized accordingly, there were no unusual or irregular transactions on or about the time of the change in director, and that all capital assets were transferred to the newly appointed director on April 27, 2006.

**Finding 13**

We identified eleven unrecorded capital assets with an estimated cost of $120,832 and estimated net book value (NBV) of $55,500. The first five assets were not identified as capital assets at the time of acquisition and consequently were not entered into the AM module. The last six assets were network servers that did not include the cost of all components or installation and were not capitalized. These assets include the following:

| Description | Estimated Cost | Estimated NBV |
|---|---|---|
| Ford Tractor | $22,359.18 | $0 |
| JCB Daihatsu - Jumbo Cab | $7,850.00 | $0 |
| JCB Daihatsu - Jumbo Cab | $7,850.00 | $0 |
| SCAG Turf Tiger Lawnmower | $9,000.00 | $0 |
| HP DesignJet 815MFP 42IN Scanner & Plotter | $19,232.83 | $19,233 |
| HP Proliant DL380 Server | $7,032.84 | $4,337 |
| HP Proliant DL360 Server | $5,532.78 | $3,504 |
| HP Proliant DL360 Server | $5,858.78 | $3,711 |

| | | |
|---|---|---|
| MSA 1000 Starter Kit Server | $12, 629.00 | $7,998 |
| Cisco Catalyst 4500 Server | $17,972.70 | $12,581 |
| HP Proliant DL360 Server | $5,514.65 | $4,136 |

Estimates were obtained through research of vouchers, or the cost of similar items on the internet or in the AM Module. The net book value was derived from straight line depreciation with no salvage value based on the useful life of similar assets listed in the AM Module.

The department's fiscal unit did not ensure the capitalization of the above assets in per Standard Practice Manual 913 which requires the capitalization of assets costing $5,000 or greater. Departments are also required by SPM III-E-2-1.1 to notify the Auditor-Controller's Office within 30 days of each capital asset acquisition or transfer.

**Recommendation 13** Implement policies and procedures to ensure capital assets are valued correctly by including all cost necessary to place the asset in service, and ensure acquisitions are processed appropriately to ensure a complete and accurate capital asset listing.

**Management's Reply** Concur. One of the Department's principal Accountant positions will work with the Deputy Director of Administration to establish and implement the appropriate policies and procedures necessary to competently place a Facilities Management asset in service. The Department shall assign an Accountant II the responsibility of ensuring that all costs are captured and input accurately into the PeopleSoft Asset Management Module.

Estimated Date of Corrective Action: July 1, 2007

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**Finding 14** Capitalized assets were not transferred to the Director of Facilities Management upon his appointment on April 27, 2006. The Department was not aware of Standard Practice Manual 912, Transfer of Accountability.

**Recommendation 14** Complete an inventory of fixed assets and the aforementioned recommendations and then submit a complete transfer of accountability for capitalized assets on a SPM Form AM-1 to the Auditor-Controller's Office.

**Management's Reply** Concur. This responsibility will be assigned to an Accountant II to be carried out and managed by a Principal Accountant.

Estimated Date of Corrective Action: July 1, 2007

**Results** **Non-Capitalized Assets**

Non-capitalized assets are similar to capital assets, except they have an acquisition cost of less than $5,000. Non-capitalized assets which are small, mobile, easily converted for personal use, and have a fair market value of at least $200 are classified as "walk-away assets". Examples may include, but are not limited to, laptop computers, personal digital assistants (PDAs), global positioning system receivers (GPS), and cellular phones.

Management of each department in the County of Riverside is responsible to account for county property in his/her possession or charge, as required by Board of Supervisors' Policy H-26. This includes tracking walk-away assets in the AM Module.

The department purchased about $293,207 of non-capitalized assets during the period July 1, 2003 through May 31, 2006. During our audit we tested a randomly selected sample of 57 of the items purchased between July 1, 2003 and May 31, 2006.

**Finding 15** Internal controls in place are not adequate to establish and maintain effective accountability over non-capitalized assets, particularly walk-away items. As part of our audit, we attempted to verify the existence of 57 non-capitalized items with a total value of $41,805, 14 percent of the value of non-capitalized assets purchased during the period under audit. We were unable to verify the selected non-capitalized assets because the department had no record of these assets after they were purchased. The department operates under the premise that assets costing less than $5,000 are not required to be tracked as they do not meet the capital assets value criterion.

