

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



ITEM: 2.8
(ID # 14639)

MEETING DATE:
Tuesday, March 09, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-005: Riverside County Department of Animal Services Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-005: Riverside County Department of Animal Services Audit

ACTION:Consent

Tanya Harris
Tanya Harris, Assistant Auditor Controller

2/23/2021

MINUTES OF THE BOARD OF SUPERVISORS

**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: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Department of Animal Services. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over procurement cards, capital assets, and revolving funds.

Please see report for audit results.

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 2021-005: Riverside County Department of Animal Services Audit


Stephanie Perez, Principal Management Analyst 3/1/2021



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

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Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

March 9, 2021

Julie Bank
Director
6851 Van Buren
Jurupa Valley, CA 92509

Subject: Internal Audit Report 2021-005: Riverside County Department of Animal Services Audit

Dear Ms. Bank:

In accordance with Board of Supervisors Resolution 83-338, we audited the Department of Animal Services to provide management and the Board of Supervisors with an independent assessment of internal controls over procurement cards, capital assets, and revolving funds.

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.

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Our conclusion and details of our evaluation are documented in the body of this audit report.

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
Jeffrey A. Van Wagenen Jr., County Executive Officer
Grand Jury

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Executive Summary

Overview

Riverside County Department of Animal Services (Animal Services) has a recommended budget of \$22.4 million for FY 2020-21 and has 170 authorized positions to execute its responsibilities. Animal Services is comprised of three divisions, Animal Shelters, Public Safety and Enforcement Services, and Veterinary Services. *County of Riverside, Fiscal Year 2020-21 Adopted Budget, 238.*

Animal Services has experienced two instances of department director changes in the last two years. The first one occurred when a director was appointed in March 21, 2019. The second change of department head occurred in March 20, 2020, when a new director was appointed. We performed audit procedures for both instances.

Audit Objective

Our audit objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over procurement cards, capital assets, and revolving funds. 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 August 4, 2020, through September 18, 2020, for operations from July 1, 2018, through September 18, 2020.

Audit Highlights

Summary of Existing Conditions

- Procurement cards are not deactivated immediately after an employee ends employment with Animal Services. Immediate deactivation of procurement cards ensure county funds are safeguarded from theft or misuse.
- County tags are not affixed to capital assets as required in Standard Practice Manual 513, Asset Tags. Maintaining a positive identification of capital assets is important to identify individual assets and aid in the annual physical inventory.

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- Animal Services does not update the Riverside County financial system with the capital assets correct county tag number. This renders the information maintained in the financial system unreliable to identify, account, and track capital assets.
- Capital assets were not in the location indicated in the Riverside County financial system or at the location reported by Animal Services. Accurate tracking is an internal control designed to safeguard capital assets from misuse, theft, and helps manage obsolete equipment.
- Capital asset transfer of accountability was not completed in a timely manner for the newly appointed director of Animal Services. A transfer of capital asset accountability ensures the incoming director acknowledges responsibility over the capital assets and certifies the departments asset list is correct for the department.
- Transfer of revolving fund accountability was not completed for the newly appointed director of Animal Services as required under Standard Practice Manual 603 *Revolving Fund*. Completing a revolving fund transfer of accountability ensures the incoming director acknowledges responsibility over the revolving fund and confirms the amount and custodian of revolving funds.

Summary of Improvement Opportunities

- Ensure procurement cards are terminated immediately upon employee termination in accordance with Board Policy A-62, *Credit Card Use*.
- Ensure Animal Services is in compliance with Riverside County Auditor-Controller's Office capital asset standard practice manuals. Specifically, ensure accurate information is entered in the Riverside County financial system to identify capital assets, capital assets are being tagged, and tracked properly.
- Ensure the transfer of capital assets from the outgoing director to the incoming is documented using Standard Practice Manual AM-1 Form, *Inventory of County Property for Capital Assets*, and submitted to the Auditor-Controller's Office timely.
- Ensure Animal Services is in compliance with Riverside County Auditor-Controller's Standard Practice Manual 603, *Revolving Funds*. Specifically, ensure a transfer of revolving fund accountability is completed whenever there is a change in department head.

Internal Audit Report 2021-005: Riverside County Department of Animal Services Audit**Audit Conclusion**

Based upon the results of our audit, we identified improvement opportunities for internal controls over termination of procurement cards, capital asset tracking, capital asset transfer of accountability, and revolving fund transfer of accountability.

Procurement Card

The County's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the costs associated with making purchases and processing vendor payments. The program requires compliance with current statutes and county procurement procedures and is intended to improve the timely delivery of products and services.

