

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



ITEM: 2.6
(ID # 18495)

MEETING DATE:
Tuesday, March 08, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-304: Riverside University Health System, Public Health Follow-up Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-304: Riverside University Health Systems, Public Health Follow-up Audit

ACTION:Consent


Tanya Harris, Assistant Auditor Controller 2/25/2022

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
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 completed a follow-up audit of the Riverside University Health Systems, Public Health. Our audit was limited to reviewing actions taken as of December 30, 2021, to correct findings noted in our original audit report 2020-005 dated March 12, 2020. The original audit report contained 4 recommendations, all of which required implementation to help correct the reported findings.

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 - Internal Audit Report 2022-304: Riverside University Health Systems, Public Health Follow-up Audit.

Internal Audit Report 2022-304

**Riverside County
Riverside University Health Systems, Public
Health Department
Follow-up Audit**

Report Date: March 8, 2022



**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 8, 2022

Kim Saruwatari
Director
Riverside University Health System, Public Health
4065 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2022-304: Riverside University Health System, Public Health Follow-up Audit

Dear Ms. Saruwatari:

We completed the follow-up audit of Riverside University Health System - Public Health. Our audit was limited to reviewing actions taken as of December 30, 2021, to help correct the findings noted in our original audit report 2020-005 dated March 12, 2020.

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 four recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that all four of the recommendations were not implemented.

**Internal Audit Report 2022-304: Riverside University Health Systems, Public Health,
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, please refer to Internal Audit Report 2020-005 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
Jeff A. Van Wagenen, County Executive Officer
Grand Jury

**Internal Audit Report 2022-304: Riverside University Health Systems, Public Health,
Follow-up Audit**

Table of Contents

	Page
Results:	
Outreach Event Inventories	4
Cost Recovery	5
 Attachments:	
A. Internal Audit Report 2020-005	
B. Status of Findings as Reported by Riverside University Health Systems, Public Health on December 30, 2021	

Internal Audit Report 2022-304: Riverside University Health Systems, Public Health, Follow-up Audit

Outreach Event Inventories

Finding 1: Outreach Event Inventories

Public Health does not have a standardized inventory process for program staff to conduct inventory counts after each outreach event. In addition, there is no management review of the inventories on a regular basis. Inventories are tracked by the event associated to each outreach program. Staff for the programs conducting the outreach follow their own individual inventory system and process for tracking items. As a result, the lack of a standardized and uniform process results in inaccurate inventory on hand for subsequent events. Standard Practice Manual 1001, *Internal Controls*, "County departments and agencies shall establish, document and maintain an effective system of internal controls for promoting effectiveness and efficiency of operations." The lack of an effective inventory process can lead to the theft or misappropriation of county inventory items.

Recommendation 1.1

Establish policies and procedure to document the outreach event inventory process.

Current Status 1.1: Not Implemented

Riverside University Health System, Public Health (Public Health) has not developed policies or procedures for the outreach event inventory process. The department stated their plan will be to establish these policies by June 30, 2022.

Recommendation 1.2

Procedures should include reviewer signature and date when the inventory counts and validations are completed.

Current Status 1.2: Not Implemented

Public Health has not developed policies or procedures for the outreach event inventory process. The department stated their plan will be to establish these policies by June 30, 2022.

**Internal Audit Report 2022-304: Riverside University Health Systems, Public Health,
Follow-up Audit**

Cost Recovery

Finding 2: Lack of supporting documentation for recovered cost

Public Health was not able to provide supporting documentations for the revenues received from the clinics via journal entries. Standard Practice Manual 1001, *Internal Controls*, "County departments and agencies shall establish, document and maintain an effective system of internal controls to routinely review and reconcile that transactions were properly processed." Riverside University Health clinics do not provide supporting documentation for revenues collected for Public Health services. Lack of internal controls over revenues could result in the loss of funds collected on behalf of Public Health.

Recommendation 2.1

Establish procedures to request and review supporting documentation for revenues received from the clinics.

Current Status 2.1: Not Implemented

Public Health has not developed procedures to request and review supporting documentation for revenues received from the clinics. The department stated their plan will be to establish these procedures by June 30, 2022.

Recommendation 2.2

Work with Federally Qualified Health Center clinics to obtain back up documentation supporting the journal entries for services provided and the revenue received from the clinics.

