

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: County Auditor-Controller

SUBMITTAL DATE:
January 12, 2009

SUBJECT: Internal Audit Report 2007-013: Department of Public Social Services, Purchasing and Warehousing.

RECOMMENDED MOTION: Receive and file Internal Audit Report 2007-013: Department of Public Social Services, Purchasing and Warehousing.

BACKGROUND: The Auditor-Controller completed an audit of the County of Riverside Department of Public Social Services. 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 purchasing and warehousing process.

In our opinion, the department had adequate controls to account for the \$2.4 million in computers and related equipment. However, opportunities existed to improve internal controls over general warehousing and purchasing. We noted personal belongings held for clients were not inventoried; the warehouse inventory counting procedures were incomplete; new partitions and other equipment from remodels were not inventoried; warehouse security was insufficient; and purchasing procedures were inconsistent.

Management concurred with all audit findings and recommendations. Our August 14, 2008, follow up review found the department had fully implemented corrective actions in response to our audit findings and recommendations.

Robert E. Byrd

Robert E. Byrd, CGFM
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

County Executive Office Signature

Dep't Recomm.: Consent Policy

Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: | **District:** | **Agenda Number:**

Departmental Concurrence



County of Riverside

INTERNAL AUDIT REPORT

Department of Public Social Services
Purchasing and Warehousing

January 12, 2009

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

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

January 12, 2009

Ms. Susan Loew, Director
Department of Public Social Services
4060 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2007-013: County of Riverside Department of Public Social Services, Purchasing and Warehousing

Dear Ms. Loew:

We have completed an audit of the County of Riverside Department of Public Social Services' purchasing and warehousing process. We conducted the audit for operations of July 1, 2005, through September 30, 2007.

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

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.

In our opinion, the department had adequate controls to account for the \$2.4 million in computers and related equipment. However, opportunities existed to improve internal controls over general warehousing and purchasing. We noted personal belongings held for clients were not inventoried; the warehouse inventory counting procedures were incomplete; new partitions and other equipment from remodels were not inventoried; warehouse security was insufficient; and purchasing procedures were inconsistent. On August 14, 2008, we performed a review of the status of management's responses to our findings and recommendations. We found the department had fully implemented all planned corrective actions.

We thank the Department of Public Social Services' management and staff for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in black ink, appearing to read "Michael G. Alexander", with a long horizontal flourish extending to the right.

By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Overview

The County of Riverside Department of Public Social Services (DPSS) is responsible for the administration of public assistance to improve the well-being of individuals and families residing in Riverside County. The department employs approximately 2,800 staff in 130 classifications and has 52 offices located throughout the county. The department provides public assistance through a variety of programs, including Medi-Cal, food stamps and general relief.

The department contributes to the safety and security of abused and neglected children and adults by serving as the county's child and adult protective services agency. Administered programs include foster care, kinship care, adoption and in-home supportive services, the welfare-to-work program, temporary financial assistance and employment services. The department is also responsible for providing education and outreach programs for the prevention of financial abuse of the elderly.

The purchasing unit procures all commodities and services necessary for department's operations.

The department's centralized warehouse is located on Palmyrita Avenue in the City of Riverside. It provides forms and supplies for all of its 52 offices throughout Riverside County. The warehouse stores computers and computer related equipment and surplus office furnishings. The Palmyrita building also houses the records retention room (a depository of confidential, closed case files), the departmental centralized mail room, and other departmental offices.

Overall Objective

Our primary audit objective was to determine the existence and adequacy of internal controls over the department's purchasing and warehousing process.

Conclusion

The department had adequate controls to account for the \$2.4 million in computers and related equipment. However, opportunities existed to improve internal controls over general warehousing and purchasing. We noted personal belongings held for clients were not inventoried; the warehouse inventory counting procedures were incomplete; new partitions and other equipment from remodels were not inventoried; warehouse security was insufficient; and purchasing procedures were inconsistent.

Details about our audit results, findings, recommendations and the status of management's corrective actions are provided in the body of our report. Our follow-up review on August 14, 2008, found that the corrective actions as recommended in our audit report were fully implemented by the department.

