

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



ITEM: 2.10
(ID # 15645)

MEETING DATE:
Tuesday, June 29, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit

ACTION:Consent

Tanya Harris

Tanya Harris, Assistant Auditor Controller 6/21/2021

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 completed an audit of the Riverside County Information Technology, Change of Department Head Audit. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer of capital assets and revolving funds from the predecessor to the newly appointed department head.

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

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit


 Stephanie Perez, Principal Management Analyst 6/21/2021

Internal Audit Report 2021-022

**Riverside County
Information Technology
Change of Department Head Audit**

Report Date: June 29, 2021



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

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th 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

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

June 29, 2021

Jim Smith
Chief Information Officer
Riverside County Information Technology
3450 14th Street
Riverside, CA 92501

Subject: Internal Audit Report Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit

Dear Mr. Smith:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department director audit for Riverside County Information Technology. This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets from the predecessor to the newly appointed department head.

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.

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

Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit

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

Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit

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Executive Summary

Overview

Riverside County Information Technology is responsible for serving county departments, elected officials, and the public with a wide variety of information technology services. Information Technology is responsible for planning, designing, implementing, operating, and coordinating the county's information technology systems and networks, and for the delivery of information processing and communications services.

Riverside County Information Technology has an adopted budget of \$112.2 million for FY 2020-21 and 432 adopted positions to execute its responsibilities. *County of Riverside, Fiscal Year 2020-21 Adopted Budget, 224.*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department director.

Audit Conclusion

Based upon the results of our audit, we determined:

- Internal controls are in place to ensure the safeguarding and timely transfer of revolving funds to the newly appointed Chief Information Officer.
- We identified improvement opportunities over the safeguarding of capital assets and the timely transfer of capital assets to the newly appointed Chief Information Officer.

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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 on November 1, 1983, 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.

Riverside County Information Technology has one revolving funds, with an authorized balance of \$8,000, maintained in the form of petty cash and a bank account. The revolving fund/petty cash is primarily used for emergency expenditures such as training registration, office supplies, and daily operations. Replenishments requested are reviewed and approved by the fund custodian. Petty cash access is limited to two authorized personnel and checks are processed by an accounting technician and signed by authorized check signers. The fund is reconciled monthly, signed, and dated by the preparer and reviewer.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department director were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds.
- Interviewed key personnel and reviewed department procedures over the revolving funds.

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- Verified revolving fund reconciliations were prepared.
- Performed a surprise cash count and reconciled to the fund assignment amounts without exception.
- Verified adequate segregation of duties existed.

Findings: None Noted

We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department director. The Riverside County Information Technology has an established process in place for the use of the revolving funds. Access to the revolving fund/petty cash is limited to the fund custodians and one back-up individual. We physically observed the petty cash funds are kept in locked boxes in locked drawers with access limited.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving funds and the appropriate forms were completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of the revolving funds.

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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, Policy Number 512, *Transfer of Accountability on Capital Assets* (SPM 512), it states that upon retirement or termination of a department director, accountability for capital assets must be transferred to the new or acting department director and notification filed with the Riverside County Auditor-Controller's Office.

As of March 11, 2021, the time the new director was appointed, Riverside County Information Technology maintained 3,090 capital assets in the Riverside County financial system asset management module, consisting of structures, vehicles, field equipment, fixed equipment, office equipment, leased equipment, and software, with the combined acquisition cost of \$147.4 million.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the newly appointed department director was completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Established the date of the department director change.
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.

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- Selected a sample of capital assets to verify adequate internal controls exist over the safeguarding of assets.
- Selected a sample of capital assets and verified existence.
- Verified proper forms were completed for the retirement of capital assets.

Finding 1: Capital Assets Transfer of Accountability

A transfer of accountability was not completed for the newly appointed Chief Information Officer. The newly appointed Chief Information Officer was appointed March 11, 2021, and as of May 13, 2021, two months after appointment, the transfer of accountability form had not been submitted to the Auditor-Controller's Office as required by SMP 512. By not transferring capital assets to the incoming officer in a timely manner, acknowledgment of transfer of accountability has not been documented as required by county policies.

