

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



ITEM: 2.7
(ID # 18438)

MEETING DATE:
Tuesday, March 08, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-011: Riverside County Environmental Health Department Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-011: Riverside County Environmental Health Department Audit

ACTION:Consent


Tanya Harris, Assistant Auditor Controller 2/28/2022

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 Environmental Health Department to provide management and the Board of Supervisors with an independent assessment of internal controls over COVID-19 expenditures, department rates, procurement cards.

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

Please refer to the audit report for the result of the audit.

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 2022-011: Riverside County Environmental Health Department Audit

Internal Audit Report 2022-011

**Riverside County
Environmental Health Department
Audit**

Report Date: March 8, 2022



**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**

March 8, 2022

Jeffrey Johnson
Director
Riverside County Environmental Health Department
4065 County Circle Drive
Riverside, CA 92503

**Subject: Internal Audit Report 2022-011: Riverside County Environmental Health
Department Audit**

Dear Mr. Johnson:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Environmental Health Department to provide management and the Board of Supervisors with an independent assessment of internal controls over COVID-19 expenditures, department rates, procurement cards.

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 2022-011: Riverside County Environmental Health Department
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 2022-011: Riverside County Environmental Health Department
Audit**

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Internal Audit Report 2022-011: Riverside County Environmental Health Department Audit

Executive Summary

Overview

Riverside County Environmental Health Department (Environmental Health) consists of three divisions: District Environmental Services, Environmental Protection and Oversight, and Business Operations and Finance. District Environmental Services is responsible for seven major programs within the division: retail food, recreational water, household garbage and sewage, plan check, organized camps/mobile home parks, retail tobacco, and vector control. Environmental Protection and Oversight division has regulatory control over hazardous materials, land use, and water system-based programs. Business Operations and Finance division provides accounting, revenue tracking, and analysis, purchasing, and budget preparation and monitoring support for the department.

Environmental Health has a recommended budget of \$35 million for FY 2021-22 and has 196 authorized positions to execute its responsibilities *County of Riverside, Fiscal Year 2021/22 Adopted Budget, Volume 1, 289-294*.

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 COVID-19 expenditures, department rates, and procurement cards. 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 July 23, 2021, through November 30, 2021, for operations from July 1, 2019, through November 30, 2021. Following a risk-based approach, our scope initially included the following:

- COVID-19 expenditures
- Department rates
- Procurement cards
- Regulatory agency compliance

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Through inquiry, observations, and examination of relevant documentation, it was determined through a risk assessment of the business processes for regulatory agency compliance, that the risk exposure to Environmental Health associated with these processes are well mitigated with internal controls and are functioning as designed. Therefore, we focused our audit scope on internal controls over COVID-19 expenditures, department rates, and procurement cards.

Audit Highlights

Summary of Existing Conditions

- Environmental Health has not completed a recent cost study in accordance with Board of Supervisors Policy B-4, *Rates Charged for Current Services*, to ensure rates are not over/under capturing the cost of providing services.

Summary of Improvement Opportunities

- Complete a cost study in accordance with Board of Supervisors Policy B-4, *Rates Charged for Current Services*, to support the rates charged by Environmental Health.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to department rates. However, we determined Riverside County Environmental Health Department's internal controls over COVID-19 expenditures, procurement cards and regulatory agency compliance provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2022-011: Riverside County Environmental Health Department Audit

Department Rates

Background

County Ordinance No. 640, *Establishing Environmental Health Services Fees*, allows Environmental Health to adjust required fees to “reflect changes in the relevant Consumer Price Index.” Additionally, Environmental Health must report to the Board of Supervisors, no later than April 15th of each year, “the new required fees and certifying that: (1) the new required fees produce sufficient revenue to support the proposed costs of providing the services in the upcoming fiscal year for which required fees are being charged and (2) the new required fees will not produce revenue that exceeds the proposed costs of providing the services in the upcoming fiscal year for which the new required fees are charged.”

Government Code 54985 authorizes county Board of Supervisors to set a fee in the amount reasonably necessary to recover the cost of providing a product or service. Riverside County Board of Supervisor’s adopted Board of Superiors Policy B-4 (Policy B-4), *Rates Charged for Current Services*, requiring all county departments “evaluate the existing charges for services and in conjunction with the Auditor-Controller and the Executive Officer make recommendations to the Board of Supervisor on changes annually during the preparation of the county budget or more frequently if necessary.” Per Policy B-4, county departments’ rates are subject to a full cost study no less than every three years and adjustments be appropriately made to recover the actual cost of providing services.

