City and County of San Francisco

Office of the Controller – City Services Auditor

DEPARTMENT OF AGING AND ADULT SERVICES:

Insufficient Inventory Tracking and Supervisory Practices and Failure to Segregate Duties Increase the Risk That Inventory Will Be Lost or Misappropriated Without Detection

March 29, 2016

OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR

The City Services Auditor Division (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and website and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

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City and County of San Francisco

Office of the Controller – City Services Auditor

Department of Aging and Adult Services:
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March 29, 2016

Purpose of the Audit

The Office of the Controller's City Services Auditor Division (CSA) audited the Public Administrator and Public Guardian divisions of the Department of Aging and Adult Services (DAAS) to determine whether the department has adequate controls to mitigate risks of loss or theft of client property during property searches and when property is inventoried in the property room. The audit also evaluated the department's adherence to various departmental policies and procedures and property-handling best practices.

Highlights

DAAS does not appropriately maintain records, segregate duties to control the risk of theft or loss of client property, or follow best practices for minimizing risks of theft during property searches, and can further improve security in its property room. Specifically:

- The information in DAAS's inventory system, known as Panoramic, is highly inaccurate and cannot be relied on to determine what inventory should be in DAAS's possession. 75 percent of sampled items listed as inventory in Panoramic were no longer in DAAS's possession, and 71 percent of items sampled in the property room were not listed in Panoramic.
- DAAS does not always document how inventory was disposed of or distributed, making it impossible to determine whether some inventory was properly distributed, lost, or stolen.
- DAAS allows many staff, including those who handle inventory, to edit inventory listings, increasing the risk that inventory could be lost or stolen and records changed to prevent detection.
- DAAS does not follow best practices such as requiring a witness from outside the unit to observe the search, requiring staff to take photos during searches and maintain these as part of case files, or requiring routine supervisory review of case files and photos.
- Although DAAS has taken significant measures since a 2003 audit to improve the security of the property room, it should further improve its control access to the safe combinations and ensure that someone with property room access is present to let employees into the property room when they return from a search.

DAAS does not follow city contracting guidelines, should develop a policy for weighing the costs and benefits of accessing data on electronic devices, and should enforce its own policy on medication handling.

Recommendations

The report includes 21 recommendations for DAAS to improve the accuracy of its inventory system, segregate duties, and follow existing policy or develop new policies to better safeguard client property. Specifically, DAAS should:

- Ensure that it has an accurate inventory list by continually updating Panoramic and conducting inventory counts.
- Document in Panoramic how items were distributed.
- Ensure that employees not involved in tracking, collecting, or safeguarding inventory review case files for completeness and accuracy.
- Consider segregating the duties of inventory handling and inventory record maintenance.
- Create a policy to guide staff in assessing the potential costs and benefits of accessing electronic data.
- Follow city contracting guidelines and enforce its medication-handling policy.

Copies of the full report may be obtained at:
Office of the Controller ● City Hall, Room 316 ● 1 Dr. Carlton B. Goodlett Place ● San Francisco, CA 94102 ● 415.554.7500
or on the Internet at http://www.sfgov.org/controller

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

March 29, 2016

Aging and Adult Services Commission
Department of Aging and Adult Services
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Ms. Shireen McSpadden
Executive Director
Department of Aging and Adult Services
1650 Mission Street
San Francisco, CA 94103

Dear Commission President and Members, and Ms. McSpadden:

The Office of the Controller's City Services Auditor Division (CSA) presents its audit report of the client property processes used by the Public Administrator and Public Guardian divisions of the Department of Aging and Adult Services (DAAS). The audit's objectives were to assess the Public Administrator and Public Guardian's internal controls for identifying and securing deceased residents' goods and information and to determine whether the processes the Public Administrator and Public Guardian use to manage the goods and information in their custody sufficiently limit the risk of loss or theft.

The audit concluded that more than 70 percent of the information in DAAS's inventory system is inaccurate. Also, because DAAS does not always document how inventory was disposed of or distributed, it is impossible to determine whether items listed as inventory but not in DAAS's possession, including three items sampled by CSA, were properly distributed, lost, or stolen. The audit also found that DAAS allows the same staff who handle inventory to maintain the inventory record, does not follow best practices for minimizing risks of theft or loss during home searches, and could take additional measures to improve property room security. Also, DAAS does not follow city contracting guidelines in how it engages its service vendors, should develop a policy for weighing the costs and benefits of accessing data on electronic devices, and should enforce its own policy on medication handling.

The report includes 21 recommendations for DAAS to ensure the accuracy of its inventory system, maintain records of how inventory is disposed of or distributed, segregate incompatible duties, review case files, and create or follow existing policies and procedures. DAAS's response to the report is attached as Appendix B. CSA will work with DAAS to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation of DAAS staff during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju
Director of City Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

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GLOSSARY OF TERMS

City	City and County of San Francisco
Controller	Office of the Controller
CSA	City Services Auditor Division of the Office of the Controller
DAAS	Department of Aging and Adult Services (part of the Human Services Agency)
GAO	United States Government Accountability Office
Inventory	Client property and assets that the Public Administrator and Public Guardian manage
Panoramic	Fiduciary and case management software, provided by Panoramic Software, Inc., that is used by the Public Administrator and Public Guardian divisions
Public Administrator	Public Administrator division of the Department of Aging and Adult Services
Public Guardian	Public Guardian division of the Department of Aging and Adult Services

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INTRODUCTION

Audit Authority

This audit was conducted under the authority of the Charter of the City and County of San Francisco (City), Section 3.105 and Appendix F, which requires that the City Services Auditor (CSA) of the Office of the Controller (Controller) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

Background

The Public Administrator and Public Guardian are divisions of the Department of Aging and Adult Services (DAAS), which is part of the City's Human Services Agency.

The Public Administrator manages the estates of residents who die with no family members able or willing to take care of the decedent's affairs.

The Public Administrator manages the estates of city residents who die with no family members able or willing to take care of the decedent's affairs. The Public Administrator searches for family members and wills, arranges for the disposition of remains, locates and manages all assets, monitors creditor claims, reviews taxes and provides all services necessary to administer each estate through distribution to heirs and beneficiaries.

The Public Guardian serves residents with physical and mental limitations such that they cannot handle basic personal and financial needs.

The Public Guardian is appointed by the San Francisco Superior Court to serve as conservator of San Franciscans who have physical and mental limitations that make them unable to handle basic personal and financial needs. The Public Guardian is responsible for assessing the physical, mental, and financial needs of the client, known as a conservatee, and ensuring appropriate medical, social, and money management services, and shelter. As part of the process, the Public Guardian must locate all of a conservatee's assets and income and arrange for the storage, disposal, or distribution of real and personal property through sale, public auction, or disbursement to relatives.

Laws and Regulations

The Probate Code governs the Public Administrator and Public Guardian's processes.

The work of the Public Administrator and the Public Guardian are governed by the California Probate Code, which provides guidance on the California probate process.

Under the code, public administrators and public guardians of California counties may take possession of conservatees' and decedents' property, including personal and real property[1]—and, in the case of public administrators, financial instruments—and administer the property, including by having it appraised and selling it.

Public administrators and public guardians in California are required to pay the debts of a conservatee or decedent from any income in the individual's estate. Public administrators must distribute any remaining property to the decedent's beneficiaries.

According to the state Probate Code, public administrators and public guardians are entitled to receive compensation for their services.

The Public Administrator and Public Guardian inventory and dispose of or distribute clients' assets.

According to DAAS management, as part of their role in administering estates, the City's Public Administrator and Public Guardian search for, inventory, administer, and distribute or dispose of the assets of clients. This can include financial assets, such as bank or investment accounts or Social Security funds, as well as physical assets, such as jewelry, furniture, artwork, and items of sentimental value, such as family photos. In some cases, clients own homes or cars that the Public Administrator or Public Guardian must administer or sell.

Home searches were conducted in 54 percent of Public Guardian and 33 percent of Public Administrator cases.

