

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



ITEM: 2.8
(ID # 18873)

MEETING DATE:
Tuesday, April 26, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit

ACTION:Consent


Tanya Harris, Assistant Auditor Controller 4/14/2022

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

We completed a follow-up audit of Fire Department. Our audit was limited to reviewing actions taken as of January 11, 2022, to correct findings noted in our original audit report 2018-020 dated March 4, 2019. The original audit report contained one recommendation, all of which required implementation to help correct the reported findings.

BACKGROUND:

Summary (continued)

Please see report for audit results.

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 - Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit.

Internal Audit Report 2022-307

**Riverside County
Fire Department Follow-up
Audit**

Report Date: April 26, 2022



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller**
4080 Lemon Street, 11th Floor
Riverside, CA 92509
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www.auditorcontroller.org



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OFFICE OF THE
AUDITOR-CONTROLLER**

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

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

April 26, 2022

Bill Weiser
Fire Chief
Riverside County Fire Department
210 W. San Jacinto Avenue
Perris, CA 92570

Subject: Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit

Dear Chief Weiser:

We completed the follow-up audit of Fire Department. Our audit was limited to reviewing actions taken as of January 11, 2022, to help correct the findings noted in our original audit report 2018-020 dated March 4, 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 one recommendation, which required implementation to help correct the reported finding. Based on the results of our audit, we found that the one recommendation was not implemented.

Internal Audit Report 2022-307: Riverside County Fire 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, please refer to Internal Audit Report 2018-020 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 2022-307: Riverside County Fire Department, Follow-up Audit

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Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit

Capital Assets

Finding 1: Capital Asset Listing

The location of five assets did not agree with the Riverside County financial system listing. In addition, two capital assets were surplused and were not removed from the Riverside County financial system listing. Per SPM 513, Capital Asset Tags, when an asset is to be moved from one location to another, the department must complete an SPM Form AM-6, Capital Asset Transfer, and the location change must be noted in the Riverside County financial system. Furthermore, SPM 514, Capital Asset Disposal, requires that for assets surplused, a completed SPM Form AM-7, Capital Asset Disposition, must be submitted to the Riverside County Auditor- Controller's Office with supporting documentation. The Fire Department does not have a system in place to ensure assets are updated in the Riverside County financial system when they are moved. Asset inventory control is essential to ensure the Fire Department assets are adequately safeguarded, financial records are accurate, and county policies and procedures are adhered to.

Recommendation 1

Ensure capital assets are tracked and surplused in accordance with SPM 513, *Capital Asset Tags* and SPM 514, *Capital Asset Disposal*.

Current Status 1: Not Implemented

During our review of 16 assets sampled, we identified the following: four capital assets were not in the location as indicated in the Riverside County financial system, two capital assets were not updated with sufficient information to accurately identify capital assets in the Riverside County financial system, and one capital asset was not in use as indicated in the Riverside County financial system.

Attachment A

Internal Audit Report 2018-020

**Riverside County
Fire Department
Change of Department Head Audit
(Fire Chief)**

Report Date: March 4, 2019



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

Oscar Valdez
Assistant Auditor-Controller

March 4, 2019

Chief Shawn C. Newman
Fire Chief
Riverside County Fire Department
210 W. San Jacinto Avenue
Perris, CA 92570

Subject: Internal Audit Report 2018-020: Riverside County Fire Department, Change of Department Head Audit (Fire Chief)

Dear Mr. Newman:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department head audit for Riverside County Fire Department (Fire Chief). This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we determined:

- 1) Transfer of responsibility for revolving funds and capital assets to the newly appointed Fire Chief was processed timely and documented with required forms.
- 2) Internal controls over the revolving funds are adequate to ensure safeguarding of the funds. However, the internal controls to ensure the safeguarding of capital assets are not operating effectively. Specifically, the capital asset listing did not agree with the Riverside County financial system listing.

