

**Internal Audit Report 2017-002**

**Riverside County Office on Aging Audit**

**Report Date: December 13, 2017**



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December 13, 2017

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**Subject: Internal Audit Report 2017-002: Riverside County Office on Aging Audit**

Dear Ms. Lee:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Office on Aging to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment; and of internal controls over cash deposits and the ombudsman program.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified areas of improvement to help Office on Aging management optimize the control environment. Specifically, in the areas related to developing a formal succession plan, providing employee exit interviews, providing annual performance evaluations, and obtaining annual written acknowledgment of the code of conduct. We also identified improvement areas to internal controls relating to the timely deposits of cash receipts and monitoring expenses for the ombudsman program.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported conditions and recommendations contained in the report. Management's response is included in the report. We will follow-up to verify that management implemented the corrective actions.

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We thank the Riverside County Office on Aging's management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## Executive Summary

### Overview

On June 18, 1974, the Riverside County Office on Aging (Office on Aging) was designated a department of the County of Riverside by the Riverside County Board of Supervisors (Board of Supervisors), to serve as the Area Agency on Aging for providing countywide support to older adults.

In 1980, the State of California passed the Older Californians Act (OCA), to administer various services and programs to older adults and established the Office on Aging as an Area Agencies on Aging (AAA) for providing OAA and OCA funded support at the local level. The OCA was reestablished in the Mello-Granlund Older Californians Act of 1996.

Today, the Office on Aging relies heavily on funding through the OAA and OCA, to provide vital programs and services designed to deliver care services for older adults, adults with disabilities, family caregivers, and residents in long-term care facilities, throughout the County of Riverside. Office on Aging is govern by the Board of Supervisors and the Riverside County Advisory Council on Aging. Office on Aging provides support throughout the County of Riverside with offices in Hemet, Indio, and Riverside.

### Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment, and of internal controls over cash deposits and the ombudsman program.

### Audit Conclusion

Based upon the results of our audit, we identified areas of improvement to help Office on Aging management optimize the control environment. Specifically, in the areas related to developing a formal succession plan, providing employee exit interviews, providing annual performance evaluations, and obtaining annual written acknowledgment of the code of conduct. We also identified improvement areas to internal controls relating to the timely deposits of cash receipts and monitoring expenses for the ombudsman program.

## Control Environment

### Background

Internal controls are a coordination of policies and procedures established to provide reasonable assurance regarding the achievement of respective organization objectives related to the effectiveness and efficiency of operations, compliance with applicable laws and regulations, reliability of reporting, and the safeguarding of assets. Every member in an organization affect internal controls, but it is the ultimate responsibility of management to implement them and to ensure the controls are functioning as intended. Doing so allows management to stay focused on its pursuit of an organization's strategic objectives.

In support of management efforts to achieve the objectives of the organization, management should consider the following five internal control components:

- Control Environment - Sets the tone to the organization and is the foundation of all other internal control components
- Risk Assessments - Identifies and analyzes the risk associated with the achievement of the entity's objectives
- Control Activities - Actions established by policies and procedures to help ensure that management's directives are carried out
- Information and Communication - Actions to carry out the responsibilities in support of the achievement of the objectives
- Monitoring Activities - Ongoing or separate evaluations to ascertain whether each of the components of internal controls is present and functioning

For an organization to have an effective control environment, management should consistently demonstrate and communicate its commitment to integrity and ethical values, establish adequate governance oversight processes, implement an organizational structure with adequate authority and responsibility. Furthermore, an organization should also demonstrate a commitment to attract, develop and retain a competent workforce, and have strong workforce accountability measures for the achievement of the organizational objectives.

Our audit scope focused on the control environment component since it is the foundation of an effective system of internal controls. It provides discipline and structure to the achievement of the primary objectives of an entity and establishes the tone from the top-down of organizations. As such, when management, at every level of the organization views internal controls as essential to the successful achievement of its objectives, it is expected that the same view will be conveyed to everyone within the organization and as a result, internal controls will work as designed. The opposite effect will occur when management view the internal controls as obstacles and/or unrelated to the achievement of the entity's objectives.

