

**Internal Audit Report 2018-010**

**Riverside County  
Human Resources Department  
Audit**

**Report Date: July 1, 2019**



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July 1, 2019

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**Subject: Internal Audit Report 2018-010: Riverside County Human Resources Department Audit**

Dear Ms. Diederichs:

We have completed an audit of Riverside County Human Resources to provide management and the Board of Supervisors with an independent assessment of internal controls over the background checks, duplicate worker's compensation/stale dated warrants, employee identification number issuance, exit interviews, incidents received from fraud, waste, and abuse program and security of sensitive data. We conducted our audit from December 27, 2017, through April 25, 2018, for operations July 1, 2015, through April 24, 2018.

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 background checks, duplicate worker's compensation, employee identification number issuance, exit interviews and incidents received from fraud, waste, and abuse.

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.

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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, Chief Executive Officer  
Grand Jury

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## Executive Summary

### Overview

Riverside County Human Resources (Human Resources) works with other county departments to provide services relating to recruitments, employee relations, and leave management. Additionally, Human Resources develops programs that support career growth for county staff by offering learning opportunities in-house and outside the county with professional development through partnerships with colleges and universities.

### 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 background checks, duplicate worker's compensation/stale dated warrants, employee identification number issuance, exit interviews, incidents received from fraud, waste, and abuse, and security of sensitive data.

### Audit Scope and Methodology

We conducted our audit from December 27, 2017, through April 25, 2018, for operations July 1, 2015, through April 24, 2018. Following a risk based approach, our scope included the following:

- Background Checks
- Duplicate Worker's Compensation/Stale Dated Warrants
- Employee Identification Number Issuance
- Exit Interviews
- Incidents Received from Fraud Waste and Abuse Program
- Security of Sensitive Data

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to background checks, duplicate worker's compensation/stale dated warrants, employee identification number issuance, exit interviews, and incidents received from Fraud, Waste, and Abuse.

### Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to background checks, duplicate worker's compensation, employee identification number issuance, exit interviews and incidents received from fraud, waste, and abuse program.

## Background Checks

### Background

Riverside County Board of Supervisors Policy, C-33, *Background Check Policy*, states “Background and reference checks are used to verify information provided by the applicant and to obtain additional information (i.e., a criminal record and/or significant job-related problems in prior employment) to determine suitability for the position for which they are being considered.” Further, according to the policy, these checks are performed utilizing two services, a “Live Scan criminal records check,” which is an examination of all California State and local records, as well as federal level records which searches convictions nationwide. The need for the federal level checks came as a result of a request for federal level checks from a county department as some departments were performing their own checks using their own Live Scan accounts. On October 4, 2011, Board Resolution 2011-258, *Authorizing Background Checks and Live Scan Services*, at the federal level, was adopted reflecting Penal Code Sections 11105(b) (11) and 13300(b) (11) as it grants the departments the necessary authorization to conduct federal level checks.

Individuals with criminal convictions are not precluded from employment. However, the options for employment are limited. As such, due diligence is on the County of Riverside to ensure all potential job candidates selected for employment have completed background checks. Those who have not been rehabilitated could pose a threat to the county’s operations. Historically, a relapse in previous patterns of criminal behavior can occur at any point. The U.S. Department of Justice, in their special report titled, “*2018 Update on Prisoner Recidivism: A 9-year Follow-up Period (2005-2014)*,” shows a high percentage of state prisoners that are released, continue to commit crimes between year one and year nine. Consistently vetting potential job candidates through a federal level check establishes better controls in the background check process.

Background checks are completed for new employees and for existing employees promoting to other positions in the county. Riverside County Human Resources determines, through a series of steps whether an internal employee should complete Live Scan and/or federal level checks. This is determined based on the department’s requirement, the job classification, and/or the length of time since the last background check. Additionally, Riverside County officials are notified when a current employee’s name is reported for convictions in federal and all state level courts. However, employees hired prior to 2011 that have not changed job classifications, and have not promoted, federal level checks have not been completed. It is important to note, that our conversations with the California Department of Justice reveal that although the Federal Bureau of Investigations (FBI) background checks is a highly extensive background check, its information is highly dependent on the facts provided by respective states.

