ITEM: 2.9
(ID # 22460)
MEETING DATE:
Tuesday, July 11, 2023

FROM :   AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2023-011 Riverside County Purchasing and Fleet Services Audit, All Districts. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-011: Riverside County Purchasing and Fleet Services Audit

ACTION:Consent

Ben J. Benoit
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER   6/30/2023

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes:	Jeffries, Spiegel and Perez
Nays:	None
Absent:	Washington, Gutierrez
Date:	July 11, 2023
xc:	Auditor-Controller

Kimberly A. Rector
Clerk of the Board
By: _____
Deputy

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

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside County Purchasing and Fleet Services. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over fuel management, fleet management, system access controls, and vehicle surplus process.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to fuel management, fleet management, system access controls, and vehicle surplus process.

We will follow-up in one year to determine if actions were taken to correct the findings noted.

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's Office - Internal Audit Report 2023-011: Riverside County Purchasing and Fleet Services Audit

Internal Audit Report 2023-011

Riverside County
Purchasing and Fleet Services
Audit

Report Date: July 11, 2023

ACO | AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

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ACO | AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Ben J. Benoit
Riverside County Auditor-Controller

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

July 11, 2023

Sarah Franco
Director of Procurement and Fleet
Riverside County Purchasing and Fleet Services
2980 Washington St.
Riverside, CA 92504

Subject: **Internal Audit Report 2023-011: Riverside County Purchasing and Fleet Services Audit**

Dear Ms. Franco:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside County Purchasing and Fleet Services to provide management and the Board of Supervisors with an independent assessment of internal controls over fuel management, fleet management, system access controls, and vehicle surplus process.

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.

Our conclusion and details of our audit are documented in the body of this audit report.

Internal Audit Report 2023-011: Riverside County Purchasing and Fleet Services Audit

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. We will follow-up to verify that management implemented the corrective actions.

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, Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

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Executive Summary

Overview

Riverside County Purchasing and Fleet Services (Purchasing & Fleet) provides materials, vehicles, and services to county departments and agencies. Purchasing & Fleet manages the divisions of Purchasing, Central Mail, Fleet Services, and Surplus Operations. The Fleet Services division provides a comprehensive fleet management program that includes vehicle acquisition, maintenance, repair, modification, fuel sales, motor pool, car wash, and vehicle disposal. The department operates twelve fueling locations, two maintenance facilities and three car washes located throughout Riverside County. Purchasing & Fleet owns and maintains over 2,500 vehicles, including a growing percentage of fuel-efficient hybrids, electric, and alternative fuel vehicles.

Purchasing & Fleet has a recommended budget of $47.6 million for FY 2023-24 and 93 recommended positions. *County of Riverside, Fiscal Year 2023-24 Recommended Budget Volume 1, 212.*

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over fuel management, fleet management, system access controls, and vehicle surplus process. 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. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Audit Scope and Methodology

We conducted the audit from September 2, 2022, through February 23, 2023, for operations from July 1, 2020, through February 2, 2023. Following a risk-based approach, our scope included the following:

- Fuel Management
- Fleet Management

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- System Access Controls
- Vehicle Surplus Process

Audit Highlights

Summary of Existing Conditions

- Employee ID numbers linked to departed county employees incurred fuel transactions after their departure. Although they departed from the county, their GEN-30 was still active, which exposes the department to risk where unauthorized fuel purchases may occur at county fuel stations.

- Disposed vehicles incurred a fuel transaction after the vehicle was retired in the Riverside County financial system. Retired vehicles with active fuel authorization may lead to inputting the wrong vehicle numbers at fuel stations or those with access to current vehicle information may fuel unauthorized vehicles.

- Work orders for vehicle repairs did not have adequate segregation of duties. This can increase the department's susceptibility to clerical errors, misappropriation of assets, and unauthorized activities.

