

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and ~~submit~~ **SUBMIT** to the **BOARD OF SUPERVISORS** Riverside County Department of Veterans' Services Audit.

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM: 2.2
(ID # 17741)

MEETING DATE:

Tuesday, December 07, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-003: Riverside County Department of Veterans' Services Audit, [District: All]; [\$0]

ACTION: Consent

Tanya Harris

Tanya Harris, Assistant Auditor Controller 12/2/2021

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 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| NET COUNTY COST | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| 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 of the Riverside County Department of Veterans’ Services. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over deposit tracking and recording, and outreach activities.

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

Impact on Citizens 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 2022-003: Riverside County Department of Veterans’ Services Audit

Internal Audit Report 2022-003

**Riverside County
Department of
Veterans' Services Audit**

Report Date: December 7, 2021



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

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

December 7, 2021

Grant Gautsche
Director
Riverside County Department of Veteran's Services
4360 Orange Street
Riverside, CA 92501

Subject: Internal Audit Report 2022-003: Riverside County Department of Veteran's Services Audit

Dear Mr. Gautsche:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Department of Veteran's Services (Veterans' Services) to provide management and the Board of Supervisors with an independent assessment of internal controls over deposit tracking and recording, and outreach activities.

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 2022-003: Riverside County Department of Veterans' Services
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 2022-003: Riverside County Department of Veterans' Services
Audit**

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Internal Audit Report 2022-003: Riverside County Department of Veterans' Services Audit

Executive Summary

Overview

Riverside County Department of Veterans' Services mission is to assist the veterans, their dependents, and respective survivors with obtaining benefits available in educational programs, employment services, healthcare, life insurance, housing, and burial from local, state, and federal agencies. Veterans' Services has an adopted budget of \$2.4 million for FY 2021-22 and has 20 authorized county positions to execute its responsibilities. *County of Riverside, Revised FY 2021-2022 Recommended Budget, 166.*

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 deposit tracking and recording, and outreach activities. 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. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Audit Scope and Methodology

We conducted the audit from May 27, 2021, through August 18, 2021, for operations from July 1, 2019, through August 3, 2021. Following a risk-based approach, our scope initially included the following:

- Deposits Tracking and Recording
- Outreach Activities
- CARES Act Expenditure Eligibility
- Program Eligibility Requirements

Through inquiry, observations, and limited examination of relevant documentation, it was determined through a risk assessment for CARES Act expenditure's eligibility and program eligibility requirements, that the risk exposure to Veterans' Services Department associated with these processes are well mitigated with internal controls and are functioning as designed. We focused our audit scope to internal controls over deposits tracking and recording, and outreach activities.

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Audit Highlights

Summary of Existing Conditions

The current process has not mitigated the following risks:

- Deposits for reimbursements from the state are not consistently tracked and recorded to the respective operating fund. This impacts management's ability to accurately track the reimbursements received from the state and its ability to accurately record and report financial information.
- Payments for services are processed without obtaining complete documentation and information required by the respective grant. This is non-compliant with the grant, and according to the grant's documenting requirements, it can lead to the termination of the agreement.

Summary of Improvement Opportunities

The improvement opportunities are in the following areas:

- Develop a process for tracking deposits to ensure reimbursements are recorded to the respective operating fund.
- Ensure invoices submitted for reimbursement contain all information and documentation required by the grant agreement.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to deposit tracking and recording, and outreach activities. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

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Deposits Tracking and Recording

Background

Veterans' Services is currently utilizing the modified accrual as a method of accounting. The revenue for Veterans' Services is derived from reimbursements provided by the Federal and State Government. The revenue is categorized into these five accounts: Subvention Account, License Plate Account, Medi-Cal Account, CARES Act Account and Deposit Grants (Prop.63) Account. Veterans' Services established and maintains two funds: the general fund and a sub-fund of the general fund. Department's process is to record deposits based on the nature of expenditures.

Objective

To evaluate the existence and adequacy of internal control over Veterans' Services deposit allocations.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Interviewed department management and staff to obtain an overview of the deposit allocation process.
- Obtained a list of deposit transactions to perform detailed testing.
- Obtained and tracked treasury deposits to the corresponding operating fund.