Our audit results revealed Live Scans were performed on employees based on the type of agreement in place with Riverside County and the California Department of Justice. Only specific county departments require the registered sex offender check as a part of the pre-employment process. We found that although the county departments may be notified for any criminal violations of current employees, this will only occur if this option was included in the agreement with Live Scan.

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## Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the background check process.

## Audit Methodology

To accomplish these objectives, we:

- Identified and reviewed applicable board policies, board resolutions, and Human Resources' policies.
- Reviewed the background check process as it relates to the documentation reviewed and tools utilized to complete the process.
- Performed a limited review of 10 redacted background checks.
- Conducted interviews with personnel from Riverside County Human Resources Department.
- Researched the extent of background services provided by state and federal agencies.

### **Finding 1: *Background Checks Policy Does Not Address Universal Inclusion***

Federal level background clearances, which includes sex offender background checks, have not been conducted on all employees. Riverside County Board Resolution 2011-258, *Authorizing Background Checks and Live Scan Services*, grants the departments the necessary authorization to conduct federal level checks. Riverside County department heads were notified on May 23, 2016, about the adoption of the use of federal level checks throughout the county which was effective July 1, 2016. This supplementary component would be included with the Live Scan criminal background checks. Although the county is authorized to complete these checks, federal level checks for current employees are only performed when an employee is promoted. Not having universal inclusion of conducting federal level background checks (with the inclusion of registered sex offender checks) for all current employees, is negating management the necessary information it must have about its employees to ensure a safe work environment and the prevention of negative impacts to business operations.

### **Recommendation 1.1**

Ensure federal level background checks, including the registered sex offender check, are completed on all county employees.

**Management's Response:**

**"Partially Concur.** Since July 1, 2016 all new and rehired employees to the county are background checked with both the Department of Justice (DOJ) and the Federal Bureau of Investigation (FBI). Prior to that time, unless the hiring department specifically ran an FBI background check, only DOJ background checks were completed. Human Resources is currently evaluating the number of background checks that would need to be completed to comply with this recommendation on every county employee. An extensive review of the background check database needs to be completed to review each employee records to determine which checks the employee has had. Once that is complete, the background check would need to be ordered. It should be noted that to complete the FBI check, the DOJ check must be completed at the same time. The cost for both tests is currently \$49. Depending on the number of employees needing an FBI background check to comply with this recommendation, this could be very costly to the county.

It should also be noted that completing these background checks outside of the regular hiring process is a meet and confer item with the unions."

Actual/estimated Date of Corrective Action: **July 1, 2016**

**Recommendation 1.2**

Ensure all county policies are revised to reflect federal level background checks should include registered sex offender checks.

**Management's Response:**

**"Partially Concur.** As a County agency, our background checks must comply with CA Penal Code Section 11105(p) which states what information must be provided to us. According to Section 11105(p) (2) (C) sex offender registration status of the applicant is included. Section 11105.3 (C) (1) also states that an offense committed outside the state of California that would be a crime in California would be reported as well. To ensure these checks occur, Human Resources will add this requirement to the Board policy when it is updated."

Actual/estimated Date of Corrective Action: **No date provided**



## Duplicate Worker's Compensation/Stale Dated Warrants

### Background

Worker's Compensation payments are reviewed, processed and approved properly in order to ensure benefits are paid accurately and within the established timeframes. The Worker's Compensation Division for Human Resources' office assistants are responsible for inputting all payments once approved by a claim technician, claims adjuster, senior claims adjuster or worker's compensation claims manager.

To ensure duplicate payments do not occur, the office assistants will enter payments in the Internet-based Valley Oak System claims management system which alerts the staff of a potential duplicate payment. They investigate the potential duplicate payment by filtering payments in the Internet-based Valley Oak System payment tab. The office assistant proceeds with verifying the dates of service and payment codes, confirming the vendor billing address and associated tax identification and consulting with office assistant supervisor and adjuster for additional information. The invoices for medical bills are also processed by the office assistants. These contain medical codes for specific services provided.

### Objective

Objective is to provide management and the Board of Supervisors with an independent assessment of internal controls Human Resources has over duplicate worker's compensation payments and staled date warrants process.

### Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of procedures relating to warrant reconciliation, worker's compensation payment process, duplicate payment processes as well as other board policies and applicable standards.
- Conducted interviews with Human Resources personnel involved in the worker's compensation review and approval process.
- Reviewed the worker's compensation supervisors and adjusters review process which included an examination of the detailed payment vouchers and detail payment register for claims in four months.