A portion of the Public Administrator's and Public Guardian's cases result in the collection of inventory or financial assets.

In the sample of cases examined, home searches were conducted in 33 percent of Public Administrator and 54 percent of Public Guardian cases. Home searches were not conducted in cases where:

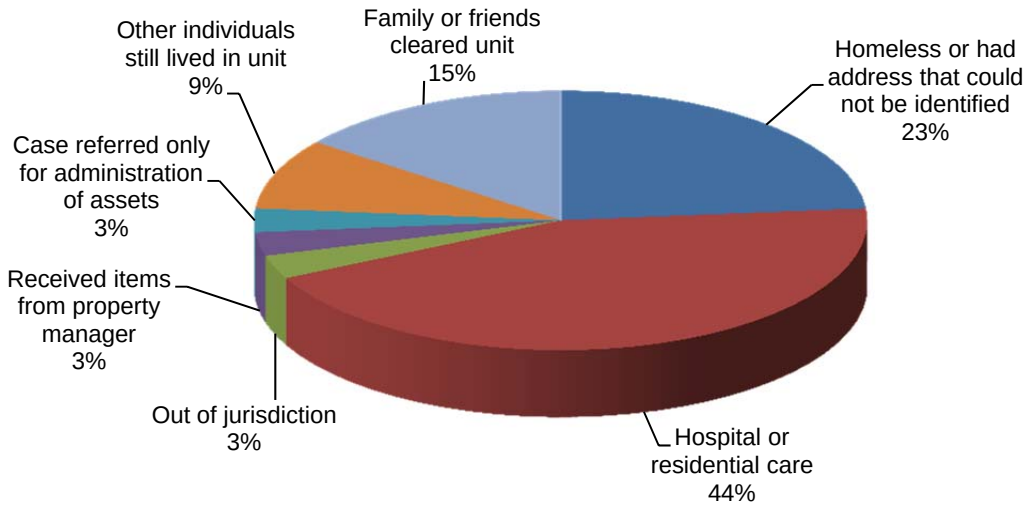
- Clients lived in residential care facilities or hospitals (44 percent of cases with no search).
- The unit was handled by family or friends (15 percent).
- Clients were homeless or no address for them could be identified (23 percent).
- Other individuals, such as family or roommates,

[1] Real property consists of land and all associated items, such as buildings, crops, or mineral rights.

lived in the unit, according to DAAS management (9 percent).
- The property manager had already cleared the unit (3 percent).
- The case was out of the City's jurisdiction (3 percent).
- The case was only referred to the Public Administrator for the administration of assets, according to DAAS management (3 percent).

Exhibit 1 shows the reasons home searches were not conducted even though an address was identified.

EXHIBIT 1 Reasons Home Searches Were Not Conducted Although an Address Was Identified



Source: Auditor's analysis of 34 randomly sampled Public Administrator and Public Guardian cases.

The vast majority (93 percent) of Public Administrator cases have no assets, but one case had more than $1.1 million in assets. Public Guardian cases have average assets of $83,773.

Assets, including physical inventory and financial assets, were logged as inventory in only 7 percent of Public Administrator cases but in 77 percent of Public Guardian cases examined.[2]

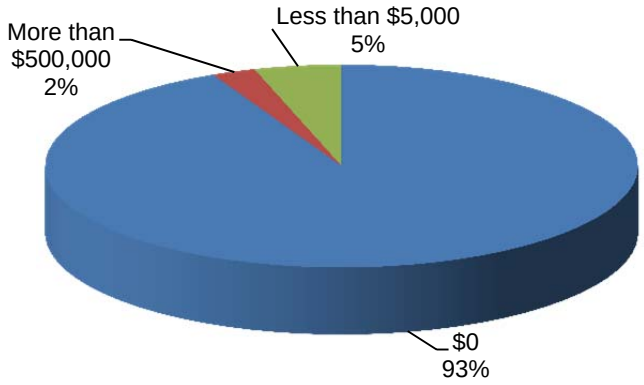
Of the Public Administrator's cases sampled:
- 93 percent had no assets of monetary value.
- Two had assets of $900 to $1,200.
- One had assets of $1,160,884.

[2] The Public Administrator and Public Guardian serve different populations, with Public Administrator cases more often serving indigent persons, as observed in a sample of cases CSA reviewed.

For the Public Guardian, the value of assets located ranged from $0 to $635,000 and had an average value of $83,773.

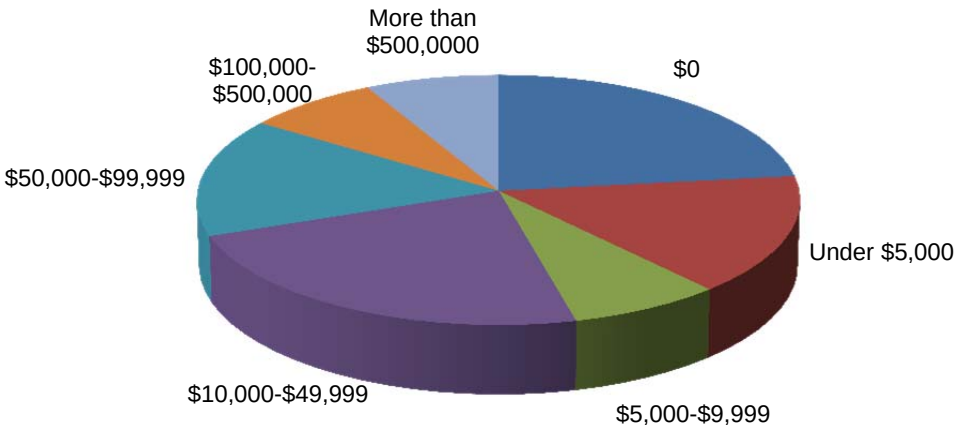
Exhibits 2 and 3 show the distribution of values of client assets in the sample of Public Administrator and Public Guardian cases examined by the audit.

EXHIBIT 2 **Inventory Values of Sampled Public Administrator Cases**



Source: Auditor's analysis of 42 randomly sampled Public Administrator cases.

EXHIBIT 3 **Inventory Values of Sampled Public Guardian Cases**



Source: Auditor's analysis of 13 randomly sampled Public Guardian cases,

Referral Process

Most cases are referred to the Public Administrator by the Medical Examiner and hospitals and to the Public Guardian by hospitals or Adult Protective Services.

According to investigators, cases are most often referred to the Public Administrator by the Medical Examiner or hospitals. According to staff, referrals to the Public Guardian are most often made by hospitals or Adult Protective Services.

According to an investigator, the Public Administrator begins a case by searching for the decedent's next of kin to handle the estate. If the decedent's family wants to handle the case themselves, then the Public Administrator's jurisdiction terminates. If not, investigators will handle the case pursuant to the state Probate Code.

Public Administrator and Public Guardian staffs search client homes for documents with information about client assets, relatives, advance directives, and personal identification information.

The Public Guardian petitions the court to be appointed the conservator as the first step after referral. Once appointed to the case, the Public Administrator or Public Guardian will search the client's home looking for safe deposit box keys and documents pertaining to:

- Birth records, baptismal certificates, marriage/death certificates and immigration papers.
- Financial assets, such as bank statements, stock certificates or insurance policy statements.
- Sources of income.
- Home or other real property ownership, such as deeds of trust, mortgage statements, and property tax statements.
- Legal directives, such as a will or advance directive.
- Registration of vehicles.

Items of sentimental value are retained for a conservatee's use or distributed to relatives of the deceased.

The Public Administrator and Public Guardian will also search for information about relatives from items such as address books, letters, photographs, a family bible, and notices in newspaper clippings. The Public Administrator and will collect items of sentimental value for and provide them to heirs. The Public Guardian will collect items of sentimental value for the client's use.

Items may be distributed or sold to provide for the care of a conservatee or pay a decedent's creditors.

The Public Administrator distributes clients' assets, when they exist, to beneficiaries and uses them to pay creditors. The Public Guardian will use assets collected or funds raised through the sale of the conservatee's property to cover the costs of care for the conservatee.

