

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



**ITEM
2.5
(ID # 3702)**

MEETING DATE:

Tuesday, March 14, 2017

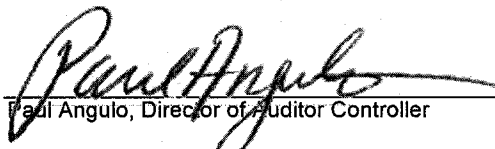
FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-up Audit.

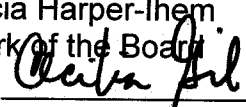
ACTION: Consent


Paul Angulo, Director of Auditor Controller 3/2/2017

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington and Ashley
Nays: None
Absent: None
Date: March 14, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

**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: 2015	

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary

We have completed a follow-up audit of the Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power. Our audit was limited to reviewing actions taken as of September 27, 2016, to correct findings noted in our original audit report 2015-004 dated September 1, 2015.

The original audit report contained three recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the three recommendations were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2015-004 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

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 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-up Audit.

Internal Audit Report 2017-303

**Riverside County Economic Development
Agency, Facilities Management,
Energy Division of Water and Power
Follow-up Audit**

Report Date: January 3, 2017



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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AUDITOR-CONTROLLER**

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**ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

January 3, 2017

Robert Field
Assistant CEO/EDA Director
Riverside County Economic Development Agency-Energy
3430 10th Street, Suite 500
Riverside, CA 92501

Subject: Internal Audit Report 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-Up Audit

Dear Mr. Field:

We have completed the follow-up audit of Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-up. Our audit was limited to reviewing actions taken as of September 27, 2016, to correct the findings noted in our original audit report 2015-004 dated September 1, 2015.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.


The original audit report contained three recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the three recommendations were implemented.

Detailed statuses of the findings identified in the original audit are provided in the body of this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2015-004 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

Internal Audit Report 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power, Follow-up Audit

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power Follow-up during this follow-up audit. Their assistance contributed significantly to the successful completion of the 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

Table of Contents

	Page
Results:	
Utility Account Management.....	4
Utility Billing.....	4
Energy Conservation.....	5

Utility Account Management

Finding 1: Deactivating Closed Accounts in the System

Our review of inactive accounts disclosed that four of the 60 accounts (7%), where the leases had expired, were still classified as active accounts. Internal procedures require Facilities Management Accounting Department inform Energy Division of Water and Power regarding any final billings or closed accounts so that accounts are immediately set as inactive in Energy Cap. This occurred because the information was not communicated to the Energy Division of Water and Power. By not deactivating the accounts promptly, the inappropriate charging of utilities to a deactivated account can occur. Energy Division of Water and Power is now aware and diligently looking into correcting the matter. A follow up on July 2, 2015, revealed that two of the four accounts were set as inactive in the system and two were still active.

Recommendation 1:

Add procedures to ensure closed accounts are set as inactive in the system to prevent erroneous reporting and charges to inactive accounts.

Current Status 1: Implemented

Accounting and Finance revised its procedures to notify Energy Division of Water and Power when to inactivate accounts once final bills are received. The accounts are analyzed monthly to ensure the inactive accounts are identified. In our review, we observed a monthly Energy Cap report utilized by the Accounting and Finance staff to identify all account codes with no transactions in the past 90 days. Once identified, the Energy Cap report with accounts recommended for inactivation are forwarded to the Energy Division of Water and Power management for further review. There are accounts that remain open for various reasons but the final decision is made at the point of the review. As of our review dates, no accounts were inactivated.

Utility Billing

Finding 2: Documentation of No Charge or Non-billable Accounts

Energy Division of Water and Power processes utility bills and subsequently charges the applicable departments, except for those classified in Energy Cap as "no charge" or "non-billable." Energy Division of Water and Power could not provide documentation to support the determination on which departments are classified as "no-charge" or "non-billable." Board Policy H-32, *Countywide Utilities*, states that Energy Division of Water and Power is responsible for all utilities in facilities countywide, and doing this will "ensure a uniform and consistent approach to utility costs within county-owned leased facilities. The Economic Development Agency will process all utility bills and subsequently charge said bills to applicable county departments." This was the practice established before the current staff administering the program assumed

Internal Audit Report 2017-303: Riverside County Economic Development Agency, Facilities Management, Energy Division of Water and Power, Follow-up Audit

responsibility. By continuing this practice, the Energy Division of Water and Power is not recovering all utility costs and does not comply with Board Policy H-32, *Countywide Utilities*.

Recommendation 2:

Energy Division of Water and Power work with the Executive Office on determining who will continue under this status and determine the appropriateness for not billing certain departments and agencies on a monthly basis.

Current Status 2: Implemented

Energy Division of Water and Power has confirmed with the Executive Office which departments are classified as no charge or non-billable. They have improved the process to ensure funding and efficiencies are realized for the county. Accounting and Finance had not passed along any additional costs for the processing utility payments. The utility costs are reimbursed through the general fund.

Energy Conservation Program

Finding 3: Energy Conservation Awareness

Energy Division of Water and Power does not have a program to communicate awareness of energy conservation. Energy Division of Water and Power is not utilizing the county's communication and outreach channels to spread energy conservation practices to county departments. Per discussions with staff members of the division, this occurred due to the reliance on maintenance personnel to handle regulation of energy. If awareness is placed on energy conservation, county employees may consider limiting or preventing the excessive use of energy. Additionally, not having a program to communicate awareness of energy conservation is not in compliance with Board Policy H-4, *Conservation of Energy*.

Recommendation 3:

Energy Division of Water and Power increase direct communication with all county personnel, departments, and entities occupying county owned or leased facilities to create awareness and emphasize the importance of energy conservation.

Current Status 3: Implemented

Energy Division of Water and Power began sending emails to all county employees on May 2016. In order to address the current drought in California, the topic was water conservation tips. In the future, the division will send emails quarterly. Based on our observation Energy Division of Water and Power has implemented the recommendation.