### Finding 2: Claims Processing

Human Resources Worker's Compensation Division did not have a procedure in place to ensure claims submitted for payment via the health insurance claim form or vendor invoice were not duplicate claims. Their duplicate payment policy process required staff to enter "a potential

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duplicate payment in the Internet-based Valley Oak System claims management system,” which would indicate whether a payment is duplicated. However, when claims from vendors have been processed utilizing invoices with fixed rates rather than the health insurance claim form, which provides the current procedural terminology code, the system would not indicate duplication and the staff would not know based on this process. The current procedural terminology assists medical coders in reporting the proper medical services provided to patients. When an invoice has been utilized to process a claim instead of the health insurance claim form, a claim can be processed twice without regard to payments already issued.

**Recommendation 2**

The department revise its duplicate payments policy to ensure adequate controls are in place to limit the more than one payment on a claim.

**Management’s Response:**

“Concur. This policy was revised during the audit.”

**Auditor’s Note**

The department revised the policy during fieldwork and we verified the revision included the implementation of key internal controls to prevent duplicate payments. As such, a follow up will not be performed on this recommendation.

## Employee Identification Number Issuance Process

### Background

The employee identification number issuance process requires the completion of the employee transaction form by the hiring department and final confirmation of completion by Human Resources. The hiring department forwards the employee transaction form, which is date stamped upon receipt, with all required forms to Human Resources. The information necessary to complete the onboarding process includes: name, contact information, eligibility, national identification, personal profile data, work location, job information, and compensation with signature lines for the employee and department head/designee.

Each county department coordinates with the Human Resources Employee Services that process the employee transaction form's upon receipt. The employee is unable to gain access to county networks and work areas as well as issuance of payroll until the employee transaction form has been completed and approved by Human Resources. The information contained in the employee transaction forms are entered in Riverside County Human Capital Management.

### Objective

Objective is to provide management and the Board of Supervisors with an independent assessment of Human Resources employee identification number issuance process.

### Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of new hire procedures, board policies, and applicable standards.
- Conducted interviews with Human Resources personnel involved in the employee identification number issuance process.
- Reviewed the badge issuance process as it relates to the employee identification number issuance process.
- Performed a limited review of 30 new hires.

### Finding 3: Delayed Employee Identification Number Issuance

The employee identification numbers were delayed for 10 out of 30 employee transaction forms we reviewed. In our review of the forms, there were processing delays for issuances, ranging from 6-21 days. The procedures for new hires did not provide guidance for issuing employee identification numbers. As such, there were inconsistencies on how Human Resources tracks the employee transaction forms when delivered for processing the new hires and the issuance of

identification numbers. Delays in processing the employee transaction forms impacts productivity, accessibility to county systems, and training for new employees.

### **Recommendation 3.1**

Revise the new hire procedures to indicate specific steps for processing employee identification numbers within a specific timeframe and train all work team staff on new hire procedures.

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

**Concur.** Human Resources has revised the procedures to indicate a time period in which the processing for employee identification numbers should take place and the processing time has been discussed with staff members.”

Actual/estimated Date of Corrective Action: **November 2018**

### **Recommendation 3.2**

Perform cursory review of the employee identification number issuance at least monthly to ensure staff are processing as indicated in the revised procedure.

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

**Concur.** Staff members are currently sending emails to departments when the employee identification numbers are issued. Therefore, review is happening in real time. Management will also do an overall monthly review to ensure employee identification numbers are being issued timely.”

Actual/estimated Date of Corrective Action: **November 2018**

## Exit Interviews

### Background

Board of Supervisor Policy C-22, *Exit Interview*, states, "Upon separation, prior to leaving the county, the agency/department will offer the employee an exit interview with the agency/department head or a designee." According to the policy, employees separating from the county should be referred to the designated agency/department head representative responsible for the interview as soon as the decision to leave the county has been communicated. It is the department's responsibility to ensure an exit interview is completed by separating employees. An exit survey, which is a series of questions completed by the employee separating, allows the department's management to better understand the job responsibilities, the working environment, opportunities for advancement that were or were not realized, quality of the supervision, and reasons for leaving the county as it relates to the employees.