Storage and Tracking of Assets

DAAS stores client property in its property room and logs it in Panoramic.

Physical property recovered by the Public Administrator and Public Guardian is stored in the DAAS property room. According to DAAS staff, documents and mementos are stored on the property room shelves, while valuables, such as jewelry, are stored in one of two safes. DAAS staff said that inventory is logged by estate investigators in the Panoramic system (Panoramic), a database that contains information about all DAAS cases, and includes a section for logging inventory associated with each case. According to an investigator, in cases where items of value cannot be moved during the initial search, estate investigators will safeguard the asset inside the home by applying a seal to the property and possibly changing locks or nailing the door closed, if the investigator believes this is warranted.

Independent appraisers or estate investigators perform inventory appraisals, which are filed with the court.

The state Probate Code requires both public administrators and public guardians to file an Inventory and Appraisal of the property to be administered with the court. According to DAAS policy, when an estate has enough funds, a certified appraisal can be completed by an outside vendor. However, in cases where an estate lacks sufficient funds to pay for a certified appraisal, the estate investigator, along with the senior estate investigator, will provide an estimated value to the best of their ability. All items besides money, checks, cash, and proceeds from brokerage accounts and insurance policies must also be appraised by a probate referee. The probate referee acts as an independent and fair appraiser and can appraise all non-cash assets located in California. Real property, such as homes, administered by the Public Administrator and Public Guardian must be appraised by a court-appointed appraiser, according to management. The Inventory and Appraisal document must be filed with the court within 90 days of the Public Administrator's or Public Guardian's appointment.

Items are sold, donated, or distributed to family or other beneficiaries. The department typically uses one of its vendors to sell items.

Public Administrator investigators work with decedents' family and friends.

Investigators explained that they work with a decedent's located family or friends to determine whether any items of sentimental or monetary value should be sent to them and whether the family can pay the costs of sending the items. Items will only be sent if either the estate or the beneficiary can pay the shipping costs. If family or friends are not found or are unwilling to pay for the shipping, items of sentimental value are held for five years and will not be disposed of without the written authority of the assigned investigator.

The Public Administrator must deposit with the City's Treasurer any funds that remain after creditors and any identified beneficiaries have been paid. In accordance with the state Probate Code, the City's Treasurer will deliver these funds to the California Treasurer or Controller if there are no beneficiaries or other persons entitled to the money or if the beneficiaries or other persons entitled to the money do not appear and claim it.

A 2003 audit found weak controls over client property and money.

The Controller audited the inventory practices of the Public Administrator and Public Guardian in 2003. The audit reviewed DAAS internal controls over inventory and resulted in four recommendations pertaining to controls over client property and money.

Audit findings included:

- The Public Administrator and Public Guardian divisions cannot verify that they protect client property.
- Neither division monitors client property sufficiently.
- The potential for fraud exists because staff can change property descriptions.
- The property room and safes are less secure than they should be.
- The department did not obtain proposals for brokerage or auction services and did not contract with the current providers of these and other services.

At the conclusion of the audit, the department agreed with all of the recommendations and provided specific plans of how it would address them. A complete list of the findings and recommendations, as well as whether DAAS continues to comply with the recommendations, is listed in Appendix A.

CSA also assessed DAAS's accounting system in 2009, but the findings of that assessment pertained to issues outside the scope of this audit.

Objectives

The objectives of this audit were to:

1. Assess the Public Administrator and Public Guardian's internal controls over how they identify and secure clients' or decedents' goods and information.

2. Determine whether the processes the Public Administrator and Public Guardian use to manage the goods and information in their custody sufficiently limit the risk of loss or theft.

Scope and Methodology

The audit included Public Administrator and Public Guardian inventory held during July 1, 2013, through May 8, 2015. To perform the audit, the audit team:

- Interviewed Public Administrator and Public Guardian management and staff to gain an understanding of their processes.
- Reviewed key documents, including the Public Administrator and Public Guardian's policies and the 2003 Public Administrator and Public Guardian audit report.
- Conducted inventory counts to ensure the accuracy of the DAAS inventory system by randomly selecting 5 Public Administrator and 12 Public Guardian items from the property room.
- Conducted inventory counts to ensure the accuracy of the DAAS inventory system by randomly selecting 4 Public Administrator and 12 Public Guardian items from the inventory system.
- Identified best practices through benchmarking with four other California counties.
- Randomly and purposefully selected case files to review for completeness.
- Conducted walkthroughs with estate investigators to better understand the amount of risk associated with property searches.

Statement of Auditing Standards

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

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CHAPTER 1 – DAAS Does Not Appropriately Maintain Records or Segregate Duties to Control the Risk of Theft or Loss

Summary

Since 2003, DAAS continues to risk that inventory will be lost or misappropriated by:

- Not ensuring the accuracy of its inventory system through proper procedures and supervision.
- Failing to document how items are disposed of.
- Not segregating the duties of inventory handling and inventory record maintenance.
- Allowing many users to edit the inventory list.
- Not consistently recording sufficient detail or location information for inventory items.

Finding 1.1

The data in DAAS's inventory system is highly inaccurate and cannot be relied on to determine what inventory should be in DAAS's possession.

DAAS does not completely and accurately record inventory in Panoramic.

Staff does not consistently update the Panoramic system used by DAAS to log and track inventory associated with each case, which makes it impossible to determine what items should be on hand in any given case and increasing the risk that inventory will be lost or misappropriated without detection. This high level of inaccuracy is allowed to occur because DAAS does not have appropriate managerial oversight processes, and lacks policies and procedures.

System counts did not match actual counts for 75 percent of audited items.

The audit's test counts[3] of inventory found multiple discrepancies between system and actual counts. Exhibit 4 shows the system-to-property-room test results, and lists the percentage of sampled inventory items recorded in Panoramic that were missing from the inventory room or other storage location indicated by staff.

[3] Of the 948 items on the Panoramic inventory report dated April 21, 2015, 16 (2 percent) were randomly selected to determine the accuracy of the system. Another 17 items were purposefully selected and counted in the property room to determine the completeness of the counts in Panoramic.

EXHIBIT 4 Inventory Count Results: Panoramic Versus Property Room*

Division	Tested	Missing	Inaccuracy
Public Administrator Samples	4	2	50%
Public Guardian Samples	12	10	83%
Combined	**16**	**12**	**75%**

Note: *CSA sampled inventory items recorded in Panoramic and checked whether each was in the department's physical inventory in its property room.

Source: Auditor's analysis of sample inventory items.

As Exhibit 3 shows, DAAS did not possess items listed as inventory for 10 (83 percent) of the 12 Public Guardian cases tested, and for 2 (50 percent) of the 4 Public Administrator cases tested.

Upon researching these items, DAAS provided evidence that 9 (75 percent) of the 12 items missing from the property room had been distributed appropriately, but staff had not updated the inventory system. No record exists of what happened to the remaining 3 inventory items, as described in more detail in Finding 1.3.

The floor count did not match inventory records for 71 percent of audited items.

A significant number of items in the property room were not recorded in Panoramic. Twelve (71 percent) of 17 items judgmentally sampled from the shelves or safes in the property room were not recorded as inventory in Panoramic, indicating that DAAS cannot rely on the records in the system to determine what items should be on hand.

As Exhibit 5 shows, 3 (60 percent) of 5 sample items in the property room in the care of the Public Administrator and 9 (75 percent) of 12 sample items in the care of the Public Guardian were not recorded in Panoramic as inventory for the associated cases. Also, 1 Public Guardian item in the property room had no labeling or other indication of the case with which it was associated.

EXHIBIT 5 Property Room Versus System Inventory Count Results*

Division	Tested	Missing	Inaccuracy
Public Administrator Samples	5	3	60%
Public Guardian Samples	12	9	75%
Combined	**17**	**12**	**71%**

Note: *CSA sampled inventory items in the department's property room and attempted to verify that each was in Panoramic.

Source: Auditor's analysis of sample inventory items.