Detailed Objectives Our detailed audit objectives were to assess the existence and adequacy of internal controls relating to:

- inventories of supplies and forms;
- accountability for computers and related equipment stored in the warehouse;
- warehouse security and storage of non-inventoried items; and
- purchase ordering process

Methodology To accomplish our objectives, we:

- conducted Internet research related to the County of Riverside Department of Public Social Services, general background information and industry best practices;
- identified and reviewed applicable laws, regulations, Board ordinances, policies, and procedures;
- conducted and documented interviews and walk-throughs with department personnel;
- performed a risk analysis of the areas to be reviewed during the audit;
- performed limited testing of the information security process;
- reviewed and performed detailed testing of the department's purchase orders and invoices for non-capitalized computer-related assets and non-capitalized office furniture and equipment;
- reviewed the overall DPSS warehouse security system; and
- tested the accuracy of DPSS warehouse inventories.

Results

Computers and Related Equipment

The department maintains a centralized warehouse on Palmyrita Avenue in the City of Riverside. Forms, supplies, and computer-related equipment are received, distributed and disposed of through this facility. Each of the warehouse sections have their own personnel and are separately supervised. Computers, related equipment, and high-value supplies, which include cell phones and toner cartridges, are kept behind two fenced areas with locked gates within the warehouse. A small amount of computer related equipment is stored at two nearby information technology office locations.

The department uses Remedy, a computer software program, to maintain the status of computers, related equipment, and "walk-away" non-capitalized assets (e.g. cell phones). The Remedy system includes the category, asset description, asset tag number, serial number, date acquired, cost, location, status and other relevant information. The department is in the process of developing written procedures to account for non-capitalized assets, including computers and related equipment. We obtained a Remedy listing of all computer and related equipment acquired through April 30, 2007.

From the listing we selected a random sample of 30 computers and related equipment for testing. We also selected 29 computers and related equipment from the physical stock to verify they were recorded in Remedy. Our testing disclosed no discrepancies in the completeness and existence of these assets.

Finding 1

The department had 3,400 unused computers and related assets valued at \$2.4 million on-hand. The department did not have procedures in place to consider 1,400 available computers on hand valued at \$1.27 million, prior to initiating the Fiscal Year 2006/07 purchases. As of April 30, 2007, the department's listing of computers and related equipment consisted of the following categories and values:

Description	Acquired in Prior Fiscal Years	Acquired in Fiscal Year 2006/2007	Total Costs
Printers	\$ 423,443	\$ 252,771	\$ 676,214
Computers/Laptops	224,730	441,253	665,983
Servers	346,958	-	346,958
Routers, Switches/Switchboxes	59,041	137,090	196,131
Monitors	74,206	31,341	105,547
Other	145,460	271,394	416,854
Total 4/30/2007 Inventory	<u>\$ 1, 273,838</u>	<u>\$ 1,133,849</u>	<u>\$ 2,407,687</u>

The 3,400 unused computers and related assets were procured but not distributed or utilized in a timely manner, resulting in a potential loss to

the county due to rapid technological advances or obsolescence. Further, some of these assets may have been purchased with grant funding and not used for the intended purpose.

Recommendation 1.1 Develop procedures to ensure computer and related equipment requisitions consider assets on-hand prior to initiating purchases.

Management's Reply Concur. DPSS is a large county department with nearly 3,000 employees, and has extensive investment in computers and related equipment. The audit coincided with the receipt of some large asset purchases that had been received into our warehouse, but had not yet been deployed. Since the time of the visitation, many of these assets have been deployed. Much of the inventory in question consisted of equipment that had already been deployed after its purchase, then returned to inventory during our normal "refresh" process.

This old equipment is being held for use by our Children's Services staff because the state has been extremely slow to approve county funding requests for purchasing new equipment for their use. We may hold this equipment for some time in the future. In addition, the department needs to maintain a safety stock level for immediate needs, such as the addition of new employees and replacement of broken equipment.

Some equipment in inventory should have been used before purchasing similar new equipment. We are remedying this situation as follows:

1. Develop a procedure that requires a review of existing inventory prior to any new equipment purchases and implement by March 1, 2008.
2. Develop a procedure that requires a review of all equipment inventories at least quarterly to ensure timely equipment deployment or salvage and implement by March 1, 2008.

