

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



ITEM: 2.9
(ID # 14641)

MEETING DATE:
Tuesday, March 09, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-301: Riverside County Emergency Management Department, Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-301: Riverside County Emergency Department, Follow-up 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
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	n/a

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

We have completed a follow-up audit of the Riverside County Emergency Management Department. Our audit was limited to reviewing actions taken as of December 2, 2020, to correct findings noted in our original audit report 2019-002 dated June 13, 2019. The original audit report contained seven recommendations, all of which required implementation to help correct the reported finding.

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 2021-301: Riverside County Emergency Management Department, Follow-up Audit


 Stephanie P., Principal Management Analyst 3/1/2021

Internal Audit Report 2021-301

**Riverside County
Emergency Management Department
Follow-up Audit**

Report Date: March 2, 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



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

March 2, 2021

Bruce Barton
Director of Emergency Management
Riverside County Emergency Management Department
450 E. Alessandro
Riverside, CA 92508

Subject: Internal Audit Report 2021-301: Riverside County Emergency Management Department, Follow-up Audit

Dear Mr. Barton:

We have completed the follow-up audit of Emergency Management Department. Our audit was limited to reviewing actions taken as of December 2, 2020, to help correct the findings noted in our original audit report 2019-002 dated June 13, 2019.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the seven recommendations:

- Two of the recommendations were partially implemented.
- Five of the recommendations were not implemented.

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit and your response to the audit report, please refer to the attached Internal Audit Report 2019-002. You can also find the audit report on the Auditor-Controller's website located at www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports.

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

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

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**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

Warehouse Inventory

Finding 1: Warehouse Inventory

During our review of the warehouse inventory, we identified the following:

- Emergency Management does not have written policies and procedures to address the process of conducting annual or periodic inventory counts, and to identify and dispose of expired items
- Inventory counts are not documented. As a result, we were unable to verify that annual or periodic inventory counts are performed
- There is a lack of segregation of duties involving three main inventory management functions which include:
 - Maintaining custody of the assets
 - Ability to authorize the use or disposal of the assets
 - Recordkeeping of the assets
- Inventory items were not tagged with basic information such as item, part number, or description
- Supporting documentation for disposed items were not maintained for eight (13%) of 60 warehouse items reviewed
- The quantities for 11 (18%) of 60 warehouse items, including gloves and respirators, did not reconcile with the Emergency Management inventory listing
- A total of 11 (18%) out of 60 warehouse items reviewed, such as insulin needles and thermometers, could not be located
- There were 15 (18%) out of 85 inventory items stored at Riverside Community Hospital that had issues consisting of the following:
 - Items could not be located
 - Quantities did not agree with Emergency Management's inventory listing
 - Inventory items were disposed and not documented
 - It was stated Riverside Community Hospital had never received the items despite being included in the inventory listing

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

Recommendation 1.1

Develop written policies and procedures for the process of conducting annual and periodic inventory counts, as well as the process to identify and dispose of expired items.

Current Status 1.1: Partially Implemented

Emergency Management Department has established policy and procedures regarding annual and periodic inventory counts. The policy does not outline the policy and procedure for the disposal of expired items.

Recommendation 1.2

Ensure annual and periodic inventory counts are documented.

Current Status 1.2: Unable to Determine

We could not perform audit testing to verify implementation as reported by department. This was due to limitations placed by the department.

Recommendation 1.3

Ensure there are adequate segregation of duties for warehouse operations.

Current Status 1.3: Unable to Determine

We could not perform audit testing to verify implementation as reported by department. This was due to limitations placed by the department.

Recommendation 1.4

Update inventory items to be tagged with basic information such as part number, description, unit of measure, quantity, and expiration dates.

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

Current Status 1.4: Unable to Determine

We could not perform audit testing to verify implementation as reported by department. This was due to limitations placed by the department.

