

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



Item
2.5

SUBMITTAL DATE:
October 18, 2016

FROM : AUDITOR CONTROLLER:

SUBJECT: Internal Audit Report 2016-302: Riverside County Economic Development Agency, Project Management Office, Follow-up, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-302: Riverside County Economic Development Agency, Project Management Office, Follow-up

Consent

Paul Angulo

Paul Angulo, Director of Auditor Controller 10/19/2016

BACKGROUND:

Summary

We have completed a Follow-up Audit of the Riverside County Economic Development Agency, Project Management Office. Our audit was limited to reviewing actions taken as of August 31, 2016, to correct findings noted in our original audit report 2012-010 dated February 11, 2013.

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 (continued)

The original audit report contained three findings with six recommendations, four of which required corrective action and were reviewed as part of the follow-up audit. Our follow-up audit

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STATE OF CALIFORNIA**

found that the four recommendations had been implemented. For an in-depth understanding of original audit, please refer to Internal Audit Report 2012-010 at www.auditorcontroller.org.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller Internal Audit Report 2016-302: Riverside County Economic Development Agency, Project Management Office, Follow-up



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

September 7, 2016

Robert Field
Assistant CEO/Director
Economic Development Agency
3403 Tenth Street, Suite 400
Riverside, CA 92501

Subject: Internal Audit Report 2016-302: Economic Development Agency, Project Management Office, Follow-up

Dear Mr. Field:

We have completed the first Follow-up Audit of Economic Development Agency, Project Management Office. Our audit was limited to reviewing actions taken as of July 28, 2016, to correct the findings noted in our original audit report (Internal Audit Report 2012-010: Economic Development Agency, Project Management Office, dated February 11, 2013).

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 opinion.

The original audit report contained three findings with six recommendations, four of which required corrective action and were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2012-010 at www.auditorcontroller.org.

This follow-up audit found that of the four recommendations:

- four were implemented

Detailed statuses of the findings identified in the original audit are provided in the body of this report. We appreciate the cooperation and assistance extended to us by staff of the Economic

**Internal Audit Report 2016-302: Economic Development Agency, Project Management Office,
Follow-up**

Development Agency, Project Management Office during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Interim Chief Accountant

cc: Board of Supervisors
Executive Office
Grand Jury

Internal Audit Report 2016-302

**Economic Development Agency, Project
Management Office, Follow-up**

Report Date: September 7, 2016



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www.auditorcontroller.org

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Construction Contracts

Finding 1

The information contained in project files at PMO is both incomplete and inconsistent. Per Board Policy B-11, I., "The project manager is responsible for making sure that all critical tasks related to the specific project have been identified and are tracked on the checklist throughout the duration of the project." While each project manager is required to maintain what are termed "essential" documents in the project files, there is no checklist in place to ensure all critical tasks are identified and tracked throughout the duration of the projects. PMO has developed a numbering system for filing project documents; however, each project manager is allowed to file documents in various locations at their own discretion. Our review of the project files disclosed the following:

- 7 of 13 (54%) project files did not contain evidence of compliance with County policy regarding bidding procedures;
- 4 of 13 (31%) project files did not contain all necessary Form 11 submittals to the Board of Supervisors; and
- 3 of 13 (23%) project files did not contain all the progress payment request documentation.

With no evidence of obtaining competitive bids/quotes on file, there is no assurance the County is obtaining the best rate to complete projects. At a minimum, project files should include (either in paper or electronic form):

- All Form 11's identifying approval by the Board of Supervisors, as applicable;
- All approved change orders;
- All progress payments;
- Notices of completion;
- Agreements with contractors
- Bid related documentation, including proof of publication of notices to bidders, bid summary sheets, pre-bid/job walk through attendance lists, copies of all submitted bids;

Adequate supporting documentation in project files provides evidence competitive bids/quotes were submitted, protects the County from legal exposure, and verifies Board authorization over the commitment of County funds--which can accumulate to significant amounts over a period of a few years.

Recommendation 1.1

Develop a standardized checklist to ensure all required supporting documents are complete and conform to Department/County policies and procedures.

Current Status 1.1 Implemented

The Project Management Office developed a standardized checklist “Project Manager’s Task List” and trained managers to consistently keep this checklist at the front of their respective files for reference.

Recommendation 1.2

Management perform periodic reviews of project files to ensure compliance with policies and procedures.

Current Status 1.2 Implemented

The Project Management Office has developed procedures and implemented automated processes using Microsoft Dynamics; software used for document storage and approvals, and has recently hired an Administrative Services Manager that has been tasked with conducting random periodic reviews of project files to ensure compliance with applicable policies. A final review is made at project close out to verify physical files are complete.

Purchase Orders

Finding 2

Documentation, including invoices and necessary information concerning bids/quotes, is incomplete, with no apparent systematic procedures for maintaining the information or for determining which office obtains bid information. This weakness in procedures and lack of documentation can lead to a breakdown in internal controls and deviation from County policies. Our review of the 39 purchase orders disclosed the following:

- 6 of 39 (15%) purchase order files could not be located at EDA Purchasing;
- 33 of 39 (85%) of the files at EDA Purchasing did not contain copies of the actual purchase order;
- Documentation and support for 3 of 39 (8%) purchase orders were not found at either PMO or EDA Purchasing;
- 7 of 13 (54%) project files at PMO did not contain copies of the purchase order or invoices;
- 5 of 13 (38%) project files at PMO did not contain evidence of bids/quotes being obtained; and
- 3 of 13 (23%) project files at PMO, which included purchase order requests over \$25,000, contained a summary of bids but did not contain evidence of written bids being advertised nor the actual bids themselves.

Recommendation 2.3

Management perform periodic reviews to ensure compliance with county purchasing and record retention policies.

Current Status 2.3 Implemented

EDA Purchasing retains all records related to purchase orders while PMO retains all records related to all other procurement activities. Additionally, management has developed procedures and implemented automated processes through the use of Microsoft Dynamics where all purchase order procurement documents are submitted, reviewed, approved, and records retained through Dynamics for compliance with board policies prior to purchase order issuance. As an added measure, a recently hired Administrative Services Manager that has been tasked with conducting random periodic reviews to ensure compliance mid-stream.

Finding 3

A review of the project files at PMO and EDA Purchasing indicates seven purchase orders were requested and issued after invoices were received from contractors. Per County Purchasing Policy Manual, 3.2.4, no goods or services over \$600 should be authorized by PMO until such time as a valid purchase order has been issued. Lack of a purchase order may result in obligating the County for unauthorized work being performed and can also lead to increase project costs, if proper approval procedures are not followed.

Recommendation 3

Ensure purchase orders are issued and approved prior to the receipt of goods/services and invoices.

Current Status 3 Implemented

We judgmentally selected six project files for testing and noted that purchase orders were generally issued prior to the receipt of invoices.