The scope included the following areas:

- Code of Ethics – Implementation, training, and communication of code of ethics
- Employee Training - development of a training program
- Evaluations – Completion and goal setting for employees
- Organizational and Reporting Structure – Effectively structured to facilitate effective reporting and communication about internal controls among various positions of management, establishing roles and reporting responsibilities
- Succession Planning – Development of a plan for business continuity
- Communication of Mission and other Pertinent Matters – Develop staff as a team member
- Employee Exit Interviews – Organizational improvement opportunities as viewed from department employees
- Policies and Procedures – Development, implementation, and communication of policies and procedures

### **Audit Objective**

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment.

### **Audit Methodology**

To accomplish the objectives, we:

- Identified and reviewed applicable codes, regulations, and policies
- Conducted interviews with department management and staff
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs, and goal setting
- Determined if the Office on Aging had a formal succession plan
- Performed an employee turnover analysis to determine the turnover rate
- Reviewed organizational and reporting structure
- Determined if exit interviews were conducted

### **Finding 1: Formal Succession Plan**

Office on Aging does not have a formal written succession plan. A formal plan would identify risks and strategies, thereby providing a background for specific succession initiatives, including how employees are eligible to participate. In addition, transfer of knowledge is a critical component of succession management that strengthens the control environment to be able to achieve its overall mission. Without a succession plan, an organization may not have a means of ensuring that important services are maintained when management or key personnel changes occur.

### Recommendation 1:

Develop a formal written succession plan for management and key personnel.

### Management's Response

**Concur.** As it is not a County requirement that departments have a formal written succession plan; Office on Aging (OoA) agrees with the Auditor-Controller's Office that it is a good business practice to have a formal written succession plan for management and key personnel. Although OoA does not have a formal written succession plan, management discusses succession planning during monthly meetings and staff are cross-trained to ensure continuity of operations during transition. A formal succession plan will be completed by June 30, 2018, and will be shared with the appropriate staff as a tool to ensure that important services are maintained when management or key personnel changes occur."

Actual/estimated Date of Corrective Action: **June 30, 2018**

### Finding 2: Employee Exit Interviews

Board of Supervisors Policy C-22, *Exit Interview*, states, "Upon separation, prior to leaving the county, the department will offer the employee an exit interview with the department head or designee." Documentation to support exit interviews were offered or performed when employees concluded employment with the department was not provided for seven of the eight employees. Procedures are currently not in place requiring the documentation of the offer and refusal of exit interviews. The exit interview determines and documents the reasons employees leave the county, provides an opportunity for airing unresolved issues, and solicits constructive feedback to improve employee retention. Without an exit interview with employees, the Office on Aging does not obtain information that could potentially help identify improvement areas.

### Recommendation 2

Ensure all separating employees complete an exit interview or document the offer and refusal of the exit interview by the separating employee.

### Management's Response

**Concur.** OoA adheres to Board of Supervisors Policy C-22, *Exit Interview*, and offers each exiting employee an exit interview with the department head or designee; however, several exiting employees waived their right to the exit interview. The current procedures of OoA did not include the requirement of documenting the offer and refusal via written form. OoA has immediately remedied this situation and has included this change in the current procedure."

Actual/estimated Date of Corrective Action: **November 1, 2017**



### Finding 3: Annual Performance Evaluations

Board of Supervisors Policy C-21, *Employee Performance Evaluation Reports*, Section 3 (b) requires "...regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with county or on the anniversary of promotion or entry into their current job classification." Office on Aging's employee performance evaluation process was not consistently performed as required. Our review of performance evaluations for 17 employees for the period July 1, 2014, through March 31, 2017, disclosed that five employees annual performance evaluations were never completed in 2014 and three of the five did not have an evaluation in 2015. Monitoring controls to ensure performance evaluations were completed for all employees were not in place for the majority of the functional areas within the Office on Aging. The absence of performance evaluations hinders in the achievement of the department's overall mission since employees play a key role in the achievement of the mission.