In addition to sometimes not recording inventory, staff sometimes records inventory in fields other than those designated for this purpose. Of a random sample of 55 cases in Panoramic, 3 (5 percent) showed that staff failed to enter inventory in the designated inventory field, instead entering it in other sections of the case file.[4]

The 2003 audit found that staff does not update records in Panoramic.

DAAS had committed to address the problems identified in the Controller's 2003 audit report, but they persist. That audit found that the "department cannot be sure that it knows where client property is once it is collected because staff does not update the records in the division's computer system" and "screens in the computer system are not current." In 2003, DAAS responded with a plan to investigate implementation of a bar-coding system for inventory and to ensure a more accurate and updated system of recording estates' assets in the computer system. However, DAAS still has no bar-coding system and does not periodically review the inventory system.

The incompleteness and inaccuracy of the inventory system are the result of insufficient managerial oversight processes and insufficient policies and procedures for staff to follow in documenting inventory.

Managers do not perform periodic inventory counts, periodically check the accuracy of case files, or determine whether inventory was properly disposed of or distributed.

A lack of managerial oversight processes allows the inventory documentation problems to persist. According to DAAS management, DAAS has not put in place processes to have managers periodically count inventory to ensure accurate inventory records or routinely audit to ensure the accuracy and completeness of case files.

[4] This sample was in addition to those used for the tests that led to the results shown in exhibits 3 and 4. This sample focused on the completeness of documentation in Panoramic rather than on how accurately Panoramic reflects what is in the property room.

Also, management said that there is no process requiring managers to determine whether inventory was disposed of or distributed in an allowable manner, as opposed to lost or stolen.

The 2003 audit report recommended that DAAS "Write and distribute a new procedure (that). . .should further require management to conduct periodic reviews of the property items listed in the Panoramic computer system and compare the lists of items with the written receipts from searches." Although DAAS management reported that during the inventory and appraisal process for the courts, managers review whether property that was brought in is entered in the system, Panoramic still does not contain a complete list of the inventory in the possession of the Public Administrator and Public Guardian.

DAAS policies and procedures lack specificity about how staff should record inventory.

Also, DAAS's policies and procedures do not sufficiently guide staff on how to record inventory. Sufficient policies and procedures would mitigate the problems above by instructing staff:

- Where to enter what kind of inventory.
- Under what circumstances to update an inventory listing in the system.
- How to document the distribution or disposal of inventory.
- To enter inventory only in the inventory field.

The 2003 audit found that a lack of procedures for recording and maintaining accurate records led to an inaccurate inventory system.

The same cause was found during the Controller's 2003 audit, the report of which stated "The divisions lack a standard, written procedure for maintaining accurate records of client property, so employees have discretion as to what they do."

Periodic inventory counts and routine supervisory review were identified as best practices.

Best practices identified through interviews of four jurisdictions include a requirement that management periodically count inventory and routinely review case files. Of the four jurisdictions contacted, three (75 percent) use inventory counts to ensure the accuracy of inventory records. Three also require supervisors to routinely review case files. Jurisdictions responded that they required review of photos taken during searches, inventory sheets, and case notes.
Exhibit 6 summarizes the practices in each jurisdiction.

EXHIBIT 6 Summary of Best Oversight Practices Identified Through Benchmarking

Best Practice	DAAS	Los Angeles County	Orange County	San Mateo County	Ventura County
Perform routine inventory counts or audits	NO	YES	YES	YES	NO
Require managers to routinely review case files	NO	YES	YES	YES	NO
Require managers to routinely review photos	NO	YES	YES	YES	NO

Source: CSA benchmarking analysis

The strongest practice was seen in Orange County, which logs and verifies every piece of inventory collected, conducts a quarterly supervisory review of inventory sheets and an annual 100 percent physical inventory count, and requires that supervisors sign off before property is disposed of or distributed.

According to the U.S. Government Accountability Office (GAO), counting an appropriate amount of the total inventory at once or over a period of time with regular frequency helps to provide accurate inventory records for operational decisions and financial reporting. Without periodically scheduled physical inventory counts, inventory shortages and overages could occur and remain undetected.[5]

Also, according to the GAO, setting performance goals for the accuracy of physical inventory and holding the appropriate level of personnel responsible for the overall process is a key factor in developing and implementing an accurate physical count process. According to the GAO Guide, experts agree that inventory record accuracy goals should be set at 95 percent or higher.

DAAS's lack of procedures and oversight severely diminish its ability to effectively manage and track client property and result in a completely inaccurate inventory list. In turn, this means that DAAS does not know what inventory should be present for each case, which increases the risk of loss or misappropriation.

[5] Shortages are indicated when the inventory system shows more items than are actually on hand; overages are indicated when the inventory system shows fewer items than are actually on hand.

Recommendations

The Department of Aging and Adult Services should:

1. Count all client and decedent inventory and update Panoramic to reflect all inventory in the department's possession, and research all items listed as inventory that are missing.

2. Implement a policy requiring employees who do not have routine access to inventory or the ability to edit inventory records to count physical inventory at least yearly. Ensure that discrepancies between the property room and the system are reconciled and approved.

3. Ensure that it continually updates its inventory lists to keep track of inventory that was collected in each case, keep track of the inventory that is in its care, and document how each piece of inventory no longer in its possession was distributed or disposed of. This information should be recorded the same way for each case.

4. Create policies and procedures that specify how staff is to record inventory initially collected, inventory in its care, where inventory is stored, and how inventory was distributed or disposed of, and ensure that these are followed. The policies and procedures should be specific enough to ensure that staff knows which fields to use in the inventory system, and how, when, and where to record inventory details.

5. Formalize and ensure compliance with a policy requiring employees not involved in tracking, collecting, or safeguarding inventory to review case files to ensure they are complete and accurate, and ensure that staff records information about inventory accurately, appropriately, in a timely manner, and with a sufficient level of detail to minimize risk.

6. Hold employees accountable for the accuracy of inventory lists in cases they manage.

Finding 1.2

DAAS does not always document how inventory was disposed of or distributed, making it impossible to determine whether some inventory no longer with DAAS was properly distributed, lost, or stolen.

It is impossible to determine whether sampled inventory, including boxes of jewelry, were lost, stolen, or properly distributed.

DAAS does not always document how inventory was disposed of, making it impossible to determine whether it was properly distributed, lost, or stolen. Of a random sample of 16 items listed in the inventory system, 3 (19 percent) are unaccounted for.[6] The Public Guardian could not provide support for the whereabouts of items described in Panoramic as "Three Boxes of Miscellaneous Jewelry" and "One box of photographs and letters." The Public Administrator could not document the whereabouts of a "Sprint cell phone."

DAAS staff does not always upload supporting documentation of how the items were disposed of in Panoramic. Without such records, it is impossible to determine whether the items above were properly distributed, lost, or stolen.

DAAS does not have policies or procedures requiring staff to document how items are distributed or disposed of or to maintain documentation that shows proof of such disposal, such as receipts for donations. Although Panoramic includes a field that allows staff to indicate whether inventory is still in DAAS' possession or whether it has been sold, donated, or otherwise distributed, this field is not always updated, as evidenced by the items above, which were listed as being in DAAS' possession.

According to the Joint Financial Management Improvement Program,[7] an inventory system should have a function that allows staff to record withdrawals (dispositions) and identify the type of transaction affecting the item (initial acquisition, location, change of location, and disposal). Inventory systems must provide information on the quantity of items distributed, in transit, or disposed of.

[6] This is the same random sample that was used for the test whose results are shown in Exhibit 3.

[7] An undertaking of the U.S. Department of Treasury, Government Accountability Office, Office of Management and Budget, and Office of Personnel Management, working in cooperation with one another, with other agencies, and with the private sector, to improve financial management in the federal government.

By not requiring such documentation, DAAS has no effective way of determining what happened to inventory formerly in its possession.

Recommendation

7. The Department of Aging and Adult Services should ensure that staff documents how and when inventory is distributed and disposed of and that staff uploads documentation of the distribution or disposal to the inventory system.

