

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



ITEM: 2.6
(ID # 21269)

MEETING DATE:
Tuesday, February 28, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR CONTROLLER: Internal Audit Report 2023-309 Riverside County Facilities Management Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-309: Riverside County Facilities Management Follow-up Audit

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 2/16/2023

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 the Riverside County Facilities Management Department. Our audit was limited to reviewing actions taken as of August 22, 2022, to correct findings noted in our original audit report 2021-006 dated June 29, 2021. The original audit report contained eight recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the eight recommendations:

- Seven of the recommendations were implemented.
- One of the recommendations was not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-006 which includes "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at:

<https://auditorcontroller.org/divisions/internal-audit>.

Impact on Citizens 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 2023-309: Riverside County Facilities Management Follow-up Audit.

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STATE OF CALIFORNIA**



Stephanie Perez, Principal Management Analyst 2/21/2023

Internal Audit Report 2023-309

**Riverside County
Facilities Management
Follow-Up Audit**

Report Date: February 28, 2023



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Ben J. Benoit
Riverside County Auditor-Controller

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

February 28, 2023

Rose Salgado
Director
Riverside County Facilities Management
3133 Mission Inn Ave
Riverside, CA 92507

**Subject: Internal Audit Report 2023-309: Riverside County Facilities Management
Follow-up Audit**

Dear Ms. Salgado:

We completed the follow-up audit of Facilities Management. Our audit was limited to reviewing actions taken as of August 22, 2022, to help correct the findings noted in our original audit report 2021-006 dated June 29, 2021.

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

- Seven of the recommendations were implemented.
- One of the recommendations was not implemented.

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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 2021-006 which includes "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.



Ben J. Benoit
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

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Internal Service Billing

Finding 1: Documentation of Changes to Billing Records

"We identified improvement areas of internal controls within the department's documentation for changes to billing records, including user department's occupancy, square foot usage, and billing account. These billing records are used to split the costs between multiple tenants in one building, generate invoices, and process journal entries. Further, we noted department did not have standard procedures to ensure supervisory review and documentation of changes to the billing records. Board Policy B-28, *Charges for Internal Services*, states, "ISF and GSS department shall maintain detail records of goods and services billed. These records shall be made available to user department or the Auditor-Controller upon request. All records are subject to audit."

Our review identified the following:

- Two (11.8%) out of 17 sampled building units in which the changes occurred after user departments certified the services on the annual space occupancy certification, were not properly documented. The evaluation of space was performed by Facilities Management staff upon user department request. However, no documentation evidenced the building space remeasurement and user department's agreement on the updated square foot usage. As such, we were not able to validate the changes to billing components in the Dynamics.
- Three (17.6%) out of 17 sampled building units in which departments occupied the county-owned space and received custodial services with inter-department verbal agreements did not have documentation with the current building occupant. As such, user department did not certify the space for the square foot usage, and the county building list was not updated during the event to evidence the occupancy and to ensure billing records were properly documented.

Absence of formal written procedures to ensure billing records are reviewed, properly documented, and leave an adequate audit trail, inhibits the ability to trace billing errors when changes are entered to the billing system, making it harder to identify the root cause of any errors and provide Facilities Management an efficient and effective way to course correct when needed."

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Recommendation 1.1

“Establish internal procedures to document changes made to billing records.”

Current Status 1.1: Implemented

Recommendation 1.2

“Ensure an independent review and appropriate level of approval of documentation utilized to support changes in billing records before entering in the Dynamics system.”

Current Status 1.2: Implemented

Finding 2: Billing to User Departments

“Facilities Management billed custodial and maintenance costs in the amount of \$141,961 to a user department for the services provided to another user department. Although it ceased in May 2020, this stopped after the department being billed brought it to their attention. Facilities Management states this was the result of an agreement between these two departments and was instructed to process the billings in such manner. However, Facilities Management could not provide supporting documentation regarding the agreement.