The Riverside County Purchasing & Fleet Services Department (Purchasing) is responsible for managing and monitoring the overall program. Additionally, Purchasing administers the training required for all program participants, establishes and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between U. S. Bank and the county. Cardholders are required to comply with the Procurement Card Manual as written by Purchasing. Additionally, cardholders must complete the training prior to being provided with a procurement card.

The procurement card policy has controls developed and implemented that are different than traditional credit cards. The controls ensure the cards can be used only for specific types of purchases with established dollar limits. Additionally, approving officials assigned to each cardholder are required to provide prior approval on the purchases. The cardholder is responsible to verify all purchases once card statement is obtained.

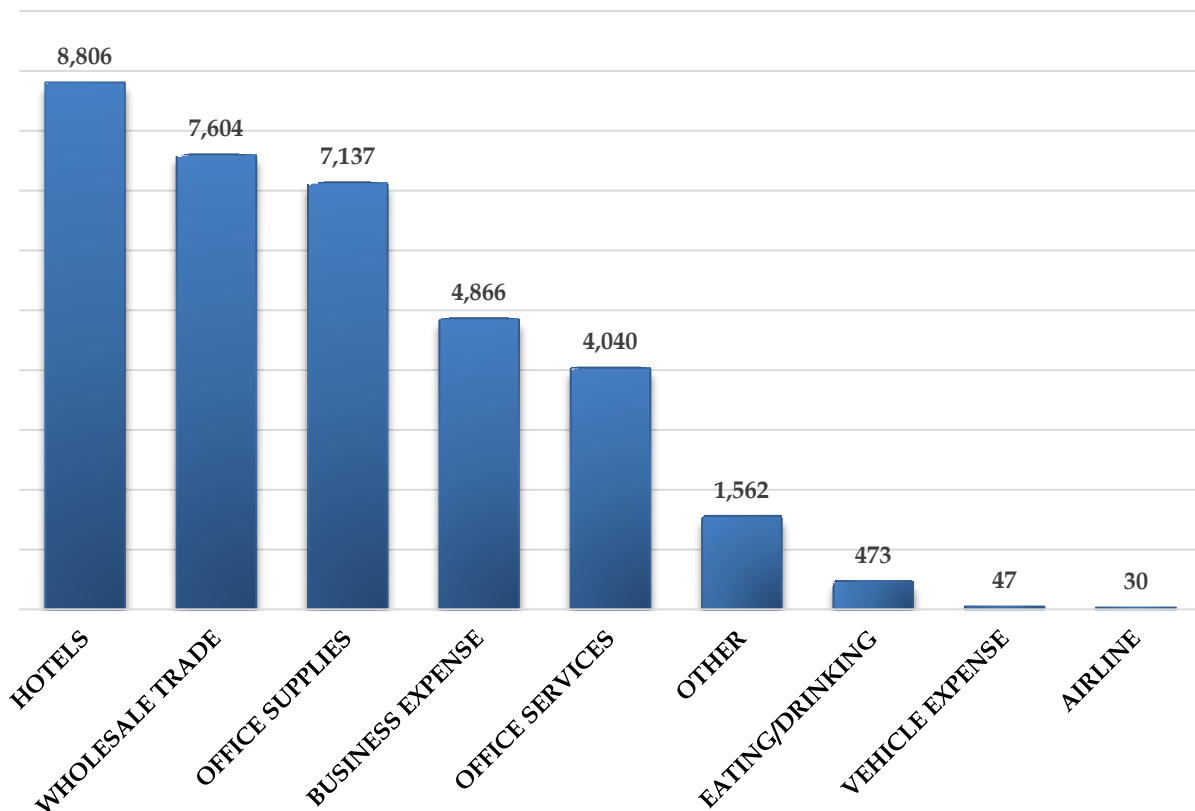
As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

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Animal Services had 3 procurement cardholders, as of August 3, 2020. For the period July 1, 2019, through July 31, 2020, Animal Services had procurement card program expenditures totaling \$34,565 consisting of 188 transactions.

The chart below illustrates Animal Services' expenditures by category for the period of July 1, 2019, through July 31, 2020, in the following categories: airline, business expense, eating/drinking, hotels, office services, office supplies, other, vehicle expense, and wholesale trade. The three largest expenditure categories for Animal Services were made up of hotels at \$8,806, wholesale trade at \$7,604, and office supplies at \$7,137 totaling \$23,547, making up 68% of the total procurement card transactions.