Human Resources has automated this exit interview process with the survey tool, Qualtrics. When Human Resources is notified an employee is leaving the county, the employee name is entered into the system and an email is sent to the email address provided by the separating employee. Upon completion of the questions, designated Human Resources personnel are notified. The responses to the survey are included in a report sent to the department with no disclosure of the employee's name. An exit survey notification email error report can be generated to notify Human Resources when a response has not been completed. As of February 7, 2018, 238 surveys had been completed. There had not been follow up with employees who did not complete the exit survey.

Finally, these surveys, if used effectively, can reduce the turnover in an organization, can be used to identify trends in why employees leave the county (i.e. competitive salary, work conditions, growth opportunities, better job opportunity, benefits), and can show organizational improvement opportunities from the employee perspective. Human Resources' role in this process is to communicate the results timely to the designated agency/department head representative to ensure relevant information is available to meet the objective of the policy.

### Objective

Objective is to provide management and the Board of Supervisors with an independent assessment of Human Resources exit interview process.

### Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Conducted interviews with Human Resource personnel involved in the exit interview process.

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- Observed the newly developed system for delivering exit interviews to terminating and retiring county employees.
- Performed limited testing on 10 recently completed exit interviews.
- Reviewed the exit survey notification email-error reports.

**Finding 4: Exit Interview Feedback**

Riverside County departments are not provided the feedback from exit interviews and surveys completed by departing employees. There was no process in place to ensure feedback occurs to the exiting/terminating employees department. Board of Supervisors Policy, C-22, *Exit Interview*, states the purpose of the exit interview is “to determine and document the reasons employees leave the county, to provide an opportunity for the airing of unresolved issues, and to solicit constructive feedback to improve the county.” We found that once exit surveys were completed, Human Resources had not provided feedback to the departments. When feedback is not provided departments organizational improvement opportunities are not identified.

**Recommendation 4**

Develop a system to notify department officials the results of the exit interviews.

**Management’s Response:**

“**Concur.** Monthly a report is created by the class and compensation team that HR Business Partners have access to. The report lists all the exit surveys completed by former employees and the departments they worked for. In April 2019, Business Partners reviewed this report and the expectation they are to discuss it with their departments and the information contained therein during their monthly meetings.”

Actual/estimated Date of Corrective Action: **April 2019**

## Incidents Received From Fraud Waste and Abuse

### Background

The Fraud, Waste, and Abuse Program is administered by the Auditor-Controller's Office. When incidents relating to personnel conflicts are reported in the program, the system administrator forwards the incident to Human Resources and closes the incident in the program. It is assigned to appropriate human resources service managers to complete the investigation. These investigations are analyzed to validate the concerns reported through the fraud, waste, and abuse program. Human Resources documents the results in their incident tracking system and close the incidents. Since incidents sent to Human Resources are personal and considered confidential, Human Resources does not provide any investigative results to the Fraud, Waste, and Abuse program administrators.

### Objective

Objective is to provide management and the Board of Supervisors with an independent assessment of Human Resources conflict resolution process from incidents reported through the fraud, waste, and abuse program.

### Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of procedures followed for incidents referred through the Fraud, Waste, and Abuse program.
- Obtained an understanding of procedures for processing conflict resolutions.
- Conducted interviews with Human Resources personnel involved in the conflict resolution process.
- Performed limited testing on 10 conflict resolutions submitted to Human Resources.

### Finding 5: Timeliness to Conflict Resolution Processes

One out of the 10 incidents selected for review was not investigated timely. An incident reported in the fraud, waste, and abuse program that was forwarded to Human Resources for investigation and closed within 10 days by the Fraud, Waste, and Abuse program administrators, had not been assigned for investigation for more than one year by Human Resources. Fraud, Waste, and Abuse Guidelines require investigating departments to investigate incidents within 45 days. Delays in processing incidents may result in the loss of integrity for the county's fraud, waste, and abuse program.

**Recommendation 5**

Ensure policies are in place to investigate incidents reported in the timeframe outlined in the Fraud Waste and Abuse Guidelines.

**Management's Response:**

**Concur.** Human Resources has changed its procedure regarding Fraud, Waste, and Abuse cases. All Fraud, Waste, and Abuse cases, no matter if there is an investigation or not, are now loaded into the Employee Relations database and are reviewed to ensure appropriate action was taken.”

Actual/estimated Date of Corrective Action: **February 27, 2018**