Finding 1.3

DAAS's failure to appropriately segregate duties increases the risk that inventory will be lost or stolen without detection.

DAAS has not fully addressed risks of fraud that arise when duties are not properly segregated which were identified in the 2003 audit. The Public Administrator and Public Guardian do not segregate duties between those employees who distribute or dispose of inventory and those who record these actions. Further, a manager is not required to approve distributions and disposals.

DAAS does not segregate duties appropriately, increasing the risk that inventory will be lost without detection.

Estate investigators are DAAS employees who are charged with creating and maintaining the inventory lists in Panoramic and who handle, distribute, and dispose of the inventory. This lack of segregation of duties creates a risk that staff could mishandle or misappropriate inventory and then change the inventory record to prevent detection.

Staff can lose or misappropriate inventory and then erase it from the inventory system to avoid detection.

The Controller pointed out this risk in its 2003 audit report, which noted that DAAS staff could modify or delete the description of an inventory item, making the department vulnerable to fraud. For example, an employee could change the description of a valuable item to something less valuable, and then be able to enter the property room or one of the safes and tamper with the property, replacing the more valuable item with a less valuable one. Although DAAS staff stated that the department now enforces dual custody in the property room and requires 2 employees to be present during searches, procedures are still insufficient to prevent an employee from removing an item from the property room and replacing that item with a less valuable one with a similar description or replacing it with something else and altering the inventory description in the system to

prevent detection.

Further, DAAS management indicated that the department does not require manager approval or documentation of such approval before inventory is removed from DAAS custody. In the cases examined by the audit, Public Administrator estate investigators had disposed of a cell phone listed as inventory without the managers' knowledge and without documentation and were storing a Porsche automobile at an offsite location that the manager relied on staff to identify. This demonstrates that inventory could be lost or misappropriated and that DAAS would have no reliable way of knowing what happened to the inventory if staff left the office.

Best practices indicate that those who have access to inventory should not modify the Public Administrator's and Public Guardian's perpetual[8] inventory records and that inventory disposal should require approval by another employee.

Employees who have access to physical inventory should not be responsible for modifying perpetual inventory records.

According to BDO Consulting,[9] employees who have access to physical inventory should not be responsible for modifying perpetual inventory records. That is, employees should not be able to both initiate and approve inventory disposals and record these adjustments in the inventory system.

This guidance is echoed by the GAO, which states that key duties and responsibilities must be divided or segregated among different people to reduce the risk of error or fraud. The key areas of segregation are:

- Physical custody of assets
- Processing and recording of transactions
- Approval of transactions

Ideally, personnel performing any one of these three functions would not also have responsibilities in either of

[8] Perpetual inventory records are records that show what inventory has been received, what items have been moved from one location to another, and what items have been removed from inventory.

[9] According to its website, BDO Consulting specializes in assurance, advisory, consulting and tax services for clients in the private and public sector and has more than 4,000 employees in the U.S. BDO's Fraud Prevention Program, which published the guidelines cited above, has investigated hundreds of frauds, according to the company's website.

the other two functions. Segregation of duties dictates that no individual should control all key aspects of a transaction or event.

All three of the other jurisdictions that CSA interviewed about segregation of inventory handling and recordkeeping mentioned some controls in this area:

- San Mateo County segregates inventory duties between the Public Administrator staff, which makes decisions regarding property, and Estate Management staff, which oversees the warehouse and carries out inventory actions.

- Orange County has one set of employees handle inventory and another set maintain the inventory lists.

- Ventura County requires employees to document when they donate inventory and have a supervisor review and sign the document.

By not appropriately segregating duties, DAAS faces a higher risk of fraud. When incompatible duties are not separated, improper transactions can be recorded in inventory records to cover improper or unauthorized transactions. Also, errors in inventory records can easily be hidden from management, preventing further investigation.

Recommendations

The Department of Aging and Adult Services should:

8. Consider segregating roles so that those who can edit inventory listings in Panoramic are not the same individuals who handle the inventory. If this is infeasible, DAAS should require managers to routinely review a Panoramic-generated report of all edits that have been made to inventory fields to ensure that these are proper.

9. Require an approval path for the disposal or distribution of inventory and upload documentation of both the approval path and the method of distribution and disposal.

Finding 1.4

DAAS allows many employees to edit inventory listings, increasing the risk that the inventory record, accidentally or intentionally, will be inappropriately changed.

Many Public Administrator and Public Guardian employees may edit case files, which compounds the risks described in Finding 1.3 that staff could misappropriate inventory and change the record to avoid detection. Forty-one Public Guardian Panoramic module users and 28 Public Administrator users can insert and edit inventory and other data fields in any case, regardless of whether or not they are assigned to that case. Also, at the time CSA reviewed this access, one user who had ceased to be a DAAS employee over a month earlier, still had access to the system. According to Panoramic, system access is not restricted only to those assigned to each case so that changes to a case can be made when the individuals assigned to it are absent.

Any user who can edit inventory fields could replace an item in DAAS' possession with something less valuable and change the inventory system to avoid detection. Although this risk is partially mitigated by the dual custody that is required in the property room, CSA was notified that staff held items temporarily in cubicles, at which point any person in the office could misappropriate the item. Also, allowing edit access to so many employees raises the risk that one will unintentionally enter an error into the system.

Access to edit cases should be restricted to the minimum number of employees needed.

According to *Inventory, Supplies and Materials System Requirements*, published by the Joint Financial Management Improvement Program, an inventory, supplies, and materials system must support the common requirements, including controlling user access by permitting only authorized personnel to enter, modify, or otherwise alter inventory records, and must provide audit trails to trace transactions.

According to the National Institute of Standards and Technology, organizations should have policies for identifying account types, granting and removing user access, specifying and enforcing access privileges, requiring appropriate approvals, and regularly reviewing

user access.[10]

Recommendation

10. The Department of Aging and Adult Services should consider restricting access to cases only to those staff assigned to the case and routinely review changes made to the inventory fields in Panoramic to ensure that changes are made by the appropriate staff and accurately reflect appropriate inventory handling.

Finding 1.5

DAAS inventory listings are not always sufficiently detailed and sometimes lack information about the location of the item.

DAAS staff does not always record sufficient detail about inventory in the system and does not videotape all searches, including all contents of residences as it had committed after the 2003 audit, increasing the risk of fraud or mishandling. DAAS also does not always record the location of items, which may lead to items being lost.

Insufficient inventory descriptions and lack of inventory photographs increase the risk of fraud.

Overall, 7 (21 percent) of the 33 inventory items reviewed had descriptions that were too vague to allow the item to be accurately identified as belonging to a particular case without additional information, such as a case number. For example, four inventory items were described as “miscellaneous jewelry.” Such vague descriptions raise the risk that items could be mishandled or misappropriated.

As mentioned before, if an item’s appearance is not documented, this increases the risk that an employee could change the description of a valuable to something less valuable. Although dual custody is now enforced in the property room, staff is allowed to remove items from the property room and could return a less valuable item if its appearance is not sufficiently documented.

Maintaining photos in case files and requiring managers to review these are best practices among jurisdictions interviewed by CSA for mitigating this risk. Two out of three jurisdictions with which this issue was discussed require photos to be reviewed by managers.

[10] NIST, *Recommended Security Controls for Federal Information Systems and Organizations*, Special Publication 800-53, Revision 3, 2009.

Videos or photos of inventory can mitigate fraud risk, but DAAS does not require these to be taken or maintained in case files.

In its response to the 2003 audit report, DAAS committed to videotape all searches, including all contents of residences, which would help to mitigate the risk of fraud by allowing management to see what an item looks like. However, according to DAAS management, such videotaping has not been required. Management stated that DAAS has made iPads available to staff to take on searches and upload photos of residences and property in Panoramic, which, in lieu of videotaping, would mitigate this risk. However, this is not a formal policy and these photos were only uploaded in 1 (6 percent) of the 18 cases examined that had physical inventory that would lend itself to photographic documentation.

