



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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Mr. Jarrett Thiessen, Chief Information Officer
Department of Information Technology
2986 Richardson Drive
Auburn, CA 95603

Re: Telecommunications Division Internal Service Fund – Follow-up Review

Dear Mr. Thiessen:

The Internal Audit Division of the Auditor-Controller's Office recently performed a follow-up review of the Telecommunications Services Division (Division), a division of the Department of Information Technology (Department). The objective of our procedures was to determine how recommendations from our previous review were implemented to strengthen internal controls and improve operating policies and procedures. Our procedures included inquiries of the Department personnel along with reviews of supporting documentation relating to our recommendations in our original report and how recommendations were utilized along with actions taken.

The following is a summary of observations and recommendations along with the Department's responses from the previous report dated May 22, 2019, which are then followed by the status of the Department's implementation of our recommendations.

Summary of Observations and Recommendations

Separate Operating Reserves

Based on our review, we noted the Division maintains one operating reserve and that excess revenues from one program covered some of the costs of another program. Per the California State Controller's Office (SCO) Handbook of Cost Plan Procedures for California Counties, "For those funds that use multiple billing rates, such as Information Technology Internal Service Funds (ISF), a separate net asset and working capital reserve calculation may be required for each billing rate or service. An overall/average ISF working capital reserve may not be appropriate because excess charges may occur in one billed service, but undercharges may occur in other billed services. In addition, various users do not use each/all billed services to the same extent."

We recommend the Division establish separate operating reserves for each budgetary program. This will allow the Division to separately maintain each reserve with resources received by the services of

each program and expenses incurred by the activity to provide services for each program, including profit and/or loss.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation to separate operating reserves for each budgetary program and will complete the necessary procedures to accomplish this task.

Status – In Progress – Pending Reorganization

The Division has not established separate operating reserves for each budgetary program because the Division is in the process of consolidating the ISFs which will combine like services that no longer are considered separate functions for FY2020-21. The Division provided the proposed "Consolidation of Information Technology Funds" Memorandum dated October 15, 2019. The proposal states that it will merge the current four ISFs into two in order to align user expectations. Also, the Division provided the Auditor-Controller's response to the proposal stating there were no concerns for the proposed consolidation, dated November 05, 2019.

The proposed changes include the dissolution of the Telecommunications and the Countywide Systems ISFs and will merge the Telephone and Telecommunications Overhead programs into the Information Technology ISF, as well as merge the Radio and MiddleFork programs into the Countywide Radio Systems ISF.

The Division anticipates the ISF consolidation will be effective on July 1, 2020.

Monthly Department Billings Review

During our review, we noted there were erroneous charges made to a department which the department identified and the Division subsequently corrected. Although there was a review process in place, the process did not prevent the charges from being billed out to the department.

We recommend the Division implement an additional review process to identify new charges or adjustments to recurring charges made to department billings from month to month, and be detail reviewed to ensure accuracy, validity, and completeness of charges. This review should be performed prior to billing departments. This will assist the Division in maintaining a high-level control environment and provide reasonable assurance departments are not being over charged or under charged for services.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will work to implement a more robust review process that incorporates validation for new charges and/or adjustments to recurring charges to prevent erroneous billing.

Status – Implemented

The Division has implemented a multi-level review performed by the Telecom IT Analysts and then by IT Technicians prior to closing the work orders for monthly billing.

Also, the Division compares the final monthly customer billing reports to the prior monthly report to identify variances. If variances are identified, a further review of the account and the work order will occur to ensure the charges are accurately reflected prior to completing the monthly billing process. Additionally, customers have access to the monthly billing reports to review the activity associated with their accounts.

Services Performed Without Approved Agreements

During our testing of Service Agreements, we noted that the Division was performing services for which they did not have a signed agreement. The Division is currently in the process of developing procedures to ensure service agreements are executed for all entities outside of the county, and for internal groups for which service work will continue for an extended period of time.

We recommend that the Division move forward with their planned implementation of these procedures and to not agree to perform work on any new projects, until a formal agreement has been executed. This will ensure that there are no legal issues in the scope of work performed and the amount to be charged for services. Further, we recommend that the Division extend their implementation efforts to include existing projects, and to obtain signed service agreements for any active work being performed absent an executed agreement.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will implement the necessary business process to ensure that work is not performed for any new project until a signed Scope of Work has been obtained from the authorized user(s) within the requesting department and the Telecom Division's Management Team.

