

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



ITEM: 2.3
(ID # 18961)

MEETING DATE:
Tuesday, May 10, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-309: Riverside County Purchasing and Fleet Services Department Follow-up Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-309: Riverside County Purchasing and Fleet Services Department, Follow-up Audit

ACTION:Consent



Tanya Harris, Assistant Auditor Controller 4/27/2022

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 Purchasing and Fleet Services Department. Our audit was limited to reviewing actions taken as of April 4, 2022, to correct findings noted in our original audit report 2018-016 dated October 19, 2018. The original audit report contained three recommendations, 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 2022-309: Riverside County Purchasing and Fleet Services Department, Follow-up Audit.

Internal Audit Report 2022-309

**Riverside County
Purchasing and Fleet Services Department
Follow-up Audit**

Report Date: May 10, 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

May 10, 2022

Sarah Franco
Director
Riverside County Purchasing and Fleet Services
2980 Washington Street
Riverside, CA 92504

Subject: Internal Audit Report 2022-309: Riverside County Purchasing and Fleet Services Department, Follow-up Audit

Dear Ms. Franco:

We completed the follow-up audit of Purchasing and Fleet Services Department. Our audit was limited to reviewing actions taken as of April 4, 2022, to help correct the findings noted in our original audit report 2018-016 dated October 19, 2018.

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 three recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that all three recommendations were implemented.

**Internal Audit Report 2022-309: Riverside County Purchasing and Fleet Services 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 2018-016 at [www.auditorcontroller.org/Divisions/AuditsandSpecialized Accounting/InternalAudit Reports](http://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

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Capital Assets

Finding 1: Capital Asset Transfer of Accountability

We identified that a transfer of capital asset accountability was not completed for the newly appointed director. The newly appointed director was appointed on September 28, 2017. The department was aware of the policy but did not submit the form timely. Standard Practice Manual (SPM), Form AM-1, *Inventory of County Property for Capital Assets*, was not submitted to the Riverside County Auditor-Controller's Office when the change in department head occurred. By not transferring capital assets to the incoming director, the department did not comply with Riverside County Auditor-Controller's SPM 515, *Transfer of Accountability on Capital Assets*.

Recommendation 1

Ensure the transfer of capital assets from the outgoing officer to the incoming officer is documented using SPM AM-1 Form, *Inventory of County Property for Capital Assets*, and submit it to the Auditor-Controller's Office is submitted within 30 days.

Current Status 1: Implemented

We verified the new department head submitted the AM-1 form as required.

Finding 2: Asset Management Module Not Updated

During our review of the capital assets, it was noted that 5 of 42 capital assets did not have a county tag number attached, or the tag number did not agree to the asset management module in the county's financial system. In addition, three capital assets were not in the location indicated in the asset management module. Also, one asset surplus in 2013 was not removed. By not properly tagging and updating the location of individual capital assets, the department did not comply with SPM 513, *Capital Asset Tags*. In addition, the department did not comply with SPM 514, *Disposal of Capital Asset*, when they failed to remove the surplus capital asset from the asset management module. Failing to tag capital assets, update asset locations, and remove surplus assets increase the risk of asset misappropriation and theft.

Recommendation 2.1

Ensure all capital assets have an attached asset tag number and the equipment is properly tagged and agrees with the information listed in the asset management module.

Current Status 2.1: Implemented

Recommendation 2.2

Ensure asset locations agree with the asset management module in order to provide accurate inventory of capital assets.

Current Status 2.2: Implemented

Attachment A

Internal Audit Report 2018-016

**Riverside County Purchasing and Fleet
Services Department, Change of
Department Head Audit**

Report Date: October 19, 2018



**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
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Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

October 19, 2018

Teresa Summers
Director
Riverside County Purchasing and Fleet Services Department
2980 Washington Street
Riverside, CA 92507

Subject: Internal Audit Report 2018-016: Riverside County Purchasing and Fleet Services Department, Change of Department Head Audit

Dear Ms. Summers:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Purchasing and Fleet Services Department. This audit is conducted to ensure accountability over the transfer of revolving funds and capital assets from the predecessor to the new appointed 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 that the capital assets and revolving funds were not properly transferred to you. Also, internal controls over capital assets are inadequate.

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.



**Internal Audit Report 2018-016: Riverside County Purchasing and Fleet Services Department,
Change of Department Head Audit**

We thank the Riverside County Purchasing and Fleet Services Department management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, Chief Executive Officer
Grand Jury

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Executive Summary

Overview

The responsibility of Riverside County Purchasing and Fleet Services Department is to provide materials, vehicles and services to county departments and agencies in the most effective and efficient manner. Purchasing and Fleet Services Department has an adopted budget of over \$59 million for FY 17/18 and has 127 authorized positions to fulfill their mission.