Estimated Date of Corrective Action: March 1, 2008

Current Status **Fully Implemented.** The department adopted Policy 2008-002, Management of IT Equipment Inventory, effective January 1, 2008. The policy provides the requirements and procedures for requesting IT equipment, verifying stock inventory, obtaining vendor price quotes, and deploying the equipment. The policy also requires a quarterly review of IT equipment inventory.

Recommendation 1.2 Perform an analysis of all computers and related equipment currently on-hand to determine and distribute the needed items and send to surplus those assets not needed.

Management's Reply Concur. We have completed an analysis of all computer equipment currently in inventory and identified what can be used and what needs to be salvaged. Equipment that can be used will be deployed by April 30, 2008. Some equipment will remain in inventory for safety stock to accommodate immediate needs as well as to replace equipment that breaks. Arrangements are being made for salvaging all equipment which we no longer need or are obsolete. This will be completed by February 29, 2008.

Estimated Date of Corrective Action: February 29, 2008

Current Status 1.2 **Fully Implemented.** On August 14, 2008, we inspected the Palmyrita and Franklin warehouses and did not observe abnormal inventory stock levels. We reviewed the analysis completed by the department and determined that the majority of the equipment had been distributed.

Results

Warehouse Inventory Process

The warehouse conducts a month-end and fiscal year-end physical inventory which was conducted during the week of June 11, 2007, and observed by our office and the department Independent Review Group. The general warehouse is organized into four distinct areas: (1) forms and general supplies; (2) high-value supplies; (3) computers and related equipment; and (4) excess office furnishings. The high-value supplies are kept in a locked, fenced area, next to the computer related equipment area which is also fenced and locked.

The warehoused inventory was neatly organized on the shelves and the aisles and the shipping and receiving area were clean and clear of inventory.

Numerous clear-wrapped pallets of boxes labeled as "Non-Inventory" were observed in the forms and general supplies area of the warehouse and were not included in the counted inventory. The "Non-Inventory" pallets consisted of two categories of items: (1) stored personal belongings of past and/or current children in the Children's Services programs; and (2) new office furniture and equipment recently purchased for one or more of the many department office locations.

Just prior to the counting process, the physical inventory count team members were given verbal instructions, pre-printed counting sheets and "counted" labels to be attached to inventory once counted.

Finding 2

Over twelve pallets of boxed personal belongings (i.e., clothing and toys) of Children's Services' clients were observed in storage at the warehouse. It is unclear how the children's personal belongings ended up being stored at the warehouse. Without an inventory list, the items or the ownership could not be readily determined.

Recommendation 2.1 Request the Children's Services Division either return the children's personal belongings or inventory them.

Management's Reply Concur. Most of the belongings currently in the warehouse were from runaway foster children who could not be located. By law, DPSS has to serve as custodian of these items until the child has been emancipated. Our current practice is that if a child has already reached the age of emancipation, DPSS salvages or donates their belongings.

The Children's Services Division, working with DPSS Materiel Management, will develop a policy to address this situation. The policy should be implemented in March 2008, allowing us time to route the Draft policy for review, and train staff.

Estimated Date of Corrective Action: March 30, 2008

Current Status 2.1 **Fully Implemented.** Management issued a memorandum to the department staff on December 6, 2007, detailing the policy and procedures for storing the personal belongings of youth who runaway from their placement. Personal belongings which could be salvaged were donated to the Salvation Army on March 24, 2008, and unusable items discarded. Remaining personal belongings were inventoried and recorded in a newly implemented database for tracking these properties. We inspected the Palmyrita warehouse on August 14, 2008, and found the remaining personal belongings boxed and labeled as required by the new procedures. We found the document supporting the donation to Salvation Army and the inventory report generated from the new database system in order.

Recommendation 2.2 Develop and implement procedures to ensure that the warehouse inventories all stored items.

Management's Reply Concur. DPSS Materiel Management will draft a procedure, which will include developing an Access database program to track all supply-storage items listed as "non-inventory" in the warehouse. These procedures will be implemented in March 2008, allowing us time to route the new policy and train staff.