**Animal Services Procurement Card Transactions
(July 1, 2019, through July 31, 2020)**



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Audit Methodology

To accomplish these objectives, we:

- Reviewed county policies and procedures, specifically:
 - County of Riverside Procurement Card Program, Procedure Handbook (8/1/2016).
 - Board Policy A-62, *Credit Card Use*.
 - Board Policy D-1, *Reimbursement for General Travel and Other Actual and Necessary Expenses*
- Obtained and reviewed department policies to determine compliance with Riverside County's procurement card policies and procedures.
- Obtained and reviewed a listing of all procurement card holders.
- Interviewed key personnel regarding procurement card internal controls and their processes.
- Reviewed supporting documentation for procurement card expenditures.
- Analyzed procurement card data pulled from the Riverside County financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Selected a sample of purchased items for physical existence of items.
- Verified whether appropriate levels of management review and approval are documented.

Finding 1: Compliance with Procurement Card Policies

A procurement card was not immediately terminated for an employee no longer working for Animal Services. The close of the procurement card occurred 96 days after employee left the department. The Board Policy A-62, *Credit Card Use*, states, "Each department/agency shall develop and implement policies and procedures to ensure the immediate deactivation of cards/accounts assigned to employees who leave county employment for any reason." Additionally, the Riverside County Procurement Card

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Program Manual requires departments to “contact the Procurement Card Program Coordination to request that the current card be cancelled.” The procurement card was not immediately closed due to department oversight. Procurement cards which are not terminated timely increases the risk of fraud and theft of county funds.

Recommendation 1

Ensure procurement cards are terminated immediately upon employee termination in accordance with Board Policy A-62, *Credit Card Use*.

Management’s Response

“**Concur.** Animal Services concurs with the finding. The card has been canceled and no new card was issued in response to the employee leaving County Service.”

Actual/estimated Date of Corrective Action:

“Animal Services does use Board Policy A-62 and will ensure to verify information for every employee leaving County Service. This will have to include notice to the manager of the Fiscal Unit when an employee leaves county service. Since, in the case cited, the employee was terminated, Fiscal did not know the employee left county service for about two weeks. We then requested, through the chain of command, the card from the individual that was terminated. The card never made its way back to Fiscal nor were any charges incurred on the card after the termination date. The card was canceled with County Purchasing with the timeline mentioned above.”

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Capital Assets

Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual (SPM), Policy Number 512, *Modifications to Capital Assets That Have Already Been Recorded and Transfer of Accountability*, states that upon a change of a department director, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Riverside County Auditor-Controller's Office.

As of March 20, 2020, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, Animal Services maintained 86 capital assets in the Riverside County financial system asset module, consisting of field and office equipment, with the combined acquisition cost of \$1,018,116.

Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller's Office Standard Practice Manual 512, *Modifications to Capital Assets That Have Already Been Recorded and Transfer of Accountability*, for the establishment and transfer of capital assets.
- Established the date of the department director change.
- Verified proper forms were completed for capital asset transfer of accountability and submitted to the Riverside County Auditor-Controller's Office.
- Obtained a listing of capital assets tracked in the Riverside County financial system asset module.
- Verified the existence of capital assets that were transferred to the new department director.

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- Verified proper forms were completed for the retirement of capital assets.

Finding 2: Capital Asset Compliance

Animal Services is not in compliance with county capital asset procedures. We identified the following in our review:

- County tags were not affixed to capital assets. Standard Practice Manual 513 (SPM 513), *Asset Tags*, requires county departments to “Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory.” Tagging of capital assets is an internal control designed to provide a method for identifying capital assets and aid in the annual capital asset physical inventory. Accurate physical capital inventory aids in managing equipment and identifying theft and misuse of capital assets.
- The Riverside County financial system was not updated with the correct county tag numbers of the capital assets. SPM 513 states, “All purchased capital equipment for use by the County shall be assigned a county property asset tag number.” Additionally, SPM 513 states that tagging is important to, “Provide an accurate method of identifying individual capital assets.” By not updating the Riverside County financial system with accurate capital asset information, capital asset tracking efficiency decreases, and the risk of capital asset theft and misuse increase.
- A capital asset was not in the location indicated in the Riverside County financial system or at the location reported by Animal Services. SPM 513 states, “In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed.” SPM 513 further requires a location change be updated in the Riverside County financial system.
- A transfer of capital asset accountability was not completed in a timely manner for the Animal Services director appointed on March 21, 2020. The Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was submitted July 8, 2020, four months after the departure of the outgoing director. Per Standard Practice Manual 512, *Modifications to Capital Assets That Have Already Been Recorded and Transfer of Accountability*, states, “Upon a change in department head, the accountability of the department’s capital assets must be transferred to either the new department head or the acting department head. Notification must be given to the ACO as of the date of such change by completing SPM Form AM-1, Inventory of County Property for

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Capital Assets.” Animal Services did not comply with Riverside County requirements and the transfer of capital assets to the new director was not documented to certify transfer of accountability and accuracy of capital asset inventory.