- Monthly garage inventory count documentation does not show evidence of who performed the counts, when the counts were performed, and who reviewed and approved the counts. This can lead to a decrease in accountability if inventory discrepancies arise and does not document adequate segregation of duties.

- The review and approval process over garage inventory adjustments is not documented. This may lead to challenges when identifying patterns or trends that can indicate larger issues with inventory management and financial reporting can be inaccurate.

- Adequate records that allow for tracing part requisitions or work orders to their corresponding purchase orders are not maintained. This can lead to an increase in unauthorized or excessive inventory purchases and can cause inefficiencies when wanting to control costs associated with maintaining and servicing county vehicles.

- The review and approval process over reconciling monthly department billings is not documented. This may cause difficulties in identifying discrepancies or errors with receivables which can lead to financial reporting inaccuracies and an increase in disputes from other county departments.

- Employees did not have their Active Directory account termination requests created and approved timely (within 24 hours) upon separation. Additionally, employee access rights were not removed timely for two systems not linked to Active Directory. This exposes the department to risk where information maintained in the departments can be continuously accessed by individuals who no longer have a right or need to know.

- Vehicle Return Forms were not completed upon receiving disposed vehicles from other departments. By not completing the Vehicle Return Forms, the department does not have the ability to monitor which employee received the vehicle and prepared it for auction in the event of a discrepancy when reconciling inventory or reporting assets.

Summary of Improvement Opportunities

- Ensure personnel adheres to policies and procedures to perform periodic reviews to ensure departed county employee ID numbers are not linked to an active GEN-30.

- Ensure personnel adheres to policies and procedures to ensure vehicles that are retired in the Riverside County financial system do not have active fuel authorization.

- Ensure personnel adheres to policies and procedures to ensure the job duties relating to the work order process are adequately segregated.

- Ensure personnel adheres to policies and procedures to ensure completed garage inventory count sheets are reviewed and approved by management.

- Ensure personnel adheres to policies and procedures to ensure garage inventory adjustments are reviewed and approved by management prior to being posted to the fleet management software.

- Develop a process that ensures part requisitions and work orders are adequately traced to their corresponding purchase orders.

- Ensure compliance with Standard Practice Manual 1001, *Internal Control*, by adequately documenting the review and approval of monthly department billing reconciliations prior to finalizing billing.

- Develop policies and procedures that ensure reconciliations over monthly department billings are adequately reviewed and approved.

- Ensure compliance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, by creating and approving requests to disable Active Directory accounts within 24 hours of an employee's departure from the department.

- Ensure compliance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, by disabling user accounts not linked to Active Directory on the day of an employee's departure from the department.

- Ensure the department's *Departing Employee Checklist* is consistently followed when offboarding employees separating from the department and maintain the checklist in employee files.

- Ensure Purchasing & Fleet employees complete and sign Vehicle Return Forms upon receiving a county vehicle from other departments.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to fuel management, fleet management, system access controls, and vehicle surplus process.