Capital Assets

Finding 2: Capital Assets

During our review of the capital assets, we identified 20 (56%) out of 36 assets did not have an attached county tag number. In addition, 16 (44%) of those assets could not be traced back to the Asset Management Module. Standard Practice Manual 513, *Capital Asset Tags*, states, "All purchased capital equipment for use by the county shall be assigned a county property asset tag number and be affixed to the asset." Emergency Management purchased the equipment and did not enter the items into the Asset Management Module as capital assets. Failure to tag capital assets and maintain record of all assets in the Asset Management Module, increases the risk of asset misappropriation and understates capital assets in the government wide financial statements of Riverside County.

Recommendation 2.1

Ensure all capital assets are tagged and tags affixed in accordance with Standard Practice Manual 513, *Capital Asset Tags*.

Current Status 2.1: Unable to Determine

We could not perform audit testing to verify implementation as reported by department. This was due to limitations placed by the department.

Recommendation 2.2

Ensure all assets that have not been recorded into the Asset Management Module, are processed and added in a timely manner.

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

Current Status 2.2: Unable to Determine

We could not perform audit testing to verify implementation as reported by department. This was due to limitations placed by the department.

Disaster Recovery Written Procedures

Finding 3: Requirements for Disaster Recovery

Emergency Management does not have policies and procedures in place that cover disaster recovery requirements. Management is in the process of drafting policies and procedures that will cover this process. Based on our review of the drafted policies and procedures, we identified the following items should be included:

- Procedures for eligible demobilization of cost: Demobilization cost are costs that may be incurred after the close of an incident period, where a fire is controlled, and may be claimed at a delayed date after other eligible costs (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Procedures for pre-positioning costs: Pre-positioning is the temporary relocation of existing fire prevention or suppression resources from an area of low fire danger to one higher fire danger in anticipation of an increase in fire activity likely to constitute the threat of a major disaster. These costs can be incurred up to a maximum of 21 days before the date of the fire declaration and may be eligible for recovery even when staged outside the designated area (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Policy regarding the recovery of duplicate benefits: Federal standards state that an agency may not duplicate benefits received by or available to the applicant from insurance, other assistance programs, legal awards, or any other source to address the same purpose (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Established procurement policies: All established procurement policies for procuring goods or services with public assistance funds must adhere to all state, tribal, and local laws and regulations as well as federal standards. Additionally, the policy should address the procedures used to validate that affirmative steps to utilize minority and women-owned businesses were being followed during

**Internal Audit Report 2021-301: Riverside County Emergency Management Department,
Follow-up Audit**

the administration of an award (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)

The inclusion of these items will increase compliance with state and federal guidelines. This will help reduce the risk of reimbursed costs being required to be paid back to the reimbursing agency during an audit.

Recommendation 3

Include in the final draft of the policies and procedures for disaster recovery, requirements noted above to ensure compliance with state and federal guidelines.

Current Status 3: Partially Implemented

Emergency Management Department has established policy EMD C-5 separate from the Disaster Recovery Plan. Policy EMD C-5 states that the department must comply with FIMA P-954, *Fire Management Grant Program*, specifying demobilization of cost, pre-positioning costs, duplicate benefits and procurement policies. However, the Disaster Recovery Plan does not reference policy EMD C-5 or FIMA P-954. Emergency Management Department is currently drafting the Disaster Recovery Plan.

Attachment A

Internal Audit Report 2019-002

**Riverside County
Emergency Management Department**

Report Date: June 13, 2019



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

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



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

**Oscar Valdez
Assistant Auditor-Controller**

June 13, 2019

Bruce Barton
Director of Emergency Management
Riverside County Emergency Management Department
4210 Riverwalk Pkwy, Ste. 300
Riverside, CA 92505

**Subject: Internal Audit Report 2019-002: Riverside County Emergency Management
Department Audit**

Dear Mr. Barton:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Emergency Management Department to provide management and the Board of Supervisors with an independent assessment of internal controls over warehouse inventory, capital assets, and disaster recovery written procedures.

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, internal controls over the warehouse inventory, capital assets, and disaster recovery written procedures are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, warehouse inventory and capital assets need increased monitoring and safeguarding internal controls, and disaster recovery written procedures need to include key procedures to ensure compliance with disaster recovery requirements.

