

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



Item 2.3

SUBMITTAL DATE:
October 18, 2016

FROM : AUDITOR CONTROLLER:

SUBJECT: Internal Audit Report 2016-309: Riverside County Department of Waste Resources, Follow-up [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-309: Riverside County Department of Waste Resources, 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 Department of Waste Resources. Our audit was limited to reviewing actions taken as of August 15, 2016, to correct findings noted in our original audit report 2013-010 dated June 17, 2013. The original audit report contained six findings four of which required corrective action and were reviewed as part of this audit.

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)

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

Our follow-up audit found that all four findings were corrected. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2013-010 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 2016-309: Riverside County Department of Waste Resources, Follow-up

Internal Audit Report 2016-309

**Riverside County Department of Waste
Resources, Follow-up**

Report Date: September 12, 2016



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www.auditorcontroller.org



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Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

September 12, 2016

Hans Kernkamp
General Manager-Chief Engineer
Riverside County Department of Waste Resources
14310 Frederick Street
Moreno Valley, CA 92553

Dear Mr. Kernkamp:

Subject: **Internal Audit Report 2016-309: Riverside County Department of Waste Resources, Follow-up**

We have completed the first Follow-up Audit of Riverside County Department of Waste Resources. Our audit was limited to reviewing actions taken as of August 15, 2016, to correct the findings noted in our original audit report (Internal Audit Report 2013-010: Riverside County Waste Management Department) dated June 17, 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 six findings, 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 2013-010 at www.auditorcontroller.org.

This follow-up audit found that all four findings were corrected.

Detailed statuses of the findings identified in the original audit are provided in the body of this report.

Internal Audit Report 2016-309: Riverside County Department of Waste Resources, Follow-up

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Department of Waste Resources 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 Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

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Capital Assets

Finding 1 Maintenance of Capital Assets Records

Capital asset records maintained in the PeopleSoft Asset Management Module are not accurate. Our review of 28 capital assets (21 selected from the capital asset listing and 7 from actual locations) disclosed 22 (78 percent) had discrepancy/erroneous information recorded. These errors resulted from the Department concentrating on counting verifying the existence of capital assets during inventories rather than validating the accuracy of records. Failure to properly record capital assets in the PeopleSoft Asset Management Module results in the difficulty in identifying, controlling, and valuing of County assets. The categories of errors noted included:

- 8 of 28 assets were not discovered at the location designated in the Asset Management Module
- 9 of 28 assets were not tagged or marked as County property
- 8 of 28 assets recorded incorrect serial numbers
- 9 of 28 assets recorded incorrect or missing model numbers
- 5 of 28 assets recorded incorrect asset numbers

Current Status 1 Corrected

The Department completed an extensive physical inventory of all assets and corrected any identified discrepancies regarding description, tag number, serial number, model, and physical location in June 2013. We verified some assets in the PeopleSoft Asset Management module and determined that these were correctly recorded.

Cash Handling

Finding 3 Adherence to Daily Deposit Requirement

The Department does not make daily deposits nor has a daily deposit exemption on file with the ACO, as required by SPM 705. Because the cash handling sites are not in close perimeters of the Office of the Treasurer-Tax Collector for daily deposits, the Department contracted with a private courier service to pick-up deposits from cash handling sites on Tuesdays, Thursdays, and Saturdays.

Subsequent to our fieldwork, the Department has obtained daily deposit exemptions for three (Blythe, Idyllwild, and Oasis) of the six cash handling locations. The daily deposit exemption form for the remaining three sites (Badlands, El Sobrante and Lamb Canyon) is currently under review by the General Accounting Division of the ACO.

We selected a sample of 38 deposits from July 1, 2010 to June 30, 2012 and determined that 24 of 38 (or 63%) of the deposits were not made daily. Not adhering to the requirement of daily deposits may result in lost interest and/or lost or stolen cash or checks.

Current Status 3 Corrected

The Auditor-Controller's Office granted an exemption from daily deposits for the Badlands, Lamb Canyon and El Sobrante landfill sites on July 1, 2013, February 20, 2013, and July 1, 2013, respectively. We verified the approved SPM AR-6, *Daily Cash Deposits Exemption Request* forms for these landfill sites.

Finding 5 Evidence Identifying Supervisor Review/Approval of Bank Reconciliations

Management did not document their review/approval of the ZBA bank account reconciliations performed during our audit period. We selected a sample of 12 monthly bank reconciliations from July 1, 2010 to June 30, 2012 and determined all 12 (or 100%) of the reconciliations had no evidence identifying review/approval. Failure to review/approve bank account reconciliations may result in fraudulent activity such as stolen cash or checks and/or fraudulent reporting of County assets.

The Department revised the bank reconciliation template form to include a reviewer's signature block to ensure there is proper evidence identifying review/approval of bank reconciliations. Although the Department has made this procedural change, we will verify management's signature of review/approval during our follow-up audit. Since the Department made immediate changes, no recommendation is required.

Current Status 5 Corrected

The department revised the bank reconciliation template format to include a space for a reviewer's signature to provide evidence of review. We verified the June 30, 2016 bank account reconciliation and noted that it was signed off by the verifier on August 1, 2016.

Records Retention

Finding 6 Destruction of Records

Banking documents/gate fee documents dating back to 2003 were identified during our review of the Department's storage warehouse. In accordance with GRRS_2012_Rev07 - ACC200 *Banking*, these documents should have destroyed after July 1, 2011. Non-compliance to County policy pertaining to record keeping of documents may put the County at risk pertaining to the availability and accessibility of public records.

Subsequent to our completion of fieldwork, the Department removed and destroyed all old files requiring disposition from the storage warehouse. We will verify the Destruction Forms of these records during our follow-up audit. Since the Department took immediate action, no recommendation is required.

Current Status 6 Corrected

The Department obtained approval for the destruction of banking/gate fee records with a date range of January 1, 1998 through December 31, 2004 from the County's Records Management and Archives Program (RMAP) on February 6, 2013. Records were destroyed by the approved vendor on February 15, 2013. We verified the approved "Records Disposition Certificate" and vendor's "Certificate of Destruction" dated February 6, 2013 and February 15, 2013, respectively.