

Internal Audit Report 2017-12

**Riverside County Emergency Management
Department, Control Environment**

Report Date: September 25, 2017



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September 25, 2017

Kimberly Saruwatari
Director of Emergency Management
Riverside County Emergency Management Department
4210 Riverwalk Pkwy, Ste 300
Riverside, CA 92505

Subject: Internal Audit Report 2017-012: Riverside County Emergency Management Department, Control Environment

Dear Ms. Saruwatari:

We have completed an audit of the Riverside County Emergency Management Department to provide management and the Board of Supervisors with an independent assessment over the adequacy and effectiveness of the control environment. We conducted the audit from April 17, 2017, through June 9, 2017, for operations from July 1, 2015, through March 31, 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 opportunities that can help optimize the internal control component known as the control environment. Specifically in the areas related to acknowledgement of a code of ethics, performance evaluations, and succession planning.

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We thank the Riverside County Emergency Management Department 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 health and safety of our citizens is of the highest order to the governance of Riverside County. To this end, "on May 12, 2015, the Board of Supervisors approved the creation of the Riverside County Emergency Management Department (EMD). This action consolidated Riverside County Fire Office of Emergency Services (OES), Public Health Emergency Preparedness and Response (PHEPR) and the Riverside County Emergency Medical Services Agency (REMSA) under one EMD. As a result, Riverside County has a single, comprehensive, all-hazard emergency management program that is better positioned to protect and support residents before, during, and after an emergency.

The mission of the Emergency Management Department is to be a leader in emergency management to ensure the safety and security of the residents and visitors of Riverside County and to facilitate and support county government and stakeholder efforts to mitigate, prepare for, respond to, and recover from natural and human caused emergencies and disasters. EMD also functions as the Operational Area Coordinator for the Emergency Management Mutual Aid (EMMA) System and the Medical/Health Mutual Aid System. In addition, EMD is designated the Regional Disaster Medical Health Coordinator for Region VI." (*County of Riverside Emergency Management Department 90 day report to the Board of Supervisors, September 21, 2015 Board of Supervisor workshop meeting, Agenda Item 1-3, p. 1*)

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 Conclusion

Based upon the results of our audit, we identified areas of opportunities that can help the Emergency Management department optimize the internal controls component known as the control environment. Specifically in the areas related to acknowledgement of a code of ethics, performance evaluations, and succession planning.

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. Everyone 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 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 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

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- Employee developmental training
- Evaluations – completion and goal setting
- Organizational and reporting structure – effective and efficient
- 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 audit 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 our objectives, we:

- Identified and reviewed applicable codes, operations manuals, regulations, and policies
- Conducted interviews with department management
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs and goal setting
- Assessed the communication of ethical values and code of conduct for all EMD staff via a survey

Finding 1: Written Acknowledgment of Standards of Ethical Conduct

Riverside County Board Policy C-35, *Standards of Ethical Conduct to Address Fraud, Waste and Abuse*, requires “department shall have all current employees provide written acknowledgment that they received and read this policy at the time of hire.” EMD did not ensure that all employees provided written acknowledgement on the receipt of policy relating to the standards of ethical conduct. Specifically, six of the 10 employee files reviewed did not have the acknowledgements on the receipt of policy documented. An ethical code of conduct establishes the minimum requirements 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. Furthermore, leading practices for a good control environment recommends employees in any organization sign an acknowledgement annually to ensure compliance with the code of ethics policy.

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Recommendation 1.1

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

Management's Response "Concur"

Emergency Management Department staff complies with and supports Board Policy C-35. Employee files, including policy acknowledgements, were obtained from other Departments at the creation of EMD. It is unknown if employees previously signed acknowledgements, and if so, where those records were maintained. However, from this point forward, the EMD management will ensure that all employees read and acknowledge the standards on ethical conduct as required in Board of Supervisors Policy C-35 and will retain documentation of said acknowledgement. A review and acknowledgement of all policies has also been incorporated into new hire orientation packets.

Actual/Estimated Date of Corrective Action: December 1, 2017

Recommendation 1.2

Implement the leading practice requiring all employees complete the acknowledgment annually.

Management's Response "Partially Concur"

The EMD agrees that Board of Supervisors Policy C-35 is critically important and that all staff should be familiar with and follow the policy. However, the current policy as written does not require an annual acknowledgement be signed by staff. Given the importance of this policy, EMD will implement this best practice going forward.

Actual/Estimated Date of Corrective Action: June 30, 2018

Finding 2: Performance Evaluations

Board of Supervisors Policy, C-21, *Employee Performance Evaluation Reports*, Section 3 (b) states, "...regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with count or on the anniversary of promotion or entry into their current job classification." EMD did not complete performance evaluations for four of 10 employees reviewed. The department has not established clear accountability for the management and completion of performance evaluations. Delayed performance evaluations can delay achievement of the department's overall missions since employees play a key role in the achievement of the mission. Furthermore, the strengths and areas of improvement for employees to align themselves with the overall missions and goals of EMD are not formally conveyed.

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Recommendation 2

Complete all performance evaluations when required.

Management's Response "Concur"

The EMD will ensure that performance evaluations are conducted on an annual basis for all employees and that a copy of the final performance evaluation will be placed in the employee file. During the creation of the EMD, staff changed Departments, Divisions and Supervisors, which required the completion and submission of paperwork to change access to evaluations in the evaluation software. As a result, some evaluations were not completed in a timely manner. However, employees have regular, individual meetings with supervisors and concerns are expressed both verbally and via email.

Actual/Estimated Date of Corrective Action: June 30, 2018

Finding 3: Formal Succession Plan

EMD does not have a written succession plan. Formal plans would identify risks and strategies providing a basis for specific succession initiatives, including how employees are eligible to participate and cross training opportunities. In addition, transfer of knowledge is a critical component of succession management. Written procedures should be in place to formalize the transfer of knowledge from management and key personnel to successors. Without a succession plan, an organization may not have a means of ensuring that services important to its operations are maintained when management or key personnel changes occur.

Recommendation 3

EMD should implement a formal written succession plan for management and key personnel.

Management's Response "Concur"

EMD does not have a written succession plan; however, management discusses succession planning during monthly meetings and staff are cross-trained to ensure continuity of operations during transitions. Staff are also given opportunities to lead projects, committee work and/or meetings to develop leadership abilities and to create opportunities for exposure to supervisory and/or management activities.

Actual/Estimated Date of Corrective Action: June 30, 2018