Audit Objective

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

Audit Conclusion

Based upon the results of our audit, we determined that the capital assets and revolving funds were not properly transferred to the new director of the Riverside County Purchasing and Fleet Services Department. Also, internal controls over capital assets are inadequate.

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 Riverside County Purchasing and Fleet Services Department has two revolving funds, each with an authorized balance of \$250, maintained in the form of petty cash. The revolving funds are primarily used to pay for business expenses and office supplies.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head were completed, and properly filed with the Riverside County Auditor-Controller's Office.

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

Finding 1: Revolving Fund Transfer of Accountability

A transfer of revolving fund accountability was not completed for the newly appointed department head. The newly appointed director was appointed on September 28, 2017, and the most current transfer of accountability was completed on September 18, 2014. SPM Form AR-1, *Revolving Fund Request Order & Change Form*, was not submitted to the Riverside County Auditor-Controller's Office when the change in department head occurred. By not transferring revolving funds to the incoming officer, the department did not comply with Riverside County Board of Supervisors Resolution No. 74-156, *Adopting Regulations For The Establishment, Use, Transfer and Termination of Revolving Funds*.

**Internal Audit Report 2018-016: Riverside County Purchasing and Fleet Services Department,
Change of Department Head Audit**

Recommendation 1

Ensure the SPM Form AR-1, *Revolving Fund Request Order & Change Form*, requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, within 30 days after a change of department head.

Management's Response

"Concur. The department concurs with the recommendation. Upon being informed of the requirement, the department did an assessment on whether the revolving funds were needed and it was determined that these funds were no longer required for the department. The change in custodian form was completed on May 17, 2018, and the revolving fund closed on August 6, 2018."

Actual/estimated Date of Corrective Action: **"Finding was resolved in May 17, 2018 and August 6, 2018"**

Auditor Comment

We verified both revolving funds were closed as of August 6, 2018. As such, we consider this finding resolved and will not be following up on the status of this finding.

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, *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.

As of September 28, 2017, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, the Riverside County Purchasing and Fleet Services Department maintained 4,427 capital assets in the Riverside County financial system asset management module (Asset Management Module), consisting of owned vehicles, leased vehicles, equipment, buildings, software, and land with the combined acquisition cost of over \$124 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 appointed department head 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 sample of capital assets to verify adequate internal controls exist over the safeguarding of assets
- Selected a sample of capital assets and verified their existence

Finding 2: Capital Asset Transfer of Accountability

We identified that a transfer of capital asset accountability was not completed for the newly appointed director. The newly appointed director was appointed on September 28, 2017. The department was aware of the policy, but did not submit the form timely. SPM Form AM-1, *Inventory of County Property For Capital Assets*, was not submitted to the Riverside County Auditor-Controller's Office when the change in department head occurred. By not transferring capital assets to the incoming director, the department did not comply with Riverside County Auditor-Controller's SPM 515, *Transfer of Accountability on Capital Assets*.

Recommendation 2

Ensure the transfer of capital assets from the outgoing officer to the incoming officer is documented using SPM AM-1 Form, *Inventory of County Property for Capital Assets*, and submit it to the Auditor-Controller's Office is submitted within 30 days.

Management's Response

"Concur. The department concurs with the recommendation. Upon being informed of the requirement, the department began the process to transfer all assets. This work was completed at year-end. Capital asset procedures have been updated to comply with this policy."

Actual/estimated Date of Corrective Action: "August 23, 2018"

Auditor Comment

This will be verified in a follow up audit.

Finding 3: Asset Management Module Not Updated

During our review of the capital assets, it was noted that 5 of 42 capital assets did not have a county tag number attached or the tag number did not agree to the Asset Management Module. In addition, three capital assets were not in the location indicated in the Asset Management Module. Also, one asset surplus in 2013 was not removed. By not properly tagging and updating the location of individual capital assets, the department did not comply with SPM Manual 513, *Capital Asset Tags*. In addition, the department did not comply with SPM Manual 514, *Disposal of Capital Asset*, when they failed to remove the surplus capital asset from the Asset Management Module. Failing to tag capital assets, update asset locations, and remove surplus assets increases the risk of asset misappropriation and theft.

Recommendation 3.1

Ensure all capital assets have an attached asset tag number and the equipment is properly tagged and agrees with the information listed in the Asset Management Module.

**Internal Audit Report 2018-016: Riverside County Purchasing and Fleet Services Department,
Change of Department Head Audit**

Management's Response

"Concur. The department has approximately 4,359 capital assets, with the majority being county vehicles. The following is the breakdown of the assets addressed by the audit. With regard to the five assets with missing or incorrect tags, the department conducts an annual internal review of the assets. New protocols are being implemented for the annual audit to assure better accountability and compliance. The department recently reopened the County Circle Drive facility and moved equipment to the site without completing the process in PeopleSoft. The department has since completed all the appropriate paperwork, which includes the updated location on the three pieces of equipment identified in the audit. The department has completed the surplus process for the asset disposed of in 2013. All the paperwork was accounted for, but not completed. Policies and procedures will be reviewed to assure that the process for all surplus items are completed."