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 correction 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 Officer
Grand Jury

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Executive Summary

Overview

Riverside County Emergency Management Department (Emergency Management) provides coordination and oversight of emergency management and disaster and response services for Riverside County. They had an adopted budget of \$20.2 million for fiscal year 2018-19 and 71 authorized positions.

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 warehouse inventory, capital assets, and disaster recovery written procedures. 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 November 6, 2018, through February 4, 2019, for operations from July 1, 2016, through December 31, 2018. Following a risk based approach, our scope initially included the following:

- AMR Contract
- Capital Assets
- Grants
- Disaster Recovery Requirements
- SB 12 Funding
- Warehouse Inventory

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to warehouse inventory, capital assets, and disaster recovery requirements.

Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- Internal controls for warehouse inventory are not designed effectively to safeguard inventory, assess the need for emergency and disaster preparedness, and ensure a consistent approach to inventory management. We identified the following issues:

- Inventory items were disposed and not documented
 - Inventory quantities did not agree to the inventory listing
 - Inventory items were not tagged with basic information such as item, part number, description, unit of measure, and quantity
 - Several items could not be located
 - There was no evidence of annual or periodic inventory counts
 - Key warehouse duties such as maintaining the inventory listing, conducting inventory counts, and disposing of inventory items were not segregated
- Capital assets are not being tagged and accounted for accurately
 - Policies and procedures for disaster recovery need to include additional Federal Emergency Management Agency requirements

Improvement Opportunities

The improvement opportunities are in the following areas:

- Internal controls for warehouse inventory should be designed to ensure the safeguarding of inventory items, accurate reporting of inventory quantities, and timely detection and disposal of expired items
- Capital assets missing a tag number should have a new tag requested from the Auditor-Controller's Office and affixed to the asset
- Policies and procedures for disaster recovery should be updated to include additional Federal Emergency Management Agency requirements

Audit Conclusion

Based upon the results of our audit, internal controls over the warehouse inventory, capital assets, and disaster recovery written procedures are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, warehouse inventory and capital assets need increased monitoring and safeguarding internal controls, and disaster recovery written procedures need to include key procedures to ensure compliance with disaster recovery requirements.

Warehouse Inventory

Background

Emergency Management maintains inventory of medical supplies and equipment used to respond to emergencies and disasters. They manage a warehouse where inventory such as medical supplies, equipment, and trailers used for disaster response are stored. In addition, Emergency Management maintains medical health trailers containing supplies and equipment located across Riverside County, and also manage medical and emergency supplies at 20 hospitals.

Objective

To verify the existence and adequacy of controls over warehouse inventory.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department policies and procedures
- Reviewed best practices for warehouse inventory
- Conducted interviews with department management and staff
- Sampled inventory items and tested to verify accuracy of items, disposal of expired items, and safeguarding of inventory

Finding 1: Warehouse Inventory

During our review of the warehouse inventory, we identified the following:

- Emergency Management does not have written policies and procedures to address the process of conducting annual or periodic inventory counts, and to identify and dispose of expired items
- Inventory counts are not documented. As a result, we were unable to verify that annual or periodic inventory counts are performed
- There is a lack of segregation of duties involving three main inventory management functions which include:
 - Maintaining custody of the assets
 - Ability to authorize the use or disposal of the assets
 - Recordkeeping of the assets

- Inventory items were not tagged with basic information such as item, part number, or description
- Supporting documentation for disposed items were not maintained for eight (13%) of 60 warehouse items reviewed
- The quantities for 11 (18%) of 60 warehouse items, including gloves and respirators, did not reconcile with the Emergency Management inventory listing
- A total of 11 (18%) out of 60 warehouse items reviewed, such as insulin needles and thermometers, could not be located
- There were 15 (18%) out of 85 inventory items stored at Riverside Community Hospital that had issues consisting of the following:
 - Items could not be located
 - Quantities did not agree with Emergency Management's inventory listing
 - Inventory items were disposed and not documented
 - It was stated Riverside Community Hospital had never received the items despite being included in the inventory listing

Per Standard Practice Manual 1001 (SPM 1001), *Internal Control (Formerly referred to as SPM 104)*, county departments must maintain "Well-documented policies and procedures to promote employee understanding of job duties, provide day-to-day guidance to staff and help ensure continuity during employee absences or turnover." In addition, SPM 1001 also states, "Equipment, inventories, cash and other property should be secured physically, counted periodically, and compared with control records." Finally SPM 1001 states, "Duties should be divided or segregated so that no one person has complete control over a key function of activity."