Estimated Date of Corrective Action: March 30, 2008

Current Status 2.2 **Fully Implemented.** The department issued a document dated March 25, 2008, containing the procedures for receiving, storing, recording, approving, and monitoring of "non-inventory" items. We verified these items were counted and recorded in a newly developed database.

Finding 3 The department's procedures for the annual inventory of the warehouse did not ensure the accuracy of the inventory counts. This occurred because the department had not developed written procedures to be used by the counting teams. As a result, the inventory counting methodology could not be confirmed or the counts verified. Best warehousing practices recommend the use of written inventory counting instructions. Further, the County of Riverside Auditor-Controller's Standard Practice Manual, Policy 1206 (Materials and Supply Inventory) requires verification of existence and condition of inventory items. Our audit disclosed no written instructions were provided to the counting teams and we observed multiple counting teams using different methods of counting and labeling.

Recommendation 3 Develop and implement written inventory procedures to be followed by counting teams for forms and supplies inventory items

Management's Reply Concur. DPSS Materiel Management Unit will develop inventory procedures and train staff by February 29, 2008, allowing us time to write and route procedures and train staff.

Estimated Date of Corrective Action: February 29, 2008

Current Status 3 **Fully Implemented.** The department issued a document dated April 1, 2008, containing the detailed procedures for conducting physical inventory counts. Inventory teams, each composed of one counter and one recorder, conducted the fiscal 2008 year-end physical count on June 17, 2008.

Finding 4 The warehouse contained items for which no inventory record was maintained. This occurred because the department had not established procedures to account for these items. As a result excess new office furnishings, left over from previously remodeled offices were not surplused, but rather stored at the warehouse with no listed value, acquisition date or indication of the office location which they belonged.

Also stored with the excess office furnishings are folding chairs and folding tables which are used for training sessions and large events.

Recommendation 4.1 Determine if the excess office furnishings presently stored at the warehouse can be used to satisfy current requirements and include on the appropriate inventory listing.

Management's Reply Concur. An evaluation of office equipment stored at the Palmyrita warehouse was completed during the week of December 3, 2007, and those items that can be used to satisfy departmental requirements have been identified and tagged. The process has begun to determine if other agencies can use the remaining items, or if they must be salvaged. This process will be completed by February 29, 2008, and repeated at the end of each Fiscal Year to ensure that inventory remains current and controlled.

Estimated Date of Corrective Action: February 29, 2008

Current Status 4.1 **Fully Implemented.** During our walk-through of the Palmyrita warehouse on August 14, 2008, we observed that the racks were labeled with the description and count of the items stored therein and items were piled orderly. We randomly verified the accuracy of the labels and found them accurate. According to the staff, the items that are being kept in the warehouse are needed for supporting the department's current requirements. These items are recorded and monitored using a newly developed database which we verified to be in place.

Recommendation 4.2 Dispose of the excess office furnishings that can not be applied to an existing requirement as surplus.

Management's Reply Concur. Some of our offices are furnished with work stations that are no longer being manufactured, and we need to keep a stock of replacements. Those items are being identified and appropriately tagged, and the process has begun to determine if non-used equipment can be used by other agencies or must be salvaged. This process will be completed by February 29, 2008, and repeated at the end of each Fiscal year to ensure that inventory remains current and controlled.

Estimated Date of Corrective Action: February 29, 2008

Current Status 4.2 **Fully Implemented.** We verified the deployment of salvaged office equipment to other departments did occur as evidenced by the completed Surplus Property Transfer Forms.

Recommendation 4.3 Establish an inventory method to properly account for the folding chairs and tables.

Management's Reply Concur. We maintain a stock of tables and chairs that are used to set up meeting rooms throughout the county. The daily count of tables and folding chairs is now being entered into an Access database; DPSS IT is assisting in the evolution of the database to meet this requirement by February 29, 2008.

Estimated Date of Corrective Action: February 29, 2008

Current Status 4.3 **Fully Implemented.** The department inventoried the folding chairs and tables and recorded them in a new database which we verified to be in place.

Results

Warehouse Security

We physically inspected the warehouse to determine overall security and observed that the exterior of the building and fenced yards prevent unauthorized access and are secured using magnetic card readers for locked gates and locked doors. In addition there are exterior security cameras monitoring all of the building's entrances.

