

**Internal Audit Report 2018-002**

**Riverside University Health System, Public Health,  
Community Action Partnership Audit**

**Report Date: December 26, 2018**



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Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

December 26, 2018

Kimberly Saruwatari  
Director of Public Health  
Riverside University Health System, Public Health  
4065 County Circle Drive  
Riverside, CA 92503

Subject: **Internal Audit Report 2018-002: Riverside University Health System, Public Health, Community Action Partnership Audit**

Dear Ms. Saruwatari:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Community Action Partnership to provide management and the Board of Supervisors with an independent assessment of internal controls over grant application and compliance, sub-contractor insurance, and warehouse security.

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 opportunities for improvement of internal controls relating to sub-contractor insurance and warehouse security. However, internal controls over grant application and compliance provide reasonable assurance that its objectives relating to these areas can be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

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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Action Partnership Audit**

We thank the Riverside University Health System, Public Health, Community Action Partnership management and staff for their cooperation.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
George Johnson, County Executive Officer  
Grand Jury

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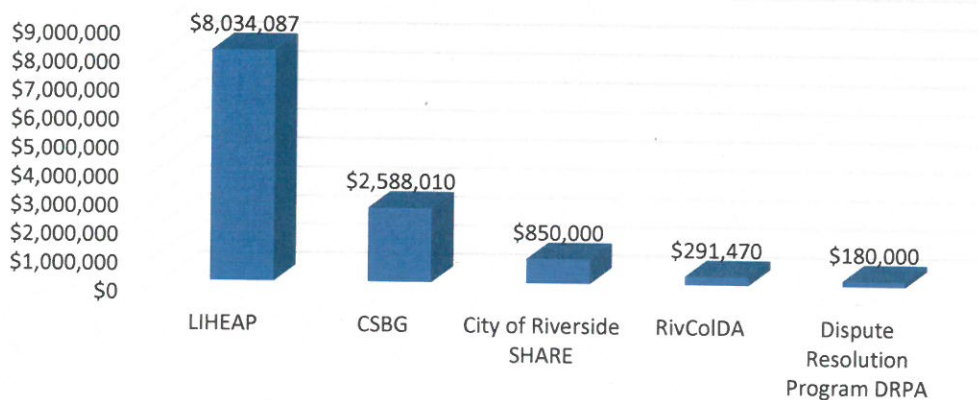
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## Executive Summary

### Department Overview

The Riverside University Health System, Public Health, Community Action Partnership (Community Action) services Riverside County qualifying residents by facilitating opportunities to self-sufficiency through education, energy conservation, wealth building, advocacy, and community organization. Community Action's grants are awarded from several different sources and its current funding level is \$12.1 million.

### Community Action Partnership Top Five Grant Funding



### Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over grant application and compliance, sub-contractor insurance, and warehouse security. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

### Audit Scope and Methodology

Following a risk based approach, our scope initially included the following:

- Cash controls over bank accounts and gift cards
- Grant application and compliance
- Sub-contractor billing and insurance
- Warehouse security

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Through inquiry, observations, and examination of relevant documentation, we focused our scope to internal controls over grant application and compliance, sub-contractor insurance, and warehouse security.

**Audit Highlights**

- 1) Community Action's warehouse was left unsecured. A warehouse inspection identified a door leading to the parking lot to be left unlocked. The warehouse contained computer equipment, parts inventory, and files containing personal information. This warehouse also leads to the general staff area, leaving the security of personnel exposed.
- 2) Community Action could not provide evidence for two vendors that they had obtained the required insurance coverage and limits as required by their contract with the county.

Management from Community Action concurred with all findings. Their response and plan of action is included in the body of this report.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to sub-contractor insurance and warehouse security. However, internal controls over grant application and compliance provide reasonable assurance that its objectives relating to these areas can be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

## Warehouse Security

### Background

Community Action's main office is located at the rear of a large commercial building complex near downtown Riverside. It consists of several office spaces connected to a large warehouse. The warehouse can be accessed through the office building. In addition, there are several doors towards the rear of the warehouse that lead straight to the parking lot. Access to the warehouse is restricted and requires a keycard to enter through the office space. The outside doors remain locked and require a key to enter.

Community Action provides various services to low income individuals and families. These services include weatherization, tax preparation, dispute resolution, disaster preparedness, utility assistance, and veteran's employment training. Supplies and equipment used for these programs are maintained in the warehouse. In addition to the supplies and equipment used to maintain their programs, Community Action also uses the warehouse to store computer equipment, office supplies, and boxes containing client information.