The lack of written policies and procedures for conducting annual inventory increases the risk of inaccurate year to year recording and reporting of inventory. When there is a lack of segregation of duties between staff managing the warehouse or when inventory is not tagged with basic information such as part number, description, unit of measure, quantity, or expiration date for perishable items, it can lead to misappropriation and theft of items, and inaccurate inventory listings and quantities. Further, inaccurate inventory information prevents Emergency Management from adequately assessing the needs when planning, preparing, and strategizing for future disaster and emergency responses.

Recommendation 1.1

Develop written policies and procedures for the process of conducting annual and periodic inventory counts, as well as the process to identify and dispose of expired items.

Management's Response:

"Concur. EMD agrees with Recommendation 1.1. A draft Inventory and Asset Control policy and procedures was initiated soon after the Draft Internal Audit Report 2019-002 was received from

the ACO on April 4, 2019. The inventory policy and procedures comply with SPM 1001 and all listed recommendations provided in this audit report.”

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

Recommendation 1.2

Ensure annual and periodic inventory counts are documented.

Management’s Response:

“**Concur.** EMD agrees with Recommendation 1.2. EMD has staff assigned to maintain and update the inventory of all capital and non-capital assets annually. However, it has been a challenge to maintain proper documentation since EMD has not had an inventory management system for the last five years. Over the last eight months EMD has been meeting with RCIT staff to analyze and test an inventory management system currently used by some Riverside County Departments. The system is scheduled to be in place by July 1, 2019. The system will meet the minimum requirements stipulated in SPM 1001.”

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

Recommendation 1.3

Ensure there are adequate segregation of duties for warehouse operations.

Management’s Response:

“**Concur.** EMD agrees with recommendation 1.3. The EMD Inventory and Asset Control procedure includes roles and responsibilities, defining the adequate segregation of duties for warehouse operations. EMD staff designated in the Inventory and Asset Control procedure will receive training on an annual basis or when new staff are hired to ensure common understanding and expectations of the policy and procedures are met.”

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

Recommendation 1.4

Update inventory items to be tagged with basic information such as part number, description, unit of measure, quantity, and expiration dates.

Management's Response:

“Concur. EMD agrees with recommendation 1.4. EMD currently uses an excel spreadsheet to track all inventories – this is a challenge due to many factors which will be resolved with a modern inventory management system.

EMD staff have been researching and meeting with inventory management vendors to analyze existing products that will meet the established requirements. Research for a vendor was initiated over four years ago, but due to the high cost EMD has been unsuccessful in obtaining a product. However, in 2018, RCIT made a recommendation for an inventory management system used by other County Departments. EMD has been working with RCIT over the last eight months to test and analyze the recommended inventory management system. The system is currently in a ‘Test Environment’ to ensure all requirements are met. The system will improve the Department's ability to update information on products such as part number, description, unit of measure, quantity, location and expiration dates. The system is scheduled to be in place July 1, 2019.”

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

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 515, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, 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.

The new director of Emergency Management was appointed on January 4, 2018, and acknowledged receipt of the capital assets from the outgoing officer on June 21, 2018. At that time, Riverside County Emergency Management Department (Emergency Management) maintained 117 capital assets in the Riverside County Financial System Asset Management Module (Asset Management Module), consisting of vehicles, trailers, and equipment with the combined acquisition cost of over \$1.9 million.

Objective

To determine if the required Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new 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 head change
- Conducted interviews with department management and staff
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Obtained a listing of capital assets tracked in the Asset Management Module
- Selected a random sample and verified the existence of capital assets that were transferred to the new department head

- Identified additional capital assets during field review and traced the capital assets to the Asset Management Module

Finding 2: Capital Assets

During our review of the capital assets, we identified 20 (56%) out of 36 assets did not have an attached county tag number. In addition, 16 (44%) of those assets could not be traced back to the Asset Management Module. Standard Practice Manual 513, *Capital Asset Tags*, states, "All purchased capital equipment for use by the county shall be assigned a county property asset tag number and be affixed to the asset." Emergency Management purchased the equipment and did not enter the items into the Asset Management Module as capital assets. Failure to tag capital assets and maintain record of all assets in the Asset Management Module, increases the risk of asset misappropriation and understates capital assets in the government wide financial statements of Riverside County.