Two interior areas (high-value supplies, and computers and related equipment) are separately fenced and kept locked. The interior of the building has security cameras monitoring selected areas.

The records retention room, which stores highly confidential closed case files, has front and rear entrances that are accessed through the interior of the warehouse.

Finding 5

The warehouse security cameras are out-of-date, fixed position (non-scanning), black & white, low-tech analog cameras which do not provide comprehensive coverage. Additionally, a warehouse storekeeper controls access to the security control room. The records retention room rear door entrance is left unlocked, even though it has a magnetic card reader for allowing access. The records retention room front double-door entrance, which is not covered by a camera, is left open and unmanned during normal work hours and after normal work hours for the contract janitorial service. Contract personnel are required to have background checks. While we did not verify if the required background checks were performed, the confidential nature of the closed case files requires better efforts to limit access.

Recommendation 5.1 Engage a security systems consultant to conduct a comprehensive analysis of the warehouse security system requirements.

Management's Reply Concur. We have begun discussions with a security consultant to assess the warehouse security system requirements, especially security cameras. The assessment will be completed by February 29, 2008.

Estimated Date of Corrective Action: February 29, 2008

Current Status 5.1 **Fully Implemented.** The security monitoring system at the Palmyrita warehouse is reviewed twice a year by CD Electronics Two, a security firm which has a multi-year service maintenance agreement with the department. A July 14, 2008, report from the security firm did not indicate that a security weakness exist at the Palmyrita warehouse.

Recommendation 5.2 Restrict access to the security control room to non-warehouse personnel by keeping doors locked and using access cards for authorized employees to gain entry.

Management's Reply Concur. The warehouse storekeeper who had controlled access to the security control room has been reassigned, and a new stock clerk with no warehouse responsibilities has taken his place. Access to the security control room, which remains locked throughout the day, is restricted to authorized employees using access cards.

Estimated Date of Corrective Action: December 26, 2007

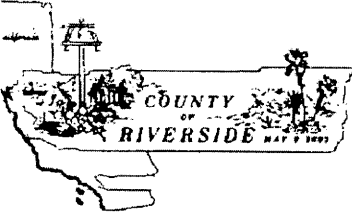
Current Status 5.2 **Fully Implemented.** Card access to the security control room is now limited to three non-warehouse personnel. During our walk-through of the warehouse on August 14, 2008, we observed the security control room doors were locked and accessed with the use of a key card only.

Recommendation 5.3 Ensure that access to the records retention room is limited only to authorized department personnel and take additional steps to limit access by the contract janitorial service.

Management's Reply Concur. Access to the Records Management Center (RMC) is restricted by locked doors requiring the use of access cards by authorized personnel; a similar system is being installed for the access elevator on December 17, 2007. A new high-density, mobile-shelving system is being installed that will permit us to lock cabinets when not in use. Access cards to the RMC have been reduced by 90%. The contract janitorial service is rescheduling their work so that their personnel will be in the RMC when the records cabinets are locked.

Estimated Date of Corrective Action: February 29, 2008

Current Status 5.3 **Fully Implemented.** We observed during our warehouse walk-through on August 14, 2008 that the Records Management Center (RMC) was remodeled and expanded. The access is restricted by locked doors requiring the use of an access card. Security cameras and motion detectors were installed to monitor the activity within RMC.



Department of Public Social Services

Administrative Office: 4060 County Circle Drive, Riverside, CA. 92503
(951) 358-3000 FAX: (951) 358-3036

Susan Loew, Director

December 26, 2007

Mr. Robert E. Byrd, CGFM
Riverside County Auditor-Controller
P.O. Box 1325
Riverside, CA 92502-1326

Subject: Response to Draft Internal Auditor's Report #2007-013 – Riverside County Department of Public Social Services Purchasing and Warehousing

Dear Mr. Byrd,

In response to the above referenced audit, DPSS has addressed the recommendations, and as always, is committed to maintaining the highest standards of transparency and accountability in all aspects of our work.