Recommendation 1

Ensure the transfer of capital assets from the outgoing officer to the incoming officer is documented using Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets* and submitted to the Auditor-Controller's Office within 30 days of appointment date.

Management's Response:

"Concur. RCIT submitted the AM-1 form to the Auditor-Controller's Office (ACO) on May 27, 2021 and will ensure that this form is submitted in the future within 30 days of the appointment of a newly appointed CIO."

Actual/estimated Date of Corrective Action: May 27, 2021

Finding 2: Capital Asset Compliance

Riverside County Information Technology is not in compliance with county capital asset procedures. We identified the following in our review:

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- Eleven (15%) out of the 75 assets sampled did not have the manufacturer supplied serial number in the asset module of the Riverside County financial system and used the respective designated field incorrectly. Standard Practice Manual 1001, *Internal Control*, defines internal controls as the methods and procedures used to ensure accuracy and reliability of financial records. By not providing sufficient capital asset information in the Riverside County financial system, the accuracy of capital asset inventory is not reliable. Furthermore, the practice of entering accurate and complete information, ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Nineteen (25%) of the 75 assets sampled did not have county tags affixed. SPM 513 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. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Three (4%) out of the 75 assets sampled did not have county tags that agree with the information reported in the Riverside County financial system. By not properly tagging capital assets, Riverside County Information Technology was not in compliance with SPM 513. Proper tagging ensures information is accurate and reliable and aids certifying capital assets.
- Eight (11%) out of the 75 assets sampled were not at the location indicated in the Riverside County financial system or at the location reported by Riverside County Information Technology. 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.
- Fifteen (20%) out of 75 capital assets sampled were not disposed/surplused in accordance with Standard Practice Manual 514 (SPM 514), *Disposal of Capital Asset*. Capital assets had been upgraded and removed from Riverside County Information Technology asset inventory. However, the assets were not removed from the Riverside County financial system. SPM 514 states, “Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal.” Standard Practice Manual 505,

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Accounting For: Equipment, states, "The Departmental capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset."

Properly accounting for capital assets, their location, and updated with complete and correct information, ensures over or understatement do not occur, assets are readily available, and needed information to track and identify the assets is reliable.

Recommendation 2.1

Ensure capital asset information is accurately entered in the designated field. Specifically, the Serial ID field should be used for the manufacture provided serial number or left blank if none is assigned, pseudo serial number created by the department should be entered under a different field.

Management's Response:

"**Partially Concur.** RCIT utilized department assigned serial nos. in order to identify some assets since the manufacturer serial nos. were unavailable or not supplied/assigned by the manufacturer. In any case, RCIT places either the department issued or manufacturer serial no. in the same field in the PeopleSoft system in order to ensure this unique identifier is visible to and convenient for staff when conducting inventory utilizing the ACO provided RVAM Inventory Report. RCIT will work with the Auditor-Controller's Office to find the best field to utilize in the future."

Actual/estimated Date of Corrective Action: December 31, 2021

Recommendation 2.2

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

Management's Response:

"**Concur.** Due to the nature of RCIT's network and radio infrastructure/equipment, the county tag cannot be applied to every asset. Therefore, equipment is verified utilizing either the manufacturer serial no. or the department assigned serial no. RCIT will work with the Auditor-Controller's Office to create a tagging system that works best for every IT specific scenario."

Actual/estimated Date of Corrective Action: June 30, 2022

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Recommendation 2.3

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

Management's Response:

"Concur. RCIT will automate the asset relocation notification process in order to minimize the time period between when an item is moved and the PeopleSoft system is updated. Additionally, AM-6 forms are only required to be completed in the case of transfers between departments and not in the case of internal fund transfers."

Actual/estimated Date of Corrective Action: December 31, 2021

Recommendation 2.4

Ensure capital assets are disposed/surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

Management's Response:

"Partially Concur. Many items are in transit due to year-end inventory and the retirement of older assets in order to bring new assets online. RCIT has over 80 locations and items designated for surplus are generally moved to a centralized location, inventoried and then a surplus form is prepared. RCIT provided surplus forms to the Auditor-Controller's Office and will be transferring items to Surplus. Subsequently, RCIT will prepare and send the AM-7 to the Auditor-Controller's Office."

Actual/estimated Date of Corrective Action: July 1, 2021