

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
2.12
(ID # 6260)

MEETING DATE:

Tuesday, February 6, 2018

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-017: Riverside County Transportation and Land Management Agency, Code Enforcement, Control Environment Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-017: Riverside County Transportation and Land Management Agency, Code Enforcement, Control Environment Audit

ACTION: Consent


Paul Angulo, Director of Auditor Controller 1/30/2018

MINUTES OF THE BOARD OF SUPERVISORS

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: N/A	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

We have completed an audit of the Riverside County Transportation and Land Management Agency, Code Enforcement, to provide management and the Board of Supervisors with an independent assessment of adequacy and effectiveness of the control environment. We conducted the audit from May 5, 2017, through June 26, 2017, for operations from July 1, 2014, through June 19, 2017.

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Transportation and Land Management Agency, Code Enforcement management optimize the control environment. Specifically, in the areas related to effective and consistent communication with department employees and the completion of a formal written succession plan.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller – Internal Audit Report 2017-017: Riverside County Transportation and Land Management Agency, Code Enforcement, Control Environment Audit


 Stephanie Fusi 1/30/2018

Internal Audit Report 2017-017

**Riverside County Transportation and Land
Management Agency, Code Enforcement,
Control Environment Audit**

Report Date: January 16, 2018



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



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Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

January 16, 2018

Juan Perez
Assistant CEO
Riverside County Transportation and Land Management
4080 Lemon Street, 14th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2017-017: Riverside County Transportation and Land Management Agency, Code Enforcement, Control Environment Audit

Dear Mr. Perez:

We have completed an audit of the Riverside County Transportation and Land Management Agency, Code Enforcement to provide management and the Board of Supervisors with an independent assessment of adequacy and effectiveness of the control environment. We conducted the audit from May 5, 2017, through June 26, 2017, for operations from July 1, 2014, through June 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.

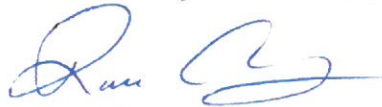
Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Transportation and Land Management Agency, Code Enforcement management optimize the control environment. Specifically, in the areas related to effective and consistent communication with department employees and the completion of a formal written succession plan.

**Internal Audit Report 2017-017: Riverside County Transportation and Land Management Agency,
Code Enforcement, Control Environment Audit**

Board of Supervisors Resolution 83-338, paragraph III.C, requires department management to reply in writing to the Auditor-Controller to the specific audit report findings and recommendations. As of this audit report date, department management did not submit a response to the Auditor-Controller's Office.

We thank the Riverside County Transportation and Land Management Agency, Code Enforcement 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 Transportation and Land Management Agency, Code Enforcement (Code Enforcement) is charged with the duty of enforcing the State of California Laws and the County's rules, regulations, and ordinances related to land use and zoning, illegal businesses, and other community issues. Code Enforcement has three regional offices and works together with other county agencies like Animal Services, Fire, Sheriff and the District Attorney's office to address and resolve code violations. *Riverside County Transportation and Land Management Agency, Code Enforcement, About Us, Riverside County Transportation and Land Management Agency, Code Enforcement website, accessed November 2, 2017, <http://www.rctlma.org/ce/About-Us>*

For fiscal year 2017-18, Code Enforcement is authorized with 39 permanent positions and a budget of \$9.6 million. The department is mainly funded through the general fund, with additional funding from cost recovery efforts for code violations, state programs, and federal grants.

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 Transportation and Land Management Agency, Code Enforcement's control environment.

Audit Conclusion

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Transportation and Land Management Agency, Code Enforcement management optimize the control environment. Specifically, in the areas related to increased effective and consistent engagement with department employees and the completion of a formal written succession plan.

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 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, and 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
- Employee developmental training
- Evaluations – completion and goal setting
- Organizational and reporting structure – facilitates 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 Transportation and Land Management Agency, Code Enforcement's control environment.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable laws, codes, regulations, and policies
- Conducted interviews and performed walk-throughs with department management and staff
- Reviewed the organizational and reporting structure
- Selected a sample of ten employees and reviewed files for completion of employee evaluations, development training programs, and goal setting
- Selected a sample of ten separated employees to determine if exit interviews were conducted
- Performed an employee turnover analysis to determine the department's turnover rate and compared to other government organizations
- Issued a survey to all department employees (36) excluding management, with statements relating to the scope of the audit. We received 25 (69%) responses
- Inquired if management has a written succession plan

Finding 1: Effective and Consistent Communication

Survey results issued to Code Enforcement employees suggest department officials need more consistent and effective communication with its employees. Of the 25 (69%) responses received, between 40-48 percent agreed that a message of honesty, integrity, and transparency can be improved, and that an environment that fosters communication with management to freely discuss concerns or provide feedback can also be improved. Furthermore, the same percentage agree that management can increase its engagement with employees to establish professional goals or increase the development of its staff.

To ensure an organization has a strong control environment and help it achieve its mission and objectives, leading practices suggest for organizations to consistently communicate a message of ethical conduct, maintain direct engagement with employees for feedback on business operations, and set professional goals and development plans for employees.

Recommendation 1.1

Increase communication promoting a message of honesty, integrity, and transparency.

Recommendation 1.2

Promote and encourage an environment that fosters employee feedback and communicate related concerns.

Recommendation 1.3

Work with department employees to establish professional goals and development.

