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

ITEM: 2.5
(ID # 21267)
MEETING DATE:
Tuesday, February 28, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2023-311: Riverside County Emergency Management Department, Follow-up Audit, All Districts. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-311: Riverside County Emergency Management Department, Follow-up Audit

ACTION:Consent

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

MINUTES OF THE BOARD OF SUPERVISORS

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 Emergency Management Department. Our audit was limited to reviewing actions taken as of September 7, 2022, to correct findings noted in our original audit report 2021-020 dated July 20, 2021. The original audit report contained 11 recommendations, all of which required implementation to help correct the reported findings.

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

- Ten of the recommendations were implemented.
- One of the recommendations was partially implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-020 included as an attachment to this follow-up audit report or it can also be found 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

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2023-311: Riverside County Emergency Management Department, Follow-up Audit.

Stephanie Perez, Principal Management Analyst 2/21/2023

Internal Audit Report 2023-311

Riverside County
Emergency Management Department,
Follow-up Audit

Report Date: February 28, 2023

Office of Ben J. Benoit
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

Ben J. Benoit
Riverside County Auditor-Controller

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

February 28, 2023

Bruce Barton
Director of Emergency Management
Riverside County Emergency Management Department
450 E. Alessandro
Riverside, CA 92508

Subject: Internal Audit Report 2023-311: Riverside County Emergency Management Department, Follow-up Audit

Dear Mr. Barton:

We completed the follow-up audit of Riverside County Emergency Management Department. Our audit was limited to reviewing actions taken as of September 7, 2022, to help correct the findings noted in our original audit report 2021-020 dated July 20, 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 eleven recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the eleven recommendations:

- Ten of the recommendations were implemented.
- One of the recommendations was partially implemented.

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Internal Audit Report 2023-311: Riverside County Emergency Management 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 2021-020 included as "Attachment A" of this audit report along with our 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 your 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

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Internal Audit Report 2023-311: Riverside County Emergency Management Department, Follow-up Audit

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A. Internal Audit Report 2021-020

B. Status of Findings as Reported by Riverside County Emergency Management Department on September 7, 2022

Accounts Payable

Finding 1: Supporting Documentation

"In our review of 30 invoices for the Great Plates program processed by Emergency Management, we identified the following:

- Three of 30 (10%) payment vouchers for the Great Plates program were processed by Emergency Management with inadequate supporting documentation such as a listing clients receiving assistance to validate the expenditures. Standard Practice Manual, Processing Vouchers, states departments must "submit voucher register report with the back-up documentation to your departmental approver for approval prior to submission to the ACO." Emergency Management stated they relied on other county departments to provide accurate and complete information. Supporting documentation provides financial records for events or activities, and therefore ensures the accuracy and completeness of department transactions. Additionally, supporting documentation provides departments with information to research discrepancies.

Consideration should be taken when processing vouchers for programs requiring eligibility determination such as Great Plates administered by Riverside County Office on Aging (Office on Aging). We performed a review to determine client program eligibility and identified the following:

- 25 of 171 (15%) Great Plates recipients tested were ineligible to the program in at-least one of the three months reviewed. We verified the 25 recipients were currently receiving federal nutrition assistance from other programs administered by Office on Aging making them ineligible to the Great Plates program. California Governor's Office of Emergency Services, *Great Plates Delivered Program Guidance*, states, "participants must not be currently receiving assistance from other state or federal nutrition assistance programs" to be eligible for Great Plates program assistance. Emergency Management did not have a process in place to verify supporting documentation with client information to perform a diligent review to ensure Great Plates program compliance. While the ultimate responsibility for ensuring program eligibility lies with Office of Aging, Emergency Management should consider the complexity of programs for which they perform the accounts payable function. Accounts payable processes are designed to ensure discrepancies are identified, payments are accurate, and payments reflect events and activities that occurred. Additionally, the Great Plates program costs are reimbursed by the Federal Emergency Management Agency, due to the ineligible

recipients of the program, the funds may be requested to be returned to the federal agency."

Recommendation 1.1

"Ensure vouchers processed by Emergency Management department contain adequate supporting documentation to validate expenditures."

Current Status 1.1: Implemented

Recommendation 1.2

"Develop a process to improve coordination with other county department programs to ensure expenditures are compliant with county, federal, or state requirements."

Current Status 1.2: Implemented

Finding 2: Duplicate Payment

"Based on our review of vouchers processed for by Emergency Management during the audit review period, we performed an analysis to identify duplicate payments of invoices. We identified one invoice totaling $27,349 which was paid by Emergency Management and Riverside County Community Action Partnership (Community Action Partnership). Emergency Management processed the invoice on behalf of Community Action Partnership. A correction was requested by Community Action Partnership to the invoice and processed the payment to the vendor resulting in a duplicate payment. Community Action Partnership did not notify Emergency Management to reverse the payment or to request a credit from the vendor. As such, communication between Emergency Management and the departments for which they process voucher payments for needs to be improved to identify situations where duplicate payments may occur."

Recommendation 2.1

"In the event that Emergency Management process vouchers for other county departments in the future, develop a process to ensure duplicate invoice payments do not occur."

Current Status 2.1: Implemented

Recommendation 2.2

"Communicate with Community Action Partnership to recover the duplicate payment from the vendor."

Current Status 2.2: Implemented

Contract Monitoring

Finding 3: Inadequate Contract Monitoring

"Emergency Management is not adequately monitoring contractors to ensure department is correctly billed for services provided. Based on our review of invoices and supporting documentation for Power Security Group, we identified the following discrepancies:

- Invoices indicate Emergency Management was billed an hourly rate of $52.50 for security guard services when the contracted rate was set at $35 hourly.

- Emergency Management was invoiced for four security guards working 96-hour days, for each day of the months reviewed. This would equate to the four security guards working 24 hours each day.