Current Status 2.2: Not Implemented

Public Health has continued to work with the Federally Qualified Health Center clinics to obtain appropriate back up supporting journal entries however has not fully implemented a review or reconciliation process. The department stated this process should be completed by June 30, 2022.

Attachment A

Internal Audit Report 2020-005

**Riverside University Health System,
Public Health Audit**

Report Date: March 12, 2020



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

www.auditorcontroller.org



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Fax (951) 955-3802



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

**Oscar Valdez
Assistant Auditor-Controller**

March 12, 2020

Kimberly Saruwatari
Director
Riverside University Health System, Public Health
4065 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2020-005: Riverside University Health System, Public Health Audit

Dear Ms. Saruwatari:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of Riverside University Health System, Public Health to provide management and the Board of Supervisors with an independent assessment of internal controls over outreach events inventories and cost recovery.

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, we determined:

- 1) Public Health does not have adequate internal control over its outreach event inventories. Specifically, Public Health does not have policies and procedures to standardize the inventory process and accurately track all outreach event inventories as they are distributed in the community.

Internal Audit Report 2020-005: Riverside University Health System, Public Health Audit

- 2) Public Health does not obtain back up documentation for revenues received from the Riverside University Health System Clinics. Specifically, the revenues received via journal entries from the clinics do not have supporting documentation.

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
George Johnson, County Executive Officer
Grand Jury

Table of Contents

	Page
Executive Summary	4
 Results:	
Outreach Event Inventories.....	6
Cost Recovery.....	8

Executive Summary

Overview

As a division of Riverside University Health System, Public Health's is responsible for providing health services to Riverside County's residents and visitors. Some of the services Public Health provides to the public are as follows:

- Control and prevention of communicable diseases
- Responding to public health emergencies
- Prevention and control of chronic disease
- Promoting healthy behavior

To provide the services above, Public Health's 2020 budget includes \$80.5 million and 623 authorized positions. *County of Riverside, Fiscal Year 2019/20 Adopted Budget, June, 2019, 210.*

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 outreach events inventories and cost recovery. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

Audit Scope and Methodology

We conducted the audit from August 6, 2019, through October 22, 2019, for operations from July 1, 2017, through June 20, 2019. Following a risk based approach, our scope initially included the following:

- Business continuity plan
- Cost recovery associated with receipts from clinics
- Grant compliance
- Outreach events inventories
- Third party service providers

Through inquiry, observations, and examination of relevant documentation, we focused our scope to internal controls over outreach events inventories and cost recovery.

Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

Internal Audit Report 2020-005: Riverside University Health System, Public Health Audit

- Public Health does not have general policies and procedures for outreach event inventories.
- Public Health receives revenue from clinics in connection to specific grants, but does not obtain supporting documentation to verify whether all revenues are being properly collected.

Improvement Opportunities

The improvement opportunities are in the following risk areas:

- Establish policies and procedures to ensure the inventory process for items used for outreach activities are standardized and tracked for all outreach programs.
- Request and maintain supporting documentation for revenues received from the Riverside University Health System clinics.

Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Public Health does not have adequate internal control over its outreach event inventories. Specifically, Public Health does not have policies and procedures to standardize the inventory process and accurately track all outreach event inventories as they are distributed in the community.
- 2) Public Health does not obtain back up documentation for receipts received from the Riverside University Health System Clinics. Specifically, the revenues received via journal entries from the clinics do not have supporting documentation.

Outreach Event Inventories

Background

Public Health administers several health programs to help and educate the community about health services available. Some of these programs include:

- California Home Visiting Program
- Family Planning Services
- Maternal, Child, Adolescent Health
- Human Immunodeficiency Viruses (HIV) Program
- Pediatric Immunization Services

In an effort to make the public aware of these programs and services, Public Health conducts outreach activities or events throughout the year to reach out to potential users. Responsible staff for these programs conduct the outreach event. In addition, program staff keep track of any supplies and inventory associated with the event. Each program staff keeps an inventory in the Public Health warehouse. When items are used or new items are acquired, the staff will update their own individual program inventory list.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over outreach event inventories.