Internal Audit Report 2018-020: Riverside County Fire Department, Change of Department Head Audit (Fire Chief)

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.

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

The Riverside County Fire Department's (Fire Department) responsibility is to be a public safety agency that protects life, property, and the environment. The Fire Department has an adopted budget of \$325 million for FY 2018-19 and has 280 authorized positions to fulfill their mission. *County of Riverside, Fiscal Year 2018-19 Adopted Budget, November 2018, 160.*

The Fire Department has experienced two instances of department head changes in the last year. The first one occurred in January 30, 2018, and an interim Fire Chief was appointed until a new Fire Chief was hired permanently. The second change of department head occurred in August 1, 2018. We performed audit procedures for both instances.

Audit Objective

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

Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Transfer of responsibility for revolving funds and capital assets to the newly appointed Fire Chief was processed timely and documented with required forms.
- 2) Internal controls over the revolving funds are adequate to ensure safeguarding of the funds. However, the internal controls to ensure the safeguarding of capital assets are not operating effectively. Specifically, the capital asset listing did not agree with the Riverside County financial system listing.

Revolving Funds

Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisors also adopted Board Resolution 83-338 on November 1, 1983, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

The Fire Department has one revolving fund, with an authorized balance of \$1,000, maintained in the form of a bank account. The revolving fund is primarily used to pay for business expenses and employee training. The checkbook is locked in a safe and access is limited to two individuals. The use of revolving funds requires management's approval. In addition, the checkbook is reconciled monthly to the bank statement and approved by a manager.

Objective

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

Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds
- Interviewed key personnel and reviewed department procedures over the revolving funds
- Verified revolving fund reconciliations were prepared
- Performed a surprise cash count and reconciled to the fund assignment amounts
- Verified adequate segregation of duties existed
- Performed limited testing on replenishment transactions

Findings: None noted

The Fire Department has an established process in place for the use of the revolving funds. Access to the revolving fund cash is limited to the fund custodian. We physically observed the petty cash funds are kept in locked boxes in locked drawers with access limited.

Based upon the results of our testing, we determined revolving funds were transferred to the new Fire Chief of the Riverside County Fire Department in a timely manner and adequate internal controls are in place over the transfer and safeguarding of revolving funds.

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 (SPM) 515, *Capital Asset Certification*, a department must "submit an SPM Form AM-1, *Inventory Of County Property For Capital Assets*, and capital asset inventory listing as soon as there is a change in department head position."

As of January 30, 2018, when the first instance occurred for the change of department head, the Fire Department maintained 1,104 capital assets in the Riverside County financial system asset module, consisting of owned vehicles, leased vehicles, equipment, buildings, software, and land with the combined acquisition cost of \$75.1 million. When the second instance occurred for the change of department head, the Fire Department maintained 1,078 capital assets with a combined acquisition cost of \$72.8 million.

Objective

To determine if the required SPM Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new Fire Chief 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
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Selected a judgmental sample of capital assets to verify adequate internal controls exist over the safeguarding of assets.
- Selected a judgmental sample and verified the existence of 20 capital assets that were transferred to the new department head

Internal Audit Report 2018-020: Riverside County Fire Department, Change of Department Head Audit (Fire Chief)

- Identified additional capital assets during field review and traced the capital assets to the Riverside County financial system asset module.

Finding 1: Capital Asset Listing

The location of five assets did not agree with the Riverside County financial system listing. In addition, two capital assets were surplus and were not removed from the Riverside County financial system listing. Per SPM 513, *Capital Asset Tags*, when an asset is to be moved from one location to another, the department must complete an SPM Form AM-6, *Capital Asset Transfer*, and the location change must be noted in the Riverside County financial system. Furthermore, SPM 514, *Capital Asset Disposal*, requires that for assets surplus, a completed SPM Form AM-7, *Capital Asset Disposition*, must be submitted to the Riverside County Auditor-Controller's Office with supporting documentation. The Fire Department does not have a system in place to ensure assets are updated in the Riverside County financial system when they are moved. Asset inventory control is essential to ensure the Fire Department assets are adequately safeguarded, financial records are accurate, and county policies and procedures are adhered to.

