

Internal Audit Report 2017-018

**Riverside County Transportation and Land
Management Agency, Planning Department
Control Environment Audit**

Report Date: November 8, 2017



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November 8, 2017

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Riverside County TLMA-Planning Department
4080 Lemon Street, 9th Floor
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Subject: Internal Audit Report 2017-018: Riverside County Transportation and Land Management Agency-Planning Department, Control Environment Audit

Dear Mr. Perez:

We have completed an audit of Riverside County Transportation Land Management Agency-Planning Department 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 24, 2017, through July 11, 2017, for operations from July 1, 2014, through April 28, 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 the control environment. Specifically:

- 1) Untimely completion of performance evaluations
- 2) Lack of a formal written succession plan

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.

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Agency-Planning Department, Control Environment Audit**

We thank the Riverside County Transportation Land Management Agency-Planning 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 Riverside County Transportation and Land Management Agency-Planning Department (Planning) has the task of reviewing, processing land use applications for tract and parcel maps, land use and zoning changes, plot plans, and conditional use permits. The recommendations from the department's assessment are reported to the Planning Commission and Board of Supervisors. Planning manages the county's general plan and prepares community plans and consistency zoning for areas where the county is actively looking for growth and economic expansion.

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 improvement to help department management optimize the control environment. Specifically:

- 1) Untimely completion of performance evaluations
- 2) Lack 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. 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 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 views 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 – effective and efficient
- Succession planning – development for business continuity
- Communication of mission and other pertinent matter
- 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, 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/requirements, and goal setting
- Determined if Planning had a formal written succession plan
- Performed an employee turnover analysis to determine the turnover rate and benchmarked against other local governments
- Reviewed organizational and reporting structure
- Determined if exit interviews were conducted

Finding 1: 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 county or on the anniversary of promotion or entry into their current job classification." Annual performance evaluations were not

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completed timely for four of the five employees we reviewed in our sample. According to department officials, the high turnover with Planning management delayed the completion of the performance evaluations. Delayed performance evaluations can deter the achievement of the department's overall mission and goals as it documents the employee's improvement areas, and gives them the opportunity to enhance their performance.

Recommendation 1:

Complete all performance evaluations when required.

Management's Response:

"**Concur** with this. When this department is provided with timely, accurate data to perform these reviews."

-Actual/estimated Date of Corrective Action: When required

Finding 2: Formal Succession Plan

Planning does not have a formal written succession plan. Formal plans would identify risks and strategies, providing a basis for specific succession initiatives, including how employees are eligible to participate. In addition, transfer of knowledge is a critical component of succession management. Written procedures formalize the experience-transfer from management and key personnel to successors. Without a succession plan, an organization may not have the means to ensure continuity of core services upon the departure of key personnel.

Recommendation 2:

Develop formal written succession plan for management and key personnel.

Management's Response:

Concur. The Planning Department has a formal organization chart that explains the management tree, the supervising planners and team breakdown. The chart is kept up to date and can be a resource for any needed succession. The department is stable and new hires have helped to solidify a team. That does not mean that, given the need for professional development and management personalities; looking for outside management help has been or will be ruled out if needed.

-Actual/estimated Date of Corrective Action: No action needed

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Auditor's Response:

An organizational chart is not a succession plan. If it is not memorialized, then it simply does not exist. While department leadership may have a plan, without a written document for staff to consider, staff may not have any idea how future challenges will be met. This could create an operational impediment as departmental leadership and staff change over the course of time. We encourage you to take the lead in this organizational best practice.