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October 20, 2017

Robert Miller
Director
Riverside County Department of Animal Services
6851 Van Buren Blvd
Riverside, CA 92509

**Subject: Internal Audit Report 2017-007: Riverside County Department of Animal Services,
Control Environment Audit**

Dear Mr. Miller:

We have completed an audit of the Riverside County Department of Animal Services to provide management and the Board of Supervisors with an independent assessment of adequacy and effectiveness of the control environment and internal controls over expenditure transactions. We conducted the audit from November 21, 2016, through May 25, 2017, for operations from July 1, 2014, through May 19, 2017.

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 department management optimize control environment and improve the internal controls over departmental expenditures. Specifically:

1. Lack of employee exit interviews
2. Practices permitting personal expenditures using county resources

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Environment Audit**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

We thank the Riverside County Department of Animal Services 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

The Riverside County Department of Animal Services (Animal Services) serves 16 contract cities and the unincorporated areas of the county. It provides shelter services at four county animal shelters, which includes Riverside, Coachella Valley Animal Campus, San Jacinto, and Blythe. Animal Services licensing staff patrols unincorporated areas and contract cities to ensure animals are registered and licensed in accordance with state and local requirements.

Animal Services offers multiple services, such as, veterinary services, treatment of impounded animals, spay and neuter services, public safety issues, community education, and referral of abuse/neglect cases to the District Attorney for prosecution.

Animal Services has a budget of \$22.8 million which is funded through fees for services, contracts with cities, and general fund allocated funds of \$11.7 million.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the Riverside County Department of Animal Services' control environment and its internal controls over expenditure transactions.

Audit Conclusion

Based upon the results of our audit, we identified areas of improvement to help department management optimize the control environment and improve the internal controls over departmental expenditures. Specifically:

1. Lack of employee exit interviews
2. Practices permitting personal expenditures using county resources

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 affects internal controls, but it is the ultimate responsibility of management to implement them and to ensure the controls are functioning as designed. 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 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.

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The scope included the following areas:

- Code of ethics – implementation, training, and communication
- Employee developmental training
- Evaluations – completion and goal setting
- 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 for business continuity
- Communication of mission and other pertinent matters
- Employee exit interviews – organizational improvement opportunities as viewed from department employees
- Policies and Procedures – development, implementation and communication

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the Riverside County Department of Animal Services' control environment.

Audit Methodology

To accomplish these objectives, we:

- Identified and reviewed applicable policies and county ordinances
- Conducted interviews and performed walk-throughs with department management and staff
- Reviewed the organizational and reporting structure
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs, and goal setting
- Selected a sample of separated employee to determine if exit interviews were conducted
- Reviewed Animal Services' written succession plan

Finding 1: Employees Exit Interviews

Riverside County Board Policy, C-22, Exit Interviews, states, "Upon separation, prior to leaving the county, the department will offer the employee an exit interview with the department head or a designee." Our review of 10 personnel files of separated employee disclosed that zero (none) had an exit interview performed by management. Here, Animal Services did not have a process in place to ensure departing employees had an exit interview with management. By performing

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exit interviews, management can determine and document the reasons employees leave the department, provide an opportunity for the airing of unresolved issues, and solicit constructive feedback to improve the department. By not collecting feedback from employees, the department does not obtain information that can help improve the county's employee hiring and retention practices, as well as operational activities.

Recommendation 1

Animal Services should conduct exit interviews on employees who conclude their employment with the department.

Management position concerning the recommendation: Concur

Comments: Animal Services is working with Riverside County Human Resources to develop and implement an exit interview form specifically for Animal Services that will be referred to by managers in the department. Currently using a form on the Human Resources website that is referred to as CHA.

Actual/estimated Date of Corrective Action: February 22, 2017

Expenditures

Background

Riverside County Department of Animal Services total expenditures in Fiscal Years 2014-15 and 2015-16 were, \$20.2 million, and \$22.4 million, respectively, with more than 7% attributable to Medical-Dental Services, Pharmaceuticals, Professional Services, and Veterinary Services during fiscal year 2015-16.

The Riverside County Purchasing Policy Manual maintains uniform procedures relating to the purchase of commodities and services needed in the operation of departments and agencies of Riverside County. Section 3, *Purchasing Authority*, states, "Purchasing authority is limited by law and regulations. As we are all accountable to the constituents we serve we must ensure complete compliance with all regulations and follow all procurement requirements. Departments cannot commit County funds without proper approval and adhering to procurement procedures. Under the Purchasing Agent's authority, limitations have been set for delegated authority and department heads are responsible for ensuring their staff follows all purchasing policies and procedures."

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy of Riverside County Department of Animal Services internal controls over expenditure transactions.

Audit Methodology

To accomplish these objectives, we:

- Identified and reviewed policies and board ordinances
- Verified the validity of unusual expenditure transactions
- Ran queries using the Riverside County Simpler Financial system to obtain expenditure information for the department for the period June 30, 2014, through June 30, 2016
- Judgmentally selected a sample of 132 expenditure transactions for review from the following expenditures accounts: Medical-Dental Services, Pharmaceuticals, Professional Services, and Veterinary Services

Finding 2: Inadequate Employee Transactions

Practices by Animal Services permits employees to order pet medication for their personal pets using the county's account to receive the vendor discount. The department pays the vendor's invoice and obtains reimbursement from the employee. California Government Codes 13402 and

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13403 state that agency heads are responsible for the establishment and maintenance of a system or systems of internal controls. This includes implementing a system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements. Internal controls should also be designed to reduce the risk of errors, fraud, waste and abuse. Practices that allow these type of transactions weakens the department's internal controls over expenditures, inappropriately commits county funds to non-county business transactions, and can lead to inadequate use of county resources or gift of public funds.

Recommendation 2

Discontinue this practice and establish policy to disallow these type of transactions.

Management position concerning the recommendation: Concur

Comments: Department Concur with the suggested action and has taken steps to eliminate the process and policy from our Department.

Actual/estimated Date of Corrective Action: October 5, 2017

Practice has already been removed from Animal Services.