Finding 1: Tracking and Recording of Deposit Transactions

- Deposits for reimbursements from the state are not consistently tracked and recorded to the respective operating fund. We identified three (15%) of 20 transactions totaling \$82,872 which were not accurately tracked and recorded to the respective operating fund. The Standard Practice Manual 1001, *Internal Control*, states, "In order to achieve the internal control's objectives, departments must follow the methods and procedures to ensure the reasonable assurance on accuracy, reliability and timeliness of financial records and reports." It was noted that the department relies on another

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department to assist them with the financial reporting duties, who is not involved in the department's daily operations. This impacts management's ability to accurately track the reimbursements received from the state and its ability to accurately record and report financial information.

Recommendation 1.1

Develop a process for tracking deposits to ensure reimbursements are recorded to the respective operating fund.

Management's Response

"**Concur.** Veterans' Services will be implementing a system of checks and balances to meet the goals set by the ACO's office. This will include assigning one primary staff member to whom all financial transactions will be assigned. One back up member will be assigned in case the primary person is unavailable due to sickness, vacation, or other unforeseen circumstances.

After the deposit has been completed and assigned to a funding string, the primary staff member will notify the Director, Grant Gautsche. Director Gautsche will then check to ensure the transaction was completed properly and within the correct funding string. Veterans' Services has recently requested additional funding to hire an Administrative Services Officer. Upon hiring, this staff member will then become the primary financial analyst for the department and will take on the administrative role for performing this as well as other financial duties."

Actual/Estimated Date of Corrective Action: **January 2023**

Recommendation 1.2

Assign the financial accounting and reporting duties to a staff who is involved in the department's daily operations to ensure consistency in tracking and recording of deposit transactions.

Management's Response

"**Concur.** Our response will remain the same as our response for Recommendation 1.1."

Actual/Estimated Date of Corrective Action: **January 2023**

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Outreach Activities

Background

The State of California - Department of General Services represents an agreement between California Department of Veterans Affairs (CalVet) and Riverside County Department of Veterans' Services, in which Veterans' Services would perform mental health outreach service in accordance with the Mental Health Services Act (Proposition 63), on behalf of CalVet. Veterans' Services is responsible to provide CalVet with four periodic progress reports per year. According to the State of California - Department of General Services, the standard agreement, *Budget Details and Payment Provisions*, Exhibit B, states, "the following information is required: invoices/claims submitted should include the following information in order to be considered complete and acceptable for processing, or the invoice/claim will be returned: date of invoice/claim, location where services were performed, date(s) of service, total dollar amount being billed, first and last name of provider performing services, hourly rate, time in and time out and total hours worked." Veterans' Services offers outreach activities for mental health services, mental health group sessions, veteran centered advocacy, and consultations performed by Behavioral Health.

Objective

To evaluate the existence and adequacy of internal controls over Veterans' Services outreach activities.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of the State of California - Department of General Services, the standard agreement, *Budget Details and Payment Provisions* qualifications and requirements.
- Interviewed department management and staff to obtain an understanding over outreach activities, agreement requirements, and claims process.
- Obtained a list of outreach activity events, invoices, claims and periodic progress reports.

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- Reviewed and compared the agreement requirements with invoices/claims submitted for reimbursements.

Finding 2: Compliance with Grant Agreements

- Payments for services provided from Behavioral Health are processed without obtaining complete documentation and information required by the respective grant. We identified three (100%) out of three invoices received did not contain the locations where services were provided or the hourly times of staff providing the services. The State of California - Department of General Services, the standard agreement, *Budget Details and Payment Provisions - Exhibit B*, states, "all invoices/claims must be completed thoroughly and legibly, with all applicable fields completed. Invoices/claims that are submitted to the appropriate location but have been altered, or are inaccurate, or do not provide all necessary information will not be accepted. Invoices/claims submitted shall include location where services were performed, time in and time out." The County is subject to the examination and audit of the State Auditor in accordance with Government Code section 85467.7. Missing required information and documentation will lead to non-compliance with grant requirements and as stated in the grant agreement, *Proposition 63*, "The agreement can be immediately terminated for cause. The term "for cause" means that the county fails to meet the terms, conditions, and/or responsibilities of the grant."

Recommendation 2

Ensure invoices received from Behavioral Health contain the location of services, sign in and out of times staff providing services as well as other requirements outlined in Exhibit B, *Budget Details and Payment Provisions*, State of California - Department of General Services, grant standard agreement.

Management's Response:

"Concur. Veterans' Services will immediately contact and advise the Veterans Clinical Therapist II from Behavioral Health of the need to provide metrics to include the locations of where services were provided, hourly times of staff providing services to include their time in and time out. This will ensure compliancy with the necessary requirements for the Proposition 63 Grant."

Actual/Estimated Date of Corrective Action: **October 27, 2021**