Recommendation 1

Ensure capital assets are tracked and surplus in accordance with SPM 513, *Capital Asset Tags* and SPM 514, *Capital Asset Disposal*.

Management's Response

"**Concur.** The Department completes an annual inventory of all assets at the end of the fiscal year. As part of this inventory, each Battalion and Bureau must certify the assets listed at their location and its condition. We have corrected the discrepancies found and will diligently continue an annual inventory verifying location and condition. The Department is reviewing the current procedure regarding the movement and surplus of assets and will modify as necessary to ensure the financial system is updated accordingly."

Actual/estimated Date of Corrective Action: **June 30, 2019**

Auditor's Comment

It is important for the Fire Department to ensure the accuracy of the capital asset annual inventory. Items identified as surplus, but not removed from the Riverside County financial system occurred in FY 16/17, yet their procedures did not capture the inaccuracy of their capital assets.



Attachment B

CAL FIRE - RIVERSIDE UNIT
RIVERSIDE COUNTY FIRE DEPARTMENT

BILL WEISER - FIRE CHIEF

210 WEST SAN JACINTO AVENUE, PERRIS, CA 92570-1915
BUS: (951) 940-6900 FAX: (951) 940-6373 WWW.RVCFIRE.ORG

PROUDLY SERVING THE UNINCORPORATED AREAS OF RIVERSIDE COUNTY AND THE CITIES OF:

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BEAUMONT
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NORCO
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TEMECULA
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BOARD OF SUPERVISORS:
KEVIN JEFFRIES DISTRICT 1
KAREN SPIEGEL DISTRICT 2
CHARLES WASHINGTON DISTRICT 3
V. MANUEL PEREZ DISTRICT 4
JEFF HEWITT DISTRICT 5

To: René Casillas, Chief Internal Auditor

From: Bill Weiser, Fire Chief

Re: Internal Audit Report 2022-307: Riverside County Fire Department, Follow-up Audit 2018-020

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2018-020: Riverside County Fire Change of Department Head Audit.

Handwritten signature of Bill Weiser

Handwritten date 1-11-22

Authorized Signature

Date

Finding 1: Capital Asset Listing

The location of five assets did not agree with the Riverside County financial system listing. In addition, two capital assets were surplus and were not removed from the Riverside County financial system listing. Per SPM 513, Capital Asset Tags, when an asset is to be moved from one location to another, the department must complete an SPM Form AM-6, Capital Asset Transfer, and the location change must be noted in the Riverside County financial system. Furthermore, SPM 514, Capital Asset Disposal, requires that for assets surplus, a completed SPM Form AM-7, Capital Asset Disposal, must be submitted to the Riverside County Auditor- Controller's Office with supporting documentation. The Fire Department does not have a system in place to ensure assets are updated in the Riverside County financial system when they are moved. Asset inventory control is essential to ensure the Fire Department assets are adequately safeguarded, financial records are accurate, and county policies and procedures are adhered to.

Current Status

Reported Finding Corrected? [X] Yes [] No

Empty rectangular box for notes or comments.

Recommendation 1

Ensure capital assets are tracked and surplus in accordance with SPM 513, Capital Asset Tags and SPM 514, Capital Asset Disposal.

Management's Response

"Concur. The Department completes an annual inventory of all assets at the end of the fiscal year. As part of this inventory, each Battalion and Bureau must certify the assets listed at their location and its condition. We have corrected the discrepancies found and will diligently continue an annual inventory verifying location and condition. The Department is reviewing the current procedure regarding the movement and surplus of assets and will modify as necessary to ensure the financial system is updated accordingly."

Actual/estimated Date of Corrective Action: **June 30, 2019**

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).

Corrective action completed. Completed three (3) full asset inventories in 2019, 2020, and 2021.