### Objective

To verify the existence and adequacy of controls over warehouse security to ensure assets are secure and unauthorized access is prevented.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed Community Action policies and procedures
- Conducted interviews and performed walk-throughs with office personnel
- Performed visual inspection of the warehouse

### Finding 1: Warehouse Security

During a warehouse inspection at the time of fieldwork, the back door leading to the parking lot was left opened and unlocked. This was caused by the door not locking unless it is pulled shut, with automatic lock enabled. The inspection also showed computer monitors located next to the door that could be easily stolen. In addition, there were 20 boxes of files containing applications and other personal client information. All doors leading to the warehouse should remain locked to prevent unauthorized access and prevent the theft of items. By having the door unlocked, Community Action risks unauthorized persons entering the building, the potential theft of computer equipment and files containing personal client information, and exposing staff to security dangers.

### **Recommendation 1**

Ensure all doors are repaired or replaced immediately.

### **Management's Response**

**“Concur.** During the time the Audit was conducted, Community Action was going through an expansion and remodeling was taking place as noted. Contractors were working on the roof and in both warehouse areas on that day. One of the issues referring to the door had to do with a technical installation of a system that was resolved on a timely manner. All issues identified in the Audit have been addressed. CAP Management will re-visit warehouse security practices with staff.”

Actual/Estimated Date of Corrective Action: **“August 23, 2017”**

### **Auditor Comment**

We verified the door has been repaired and securely locked. As such, we consider this finding resolved and will not be following up on the status of this finding.



## Sub-contractor Insurance

### Background

Community Action establishes contracts with licensed contractors to perform weatherization work, water heater repair and replacement, and furnace repair and replacement. Prior to establishing any contract, each sub-contractor is required to provide proof of insurance. Community Action policies and procedures for insurance requires all sub-contractors to maintain \$1 million commercial liability, workers compensation (if the sub-contractor has three or more employees), and vehicle liability. In addition, the certificate of insurance needs to name the county as additional insured.

Two months prior to the expiration of any insurance, Community Action will mail a request to the sub-contractor provide an updated certificate of insurance. If the sub-contractor does not provide proof of insurance before the current insurance expires, Community Action will notify the sub-contractor to stop all services until an updated certificate is received. Once Community Action has exhausted all attempts to obtain the undated proof of insurance, Community Action will mail the sub-contractor a letter of immediate termination of contract.

Community Action's record retention schedule requires all documentation that supports a contract or agreement to be maintained for at least ten years from the close of the contract. This information should include evidence that insurance requirements were met during the life of the contract.

### Objective

To verify the existence and adequacy of internal controls over the monitoring of sub-contractor insurance to ensure sub-contractors maintain appropriate active insurance coverage and limits throughout the course of their contract with Community Action.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed Community Action policies, procedures, and applicable board policies
- Conducted interviews and performed walk-throughs with office personnel
- Obtained and reviewed insurance documentation for all sub-contractors active during the review period

## **Finding 2: Sub-contractor Insurance Documentation**

Community Action did not retain evidence that insurance requirements were met for two of the three sub-contractor reviewed. Community Action's policies and procedures over insurance requires all sub-contractors to maintain commercial liability and workers compensation, each in the amount of \$1 million. Community Action's record retention policies requires all evidence of insurance to be maintained for at least ten years, but is not consistently retaining the previous years' insurance information. The county risks being liable for any actions of the sub-contractor if the sub-contractor is not adequately insured. Community Action should ensure that support is maintained to document proof of insurance for all sub-contractors in accordance with their insurance and records retention requirements.

### **Recommendation 2**

Ensure that support is maintained to document proof of insurance for all sub-contractors.

### **Management's Response**

**"Concur.** Riverside University Health System-Public Health (RUHS-PH) has assumed contract management services for Community Action Partnership contracts. RUHS-PH has implemented procedures to monitor all contracts for compliance with all related contracts and grants records retention policies.

In the middle of FY 2017/18, the RUHS – DOPH Contracts Unit started tracking and updating all subcontractor insurance and records retention documentation for current CAP contract agreements"

Actual/Estimated Date of Corrective Action: **"December 31, 2017"**

### **Auditor Comment**

On October 31, 2018, we attempted to verify current insurance certificates are on file for the three sub-contractors that contract for Community Action. We found one of the three sub-contractors did not have current insurance on file and that the insurance certificate on file had expired in March 2018.