**Recommendation 15** Implement policies and procedures to ensure the appropriate recordation of non-capitalized assets in accordance with Board of Supervisors' Policy H-26.

**Management's Reply** Concur. It is the Department's intention to focus initially on the proper documentation and valuation of capital assets. Then, the Department will focus on the recordation and tracking of non capitalized assets. Since this is to be done in phases, the Department anticipates that Phase II (Non Capital Asset Tracking) will be initiated by 7/1/2007. The Accountant II who is assigned the task of tracking and maintaining capital assets will also be responsible for tracking and maintaining non capital assets.

Estimated Date of Corrective Action: July 1, 2007

**Results**

**Information Security**

Riverside County was listed as third in the nation in per capita identity theft complaints for calendar year 2005 per the Consumer Sentinel, an international multi-agency joint project maintained by the Federal Trade Commission. Due to this trend of identity theft and the increasing need for security over personal information, the county and its employees are obligated to safeguard the integrity of this information. Laws such as State Civil Code Section 1798.80 et al, the Health Insurance Portability and Accountability Act (HIPAA), and the Privacy Act of 1974 have been enacted to protect personal information. Board of Supervisors' Policy A-58, Enterprise Information Systems Security Policy, establishes a security policy to protect the confidentiality, integrity, and availability of information by implementing physical security as well as security over computers, networks, and communications.

The Facilities Management Department retains 163 user accounts and 16 remote access accounts maintained by one administrator. User accounts can access the department's servers via the Local Area Network as opposed to remote users who can access the servers from anywhere with an internet connection. Four individuals with user accounts have access to personal information along with one Human Resources employee that works specifically with, and located at, Facilities Management.

We reviewed the maintenance and security policies over the department's enterprise system as it can affect the integrity of employee personal information stored by Facilities Management. Access to this information was reviewed to ensure it was necessary, secure, and properly maintained to ensure minimum exposure as prescribed by Board Policy A-58.

Internal controls over the security of personal information were adequate.

# COUNTY OF RIVERSIDE

Department of Facilities Management
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Robert D. Field
Director

Timothy L. Miller
Assistant Director


DATE: October 25, 2006

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: **Robert D. Field, Director of Facilities Management**
**Department of Facilities Management**

SUBJECT: Reply to Draft Audit Report

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**Recommendation Number 1.1 :**

Research the disposition of the missing funds and document their location, amount, and custodian. If the existence cannot be confirmed, prepare and submit a cash shortage report to the Auditor-Controller along with a request for reduction in the revolving fund amount.

a. **Management position concerning the recommendation:**

X Concur ____ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 6/30/2007**

By June 30, 2007, Facilities Management staff will conduct an audit of disposition of the missing revolving funds and either document their location, total amount, and custodian. If the existence cannot be confirmed, assigned staff shall submit a cash shortage report to the Auditor-Controller with a request for reduction in the revolving fund amount.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost




DESIGN & CONSTRUCTION DIVISION (951) 955-8322 FAX (951) 955-4890

CUSTODIAL DIVISION (951) 955-4850 FAX (951) 955-4828

MAINTENANCE DIVISION (951) 955-4850 FAX (951) 955-4828

REAL ESTATE DIVISION (951) 955-4820 FAX (951) 955-4837

**Recommendation Number 1.2 :**

For those funds that are confirmed, perform an analysis to ensure the funds are necessary in their current location and if not, funds should be returned to the Treasurer and appropriate documentation submitted to the Auditor-Controller's Office to reduce the revolving fund amount.

a. **Management position concerning the recommendation:**

__X__ Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** 6/30/2007

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 1.3 :**

Develop procedures to address required supporting documentation, appropriate reimbursable expenses, periodic reconciliations, reimbursement procedures and individual responsibilities for revolving funds.

a. **Management position concerning the recommendation:**

__X__ Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** 6/30/2007

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 2.1 :**

Develop rates based on a cost study.

a. **Management position concerning the recommendation:**

____X____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 4/30/2007**

By April 30, 2007, the Department of Facilities Management will have conducted a comprehensive cost study for its various cost-recovery rates. Professional level accounting staff will be assigned to accomplish this task, as well as revisit each rate methodology annually on a going forward basis to ensure full cost recovery for services provided.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 2.2 :**