Recommendation 2.1

Ensure all capital assets are tagged and tags affixed in accordance with Standard Practice Manual 513, *Capital Asset Tags*.

Management's Response:

"Concur. EMD agrees with recommendation 2.1. EMD's internal Inventory Control Management team performed a fixed asset reconciliation to compare the ACO asset list and the department's asset inventory. The audit report and the analyses performed by EMD staff, identified several assets either missing the affixed asset tag or the assets were never entered into the Asset Management Module. This finding is currently being worked on and is scheduled to be completed by July 1, 2019."

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

Recommendation 2.2

Ensure all assets that have not been recorded into the Asset Management Module, are processed and added in a timely manner.

Management's Response:

"Concur. EMD agrees with recommendation 2.2. The Department's Inventory and Asset Control procedures includes the process to record assets into the Asset Management Module in a timely manner. EMD staff are currently working on adding all assets that have not been recorded into the Asset Management Module, by July 1, 2019."

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

Disaster Recovery Written Procedures

Background

Emergency Management was established as a department in July 2015. They provide coordination and oversight of emergency management and disaster and response services for the residents of Riverside County. In the fall of 2018, Emergency Management assumed responsibility from the Riverside County Fire Department for the recovery of costs for all disaster related events.

Emergency Management can obtain reimbursement for labor, equipment, and supplies when Emergency Management provides aid/assistance for a declared emergency. State and federal guidelines require documentation showing work was completed. Forms utilized to provide this information include functional timesheets, proof of payments, original invoices, cost recovery spreadsheet, and/or payroll register. Emergency Management serves as the central point to collect this information on behalf of the county which is submitted to the state for reimbursement.

Objective

To verify the adequacy of internal controls over the department's disaster recovery process.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department policies and procedures, board policies, and applicable state and federal guidelines
- Interviewed department management and staff to obtain an overview for the process for seeking reimbursement after a natural disaster has occurred
- Identified any gaps in the department policies and procedures regarding disaster recovery requirements and compiled a comprehensive list based on federal and state guidelines

Finding 3: Requirements for Disaster Recovery

Emergency Management does not have policies and procedures in place that cover disaster recovery requirements. Management is in the process of drafting policies and procedures that will cover this process. Based on our review of the drafted policies and procedures, we identified the following items should be included:

- Procedures for eligible demobilization of cost: Demobilization cost are costs that may be incurred after the close of an incident period, where a fire is controlled, and may be claimed

at a delayed date after other eligible costs (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)

- Procedures for pre-positioning costs: Pre-positioning is the temporary relocation of existing fire prevention or suppression resources from an area of low fire danger to one higher fire danger in anticipation of an increase in fire activity likely to constitute the threat of a major disaster. These costs can be incurred up to a maximum of 21 days before the date of the fire declaration and may be eligible for recovery even when staged outside the designated area (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Policy regarding the recovery of duplicate benefits: Federal standards state that an agency may not duplicate benefits received by or available to the applicant from insurance, other assistance programs, legal awards, or any other source to address the same purpose (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Established procurement policies: All established procurement policies for procuring goods or services with public assistance funds must adhere to all state, tribal, and local laws and regulations as well as federal standards. Additionally, the policy should address the procedures used to validate that affirmative steps to utilize minority and women-owned businesses were being followed during the administration of an award (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)

The inclusion of these items will increase compliance with state and federal guidelines. This will help reduce the risk of reimbursed costs being required to be paid back to the reimbursing agency during an audit.

Recommendation 3

Include in the final draft of the policies and procedures for disaster recovery, requirements noted above to ensure compliance with state and federal guidelines.