In response to specific recommendations, we have taken the following steps, which are presented in greater detail in the pages that follow:

1. DPSS Information Technology is preparing procedures to ensure that all computers and peripherals are deployed according to schedules that respond both to the needs of the Department and to the county's standards of fiscal accountability.
2. DPSS Purchasing and Supplies is preparing procedures to ensure that all items in inventory, including the personal possessions of children in our charge, are appropriately accounted for and/or designated as "surplus" according to county procedures. Purchasing is also preparing procedures to ensure that acceptable standards are employed when counting items in inventory, e.g., forms.
3. DPSS Facilities is in the process of inventorying all used furniture and equipment in the Palmyrita warehouse for the purpose of labeling those items that can be re-used at specific locations and designating all other items as "surplus" according to county procedures.
4. DPSS Records Management is in the process of implementing additional security measures to ensure that social service records are not compromised. These measures include the installation of a high-density, mobile shelving system that can be locked when not in use. Access to the Records Management Center is now controlled by access cards readers and the schedules of cleaning personnel have been adjusted to coincide with work hours.

If you require further details or have questions, please contact myself or Patricia Reynolds, Interim Assistant Director.

Sincerely,

Susan Loew
Director



INNOVATIONS IN AMERICAN GOVERNMENT AWARD WINNER - 1996

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RIVERSIDE COUNTY
AUDITOR-CONTROLLER

DATE: December 26, 2007
TO: Auditor-Controller
Audits-and Specialized Accounting Division
FROM: Susan Loew, Director
Riverside County Department of Public Social Services
SUBJECT: Reply to Draft Audit Report

Recommendation Number 1.1:

Develop procedures to ensure that computer and related equipment requisitions consider assets in inventory prior to initiating purchases.

Management position concerning the recommendation:

 X Concur Disagree

Comments: DPSS is a large county department with nearly 3,000 employees, and has extensive investments in computers and related equipment. The audit coincided with the receipt of some large asset purchases that had been received into our warehouse, but had not yet been deployed. Since the time of the visitation, many of these assets have been deployed. Much of the inventory in question consisted of equipment that had already been deployed after its purchase, then returned to inventory during our normal "refresh" process. This old equipment is being held for use by our Children's Services staff because the state has been extremely slow to approve county funding requests for purchasing new equipment for their use. We may hold this equipment for some time in the future. In addition, the Department needs to maintain a safety stock level for immediate needs, such as the addition of new employees and replacement of broken equipment.

Corrective Action: Some equipment in inventory should have been used before purchasing similar new equipment. We are remedying this situation as follows:

1. Develop a procedure that requires a review of existing inventory prior to any new equipment purchases and implement by March 1, 2008.
2. Develop a procedure that requires a review of all equipment inventories at least quarterly to ensure timely equipment deployment or salvage and implement by March 1, 2008.

Actual/estimated Date of Corrective Action: March 1, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007
TO: Auditor-Controller
Audits-and Specialized Accounting Division
FROM: Susan Loew, Director
Riverside County Department of Public Social Services
SUBJECT: Reply to Draft Audit Report

Recommendation Number: 1.2:

Perform an analysis of all computer and related equipment in inventory to determine their actual needs, distribute the needed items, and surplus those assets not needed.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: We have completed an analysis of all computer equipment currently in inventory and identified what can be used and what needs to be salvaged. Equipment that can be used will be deployed by April 30, 2008. Some equipment will remain in inventory for safety stock to accommodate immediate needs as well as to replace equipment that breaks. Arrangements are being made for salvaging all equipment which we no longer need or are obsolete. This will be completed by February 29, 2008.

Actual/estimated Date of Corrective Action: April 30, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 2.1:

Request the Children's Services Division to either return the children's personal belongings or inventory them.

Management position concerning the recommendation:

Concur Disagree

Comments: Most of the belongings currently in the warehouse were from runaway foster children who could not be located. By law, DPSS has to serve as custodian of these items until the child has been emancipated. Our current practice is that if a child has already reached the age of emancipation, DPSS salvages or donates their belongings.

Corrective Action: The Children's Services Division, working with DPSS Materiel Management, will develop a policy to address this situation. The policy should be implemented in March 2008, allowing us time to route the Draft policy for review, and train staff.