#### Recommendation 3

Complete all performance evaluations during the required time frames.

#### Management's Response

**Concur.** OoA will ensure that performance evaluations are conducted on an annual basis for all employees and that a copy of the final performance evaluation is placed in the employee file."

Actual/estimated Date of Corrective Action: **November 1, 2017**

### Finding 4: Written Acknowledgment of Standards of Ethical Conduct

Office on Aging did not ensure all employees provided written acknowledgement on receipt of the standards of ethical conduct policy (also known as the Conduct Directive) on an annual basis. Eleven out of 17 active employees did not sign acknowledgment of the department's code of conduct for 2014. Office on Aging believed one time acknowledgement of the code of conduct was adequate. However, leading practices for a good control environment recommends employees in any organization sign an acknowledgement of standards of ethical conduct annually to ensure compliance with code of ethics policy. The purpose of the ethical code of conduct is to establish the minimum requirement for conduct and behavioral expectations rather than specific activities. When these expectations are not communicated, organizations may lack the discipline and structure to ensure objectives are achieved.

#### Recommendation 4

Ensure all employees read and acknowledged in writing the standards on ethical conduct, annually.

### Management's Response

**Concur.** In 2016, OoA implemented that all employees conduct written acknowledgement on receipt of the standards of ethical conduct policy (also known as the Conduct Directive) on an annual basis.”

Actual/estimated Date of Corrective Action: **None**

## Cash Deposits

### Background

The majority of cash receipts received by the department is by check with a minimum amount in cash donations and wire transfers. The Department receives checks from the federal-funded Older Americans Act and State funded Older Californians Act that are allocated through the California Department of Aging.

All checks received should be restrictively endorsed when received and recorded on a check log with all negotiable instruments such as cash. The check log should be maintained and reconciled to the amount deposited and recorded in Riverside County Financial System, PeopleSoft.

Cash deposits should be secured in office safes with limited access until picked up by armor courier services and/or delivered to the bank or Riverside County Office of the Treasurer-Tax Collector (Treasury) by office personnel. In outlying areas, funds are deposited directly into a County Consolidated Zero Balance Account (ZBA). The bank debits the ZBA for the amount of the deposit and transmits a credit for the amount to the Treasury.

The Auditor-Controller's Standard Practice Manual 303 *Receiving Payments Deposits of Monies and Applying Payments*, (previously known as subsection 705), indicates "at the close of each business day, monies collected must be reconciled to the receipts issued and then deposited in the Treasury, or an authorized ZBA, or secured per an authorized daily deposit exemption. If the business day ends after the deadline for making Treasury deposits, the cash collected must be secured in a locked facility and deposited the next business day."

### Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash deposits.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances
- Conducted interviews and performed walk-throughs with office personnel
- Utilized PeopleSoft queries to identify the volume, location, and frequency of cash receipt
- Selected samples of deposits to perform detailed testing

### Finding 5: Timely Deposits

Auditor-Controller Standard Practice Manual 303, *Receiving Payments, Deposits of Monies, and Applying Payment*, requires cash receipts to be deposited into the Treasury or zero balance

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account by the close of each business day, unless an authorized daily deposit exemption has been approved by the Auditor-Controller's Office. Office on Aging did not deposit checks in the required time frame nor obtain a daily deposit exemption from the Auditor-Controller's Office. Our review of 30 deposits disclosed 11 cash receipts averaged over 10 business days to deposit. Procedures to ensure cash receipts were deposited within the required time frame were not in place. Depositing checks in an untimely manner may result in lost interest and/or lost or stolen checks.

### Recommendation 5

Deposit checks and cash on a daily basis or obtain an exemption from daily depositing from the Auditor-Controller's Office.