Management's Response:

"Concur. EMD agrees with recommendation 3. EMD is currently developing disaster recovery procedures. Following the Cranston and Holy Fire emergency activations, lessons learned identified disaster recovery processes and procedures as an area needing to be addressed in Riverside County. Since the activations, EMD staff meet regularly to continue working on disaster recovery policies and procedures to ensure compliance with County policies and state and federal guidelines are met.

Once the procedures are complete, training seminars will be conducted annually for all County departments and operational area partners."

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

Attachment B



Bruce Barton
Director

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2019-002: Riverside County Emergency Management Department Audit.

A handwritten signature in blue ink that appears to read "B. Barton" is written over a horizontal line.

Bruce Barton, Director 12/2/2020

Authorized Signature

Date

Finding 1: Warehouse Inventory

During our review of the warehouse inventory, we identified the following:

- Emergency Management does not have written policies and procedures to address the process of conducting annual or periodic inventory counts and to identify and dispose of expired items
- Inventory counts are not documented. As a result, we were unable to verify that annual or periodic inventory counts are performed
- There is a lack of segregation of duties involving three main inventory management functions which include:
 - Maintaining custody of the assets
 - Ability to authorize the use or disposal of the assets
 - Recordkeeping of the assets
- Inventory items were not tagged with basic information such as item, part number, or description
- Supporting documentation for disposed of items were not maintained for eight (13%) of 60 warehouse items reviewed
- The quantities for 11 (18%) of 60 warehouse items, including gloves and respirators, did not reconcile with the Emergency Management inventory listing
- A total of 11 (18%) out of 60 warehouse items reviewed, such as insulin needles and thermometers, could not be located

450 E. ALESSANDRO

RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

- There were 15 (18%) out of 85 inventory items stored at Riverside Community Hospital that had issues consisting of the following:
 - Items could not be located
 - Quantities did not agree with Emergency Management's inventory listing
 - Inventory items were disposed of and not documented
 - It was stated Riverside Community Hospital had never received the items despite being included in the inventory listing

Per Standard Practice Manual 1001 (8 PM 1001), *Internal Control (Formerly referred to as SPM 104)*, county departments must maintain "Well-documented policies and procedures to promote employee understanding of job duties, provide day-to-day guidance to staff and help ensure continuity during employee absences or turnover." In addition, 8 PM 1001 also states, "Equipment, inventories, cash and other property should be secured physically, counted periodically, and compared with control records." Finally, SPM 1001 states, "Duties should be divided or segregated so that no one person has complete control over a key function of activity."

The lack of written policies and procedures for conducting annual inventory increases the risk of inaccurate year to year recording and reporting of inventory. When there is a lack of segregation of duties between staff managing the warehouse or when inventory is not tagged with basic information such as part number, description, unit of measure, quantity, or expiration date for perishable items, it can lead to misappropriation and theft of items, and inaccurate inventory listings and quantities. Further, inaccurate inventory information prevents Emergency Management from adequately assessing the needs when planning, preparing and strategizing for future disaster and emergency responses.

Current Status

Reported Finding Corrected? Yes No

Since the Audit Visit in 2019, the EMD team has been working on addressing all issues identified during the visit and captured in the audit report. EMD implemented the Inventory Management and Control (B-7) policy that complies with SPM 1001 and addresses recommendations mentioned in the audit report. In addition, EMD implemented the use of the new inventory management system, 'Service Now.'

The findings mentioned in the 'Warehouse Inventory' continue to be addressed. The team made sure that all items requiring a capital asset tag was properly placed and entered into the Department's inventory management system. With Service Now, the team is working on adding all equipment items into the system. Due to the COVID-19 response, all inventory is not captured in the system. This project continues to be a priority for the department, and will continue in 2021.

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Recommendation 1.1

Develop written policies and procedures for the process of conducting annual and periodic inventory counts, as well as the process to identify and dispose of expired items.

Management Reply

"Concur. EMD agrees with Recommendation 1.1. A draft Inventory and Asset Control policy and procedures were initiated soon after the Draft Internal Audit Report 2019-002 was received from the ACO on April 4, 2019. The inventory policy and procedures comply with SPM 1001 and all listed recommendations provided in this audit report."