Upon discussing these existing conditions with management on February 23, 2023, Purchasing & Fleet proceeded to resolve these conditions and communicated their efforts to improve the adequacy and effectiveness of their internal controls. We would like to extend our appreciation to the department for being receptive to our evaluation and proactive in implementing our recommendations. Purchasing & Fleet helped to model the collaboration the Auditor-Controller's Office is seeking with all county departments.
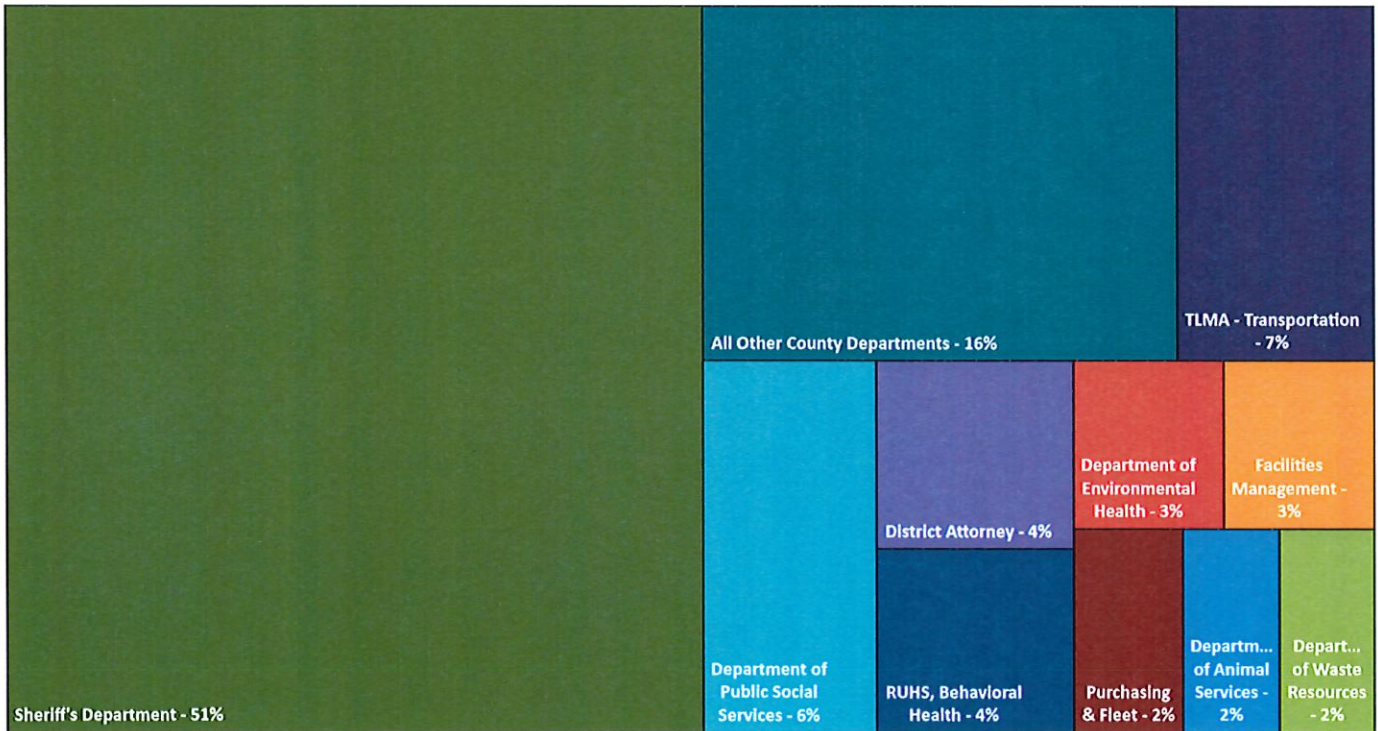
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Fuel Management

Background

Purchasing & Fleet operates twelve fueling locations across Riverside County. These fuel stations can be used by county employees to refuel county-owned vehicles during their ordinary course of business. To grant employee authorization to fuel at these fuel stations, Purchasing & Fleet uses Human Resources' Safety Division's General Form 30, *Authorization to Drive Riverside County Vehicle or Private Vehicle for County Business* (GEN-30). Although its primary purpose it to grant and disable employee access to using county vehicles, Purchasing & Fleet uses the GEN-30 concurrently to grant and disable employee access to the fuel stations. Treemap A below illustrates a breakdown of total fuel usage by department during the audit review period:

Treemap A: Proportional Fuel Usage by County Department (Unleaded and Diesel) During the Audit Review Period

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Objective

To verify the existence and adequacy of internal controls over fuel usage monitoring and access to county fuel stations.

Audit Methodology

To accomplish these objectives, we:

• Obtained an understanding of departmental processes and procedures over fuel usage monitoring and access to county fuel stations.

• Interviewed key personnel regarding the department's fuel usage monitoring and access to county fuel stations.

• Verified whether Purchasing & Fleet monitors fuel usage trends that are adequately reviewed by management.