Inventory locations are often not specified in Panoramic, sometimes making inventory difficult to find.

DAAS also does not properly document where inventory in its possession is located. For the Public Guardian division, in 8 (53 percent) of 15 cases examined, the location of the inventory was not specified in the Panoramic field designated for this information.[11] For the Public Administrator, 5 (56 percent) of 9 cases examined lacked location information. This lack of documentation impairs the department's ability to properly track inventory and may lead to lost items, particularly if staff leaves or cases are open for long periods.

DAAS has not required staff to record a sufficient level of detail about inventory through its policies and procedures. No procedures have been established to mitigate the problems above by instructing staff:

- On the level of detail appropriate to describe inventory items.
- To upload photos.
- To enter the location of physical inventory in a specific field.

The problems of not documenting location were also highlighted by CSA in its 2003 audit report, which stated that deputies did not update the location of property as it moved, and that:

> *Both the public guardian and the public administrator find it difficult to track property accurately. No printed inventory of client property exists and staff has no way of knowing where something is. If a deputy needs to*

[11] The 15 cases exclude the 9 cases the audit determined to be missing from Panoramic.

find a particular item, that item may be in the property room, in a safe … on a staff person's desk, or lost.

The Joint Financial Management Improvement Program states that general mandatory requirements for any system that controls inventory, supplies, and materials include that the system can record location. The lack of location information in the system may make it more difficult to find inventory items.

Recommendations

The Department of Aging and Adult Services should:

11. Formalize a policy requiring staff to take photos of inventory and upload them into Panoramic and ensure that the policy is followed.

12. Ensure that the location of inventory is entered and updated in Panoramic.

CHAPTER 2 – DAAS Does Not Follow Best Practices for Minimizing Risks of Theft During Property Searches and Can Further Improve Property Room Security

Summary

Although DAAS has some procedures to limit the risk of misappropriation of client property during searches and from the property room, DAAS can increase security in both of these areas by implementing additional best practices.

Finding 2.1

DAAS's procedures for minimizing risks of theft during searches fall short of best practices.

DAAS does not follow all best practices identified that could be used to reduce the risk of theft during searches.

Although DAAS does require that two employees participate in all home searches, DAAS does not implement other measures that would minimize the risks of theft during residence searches.

Exhibit 7 shows best practices implemented by other jurisdictions and how DAAS's practices for minimizing risk compare to these.

EXHIBIT 7 Summary of Best Practices Identified Through Benchmarking

Best Practice	DAAS	Los Angeles County	Orange County	San Mateo County	Ventura County
At least two employees are present at each residence search	✓	✓	✓	✓	-
A third person witnesses each residence search	-	✓	✓	-	-
The search witness is from outside the department	-	-	✓	-	-
Staff takes photos or video during each residence search	-	✓	✓	✓	✓
Photos of searches are maintained in case files	-	✓	✓	✓	✓

Source: CSA benchmarking analysis

Unlike Orange County, DAAS management stated that DAAS does not require independent witnesses at residence searches. Also, DAAS management said that

although DAAS' residence search policy requires that two estate investigators search residences together, it does not require the presence of an independent witness at the search. Although staff is instructed to search together to ensure dual custody of all items found, the employees do separate during the search. Employees explained that they separate during the search so that one searches after the other in case the first employee does not notice something. The presence of an independent witness would help mitigate the risk of theft.

Three of the four benchmark jurisdictions require more than two employees to be present during the residence search.

Of the four jurisdictions surveyed, three indicated that they require either a witness to be present or more than two employees present during a residence search. One jurisdiction, Los Angeles County, stated that it tries to use an external witness, such as a neighbor, to monitor the search. When this is impossible, the jurisdiction said it will have another employee from the office serve as a witness. Los Angeles County stated that, before the search, witnesses are given instructions and required to sign a witness form that describes their duties.

Orange County reported having witnesses present at every search, sometimes going as far as to hire law enforcement personnel to accompany staff as a witness. Orange County also indicated that its supervisors periodically check up on staff as they conduct residence searches by monitoring the staff without their knowledge.

Further, DAAS does not require photos or video of searches to be taken or retained. Although DAAS has made iPads available for staff to record searches and take photos of residences during searches, DAAS' policies and procedures do not require the use of this technology or the retention of the photos and videos in Panoramic and DAAS does not require managers to review case files to determine whether photos or videos are uploaded. Of eight cases reviewed by the audit that had physical inventory collected during the search that could have been documented in photos, only one (13 percent) had photos of inventory in Panoramic.

All benchmark jurisdictions require cameras to be used during residence searches.

All four of the jurisdictions surveyed indicated that they use technology to minimize the risk of theft during searches. Specifically, each jurisdiction stated that it uses cameras to photograph client property. Orange County stated that it uses video cameras to record

residence searches. Also, all four of the jurisdictions surveyed indicated that they require photos taken during the search to be maintained as part of the case file. Three of these jurisdictions also indicated that their managers review the photographs as part of a routine case review.

DAAS's lack of controls over the inventory search process further increases the risk of misappropriation.

Not requiring the presence of an independent witness during residence searches increases the risk that items could be misappropriated and reduces the chance that management would detect such misappropriation. Also, DAAS's failure to establish and enforce procedures requiring that searches and inventory be documented in photos and video and reviewed by managers increases the department's risk of theft during searches.

Recommendations

The Department of Aging and Adult Services should:

13. Develop a policy on how technology should be used during inventory searches, require all photos and videos to be attached to the corresponding case file in Panoramic, and require that managers routinely review these photos or videos to help ensure proper inventory handling.

14. Assess the feasibility of having an independent witness attend searches and sign off on inventory sheets. If deemed feasible, implement these procedures.

Finding 2.2

DAAS's property room procedures can be improved to minimize the risk of misappropriation.

Although DAAS has taken significant measures since 2003 to improve the security of the property room—including limiting those with access to the room to two managers, requiring dual custody within the room, and installing security cameras in the room—the following two areas could be strengthened to further improve security.

Inventory is not always properly stored due to staff's lack of access to the property room.

- According to DAAS management, only two managers have electronic badge access to the secured property room. Because these managers are not always available when staff returns from a home search, collected property is sometimes not immediately stored in the property room. CSA observed estate investigators returning to the DAAS office with items that they recovered after a residence search. Because they lacked access to the property room, the estate investigators could not secure the items in the room, so had to store them at their desks. Doing so increases the risk that items may be lost or stolen.

DAAS does not adequately restrict access to safe combinations.

- DAAS also temporarily provides the combination to its two safes to any employee who needs to open them, but changes safe combinations infrequently, which compromises the security of the safes. Although employees are given the combination on a sheet of paper and are expected to return the combination when they are finished using it, they could memorize the combination or write it down while it is in their possession. DAAS only changes combinations once every 18 months, according to management, which is not frequent enough to mitigate this risk.

Physical control must be established to secure assets.

According to a guide published by the GAO, an agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, and equipment which might be vulnerable to risk or loss or unauthorized use.

According to the Controller's Departmental Guidelines No. 003-12, the City's *Cash Handling Guidelines*, industry standards indicate that point-of-sale system passwords should be changed every 60 to 90 days.[12] This standard can also be applied to safes, which, like point-of-sale systems, are used to safeguard assets.

By sharing safe combinations with numerous employees without changing the password frequently, DAAS increases the risk that improper access to the safes will occur. Also, if DAAS does not provide estate

[12] These policies have been incorporated into the Controller's Accounting Policies & Procedures, 2016 Edition.

investigators access to the property room when they arrive with inventory, client property will continue to be at risk of potential loss or theft.

Recommendations

The Department of Aging and Adult Services should:

15. Implement a policy to change safe combinations every 60 to 90 days.

16. Ensure that managers coordinate so that one of them or a backup employee is always available to escort staff into the property room throughout the day.

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CHAPTER 3 – DAAS Does Not Ensure That Vendor Services Meet City Standards

Finding 3

DAAS does not select vendors according to city requirements and does not ensure that vendor services meet city standards.