Audit Methodology

To accomplish our objectives, we:

- Reviewed inventory procedures for outreach event items and supplies
- Conducted interviews and performed walk-throughs with office personnel
- Selected a sample of outreach inventory lists and performed audit test to validate the inventory

Finding 1: Outreach Event Inventories

Public Health does not have a standardized inventory process for programs staff to conduct inventory counts after each outreach event. In addition, there is no management review of the inventories on a regular basis. Inventories are tracked by the event associated to each outreach program. Staff for the programs conducting the outreach follow their own individual inventory system and process for tracking items. As a result, the lack of a standardized and uniform process results in inaccurate inventory on hand for subsequent events. Standard Practice Manual 1001,

Internal Audit Report 2020-005: Riverside University Health System, Public Health Audit

Internal Controls, "County departments and agencies shall establish, document and maintain an effective system of internal controls for promoting effectiveness and efficiency of operations." The lack of an effective inventory process can lead to the theft or misappropriation of county inventory items.

Recommendation 1.1

Establish policies and procedures to document the outreach event inventory process.

Management's Response

"**Concur.** RUHS - Department of Public Health will develop policies and procedures to document the outreach event inventory process."

Actual/estimated Date of Corrective Action: September 30, 2020

Recommendation 1.2

Procedures should include reviewer signature and date when the inventory counts and validations are completed.

Management's Response

"**Concur.** Completed inventory counts and validations will include reviewer signature and date."

Actual/estimated Date of Corrective Action: September 30, 2020

Cost Recovery

Background

Public Health budget includes federal, state and other government agencies grant revenues of over \$68.9 million, which include revenues received from the Riverside University Health System (RUHS) clinics. From July 1, 2018, through June 30, 2019, Public Health received \$1.5 million in revenues from the Riverside University Health clinics via journal entries.

These grants support the departments in providing services to the community including but not limited to: child health exams, laboratory services, nutrition therapy services, immunizations, lead poisoning prevention, and community outreach.

Some of these services are provided to Public Health clients at the Federally Qualified Health Center clinics when they seek service under programs such as HIV and family planning. The clinics are responsible for collecting revenues on behalf of Public Health. Revenues collected from clients are sent to Public Health through a journal entry posted directly to Riverside County financial system on a monthly basis.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cost recovery efforts.

Audit Methodology

To accomplish our objectives, we:

- Conducted walkthrough of journal entries process and documentation
- Conducted interviews with fiscal services staff
- Reviewed supporting documentation for selected journal entries

Finding 2: Lack of supporting documentation for recovered cost

Public Health was not able to provide supporting documentations for the revenues received from the clinics via journal entries. Standard Practice Manual 1001, *Internal Controls*, "County departments and agencies shall establish, document and maintain an effective system of internal controls to routinely review and reconcile that transactions were properly processed." Riverside University Health clinics do not provide supporting documentation for revenues collected for Public Health services. Lack of internal controls over revenues could result in the loss or theft of funds collected on behalf of Public Health.

Internal Audit Report 2020-005: Riverside University Health System, Public Health Audit

Public Health services. Lack of internal controls over revenues could result in the loss or theft of funds collected on behalf of Public Health.

Recommendation 2.1

Establish procedures to request and review supporting documentation for revenues received from the clinics.

Management's Response

"**Concur.** RUHS - Department of Public Health will document procedures used to request and establish procedures to review supporting documentation for revenues received from FQHC Clinics."

Actual/estimated Date of Corrective Action: September 30, 2020

Recommendation 2.2

Work with Federally Qualified Health Center clinics to obtain back up documentation supporting the journal entries for services provided and the revenue received from the clinics.


Management's Response

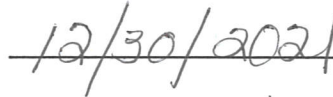
"**Concur.** RUHS - Department of Public Health will continue to work with FQHC Clinics to obtain backup documentation supporting journal entries transferring revenues to Public Health."

Actual/estimated Date of Corrective Action: December 31, 2020

"RUHS - DOPH has requested the supporting documentation from FQHC Clinic Management and is awaiting a response."

The Following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2020-005: Riverside University Health System, Public Health, Audit.