### Management's Response

**Concur.** OoA followed the recommendation of the Internal Auditor and submitted the AR-6 *Daily Cash Deposit Exemption Request* to the Auditor-Controller's Office - General Accounting Division; however, it was denied since the Treasurer's Office is now offering the option to deposit checks remotely. OoA is currently working with the Treasurer's Office to explore this capability."

Actual/estimated Date of Corrective Action: **March 1, 2018**

## OMBUDSMAN AGREEMENT

### Background

The Ombudsman Program provides advocacy and rights violations assistance to older Americans residing in long-term care facilities or other defined living situations. The program also provides outreach to educate older adults about adult situations, such as elder abuse prevention.

The California State Long-Term Care Ombudsman Program is authorized by the federal Older Americans Act and its state companion, the Older Californians Act. The primary responsibility of the program is to investigate and resolve complaints made by, or on behalf of, individual residents in long-term care facilities. These facilities include nursing homes, residential care facilities for the elderly, and assisted living facilities. The Long-Term Care Ombudsman Program investigates elder abuse complaints in long-term care facilities and in residential care facilities for the elderly.

The Office of the State Long-Term Care Ombudsman (OSLTCO) develops policy and provides oversight to the local Long-Term Care Ombudsman Programs. OSLTCO staff confer with state licensing agencies regarding difficult cases, meet with the California Department of Aging Staff Counsels to clarify laws and develop plans for implementing them, define program roles, and provide ongoing statewide Ombudsman training. *State of California, California Department of Aging, Long-Term Care Ombudsman Program, State of California website, accessed July 18, 2017, [www.aging.ca.gov/Programs/#LTCOP](http://www.aging.ca.gov/Programs/#LTCOP)*

The OSLTCO provides funding and guidance to the Office on Aging to support the County of Riverside's ombudsman program. Office on Aging contracted with Community Connect to manage their Ombudsman program. Community Connect provided day-to-day operation of the local Ombudsman program for the County of Riverside. The County of Riverside's ombudsman program consist of the following programs:

- Complaint/Abuse Investigation and Facility Monitoring
- Facility Visit Title VIIA
- Volunteer Recruitment-Citation and Penalties
- SNF Quality and Accountability
- Public Health Licensing and Certification
- Volunteer Recruitment

### Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the ombudsman agreement with Community Connect.

## Audit Methodology

To accomplish the objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances
- Conducted interviews and performed walk-throughs with office personnel
- Prepared confirmations for sampled facilities to ensure facility visits are supported
- Selected samples of invoices submitted to Office on Aging to perform detailed testing

## Finding 6: Invoices Were Not Adequately Reviewed

Auditor-Controller Standard Practice Manual 1001, *Internal Controls* (previously known as subsection 104), requires records to be examined and reconciled to ensure transactions were accurate. Office on Aging did not adequately review all invoices submitted by Community Connect. Our review of invoices consisted of detailed testing of three invoices (June 2016, October 2016, and February 2017) submitted by Community Connect. Our review identified the following discrepancies:

- October 2016 invoice - We identified incorrect calculations of labor on one program and incorrect allocations of expenses on two programs
- February 2017 invoice – We found timesheets did not allocate time to specific programs, one expense was incorrectly allocated on three programs, and travel reimbursement expense was not adequately supported on two programs

Office on Aging did not have procedures in place to ensure invoices were adequately reviewed. Reimbursing improperly reported expenses on invoices may result in overpayment for services.

## Recommendation 6

Office on Aging should develop written procedures to ensure all cost submitted by Community Connect are adequately reviewed.

## Management's Response

**Concur.** Effective August 30, 2017, OoA no longer contracts with Community Connect for Ombudsman services. OoA will work closely with the new contractor to ensure all costs submitted are adequately supported. OoA will also implement procedures to ensure all invoices are adequately reviewed.”

Actual/estimated Date of Corrective Action: **January 1, 2018**