Submit rates to the Board of Supervisors for approval in accordance with Board Policy B-4.

a. **Management position concerning the recommendation:**

____X____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 6/13/2007**

Annual comprehensive rates will be taken to the Board by Facilities Management by June 13, 2007, to ensure that the new rates can be implemented by the start of the new fiscal year. This will be an ongoing annual process to ensure full cost recovery for services provided by Facilities Management.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 3.1 :**

Develop written policies and procedures over the billing process to ensure that billing is performed timely and accurately.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/ 30/ 2007**

This would allow us to formulate the new procedures and process around the new rate structures and methodology.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 3.2 :**

Develop a standardized written agreement documenting billing criteria, description of services provided, and billing rates for department's acceptance and acknowledgement.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/1/2008**

A standardized MOU will be written, documenting billing criteria, scope and description of services provided, and billing rates for department's acceptance and acknowledgement. With the time line to establish the new rates and related procedures, it is necessary to have adequate time to prepare MOU language and boilerplate contractual terms and conditions for each MOU.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 3.3 :**

Review open work orders in Facility Center that are over two weeks old and research with appropriate staff to determine status.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:** This issue is addressed through the implementation of Facilities Management's CMMS System TRIRIGA.

c. **Actual/estimated Date of Corrective Action: 7/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 3.4 :**

Update the building listing to reflect the billing criteria for each building.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:** This issue will be resolved once Facilities Management implements its square foot billing rate methodology for on going facility preventative maintenance.

c. **Actual/estimated Date of Corrective Action: 7/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 4 :**

Develop, document, and implement a system of internal controls over the purchasing process.

a. **Management position concerning the recommendation:**

X Concur ____ Disagree

b. **Comments:** Facilities Management will implement an electronic inventory bar coding system, enlist assigned accountants to conduct cyclical inventory counts on a regular basis throughout the fiscal year, as well as track capitalized and non-capitalized assets in the PeopleSoft Asset Management Module.

c. **Actual/estimated Date of Corrective Action:** **3/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 5.1 :**

Retrieve all retail credit cards from employees and close all retail store credit accounts.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: September 2006**

Department management took immediate action on this item as soon as it recognized that retail credit cards were being used in a manner contrary with sound governmental accounting practices, as well as outside of acceptable purchasing guidelines. All retail store credit cards have been retrieved and the applicable accounts closed.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 5.2 :**

Work with County Purchasing Department to obtain approval and issuance of Procurement Cards to those employees with a legitimate business need to make credit purchases.

a. **Management position concerning the recommendation:**

X Concur ______ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: Currently in process**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number_6__:**

Establish policies and procedures that will ensure purchases made from vendors holding existing county awards.

a. **Management position concerning the recommendation:**

____X____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: __3/1/2007___**

d. **Estimated cost to implement recommendation (If material)**

$____Not a material cost________

**Recommendation Number 7 :**

Implement a system of controls that includes the use of cameras or similar devices to deter improper activities by Parking Attendants, and to provide management with evidence that can be used to support validations or analyzed to detect suspicious trends.

a. **Management position concerning the recommendation:**

__________Concur          X (Partially) Disagree

b. **Comments:** Facilities Management will assign an Accounting Technician position to be physically located at the parking structure location to monitor access to the Parking Structure safe, make change for parking attendants, as well as prepare and oversee the daily deposit of parking structure cash receipts. In addition, we currently have cameras installed in the parking attendant booths. The appropriate staff will be assigned to review all security tapes for parking attendant misconduct, as well as support validations and recognize suspicious trends.

c. **Actual/estimated Date of Corrective Action:** 1/1/2007

(Comment, if necessary to clarify what action the timing refers to)

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 8.1 :**

Require the safe to remain locked at all times and issue the CAC parking structure staff a lockbox that can be kept separate of the safe to allow personnel to issue change efficiently.

a. **Management position concerning the recommendation:**

X Concur ____ Disagree

b. **Comments:**

In addition, the Department will be assigning one (1) Accounting Technician I position to be located in one of the two County parking structures. This position will be responsible for handling, receipting, and depositing cash receipts for the parking structures, making change for the parking attendant booths, as well as monitoring access to the parking structure safe to ensure that the safe is not left open and vulnerable. This new position will be supported by parking garage fees.