Actual/Estimated Date of Corrective Action: June 1, 2019

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

EMD has implemented the Inventory Management and Control (B-7) policy that complies with SPM 1001 and addresses recommendations mentioned in the audit report.

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Recommendation 1.2

Ensure annual and periodic inventory counts are documented.

Management Reply

"Concur. EMD agrees with Recommendation 12. EMD has staff assigned to maintain and update the inventory of all capital and non-capital assets annually. However, it has been a challenge to maintain proper documentation since EMD has not had an inventory management system for the last five years. Over the last eight months, EMD has been meeting with RCIT staff to analyze and test an inventory management system currently used by some Riverside County Departments. The system is scheduled to be in place by July 1, 2019. The system will meet the minimum requirements stipulated in SPM 1001."

Actual/Estimated Date of Corrective Action: October 1, 2019

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

Service Now inventory management system went 'live' February, 2020. The system meets all requirements under EMD's Inventory Management and Control (B-7) policy and also complies with SPM 1001. Due to the delay of the system going live, the inventory schedule was also delayed. In addition, this project is delayed due to the COVID-19 response. This project continues to be a priority for the department and will continue in 2021.

450 E. ALESSANDRO

RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Recommendation 1.3

Ensure there is adequate segregation of duties for warehouse operations.

Management Reply

"Concur. EMD agrees with recommendation 1.3. The EMD Inventory and Asset Control procedure include roles and responsibilities, defining the adequate segregation of duties for warehouse operations. EMD staff designated in the Inventory and Asset Control procedure will receive training on an annual basis or when new staff is hired to ensure common understanding and expectations of the policy and procedures are met."

Actual/Estimated Date of Corrective Action: August 1, 2019

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

EMD has implemented the Asset Management (B-6) policy that complies with SPM Section 5 and addresses recommendations mentioned in the audit report. In addition, EMD implemented the Inventory Management and Control (B-7) policy that complies with SPM 1001 and addresses recommendations mentioned in the audit report. This policy is required to be acknowledged and signed by all Department personnel.

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Recommendation 1.4

Update inventory items to be tagged with basic information such as part number, description, unit of measure, quantity, and expiration dates.

Management Reply

"Concur. EMD agrees with recommendation 1.4. EMD currently uses an excel spreadsheet to track all inventories - this is a challenge due to many factors that will be resolved with a modern inventory management system.

EMD staff has been researching and meeting with inventory management vendors to analyze existing products that will meet the established requirements. Research for a vendor was initiated over four years ago, but due to the high-cost EMD has been unsuccessful in obtaining a product. However, in 2018, RCIT made a recommendation for an inventory management system used by other County Departments. EMD has been working with RCIT over the last eight months to test and analyze the recommended inventory management system. The system is currently in a 'Test Environment' to ensure all requirements are met. The system will improve the Department's ability to update information on products such as part number, description, unit of measure, quantity, location, and expiration dates. The system is scheduled to be in place July 1, 2019."

Actual/Estimated Date of Corrective Action: October 1, 2019

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

EMD implemented the use of the new inventory management system, 'Service Now.' However, due to the COVID-19 response, all inventory is not captured in the system. This project continues to be a priority for the department and will continue in 2021.

450 E. ALESSANDRO

RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Finding 2: Capital Assets

During our review of the capital assets; we identified 20 (56%) out of 36 assets did not have an attached county tag number. In addition, 16 (44%) of those assets could not be traced back to the Asset Management Module. Standard Practice Manual 513, *Capital Asset Tags*, states, "All purchased capital equipment for use by the county shall be assigned a county property asset tag number and be affixed to the asset." Emergency Management purchased the equipment and did not enter the items into the Asset Management Module as capital assets. Failure to tag capital assets and maintain a record of all assets in the Asset Management Module increases the risk of asset misappropriation and understates capital assets in the government-wide financial statements of Riverside County.

Current Status

Reported Finding Corrected? Yes No

Since the Audit Visit in 2019, the EMD team has been working on addressing all issues identified during the visit and captured in the audit report. EMD has implemented the Asset Management (B-6) policy that complies with SPM Section 5 and addresses recommendations mentioned in the audit report.

