

**Internal Audit Report 2018-009**

**Riverside County Environmental Health  
Department Audit**

**Report Date: May 29, 2019**



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

**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802

**ACC** | **AUDITOR  
CONTROLLER**  
**COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA**  
Riverside County Auditor-Controller

**Oscar Valdez**  
Assistant Auditor-Controller

May 29, 2019

Keith Jones  
Director  
Riverside County Environmental Health Department  
4065 County Circle Drive  
Riverside, CA 92503

**Subject: Internal Audit Report 2018-009: Riverside County Environmental Health Department Audit**

Dear Mr. Jones:

We have completed an audit of the Riverside County Environmental Health Department to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management, cost recovery, management oversight for changes in regulations, employees training, licensing and certification, and inspector oversight.

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

1. Determined internal controls over cash management, compliance with regulations, and employees training, licensing, and certification, provide reasonable assurance that its objectives relating to these areas will be achieved.
2. Identified improvement opportunities in internal controls over cost recovery and inspectors oversight. Specifically, the tracking and reconciliation of incident reports submitted to the Fire department and a written process to review and monitor field inspectors on the field.

**Internal Audit Report 2018-009: Riverside County Environmental Health Department Audit**

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.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

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

## Table of Contents

	<b>Page</b>
<b>Executive Summary</b> .....	4
 <b>Results:</b>	
Cost Recovery.....	6
Inspectors Oversight.....	8



## Executive Summary

### Overview

The Riverside County Environmental Health Department (Environmental Health) has three divisions as follows:

- District Environmental Services Division
- Environmental Protection and Oversight Division
- Business Operations and Finance Division

The programs within the District Environmental Services Division include retail food safety, recreational water safety, vector control, mobile home parks, organized camps, and retail tobacco. The division educates businesses about regulatory requirements as it relates to these areas.

The Environmental Protection and Oversight Division has compliance oversight relating to hazardous materials handling and disposal, liquid/solid waste collection/disposal, medical waste storage/disposal, body art, land use, and water system programs.

Accounting, revenue, purchasing, and budget preparation services are provided by Business Operations and Finance Divisions. The Department of Environmental Health provides these services with 203 staff members and a FY 2018/19 adopted budget of \$29 million.

### 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 cash management, cost recovery, management oversight for changes in regulations, employee training, licensing and certification, and inspectors' oversight. 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

We conducted the audit from March 27, 2018, through August 29, 2018, for operations from July 1, 2015, through August 21, 2018. Following a risk based approach, our scope initially included the following:

- Cash management
- Management oversight for changes in regulations
- Cost recovery
- Employee training, licensing, and certification
- Inspectors oversight

Through inquiry, observations, and examination of relevant documentation, we focused our scope to internal controls over cost recovery and inspector's oversight.

## **Audit Highlights**

### ***Existing Conditions***

The current processes have not mitigated the following risk areas:

- The Environmental Health Hazardous Material Unit does not have a system or process in place to keep track of the cost recovered by the Fire department.
- Environmental Health does not track the frequency in which an inspector performs inspections on individual facilities.

### ***Improvement Opportunities***

The improvement opportunities are in the following risk areas:

- Develop a policy and procedure for Environmental Health to track incidents cost reimbursements.
- Establish procedures to track and monitor the number of times a field inspector inspects the same facility.

## **Audit Conclusion**

Based upon the results of our audit, we:

1. Determined internal controls over cash management, compliance with regulations, and employees training, licensing, and certification, provide reasonable assurance that its objectives relating to these areas will be achieved.
2. Identified improvement opportunities in internal controls over cost recovery and inspectors oversight. Specifically, the tracking and reconciliation of incident reports submitted to the Fire department and a written process to review and monitor field inspectors on the field.

Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

## Cost Recovery

### Background

Environmental Health's Hazardous Materials Branch (Hazardous Materials) has the responsibility of inspecting facilities every three years with the following programs:

- Hazardous Waste Generators
- Hazardous Waste Treatment
- Hazardous Material Handling
- Above Ground Storage Tanks

In addition, Hazardous Materials maintains an emergency response team that responds to hazardous materials and other environmental health emergencies, 24 hours a day, 7 days a week.

Hazardous Materials does not have a cost recovery process in place that allows them to collect the cost from an emergency or incident response. In a memorandum of understanding with the Riverside County Fire Department (Fire Department), the Fire Department seeks recovery from parties responsible for the cost of these incidents on behalf of Hazardous Materials. A completed incident report is forwarded to the Fire Department as documentation for reimbursement of personnel and equipment costs.