DAAS does not have contracts with its vendors and appears not to have followed city requirements in engaging its vendors.

The Public Administrator and Public Guardian do not follow best practices because they rely on the services of vendors with which they do not have contracts. DAAS did not provide signed contracts between the City and any of the eight vendors that DAAS management reported using for appraisal of jewelry, management and sale of property, or real estate services.

Similar problems were found in a 2003 audit.

Similar problems were noted in the Controller's 2003 audit of DAAS, which found that the Public Guardian and Public Administrator had established exclusive or near-exclusive relationships with a securities brokerage firm and an auction house without any competitive solicitation process or contract for these services. At the time, according to DAAS, some vendors had not been selected through a competitive solicitation process as this had been deemed unnecessary by DAAS because the vendors were paid with client rather than city funds.

The audit report recommended that DAAS begin or continue to issue requests for proposals and establish contracts for the following services:

- Appraising and auctioning property
- Mortuary services
- Real estate services
- Tax preparation
- Brokerage services
- Computer services

At the time, DAAS stated it would issue solicitation documents for appraising and auctioning property, mortuary services, real estate services, and a number of other services. However, there is no evidence that such solicitation documents were ever issued.

All other jurisdictions interviewed report using a competitive solicitation process.

Public administrators and public guardians in other jurisdictions follow a formal process for procuring services. Of three jurisdictions interviewed that use vendors, two reported using vendors under contract with their county and one reported it was working to standardize its vendors using a competitive bid process in the future.

Using vendors that are not procured through a competitive solicitation process increases the risk that DAAS does business with a vendor who is not the most qualified or does not provide the best value to the City. It also increases the risk that the vendor engaged or services procured will not meet city standards.

Recommendations

The Department of Aging and Adult Services should:

17. Ensure that it solicits vendors only in accordance with city contracting guidelines.

18. Retain copies of signed, properly approved contracts with all vendors.

CHAPTER 4 – DAAS Should Develop a Policy for Accessing Data on Electronic Devices and Enforce Its Policy for Handling Medication

Summary

DAAS must implement or enforce stronger policies for how it uses clients' electronic equipment and handles medication, both of which require special procedures. DAAS has no policies for accessing data on clients' electronic devices, which may prevent or delay the locating of client assets, information needed for case management, or sentimental items such as photos. DAAS has policies for handling medications but does not enforce them, raising the risk that medications will be mishandled.

Finding 4.1

DAAS should develop a policy for accessing data on clients' electronic devices.

Accessing financial data and personal items stored on clients' electronic devices is a growing concern for DAAS.

According to management, DAAS does not have policies or procedures for how to access data stored on decedents' or conservatees' electronic devices. This is a growing concern for DAAS managers, who believe that the Public Administrator and Public Guardian will encounter an increasing number of cases in which the individual will have financial data as well as personal items, such as photos, stored only in electronic form.

Without policies and procedures on when and how it is acceptable to access data on clients' electronic devices, DAAS may not retrieve all the financial assets or mementos that may be valuable to next of kin, such as digital photos. If it does not fully use clients' electronic information, DAAS staff may find it more difficult to identify a decedent's family and friends when client correspondence was conducted via e-mail or text message rather than on paper.

Two of four jurisdictions surveyed access clients' electronic data.

CSA surveyed other jurisdictions to identify electronic data retrieval best practices. Two of four surveyed jurisdictions, Orange and Los Angeles counties, have developed procedures for accessing data on decedents' electronic devices, and a third jurisdiction, San Mateo County, is developing such procedures.

Although both Orange and Los Angeles counties access data on client devices, one uses the services of a forensics specialist from its district attorney's office, while the other relies on its own information technology staff. Orange County reported that it only retrieves data for clients with very large estates that can cover the costs.

San Francisco's Department of Technology recommended DAAS perform a cost-benefit analysis.

San Francisco's Department of Technology advised that accessing clients' electronic data is time-consuming and recommended that DAAS perform a cost-benefit analysis to determine in which cases attempting to access data is likely to bring a net benefit. Staff from the Department of Technology also said that the City Attorney's Office performs similar work and may be able to do it for DAAS as a contractual service.

Recommendations

The Department of Aging and Adult Services should:

19. Survey the Department of Technology, City Attorney's Office, and outside vendors to determine the potential costs to obtain various levels of access to various types of electronic data.

20. Create a policy that guides staff in comparing the likely costs and benefits of accessing data in each case and instructs staff whether and how to proceed with contracting for data extraction.

Finding 4.2

DAAS does not enforce its own policy for handling medication.

Estate investigators for both the Public Administrator and Public Guardian left medications in the residences they searched, contrary to DAAS policy.

DAAS policy for both the Public Administrator and Public Guardian directs staff to dispose of medication found during searches, noting the name of the medication, the amount remaining in the container, and name of the physician. Estate investigators are required by DAAS policy to take the medication to the Human Services Agency's Main Administrative Office, where it can be disposed of as toxic waste. Failure to enforce this policy increases the risk that medication will be misappropriated by staff or by others who can access the units where it is left, both legally and illegally.

Two of four jurisdictions interviewed have procedures for handling medication found during searches. Orange County inventories the medication, while Ventura County requires staff to dispose of medication at the Sheriff's Office.

Recommendation

21. The Department of Aging and Adult Services should enforce its policy on how staff is to dispose of medication.

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APPENDIX A: IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

In 2003 the Controller performed an investigative audit and a limited performance audit of the Public Guardian-Public Conservator and the Public Administrator divisions of the Department of Aging and Adult Services. That audit investigated allegations concerning the Public Guardian and Public Administrator and evaluated whether the divisions have adequate management controls and perform their functions effectively. The audit resulted in three recommendations, with several parts thereof (shown below) pertaining to inventory management practices and one recommendation pertaining to contracting practices that fell within the scope of the current audit. In 2003 the Department agreed with all the recommendations and provided specific plans for how it would address them. However, as noted in the findings in this report, the department does not yet have processes that address all the concerns raised in 2003.

The chart below summarizes the recommendations pertaining to inventory and contracting from the 2003 audit report that were relevant to the scope of this audit and indicates whether the department now has procedures that address those recommendations.

CSA determined that DAAS has partially complied with Recommendation 3 below because it has limited to the DAAS director system rights to delete inventory records. However, DAAS does not require that authorization must occur before an inventory record can be deleted.

Prior Audit Inventory Control Recommendation	Recommendation Addressed?			Current Process
	Yes	No	Partially	
1. Write and distribute a new procedure that formalizes how staff should search conservatees' and decedents' residences. The procedure should require that:				
• Two employees conduct all searches.	✓			**DAAS policies require at least two estate investigators to conduct searches.**
• Staff stays together at all times during searches.		✓		Both Public Administrator and Public Guardian policies include language indicating that the "two-person rule" is to be used whenever valuables belonging to an estate are investigated. However, this rule is not defined to explicitly state whether or not estate investigators must stay together during the search. This, coupled with CSA's observations that investigators did not stay with each other during residence searches, results in CSA concluding that the recommendation has not been addressed.
• Witnesses sign receipts when property is collected from third parties.		✓		Neither Public Administrator nor Public Guardian policies require that a witness sign receipts when property is collected from a third party. Although Public Guardian inventory forms have a witness signature line, the line is not signed by an independent witness, but by a coworker who witnessed the collection of property.
• Two deputies together count, sign, and seal in an envelope any cash collected from a residence or third party.	✓			Estate investigators are required to count and box cash for immediate removal, and the accounting clerk and estate investigator must sign information entered into the cash log.
• Management periodically reviews the property items listed in the Panoramic computer system and compares the lists of items with the written receipts from searches.		✓		No periodic review of case files is required.