Finding 2: Formal Succession Planning

Code Enforcement does not have a formal written succession plan. Formal plans would identify risks and strategies, thereby providing a guiding background for specific succession initiatives, including how employees are eligible to participate. In addition, experience-transfer is a critical component of succession management. There should be written procedures in place to formalize the experience-transfer 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 2

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



CODE ENFORCEMENT DEPARTMENT COUNTY OF RIVERSIDE

Hector Viray
Deputy Director of TLMA
Code Enforcement

DATE: January 30, 2018

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: Juan C. Perez, Assistant CEO/TLMA Director
Charissa Leach, Assistant TLMA Director
Hector Viray, TLMA Deputy Director-Code Enforcement

SUBJECT: Code Enforcement Response to Internal Audit Report 2017

The Transportation and Land Management Agency (TLMA) Code Enforcement management team appreciates the opportunity to provide this management audit response. Our management team recognizes the value of audits conducted by the Auditor Controller's Office (ACO) in providing an independent review of departmental operations. We feel that it is important that we provide additional context as part of our management audit response given the substantial changes experienced by the Code Enforcement Department in recent years.

By way of background, the Code Enforcement Department has undergone major structural changes over the last several years, as the size of the Department has decreased from a high of 149 employees in 2007 to 37 staff members currently. These reductions have occurred through a combination of three rounds of significant layoffs since 2013; staff attrition through retirements; and staff reassignments. On May 31, 2017, layoff notices were issued to 20 Code Enforcement staff members. The effective date of the layoffs was July 1, 2017.

The ACO employee surveys were first conducted the week of June 6-14, 2017, within the layoff notice period. A second survey was conducted the week of September 6-14, 2017, about 60 days after the layoffs occurred. It is our belief that conducting employee engagement surveys either in the midst or soon after layoff notices are issued to a significant portion of a Department may not yield the most representative results or be the best gauge for Departmental operations.

We therefore provide the following responses to the survey within this context, and also respectfully request that in the future surveys that measure staff engagement be conducted at a time that is more representative of a stable staffing and organizational environment. We also want to take this opportunity to thank the Code Enforcement Departmental staff who continue to work very hard to accomplish their mission and serve the public to the very best of their abilities with the resources that are available to them, with a spirit of professionalism, integrity, and strong commitment.

Code Enforcement management understands and acknowledges the need for "setting the tone" for our organization and having a leadership philosophy and operating style that encourages the highest levels of integrity and personal and professional standards. The Department strives and is committed to:

- Work with staff, through open dialogue, to promote honesty, integrity and transparency
- Provide an environment that encourages active and open communication; and engagement

- Work with staff to establish professional goals and development opportunities

In addition, the Department recognizes that succession planning is critical to insuring that services central to the Department's core functions are maintained. As such, the Department endeavors to identify and prepare employees to fill key leadership positions and develop a strong foundation for formal succession planning.

Recommendation 1:

- Management Engagement of Employee

Management position concerning the recommendation: Partially Concur

Comments:

Response to Recommendation 1.1: Increase communication promoting a message of honesty, integrity and transparency.

Department management agrees with the need to increase communication by promoting a message of honesty, integrity, and transparency. Department management currently strives to do so through regular dialogue between field and supervisory/management staff, updates on activities, and other means, including:

- ❖ Monthly Regional Office staff meetings.
- ❖ Bi-monthly management meeting with Supervising Code Enforcement Officers and the TLMA Deputy Director – Code Enforcement.
- ❖ Regular meetings involving Board offices, Code staff, and County Counsel
- ❖ Department Newsletter
- ❖ Quarterly meeting with each Regional Office and the TLMA Deputy Director – Code Enforcement.
- ❖ Annual Department meeting with the TLMA Director, TLMA Assistant Director, and TLMA Deputy Director – Code Enforcement.

We will continue to seek to expand our communication over the coming year.

Response to Recommendation 1.2: Promote an environment that fosters employee feedback and communicate related concerns.

Department management makes every effort to develop an environment that fosters feedback and communication, including:

- ❖ The TLMA Deputy Director – Code Enforcement has an “Open Door” policy and encourages staff to discuss their concerns, ask questions, or make suggestions freely to him or any senior leadership of the organization at any time.

Response to Recommendation 1.3: Work with department employees to establish professional goals and development.

Department management agrees that it is important to set professional goals and provide opportunities for staff development. Staff development opportunities are provided through training in different programs including:

- ❖ California Association of Code Enforcement Officers (CACEO)

- ❖ California Association of Code Enforcement Officers (CACEO)
- ❖ California Building Officials (CALBO)
- ❖ County of Riverside (COR) Learning
- ❖ County of Riverside Educational Support Program

Given the significant reductions in Code staffing and budget, opportunities for pursuing professional goals via promotional opportunities have been very limited. We will, however, continue to work to expand professional development opportunities whenever possible within the scope of our budget and operational constraints.

Actual/estimated Date of Corrective Action: Ongoing

Estimated cost to implement recommendation (If material): Annually Budget Funds

Recommendation 2:

- Implement a formal written succession plan for management and key personnel.

Management position concerning the recommendation: Partially Concur

Comments:

Response to Recommendation 2: Formal succession planning.

The recommendation to establish a formal written succession plan has been made in several ACO audits of TLMA and other County Departments. TLMA management will work with Human Resources to develop a formal written succession plan that can be used by Code Enforcement and other Departments.

Actual/estimated Date of Corrective Action: October 2018

Estimated cost to implement recommendation (If material): \$ 5,000