Recommendation 2.1

Ensure capital assets are affixed with a county tag in accordance with Standard Practice Manual 513, *Asset Tags*.

Management’s Response:

“**Partially Concur.** We partially concur with the finding of attaching county asset tags to capital assets. The assets being referenced were purchased several years ago and the Fiscal unit at the time did not attached the asset tags. Current administration does not know what happened to the asset tags. We have requested replacement tags on more than one occasion. Fiscal has still not received new or duplicate asset tags. Without the asset tags we cannot place them on the assets.

Animal Services does concur that all assets should have asset tags placed on them. The audit should indicate that all assets purchased in the past 8 years have tags on them or are identified through engravings for assets that would impede use of the item with the tag attached.”

Actual/estimated Date of Corrective Action:

“This will be corrected once the asset tags are received from the Auditor-Controller Office. Again, I cannot attach a county asset tag without having one.”

Auditor’s comments:

Upon verification with the Riverside County Auditor-Controller’s Office, General Accounting Division, there are no outstanding capital asset tag requests. The responsibility to comply with county policies and implementation of internal controls to safeguard county resources remain with department management. As such, we recommend for Animal Services to maintain communication to obtain the items needed that ensure compliance with policies and adequate implementation of internal controls.

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Recommendation 2.2

Ensure accurate capital asset information is updated in the Riverside County financial system to accurately identify assets.

Management's Response:

"Concur. The Department of Animal Services concurs that information in the financial system should accurately reflect current assets. The Fiscal team will go over the asset list and verify the information in the system matches with information on the asset. Any variances will be updated to reflect current information."

Actual/estimated Date of Corrective Action: No date provided

"We anticipate that this will be completed by the end of the FY 20-21."

Recommendation 2.3

Ensure capital asset locations are updated in the Riverside County financial system.

Management's Response:

"Partially Concur. We partially concur that the locations should match with what is in the financial system. While Animal Services agrees in principle that assets should be identifiable with locations in the system, it is not always possible to make that happen for vehicles and trailers. These items are attached to the department but should probably not be set with a location since many of the trailers are moved to deal with emergency situations or current needs. These assets are mobile and could be parked at any of the 4 locations Animal Services manage.

We will remove location designations for these fixed assets in the financial system and place them at the organization level in the financial system."

Actual/estimated Date of Corrective Action: No date provided

"We anticipate that this will be completed by the end of the FY 20-21."

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Recommendation 2.4

Ensure the transfer of capital assets from the outgoing director to the incoming is documented using SPM AM-1 Form, *Inventory of County Property for Capital Assets*, and submitted to the Auditor-Controller's Office timely.

Management's Response

"Concur. Animal Services concurs with the recommendation and will ensure the SPM AM-1 form is on file with the Auditor-Controller's Office."

Actual/estimated Date of Corrective Action: No date provided

"The Department of Animal Services will ensure the form is on file with the ACO office by January 15, 2021. If not on file, the form will be completed and submitted no later than January 31, 2021."

Revolving Funds

Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisor's adopted Board Resolution 83-338 authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

Animal Services has one revolving fund, with an authorized balance of \$1,990, maintained in the form of change funds and petty cash. The revolving fund is primarily used to pay for emergency administrative expenses, operating expenses, and travel advances for employees traveling on county business.

Audit Methodology

To accomplish these objectives, we:

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- Reviewed Riverside County Auditor-Controller's Office Standard Practice Manual 603, *Revolving Fund*, for the establishment and transfer of revolving funds.
- Interviewed key personnel regarding the use of revolving funds.
- Verified revolving fund reconciliations were prepared.
- Performed a cash count and reconciled to the fund assignment amounts.
- Reviewed for adequate segregation of duties.
- Reviewed supporting documentation for transactions.

Finding 3: Revolving Fund Transfer of Accountability

A transfer of revolving fund accountability was not completed for the newly appointed Animal Services director. Per Standard Practice Manual 603 (SPM 603) *Revolving Fund*, "A change in the Department Head requires a new AR-1 Form to be completed acknowledging the amount of the Department's Revolving Fund and the departments designated Custodian." A transfer of revolving fund accountability was not completed due to department oversight. By not transferring revolving funds to the incoming director, the department did not comply with SPM 603.

Recommendation 3

Ensure SPM Form AR-1, *Revolving Fund Request Order & Change Form*, is completed and filed whenever a change in director occurs.

Management's Response

"Concur. Animal Services concurs with the recommendation and will ensure the SPM AR-1 form is on file with the Auditor-Controller's Office."

Actual/estimated Date of Corrective Action: No date provided

"The Department of Animal Services will ensure the form is on file with the ACO office by January 15, 2021. If not on file, the form will be completed and submitted no later than January 31, 2021."