Objective

To verify the methodology used to establish the permit and services fees are only used to recover the cost of services provided.

Audit Methodology

To accomplish our objectives, we performed the following:

- Reviewed County policies and procedures, specifically:
 - Board Policy B-4, *Rates Charged for Current Services*
 - County Ordinance No. 640, *Establishing Environmental Health Services Fees*

Internal Audit Report 2022-011: Riverside County Environmental Health Department Audit

- Interviewed key personnel regarding department rate adjustments and methodology.
- Obtained and reviewed the most recent rate methodologies completed for rates charged by Environmental Protection and Oversight, and District Environmental Services divisions.
- Obtained and reviewed the most recent Environmental Health rate adjustment approved by the Board of Supervisors.

Finding 1: Cost Study of Environmental Health Rates

Environmental Health has not completed a cost study for department rates since 2014. A cost study is designed to assess a departments' rate methodology, reasonableness, and cost allocations. A routine cost study aids in analyzing costs that go into providing a service that can change over time such as supplies, salaries, benefits, and overhead costs. Policy B-4 states; "All development-related rates should be submitted to a full cost study not less than every three years and appropriate adjustments made." Policy B-4 further states, "charges should recover actual costs of providing the services." Policy B-4 was not followed due to rates being adjusted based on consumer price index increases over the past seven years. As such, the department rates run the risk of over or under-recovering the cost of providing services.

Recommendation 1.1

Complete a cost study in accordance with Board of Supervisors Policy B-4, *Rates Charged for Current Services*, to support the rates charged by Environmental Health.

Management's Response

"Concur. In accordance with Board of Supervisor's Policy B-4, a cost study designed to assess the methodology, reasonableness, and cost allocation of development related rates will be conducted to ensure charges cover actual costs of providing the services."

Actual/estimated Date of Corrective Action: Prior to FY 23/24 Budget Development

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Recommendation 1.2

Ensure department rates are based on a cost study that has been completed within the timeframe indicated in Board of Supervisors Policy B-4, *Rates Charged for Current Services*.

Management's Response

"Concur. Development related rates established by the completed cost study based upon Recommendation 1.1 will be implemented during FY 23/24 recommended budget submittal and approval."

Actual/estimated Date of Corrective Action: Prior to FY 23/24 Budget Development

**Internal Audit Report 2022-011: Riverside County Environmental Health Department
Audit**

COVID-19 Expenditures

Background

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. As part of the CARES Act, \$150 billion was made available to States, Tribal Governments, and units of local government with populations exceeding 500,000. The County of Riverside received \$431 million in Coronavirus Relief Funds. Funds from Coronavirus Relief Fund can only be used for covering costs that are necessary, expenditures incurred due to the public health emergency with respect to COVID-19, expenditures that were not accounted for in the budget most recently approved as of the date of enactment of this section for the state or government, and expenditures that were incurred during March 1, 2020, and December 30, 2020.

Prior to disbursement of CARES Act funds to county departments, County of Riverside implemented eligibility and reimbursement criteria. "The criterion was set in place to conform to the requirements of the Coronavirus Relief Fund, Guidance for state, Local, and Tribal Governments guidelines issued by the U.S Department of the Treasury." (Grants (CARES) Administration Procedures & Guidelines). County departments were required to submit documentation of COVID-19 related expenditures and labor costs to the RIVCO CARES team to obtain reimbursement. Our scope specifically included a review of COVID-19 related expenditures and labor costs reimbursed to Environmental Health.

Objective

To evaluate internal controls over the reimbursement of COVID-19 expenditures and ensure reimbursements were allowable and appropriate under reimbursement guidelines.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Grants (CARES) Administration Procedures & Guidelines, *Guide for Rivco Cares Team to Administer Grants for COVID-19*.

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- Interviewed key personnel regarding COVID-19 expenditure reporting and reimbursement processes.
- Obtained a listing of all COVID-19 reimbursement claims and expenditures within each claim.
- Selected a judgmental sample of supplies/goods expenditures which were submitted for COVID-19 reimbursement.
- Reviewed supporting documentation for COVID supplies/goods expenditures.
- Verified COVID supplies/goods expenditures were COVID related.
- Performed an analysis of all Environmental Health staff hours reported in the audit review period to identify COVID-19 related activity hours reported by each employee.
- Selected a random sample of COVID-19 related hours by Environmental Health employees and examined employee time tracking records to verify if activities were COVID-19 related.