The findings mentioned in the 'Capital Assets' Finding continue to be addressed. The team made sure that all items requiring a capital asset tag was properly placed and entered into the Department's inventory management system. The team is working on adding all asset items into the Asset Management Module. Due to the COVID-19 response, all assets are not captured in the system. This project continues to be a priority for the department, and will continue in 2021.

Recommendation 2.1

Ensure all capital assets are tagged and tags affixed in accordance with Standard Practice Manual 513, *Capital Asset Tags*.

Management reply

"Concur. EMD agrees with recommendation 2.1. EMD's internal Inventory Control Management team performed a fixed asset reconciliation to compare the ACO asset list and the department's asset

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

inventory. The audit report and the analyses performed by EMD staff, identified several assets either missing the affixed asset tag or the assets were never entered into the Asset Management Module. This finding is currently being worked on and is scheduled to be completed by July 1, 2019."

Actual/Estimated Date of Corrective Action: July 1, 2019

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

EMD has implemented the Asset Management (B-6) policy that complies with SPM Section 5 and addresses recommendations mentioned in the audit report. This policy is required to be signed by all Department personnel.

Asset items have been identified and entered into Service Now system. However, Due to the Covid-19 response, not all assets are captured in the Asset Management Module. These assets are being reconciled at this time and should be completed by April 2021.

Recommendation 2.2

Ensure all assets that have not been recorded into the Asset Management Module, are processed and added in a timely manner.

Management Reply

"Concur. EMD agrees with recommendation 2.2. The Department's Inventory and Asset Control procedures include the process to record assets into the Asset Management Module in a timely manner. EMD staff is currently working on adding all assets that have not been recorded into the Asset Management Module, by July 1, 2019."

Actual/Estimated Date of Corrective Action: July 1, 2019

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken for pending action and estimated date of completion for planned corrective action that is partially or not implemented.

The Asset Coordinator is working with program personnel to ensure that all purchased assets are recorded in a timely manner. These assets are being reconciled at this time and should be completed by April 2021.

Finding 3: Requirements for Disaster Recovery

Emergency Management does not have policies and procedures in place that cover disaster recovery requirements. Management is in the process of drafting policies and procedures that will cover this process. Based on our review of the drafted policies and procedures, we identified the following items should be included:

- Procedures for eligible demobilization of cost: Demobilization cost are costs that may be incurred after the close of an incident period, where a fire is controlled, and may be claimed at a delayed date after other eligible costs (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Procedures for pre-positioning costs: Pre-positioning is the temporary relocation of existing fire prevention or suppression resources from an area of low fire danger to one higher fire danger in anticipation of an increase in fire activity likely to constitute the threat of a major disaster. These costs can be incurred up to a maximum of 21 days before the date of the fire declaration and may be eligible for recovery even when staged outside the designated area (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)
- Policy regarding the recovery of duplicate benefits: Federal standards state that an agency may not duplicate benefits received by or available to the applicant from insurance, other assistance programs, legal awards, or any other source to address the same purpose (Fire Management

450 E. ALESSANDRO
RIVERSIDE, CALIFORNIA 92508

T: 951.358.7100 ♦ F: 951.358.7105 ♦ WEB: WWW.RIVCOEMD.ORG ♦ TDD: 951.358.5124



Bruce Barton
Director

Assistance Program Guide FEMA P-954 dated February 2014)

- 11 Established procurement policies: All established procurement policies for procuring goods or services with public assistance funds must adhere to all state, tribal, and local laws and regulations as well as federal standards. Additionally, the policy should address the procedures used to validate that affirmative steps to utilize minority and women-owned businesses were being followed during the administration of an award (Fire Management Assistance Program Guide FEMA P-954 dated February 2014)

The inclusion of these items will increase compliance with state and federal guidelines. This will help reduce the risk of reimbursed costs being required to be paid back to the reimbursing agency during an audit.

Current Status

Reported Finding Corrected? Yes No

EMD has implemented Disaster Recovery Policy (C-5). The policy addresses all items mentioned under 'Finding 3.'