Riverside County contract, *RIVCO-99046-012-06/23* with Power Security Group for armed and unarmed security guard services includes an agreement which states, "CONTRACTOR shall make available, upon written request by any duly authorized Federal, State, or COUNTY agency, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the CONTRACTOR's costs related to this Agreement. All such books, documents and records shall be maintained by CONTRACTOR for at least five years following termination of this Agreement and be available for audit by the COUNTY." Based on the contractual agreement, a request was made to Power Security Group to provide supporting documentation for the invoices. We were unable to obtain the requested supporting documentation from Power Security Group or Emergency Management, as such, we were unable to validate the discrepancies identified. By not providing requested documentation, Power Security Group is out of compliance with the contract terms and conditions. Furthermore:

- Power Security Group expenditures were not linked to established county contracts. We identified three purchase orders totaling $439,995 for services provided by Power Security Group which were not linked to an established county contract with the contractor. Contracts are established between Riverside County and vendors to procure goods/services and typically include pricing agreements, terms and conditions, and limits on expenditures before having to seek board approval. Linking expenditures to contracts is a control designed to ensure contract limitations are monitored and ensures departments are within a contract's terms and conditions.

Standard Practice Manual 1001, Internal Controls, states, "County departments and agencies shall establish, document and maintain an effective system of internal controls for promoting effectiveness and efficiency in operations." Inadequate monitoring of invoices from contractors increases the risk of theft, loss, contract non-compliance and paying for services not rendered."

Recommendation 3.1

"Develop policies and procedures to ensure invoices for all contracts are adequately reviewed."

Current Status 3.1: Implemented

Recommendation 3.2

"Ensure purchase orders are linked to Riverside County contracts."

Current Status 3.2: Implemented

Recommendation 3.3

"Ensure management is monitoring expenditures to verify purchase orders are linked to county established contracts."

Current Status 3.3: Implemented

Recommendation 3.4

"Analyze the invoices from Power Security Group to ensure Emergency Management did not overpay for services provided."

Current Status 3.4: Implemented

Expenditures

Finding 4: Purchase Orders

"During our review of Emergency Management expenditures, we identified the following as it relates to purchase orders:

- One instance totaling $267,867 in which purchase orders were split and circumvented the Buyer II limitations of $100,000 per day per vendor for expenditures with contracted vendors.

- One instance totaling $8,089 in which purchase orders were split and circumvented the $5,000 per day per vendor limitations for expenditures with non-contracted vendors.

The Purchasing Policy Manual further states, "deliberate attempts to split orders, where the purpose is keeping total cost of each order down below bid limits, and failure to combine orders when practice for the best interest of the County in orders to circumvent the limitations, is prohibited." This highlights the need for Emergency Management to monitor purchase order limitations. The splitting of purchase orders can result in unauthorized commitments and increases the likelihood of improper payments. Furthermore, when purchase orders are split into smaller components, it circumvents formal bid requirements designed to ensure the best use of taxpayer dollars."

Recommendation 4

"Develop a process to maintain compliance with purchasing authority and expenditure limitations as set forth in the Riverside County Purchasing Manual."

Current Status 4: Implemented

Warehouse Inventory

Finding 5: Warehouse Inventory Controls

"Based on our review of Emergency Management warehouse inventory, we identified the following:

- Emergency Management does not maintain a complete listing of all inventory at the warehouse. In our review, we identified the Riverside warehouse did not have an inventory listing for emergency supplies and equipment. Additionally, periodic inventory counts have not been performed on the inventory items. Per discussion with Emergency Management, a listing of emergency supplies and equipment was last completed in January 2020 as prioritization was given over maintaining COVID supplies and vaccine inventory.

- Emergency Management acquired an inventory management system to track inventory in real time, however, the department has only implemented the system to track capital assets. Department management stated they were unable to fully implement the inventory system due to the COVID pandemic emergency. Effective and efficient inventory aids in controlling, tracking, and safeguarding inventory. Furthermore, not maintaining an adequate inventory can increase delays in locating and maintaining inventory levels which can impact the department's objectives during emergencies.

- We were unable to validate internal controls over adjustments within the inventory management system as the department has not fully implemented the system. Emergency Management must ensure there is an audit trail to increase traceability and accountability to adjustments made to inventory items. Additional consideration should be given to who can perform inventory adjustments to promote adequate segregation of duties. United States General Account Office, *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property*, states, "The key areas of segregation are (1) physical custody of assets, (2) processing and recording of transactions, and (3) approval of transactions…personnel recording transactions that affect the on-hand quantities should not be responsible for physical custody of the inventory or approval of adjustments." Monitoring inventory adjustments aid in identifying trends on items susceptible to unauthorized use or disposition.

Per Standard Practice Manual 1001, *Internal Control*, "Equipment, inventories, cash and other property should be secured physically, counted periodically, and compared with control records." Standard Practice Manual 1001 furthers states, 'County departments and agencies shall establish document and maintain an effective system of internal controls to safeguard and track assets.'"

Recommendation 5.1

"Establish an adjustment monitoring process for tracking adjustments to inventory."

Current Status 5.1: Implemented

Recommendation 5.2

"Expand the implementation of Emergency Management's new inventory management system to include tracking of all warehouse inventory."

Current Status 5.2: Partially Implemented

Emergency Management expanded its new inventory management system, ServiceNow, to include warehouse inventory items. Seven out of ten (70%) warehouse inventory items selected for testing could not be located at the time of our visit (November 21, 2022). Warehouse inventory items were either not at the location reported in ServiceNow or items did not match the descriptions reported in the system. Emergency Management updated their date of corrective action to January 1, 2023. As such, the department has not fully implemented ServiceNow as a warehouse inventory tracking system.