Authorized Signature

Date

Finding 1: Outreach Event Inventories

Public Health does not have a standardized inventory process for programs staff to conduct inventory counts after each outreach event. In addition, there is no management review of the inventories on a regular basis. Inventories are tracked by the event associated to each outreach program. Staff for the programs conducting the outreach follow their own individual inventory system and process for tracking items. As a result, the lack of a standardized and uniform process results in inaccurate inventory on hand for subsequent events. Standard Practice Manual 1001, *Internal Controls*, "County departments and agencies shall establish, document and maintain an effective system of internal controls for promoting effectiveness and efficiency of operations." The lack of an effective inventory process can lead to the theft or misappropriation of county inventory items.

Current Status

Reported Finding Corrected? Yes No

Days prior to the published *Internal Audit Report 2020-005: RUHS - Public Health*, on March 12, 2020, RUHS – Public Health activated its department operations center (DOC) to respond to the coronavirus (COVID-19) pandemic. All immediate resources and staffing were transitioned to this emergent operations center and many have continued to be actively participating as of today's date. Due to the ongoing pandemic response, RUHS – Public Health did not have the resources to correct the reported finding.

Recommendation 1.1

Establish policies and procedure to document the outreach event inventory process.

Management Reply

"**Concur.** RUHS - Department of Public Health will develop policies and procedures to Document the outreach event inventory process."

Actual/estimated Date of Corrective Action: **September 30, 2020**

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

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

The department has not implemented the recommendation.

The policy and procedure to document the outreach event inventory process has been added to the 2021/2022 RUHS – PH Internal Audit and Compliance Work Plan to be completed by June 30, 2022.

Recommendation 1.2

Procedures should include reviewer signature and date when the inventory counts and validations are completed.

Management Reply

“**Concur.** Completed inventory counts and validations will include reviewer signature and date.”

Actual/estimated Date of Corrective Action: **September 30, 2020**

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

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

The department has not implemented the recommendation.

The policy and procedure to document the outreach event inventory process has been added to the 2021/2022 RUHS – PH Internal Audit and Compliance Work Plan to be completed by June 30, 2022. The procedures will include reviewer signature and date when the inventory counts and validations are completed.

Finding 2: Lack of supporting documentation for recovered cost

Public Health was not able to provide supporting documentations for the revenues received from the clinics via journal entries. Standard Practice Manual 1001, *Internal Controls*, “County departments and agencies shall establish, document and maintain an effective system of internal controls to routinely review and reconcile that transactions were properly processed.” Riverside University Health clinics do not provide supporting documentation for revenues collected for Public Health services. Lack of internal controls over revenues could result in the loss of funds collected on behalf of Public Health.

Current Status

Reported Finding Corrected? Yes No

Days prior to the published *Internal Audit Report 2020-005: RUHS - Public Health*, on March 12, 2020, RUHS – Public Health activated its department operations center (DOC) to respond to the coronavirus (COVID-19) pandemic. All immediate resources and staffing were transitioned to this emergent operations center and many have continued to be actively participating as of today's date. Due to the ongoing pandemic response, RUHS – Public Health did not have the resources to correct the reported finding.

Recommendation 2.1

Establish procedures to request and review supporting documentation for revenues received from the clinics.

Management Reply

“**Concur.** RUHS - Department of Public Health will document procedures used to request and establish procedures to review supporting documentation for revenues received from FQHC Clinics.”

Actual/estimated Date of Corrective Action: **September 30, 2020**

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

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

The department has not implemented the recommendation.

The written procedure to request and review supporting documentation for revenues received from the clinics has been added to the 2021/2022 RUHS – PH Internal Audit and Compliance Work Plan to be completed by June 30, 2022.

Recommendation 2.2

Work with Federally Qualified Health Center clinics to obtain back up documentation supporting the journal entries for services provided and the revenue received from the clinics.

Management Reply

“**Concur.** RUHS - Department of Public Health will continue to work with FQHC Clinics to obtain backup documentation supporting journal entries transferring revenues to Public Health.”

Actual/estimated Date of Corrective Action: **December 31, 2020**

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

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

The department has partially implemented the recommendation.

The department continues to work with the FQHC clinics to obtain appropriate back up supporting the journal entries. The required supporting documentation is cumbersome and complex to review and complete the reconciliation process; therefore, the Teams have recently implemented biweekly meetings to ensure collaboration and to strategize on how to implement an efficient and timely reconciliation process to submit appropriate supporting documentation, with an anticipated completion date of June 30, 2022.