### Objective

To verify the existence and adequacy of internal controls over cost recovery of hazardous materials' incidents.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies and procedures
- Conducted interviews and performed walk-throughs with office personnel
- Obtained a listing of hazardous materials incidents and reviewed a sample of incidents to supporting documentation for recovery efforts
- Reviewed the memorandum of understanding with the Fire Department for cost recovery services



### **Finding 1: Lack of incidents tracking and reconciliation**

Hazardous Materials does not track or reconcile incident reports submitted to the Fire Department for reimbursement of costs. Standard Practice Manual 1001 (Formerly SPM 104), *Internal Controls*, states, "County departments and agencies shall establish, document and maintain an effective system of internal control", including, "Review and Reconciliation: Records are routinely examined and reconciled to determine that transactions were properly processed." Hazardous Materials rely on the Fire Department to collect costs and submit the status of incidents to hazardous material. Lack of tracking and reconciliation may result in loss of funds which could be due to the county for costs.

#### **Recommendation 1.1**

Develop cost recovery procedures to include tracking, reconciliation, and reporting of hazardous materials incident reports.

#### **Management's Response:**

**Partially Concur.** "DEH is presently following the cost recovery procedures set forth in the current Memorandum of Understanding (MOU) for the Riverside County Hazardous Materials Emergency Response Teams for the term of July 1, 2016 to June 30, 2019 between Riverside County Fire Department (RCFD) and the Department of Environmental Health. With the pending expiration of this current MOU, DEH will be working with RCFD to improve tracking and reconciliation procedures for the revised MOU."

Actual/estimated Date of Corrective Action: **July 1, 2019**

#### **Recommendation 1.2**

Ensure cost reimbursement for hazardous materials incident reports are tracked and reconciled monthly.

#### **Management's Response:**

**Partially Concur.** "Following the development of new procedures in accordance with Recommendation 1.1, DEH should be able to begin monthly tracking and reconciliation along with support from RCIT and RCFD."

Actual/estimated Date of Corrective Action: **October 31, 2019**



## Inspectors Oversight

### Background

The department is responsible for conducting periodic inspections of businesses where hazardous materials are generated, stored, handled, disposed, treated, or recycled. Some of these businesses include, businesses with above and underground tanks, poultry ranches, and swimming pools.

In addition to inspecting facilities with hazardous materials, Environmental Health is also responsible for inspecting retail food facilities. The department maintains a hotline which allows the public to submit their complaints or concerns about facility operations. Staff is responsible for responding to complaints and ensuring facilities are following compliance requirements established by the California Retail Food Code.

### Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over inspectors' oversight in the field.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies and procedures
- Conducted interviews and performed walk-throughs with office personnel regarding the routine inspection of food facilities and responding to complaints made by the public
- Reviewed restaurant inspections for the fiscal years 2016-2017 and 2017-2018
- Judgmentally selected a sample of restaurants and reviewed routine inspections and complaint responses

### Finding 2: Inspectors frequency of inspections

Environmental Health does not have a formal process in place to track, review, and monitor the number of instances field inspectors perform inspections at the same facility. The department relies on GPS equipment installed in the county vehicles used for inspection purposes, phone surveys with food facility managers, and ride-along evaluations with department supervisors, which do not address the frequency of inspections performed at retail food facilities. Standard Practice Manual 1001 (Formerly SPM 104), Internal Controls, states, "Well-documented policies and procedures are established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff..." If the department does not implement monitoring controls,

**Internal Audit Report 2018-009: Riverside County Environmental Health Department Audit**

it could impair the inspector's objectivity and independence with restaurants and other businesses inspected.

**Recommendation 2**

Develop procedures to track, review, and monitor the number of instances a field inspector performs inspections at the same facility.

**Management's Response:**

**Partially Concur.** "DEH does in fact ensure inspector accountability through various methods such as daily report generation and supervisory/management oversight of various database reports. However, DEH agrees to strengthen current procedures through standardized policy. One aspect of the new policy will include a procedure that will require appropriate intervals for rotation of staff based upon correlating program inspection frequency targets. DEH supervisors will be responsible for appropriately tracking and adjusting the rotation of staff at the beginning of each fiscal year."

Actual/estimated Date of Corrective Action: **July 1, 2019**