Actual/estimated Date of Corrective Action: **"September 2018 and ongoing"**

Recommendation 3.2

Ensure asset locations agree with the Asset Management Module in order to provide accurate inventory of capital assets.

Management's Response

"Concur. The department concurs with the recommendation. The department is fully aware and sensitive to the on-going necessity of protecting county's assets. A new process will be implemented with the next annual inventory to provide an additional layer of oversight and observation that will improve the accuracy and accountability of the asset verification process. The department has made all corrections as identified in the audit."

Actual/estimated Date of Corrective Action: **"August 2018 and ongoing"**

Attachment B



PURCHASING AND FLEET SERVICES

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2018-016: Riverside County Purchasing and Fleet Services, Change of Department Head Audit.

A handwritten signature in black ink, appearing to be "J. L. ...", written over a horizontal line.

A handwritten date "4/4/2022" in black ink, written over a horizontal line.

Authorized Signature

Date

Finding 1: Capital Asset Transfer of Accountability

We identified that a transfer of capital asset accountability was not completed for the newly appointed director. The newly appointed director was appointed on September 28, 2017. The department was aware of the policy but did not submit the form timely. SPM Form AM-1, Inventory of County Property for Capital Assets, was not submitted to the Riverside County Auditor-Controller's Office when the change in department head occurred. By not transferring capital assets to the incoming director, the department did not comply with Riverside County Auditor-Controller's SPM 515, *Transfer of Accountability on Capital Assets*.

Current Status

Reported Finding Corrected? Yes No

The Department is currently aware and is making every effort to comply with SPM form AM-1.

Recommendation 1

Ensure the transfer of capital assets from the outgoing officer to the incoming officer is documented using SPM AM-1 Form, *Inventory of County Property for Capital Assets*, and submit it to the Auditor-Controller's Office is submitted within 30 days.

Management's Response

"Concur. The department concurs with the recommendation. Upon being informed of the requirement, the department began the process to transfer all assets. This work was completed at year-end. Capital asset procedures have been updated to comply with this policy."

Actual/estimated Date of Corrective Action: "August 23, 2018"

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).

Upon being informed of the requirement, the department began the process to transfer all assets. This work appears to have been completed the same year. Capital asset procedures have been updated and are in place to ensure compliance with this policy.

Finding 2: Asset Management Module Not Updated

During our review of the capital assets, it was noted that 5 of 42 capital assets did not have a county tag number attached, or the tag number did not agree to the Asset Management Module. In addition, three capital assets were not in the location indicated in the Asset Management Module. Also, one asset surplus in 2013 was not removed. By not properly tagging and updating the location of individual capital assets, the department did not comply with SPM Manual 513, *Capital Asset Tags*. In addition, the department did not comply with SPM Manual 514, *Disposal of Capital Asset*, when they failed to remove the surplus capital asset from the Asset Management Module. Failing to tag capital assets, update asset locations, and remove surplus assets increase the risk of asset misappropriation and theft.

Recommendation 2.1

Ensure all capital assets have an attached asset tag number and the equipment is properly tagged and agrees with the information listed in the Asset Management Module.

Management's Response

"**Concur.** The department has approximately 4,359 capital assets, with the majority being county vehicles. The following is the breakdown of the assets addressed by the audit. With regard to the five assets with missing or incorrect tags, the department conducts an annual internal review of the assets. New protocols are being implemented for the annual audit to assure better accountability and compliance. The department recently reopened the County Circle Drive facility and moved equipment to the site without completing the process in PeopleSoft. The department has since completed all the appropriate paperwork, which includes the updated location on the three pieces of equipment identified in the audit. The department has completed the surplus process for the asset disposed of in 2013. All the paperwork was accounted for, but not completed. Policies and procedures will be reviewed to assure that the process for all surplus items are completed."

Actual/estimated Date of Corrective Action: **"September 2018 and ongoing"**

Current Status

Reported Finding Corrected? Yes No

Policies and procedures are in place to ensure compliance with this requirement going forward.

Recommendation 2.2

Ensure asset locations agree with the Asset Management Module in order to provide accurate inventory of capital assets.

Management's Response

"Concur: The department concurs with the recommendation. The department is fully aware and sensitive to the on-going necessity of protecting county's assets. A new process will be implemented with the next annual inventory to provide an additional layer of oversight and observation that will improve the accuracy and accountability of the asset verification process. The department has made all corrections as identified in the audit."

Actual/estimated Date of Corrective Action: **"August 2018 and ongoing"**

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 is aware of the previous audit findings. Current practice is compliant.