Actual/estimated Date of Corrective Action: March 30, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 2.2:

Develop and implement procedures to ensure that the warehouse inventories all stored items.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: DPSS Materiel Management will draft a procedure, which will include developing an Access database program to track all supply-storage items listed as "non-inventory" in the warehouse. These procedures will be implemented in March 2008, allowing us time to route the new policy and train staff.

Actual/estimated Date of Corrective Action: March 30, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 3:

Develop and implement written inventory procedures to be followed by counting teams for forms and supplies inventory items.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: DPSS Materiel Management Unit will develop inventory procedures and train staff by February 29, 2008, allowing us time to write and route procedures and train staff.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 4.1:

Determine whether the excess office furnishings presently stored at the warehouse can be used to satisfy current requirements and include on the appropriate inventory listing.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: An evaluation of office equipment stored at the Palmyrita Warehouse was completed during the week of December 3, 2007, and those items that can be used to satisfy departmental requirements have been identified and tagged. The process has begun to determine if other agencies can use the remaining items, or if they must be salvaged. This process will be completed by February 29, 2008, and repeated at the end of each Fiscal Year to ensure that inventory remains current and controlled.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (if material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 4.2:

Dispose of the excess office furnishings that cannot be applied to an existing requirement as surplus.

Management position concerning the recommendation:

 X Concur _____ Disagree

Comments: Some of our offices are furnished with work stations that are no longer being manufactured, and we need to keep a stock of replacements.

Corrective Action: Those items are being identified and appropriately tagged, and the process has begun to determine if non-used equipment can be used by other agencies or must be salvaged. This process will be completed by February 29, 2008, and repeated at the end of each Fiscal year to ensure that inventory remains current and controlled.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007
TO: Auditor-Controller
Audits-and Specialized Accounting Division
FROM: Susan Loew, Director
Riverside County Department of Public Social Services
SUBJECT: Reply to Draft Audit Report

Recommendation Number 4.3:

Establish an inventory method to properly account for the folding chairs and tables.

Management position concerning the recommendation:

Concur Disagree

Comments: We maintain a stock of tables and chairs that are used to set up meeting rooms throughout the county.

Corrective Action: The daily count of tables and folding chairs is now being entered into an Access database; DPSS IT is assisting in the evolution of the database to meet this requirement by February 29, 2008.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (if material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 5.1:

Engage a security systems consultant to conduct a comprehensive analysis of the warehouse security system requirements.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: We have begun discussions with a security consultant to assess the warehouse security system requirements, especially security cameras. The assessment will be completed by February 29, 2008.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (If material)

\$ N/A

DATE: December 26, 2007
TO: Auditor-Controller
Audits-and Specialized Accounting Division
FROM: Susan Loew, Director
Riverside County Department of Public Social Services
SUBJECT: Reply to Draft Audit Report

Recommendation Number 5.2:

Restrict areas to the security control room to non-warehouse personnel by keeping doors locked and using access cards for authorized employees to gain entry.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: The warehouse storekeeper who had controlled access to the security control room has been reassigned, and a new stock clerk with no warehouse responsibilities has taken his place. Access to the security control room, which remains locked throughout the day, is restricted to authorized employees using access cards.

Actual/estimated Date of Corrective Action: December 26, 2007

Estimated cost to implement recommendation (if material)

\$ N/A

DATE: December 26, 2007

TO: Auditor-Controller
Audits-and Specialized Accounting Division

FROM: Susan Loew, Director
Riverside County Department of Public Social Services

SUBJECT: Reply to Draft Audit Report

Recommendation Number 5.3:

Ensure that access to the records retention room is limited only to authorized department personnel and take additional steps to limit access by the contract janitorial service.

Management position concerning the recommendation:

Concur Disagree

Comments: None.

Corrective Action: Access to the Records Management Center is restricted by locked doors requiring the use of access cards by authorized personnel; a similar system is being installed for the access elevator on December 17, 2007. A new high-density, mobile-shelving system is being installed that will permit us to lock cabinets when not in use. Access cards to the records management Center have been reduced by 90%. The contract janitorial service is rescheduling their work so that their personnel will be in the RMC when the records cabinets are locked.

Actual/estimated Date of Corrective Action: February 29, 2008

Estimated cost to implement recommendation (If material)

\$ N/A