Prior Audit Inventory Control Recommendation	Recommendation Addressed?			Current Process
	Yes	No	Partially	
2. Implement better controls over access to the property room and safes, including establishing and enforcing dual custody. Dual custody requires that two employees must be present whenever the property room or a safe is opened.	✓			Controls over access to the property room and safes were improved. DAAS now requires dual custody in the property room and has provided keys to the room to only two employees. DAAS has also installed security cameras in the property room.
3. Prohibit the deletion of inventory records in the Panoramic computer system unless employees provide a written request, signed by the employee and a supervisor, to Panoramic. Whenever possible, staff should simply change the status of an inventory item and enter a note in the system to explain the error or change. If an employee and a manager find sufficient reason to delete an item, the staff and manager should sign a written request and send it to Panoramic for removal.			✓	The right to delete inventory records is assigned only to one manager, which limits risk. However, as noted in Finding 1.4, many employees can still edit the inventory system, which creates some risk in this area, and DAAS has granted the authority to delete inventory lines to the same manager who has access to the property room, thus failing to segregate duties properly.
4. To ensure that client funds are spent on services of the best available value, use competitive processes and establish contracts with all vendors of professional services, including: appraisal, auction, brokerage, computer, mortuary, property management and real estate, and tax preparation services.		✓		DAAS could not provide any vendor contracts or other documents to show that the department uses any competitive solicitation processes.

APPENDIX B: DEPARTMENT RESPONSE

City and County of San Francisco
Edwin M. Lee, Mayor

Department of Aging and Adult Service
Shireen McSpadden
Acting Executive Director

December 30, 2015

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Responses to draft *DEPARTMENT OF AGING AND ADULT SERVICES: Insufficient Inventory Tracking and Supervisory Practices and Failure to Segregate Duties Increase the Risk That Inventory Will Be Lost or Misappropriated Without Detection.*

Dear Ms. Lediju:

Thank you for sending me a copy of the Controller's Office Audit Report. Enclosed for your review are the Department of Aging and Adult Services (DAAS) responses to the audit. We appreciate your staff's time and effort in conducting this audit and in making recommendations for process improvement.

We have carefully reviewed your team's draft report and findings and concur with the majority of the recommendations. Attached is the completed *Audit Recommendation and Response Form.* We are thankful that the audit found no evidence of any fraud or theft. We are confident that the suggested changes will ensure tighter controls and improved accuracy in inventory tracking.

If you have any questions or require further information, please call Mary Ann Warren at 415-355-3520.

Sincerely,

Shireen McSpadden
Acting Executive Director

Attachment: Audit Recommendation and Response Form

CC: Mamadou Gning, Audit Manager
Trent Rhorer

1650 Mission Street ▪ 4th Floor ▪ San Francisco ▪ CA 94103
Telephone (415) 355-3555 ▪ Fax Number (415) 355-6785

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

Recommendation	Response
The Department of Aging and Adult Services should:	
1. Count all client and decedent inventory and update Panoramic to reflect all inventory in the department's possession, and research all items listed as inventory that are missing.	☑ Concur ☐ Do Not Concur ☐ Partially Concur DAAS will conduct a 100% Physical Inventory by January 30, 2016.
2. Implement a policy requiring employees who do not have routine access to inventory or the ability to edit inventory records to count physical inventory at least yearly. Ensure that discrepancies between the property room and the system are reconciled and approved.	☑ Concur ☐ Do Not Concur ☐ Partially Concur An audit will occur at least yearly. The audit will be conducted by the Estate Manager, (Classification 1827) and Accounting Supervisor (Classification 1827) by the end of each fiscal year.
3. Ensure that it continually updates its inventory lists to keep track of inventory that was collected in each case, keep track of the inventory that is in its care, and document how each piece of inventory no longer in its possession was distributed or disposed of. This information should be recorded the same way for each case.	☑ Concur ☐ Do Not Concur ☐ Partially Concur DAAS will work with Panoramic Computer systems to show current inventory that will also show inventory that was distributed or disposed each month.

Recommendation	Response
4. Create policies and procedures that specify how staff is to record inventory initially collected, inventory in its care, where inventory is stored, and how inventory was distributed or disposed of, and ensure that these are followed. The policies and procedures should be specific enough to ensure that staff knows which fields to use in the inventory system, and how, when, and where to record inventory details.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
5. Formalize and ensure compliance with a policy requiring employees not involved in tracking, collecting, or safeguarding inventory to review case files to ensure they are complete and accurate, and ensure that staff records information about inventory accurately, appropriately, in a timely manner, and with a sufficient level of detail to minimize risk.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
6. Hold employees accountable for the accuracy of inventory lists in cases they manage.	☑ Concur ☐ Do Not Concur ☐ Partially Concur Supervisors and managers will track with employees more closely by monitoring inventory records and physical inventory quarterly.
7. Ensure that staff documents how and when inventory is distributed and disposed of and that staff uploads documentation of the distribution or disposal to the inventory system.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New policies will indicate that a supervisor or manager must sign when inventory is destroyed or distributed by January 30, 2016.

Recommendation	Response
8. Consider segregating roles so that those who can edit inventory listings in Panoramic are not the same individuals who handle the inventory. If this is infeasible, DAAS should require managers to routinely review a Panoramic-generated report of all edits that have been made to inventory fields to ensure that these are proper.	☑ Concur ☐ Do Not Concur ☐ Partially Concur Panoramic does not easily lend itself to segregating duties and multiple team members need to be aware of items in inventory. DAAS will work with Panoramic Computer systems to show current inventory items that have been edited by someone other than the designated estate investigator or legal secretary.
9. Require an approval path for the disposal or distribution of inventory and upload documentation of both the approval path and the method of distribution and disposal.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
10. Consider restricting access to cases only to those staff assigned to the case and routinely review changes made to the inventory fields in Panoramic to ensure that changes are made by the appropriate staff and accurately reflect appropriate inventory handling.	☑ Concur ☐ Do Not Concur ☐ Partially Concur Panoramic does not easily lend itself to segregating duties and multiple team members need to be aware of items in inventory. DAAS will work with Panoramic Computer systems to show current inventory items that have been edited by someone other than the designated estate investigator or legal secretary. Additionally, teams will take photographs as mentioned in Recommendation 13 below.
11. Formalize a policy requiring staff to take photos of inventory and upload them into Panoramic and ensure that the policy is followed.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
12. Ensure that the location of inventory is entered and updated in Panoramic.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.

Recommendation	Response
13. Develop a policy on how technology should be used during inventory searches, require all photos and videos to be attached to the corresponding case file in Panoramic, and require that managers routinely review these photos or videos to help ensure proper inventory handling.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
14. Assess the feasibility of having an independent witness attend searches and sign off on inventory sheets. If deemed feasible, implement these procedures.	☐ Concur ☑ Do Not Concur ☐ Partially Concur It is not feasible to have independent witnesses available to attend searches. Estate investigators will continue to work in various pairs for each search. Individual estate investigators will rotate investigations and search so that no two people will work together consistently.
15. Implement a policy to change safe combinations every 60 to 90 days.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
16. Ensure that managers coordinate so that one of them or a backup employee is always available to escort staff into the property room throughout the day.	☑ Concur ☐ Do Not Concur ☐ Partially Concur There will be someone with access to the property room at all times throughout the day.
17. Ensure that it solicits vendors only in accordance with city contracting guidelines.	☑ Concur ☐ Do Not Concur ☐ Partially Concur This is currently done although the contracts unit within DAAS did not work with audit requests. All vendors used by the PA/PG are paid directly from the individual estate and no city funds are used.
18. Retain copies of signed, properly approved contracts with all vendors.	☑ Concur ☐ Do Not Concur ☐ Partially Concur

Recommendation	Response
19. Survey the Department of Technology, City Attorney's Office, and outside vendors to determine the potential costs to obtain various levels of access to various types of electronic data.	☑ Concur ☐ Do Not Concur ☐ Partially Concur Additionally, PA/PG is also seeking best practice advice from other counties.
20. Create a policy that guides staff in comparing the likely costs and benefits of accessing data in each case and instructs staff whether and how to proceed with contracting for data extraction.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.
21. Enforce its policy on how staff is to dispose of medication.	☑ Concur ☐ Do Not Concur ☐ Partially Concur New, specific policies and procedures will be created and distributed to staff by January 30, 2016.