Standard Practice Manual 1001, *Internal Control*, state that county departments and agencies shall establish, document, and maintain an effective system of internal controls to provide reasonable assurance to ensure accuracy, reliability, and timeliness of financial records and reports.

Facilities Management does have internal controls in place to initiate, review, and approve department billings. However, it previously lacked the processes to formalize and document the agreements that are out of their normal business process like the condition stated above. Furthermore, its processes do not have the internal controls to monitor and ensure these types of agreements do not go beyond the intended period. In the instance above, the billing for services of one department that pertained to another department occurred for 17 billing cycles. When a department is billed for services pertaining to another county agency, it impacts their respective operating budget and its ability to carry out its mission.”

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Recommendation 2.1

“Establish a process to document special agreements with user departments.”

Current Status 2.1: Implemented

Recommendation 2.2

“Establish internal controls to monitor special agreements and ensure they are maintained within the intended period.”

Current Status 2.2: Implemented

Finding 3: Inventory at Customer Facilities

“Facilities Management did not maintain adequate inventory for custodial supplies at customer facilities. This is important since Facilities Management directly bills user departments for the materials used. This part of their billing is separate from the hourly billing rate for the services rendered. Standard Practice Manual 801 (SPM 801), *Inventory Policies*, states that all county department must maintain adequate inventory records, must establish written procedures to train and inform employees in regard to inventories, and stockrooms must be enclosed with limited access by authorized personnel.

During our review of custodial inventory at four selected stockrooms, we identified the following:

- Department did not have formal written procedures for conducting inventory counts at customer facilities prior to our internal review.
- Inventory records and physical counts were not adequately monitored at different customer facilities. We noted the following for inventory records:
 - Four out of four custodial stockrooms where inventory listings were not reconciled, and missing items were not identified and documented.
 - Four out of four custodial stockrooms where supply sign-out sheet did not clearly indicate the employee’s name and item description that could be reconciled

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with the inventory listing. In addition, custodians did not log the supplies used in the sign-out sheet maintained at each custodial storeroom.

- Three out of four custodial stockrooms where inventory physical count did not match with the inventory listing provided by the custodian lead at the customer facility storeroom. In addition, we also observed a new item was placed in the stock shelf at one custodial storage without being added to the inventory listing.
- When a supply shortage occurred at one of the sites reviewed, supplies were transferred from one customer to another without supervisory review and approval. In addition, no entry was entered into the PeopleSoft to credit the original customer for the transferred supplies.
- Custodial supplies are not held in secure location. From the selected building location, we observed a customer storeroom was not locked. In addition, materials dropped off at a building docking station were not require proof of delivery by receivers. As such, delivered supplies were not counted or inspected prior to dispersing to customer storerooms. Custodial staff occasionally noticed missing items as they distribute the materials to customer storerooms.

Inadequate inventory records at custodial stockrooms hinder their ability to monitor and safeguard department supplies, as well as to accurately bill customers for supplies used.”

Recommendation 3.1

“Establish formal written procedures and provide adequate supervision and training for staff at the county facilities and ensure consistent compliance with the Standard Practice Manual 801 (SPM 801), *Inventory Policies*.”

Current Status 3.1: Implemented

Recommendation 3.2

“Periodically perform physical inventory and update the inventory listing at county facilities which will ensure an adequate inventory record.”

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Current Status 3.2: Not Implemented

At the time of our review (December 19, 2022) we were unable to perform physical inventory verifications as department staff was unable to provide documentation to support their latest inventory verification. Facilities Management Policy No. 700-25, *Supply Inventory at Customer Facilities*, states, "A complete physical inventory at the customer facility must be completed at the end of each month."

Recommendation 3.3

"Establish written procedures to track supplies transfers and credit the original customer for the transferred items."

Current Status 3.3: Implemented

Recommendation 3.4

"Update internal control policy over inventory delivery that requires the review and proof of delivery to all customers, as well as to safeguard the supplies distributed to all county facilities."

Current Status 3.4: Implemented