Status – Partially Implemented

The Division has obtained signed service agreements for external customers they have been engaged with over the past year. However, we noted one service agreement with the City of Auburn has not been signed by the Division. The City of Auburn submitted a signed electronic copy of the service agreement dated December 20, 2019, but the Division has not officially signed the service agreement because a hard copy of the service agreement with the City of Auburn's wet signature has not been received. In addition, the Division has determined they will not cease supporting the external customers without a signed service agreement due to the need to support critical services within the County.

The Division is in the process of developing a memorandum to allow the County Information Officer authorization to sign service agreements with external customers up to \$100,000. Also, the Division is working towards developing a standardized service agreement for external customers. During the course of this review, the Division developed and sent out standardized service agreements for internal customers when total costs exceed \$5,000. These internal service agreements are currently pending project acceptance signatures from the internal customers.

Also, the Division has developed procedures to retain the signed service agreements in their project folders as well as maintaining a copy within the work order system to be directly associated to the project work orders.

The Division anticipates implementation of this recommendation by June 30, 2020.

Billable and Non-Billable Time Recorded in Same OCA

During our testing of services performed under work orders, which included charges for media related work, we noted that Telecommunications analysts record their time to OCAs related to their Division Unit. However, these OCAs did not differentiate between billable time and non-billable time (i.e. administrative work) for a specific user account. This made it impossible to compare time noted in the comments section of the work order detail (Telemaster) to time recorded on employees' timesheets in ACORN. Time in Telemaster is input manually into the system by staff according to their assessment of time worked on each open work order.

We recommend that the Division implement the use of additional time reporting codes to account for the user receiving services. This will mitigate the risk of overbilling or under billing to departments and present better tracking of costs for use in determining rates to be charged and the break-even point for each budgetary program.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will work to implement the use of additional time reporting codes to more accurately trace billable and non-billable labor.

Status – In Progress – Pending Reorganization

The Division has not implemented the use of additional time reporting codes to account for the users receiving services because the Department is pending a re-organization for the Information Technology Cost Center in Workday. Due to the delay, the reorganization was pushed back until FY2020-21. The Division anticipates beginning the use of the coding on July 1, 2020.

No Vehicle Usage Log for Department Assigned Vehicle

During our review of the Division's Fleet Inventory, we noted the Division does not maintain a vehicle usage log as required per the Placer County Vehicle Policy, section 3.8.2, "Departments with Assigned Vehicles must maintain a usage log showing dates, times, users, destination and purpose." A vehicle

usage log will assist in strengthening internal controls over the Division's Fleet Inventory. During our review, the Division stated they will immediately implement the vehicle usage log for the department pooled vehicle. Implementation of this recommendation will be reviewed during the six-month follow-up review.

We recommend the Division utilize vehicle usage logs for department assigned pool vehicles in the Division's Fleet Inventory in accordance with the Placer County Vehicle Policy, section 3.8.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and has implemented the vehicle usage log in accordance with Placer County Vehicle Policy, section 3.8.

Status – Implemented

The Division implemented a vehicle usage log when an employee signs out the Department's assigned pool vehicle. The vehicle usage log was implemented in April 2019 and documents the employee's use of the vehicle, the trip destination, and the dates the vehicle was signed out and returned.

Outdated Employee Assigned Vehicle Listing

During our review of the Division's Fleet Inventory, we noted the Division does not maintain an updated list of employee assigned and department assigned vehicles. Maintaining an up-to-date list of assigned vehicles will assist in strengthening internal controls over the Division's Fleet Inventory.

We recommend the Division develop a process to maintain an up-to-date list of assigned vehicles, including the names of staff vehicles are assigned to, in the Division's Fleet Inventory.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation. The division currently maintains a list of assigned vehicles and will implement a business process to ensure the fleet inventory list is updated in a timely manner.

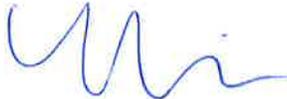
Status – Implemented

The Division has implemented a process to annually review the Department's current vehicle listing from Fleet Services to ensure the accuracy for the vehicle assignments. Also, the Division has incorporated a procedure in their Employee Exit Policy to ensure the information relating to vehicles assigned to an outbound employee has been collected and Fleet Services is notified. The Division is also in the process of updating their onboarding checklist to include vehicle assignment, links to Fleet Services' policies and a requirement for employee signature upon vehicle assignment.

The Division's responses to our recommendations identified in our original report dated May 22, 2019 are included above. We did not audit the Division's responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Division's staff throughout the course of this review.

Respectfully,



Nicole C. Howard
Assistant Auditor-Controller

cc: Dieter Wittenberg, Information Technology Manager
Melissa Spak, Administrative and Fiscal Operations Manager
Placer County Audit Committee