Finding: None Noted

Based upon the results of our audit, we determined internal controls over COVID-19 expenditures provide reasonable assurance that its objective related to this area will be achieved.

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Procurement Cards

Background

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.

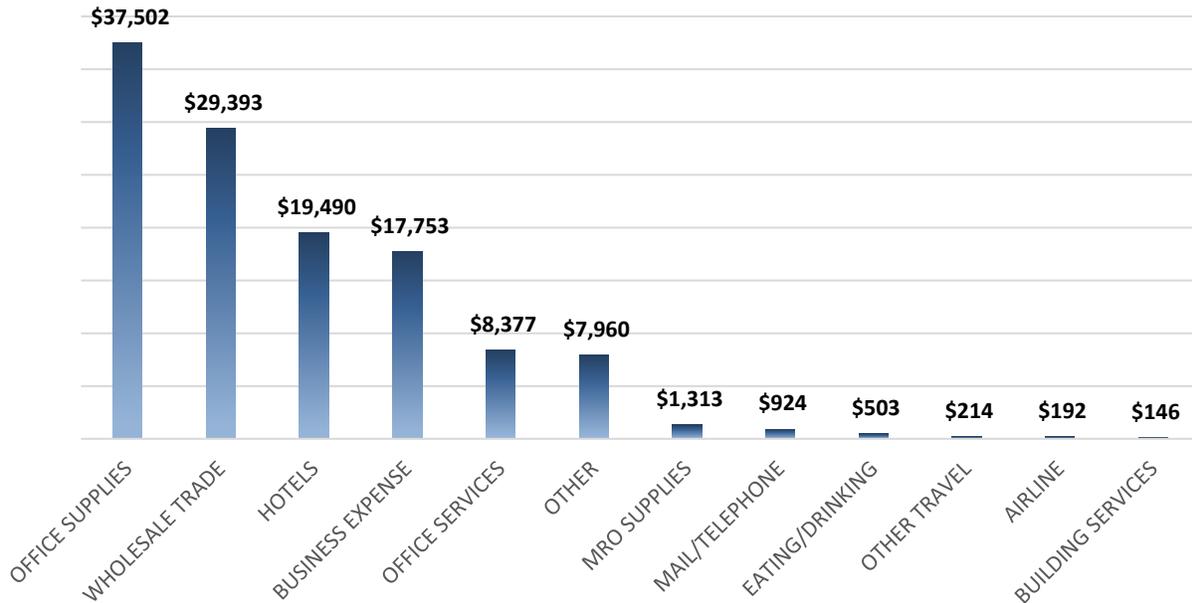
Environmental Health has three procurement cardholders, as of August 1, 2021. Procurement card expenditures for the period July 1, 2019, through July 7, 2021, included 377 transactions totaling \$123,767.

The chart below illustrates Environmental Health's procurement card expenditures for the period July 1, 2019, through August 1, 2021, categorized in the following: office

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supplies, wholesale trade, hotels, business expense, office services, other, medical repair operations (MRO) supplies, mail/telephone, eating/drinking, other travel, airline, building services. Expenditures for the top three merchant groups include office supplies at \$37,502, wholesale trade at \$29,393, and hotels at \$19,490. These transactions make up 68% of the total procurement card transactions, for a total of \$86,385.

**Environmental Health
 Procurement Card Transactions
 (July 1, 2019 through August 1, 2021)**



Background of area reviewed.

Objective

To determine if proper management controls are maintained over the authorization and use of the department’s procurement card.

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Audit Methodology

To accomplish our objectives, we performed the following:

- 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 and other documents to determine compliance with Riverside County's procurement card policies and procedures.
- Obtained a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- Analyzed procurement card data pulled from County of Riverside financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Verified for appropriate levels of management review and approval.
- Interviewed key personnel regarding procurement card internal controls and their processes.
- Reviewed supporting documentation for procurement card expenditures.

Finding: None Noted

Based upon the results of our audit, we determined internal controls over procurement cards provide reasonable assurance that its objective related to this area will be achieved.