c. **Actual/estimated Date of Corrective Action: 1/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ 63,165 (to cover estimated salary and benefits for new Acct Tech I position)

**Recommendation Number 8.2 :**

Implement controls, a bank bag system for example, that ensures accountability for the daily deposit from the Parking Attendants to the fiscal unit.

a. **Management position concerning the recommendation:**

X Concur ____ Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 1/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 8.3 :**

Refine deposit processing procedures to ensure all funds are deposited with the Treasurer's Office by the next business day.

a. **Management position concerning the recommendation:**

__X_____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 1/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number_9__:**

Include custodian background checks requirements into the lease agreements for county leased facilities and implement procedures to ensure lessors' compliance.

a. **Management position concerning the recommendation:**

_________Concur __X (Partially)_Disagree

b. **Comments:** It is unlikely that the majority of lessors and landlords will accept such a provision in our lease agreements. Facilities Management will work with County Counsel to draft appropriate contractual language to be included in future lease agreements.

c. **Actual/estimated Date of Corrective Action:** __1/1/2007________

(Comment, if necessary to clarify what action the timing refers to)

d. **Estimated cost to implement recommendation (If material)**

$____Not a material cost________

**Recommendation Number 10 :**

In negotiating leases, obtain all information required to support the lease classification.

a. **Management position concerning the recommendation:**

____X____Concur                    _________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 1/1/2007**

Facilities Management is currently reviewing all lease to determine if they are operating or capital leases.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 11.1 :**

Update Facilities Management's PeopleSoft Asset Management Module to include county owned and occupied buildings as reported in the inventory listing.

a. **Management position concerning the recommendation:**

____X_____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 71/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 11.2 :**

Develop written policies and procedures to ensure that information required for maintaining the inventory report is obtained.

a. **Management position concerning the recommendation:**

___X______Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/1/2007**

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 12 :**

Assign the task of updating Facilities Management's PeopleSoft Asset Management Module to an individual in the Fiscal/Accounting Division to ensure that all real property is recorded as described in the Standard Practice Manual, Policy No. 913.

a. **Management position concerning the recommendation:**

____X_____Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/1/2007**

An Accountant II position will be assigned the responsibility for updating and maintaining the Department's asset information in the PeopleSoft Asset Management Module.

d. **Estimated cost to implement recommendation (If material)**

$ $65,960 (to cover salary and benefit costs for Accountant II position)

**Recommendation Number_13__:**

Implement policies and procedures to ensure that capital assets are valued correctly by including all cost necessary to place the asset in service, and ensure acquisitions are processed appropriately to ensure a complete and accurate capital asset listing.

a. **Management position concerning the recommendation:**

____X______Concur                    __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** __7/1/07____

One of the Department's Principal Accountant positions will work with the Deputy Director of Administration to establish and implement the appropriate policies and procedures necessary to competently place a Facilities Management asset in service. The Department shall assign an Accountant II the responsibility of ensuring that all costs are captured and input accurately into the PeopleSoft Asset Management Module.

d. **Estimated cost to implement recommendation (If material)**

$_Not a material cost_________

**Recommendation Number 14 :**

Complete an inventory of fixed assets and the aforementioned recommendations and then submit a complete transfer of accountability for capitalized assets on a SPM Form AM-1 to the Auditor-Controller's Office.

a. **Management position concerning the recommendation:**

__X______Concur __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/1/07**

This responsibility will be assigned to an Accountant II to be carried out and managed by a Principal Accountant.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost

**Recommendation Number 15 :**

Implement policies and procedures to ensure the appropriate recordation of non-capitalized assets in accordance with Board of Supervisors' Policy H-26.

a. **Management position concerning the recommendation:**

___X______Concur                    __________Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: 7/1/2007**

It is the Department's intention to focus initially on the proper documentation and valuation of capital assets. Then, the Department will focus on the recordation and tracking of non capitalized assets. Since this is to be done in phases, the Department anticipates that Phase II (Non Capital Asset Tracking) will be initiated by 7/1/2007. The Accountant II who is assigned the task of tracking and maintaining capital assets will also be responsible for tracking and maintaining non capital assets.

d. **Estimated cost to implement recommendation (If material)**

$ Not a material cost