• Obtained listing of all active and departed county employees.

• Obtained listing of county employee ID numbers that are linked to an active GEN-30, or active authorization to pump fuel at county fuel stations.

• Verified whether employees no longer with the County of Riverside still have their employee ID number linked to an active GEN-30.

• Obtained a listing of all county fuel station transactions during the audit review period and identified instances in which employee ID numbers linked to departed county employees incurred fuel transactions after their departure.

• Obtained a listing of Purchasing & Fleet vehicles disposed during the audit review period.

• Verified whether retired vehicles in the Riverside County financial system incurred fuel transactions after their retirement dates.

• Obtained a listing of county locations that house above-ground fuel storage tanks.

- Randomly selected above-ground fuel storage tanks from the listing and verified whether the storage tanks are adequately safeguarded.

Finding 1: County Fuel Station Transactions After Employee Departure

Twenty-seven employee ID numbers were linked to employees who had departed from the county and incurred fuel transactions at county fuel stations after their departure date. The total fuel transaction value during the audit review period by those 27 ID numbers was $11,691. The employee ID number that incurred the largest cost after their departure was valued at $4,719 of fuel during the audit review period and the employee ID number with the highest number of individual fuel transactions was 149 transactions after their departure. Additionally, we randomly selected three departed county employees to verify whether their ID numbers can be used to access county fuel stations. For all three departed employees, when inputting their ID numbers into a fuel pump at a county fuel station, we were granted access to pump fuel into a rented fleet vehicle because their ID numbers were still linked to an active GEN-30.

Riverside County Purchasing & Fleet Services Policy 4001, *Vehicle Use and Safety Guidelines*, states, "Upon employee resignation, termination or the revocation of his/her driver's license, the approving authority must sign the cancellation line on the Agency's/Department's/District's file copy of the employee's General Form 30 and forward copies of it to the County Safety Office, Fleet Services and the employee." Purchasing & Fleet is not notified by Human Resources or other departments when an employee is being offboarded. As a result, 2,654 of 9,490 employees (28%) who had departed from the county had employee ID numbers linked to an active GEN-30 as of December 23, 2022. A county employee's GEN-30 that remains active after an employee has departed from the county exposes the county to risk where departed employee ID numbers can still be used to fuel at county fuel stations and increases the risk of unauthorized fuel transactions.

On February 23, 2023, Purchasing & Fleet management provided a new policy titled *Fuel Site Account Access and Fueling Rights* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Additionally, Purchasing & Fleet coordinated with Human Resources and their Safety Division to create an automated, daily report that lists departed county employees that should have their access to fuel stations disabled. In the follow-up audit, we will verify whether departed employees have their authorization to pump fuel disabled in accordance with the department's new policies and procedures.

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Recommendation 1

Ensure personnel adheres to policies and procedures to perform periodic reviews to ensure departed county employee ID numbers are not linked to an active GEN-30.

Management's Response

"**Concur.** The timeframe used for the audit contained 257,107 fuel transactions resulting in only 27 transactions called out in the audit representing just .0001 of one percent finding. Of the 27 transactions identified above, 23 of these are single instance transactions that purchased fuel amounts that are in line with fuel type and capacity of the active county vehicles they were authorized to fill, which likely means these were simply user errors when keying in the Employee Identification Numbers (EIN). The remaining quantity of identified transactions are a result of employees knowingly utilizing another employees EIN. Fleet contacted all involved departments and requested that these employees be counseled to not use any EIN not assigned to themselves. Once the obsolete EINs were terminated, Fleet noticed the employees using the correct EINs within the very same week to fuel the same active county vehicle at the same locations and times.

Many county employees have similar Employee Identification Numbers (EIN) and employees can accidently input an incorrect EIN number at a County owned fuel site. If the incorrect EIN is still active in the system, then it is possible to authorize a transaction with the wrong EIN if the vehicle used in the transaction is still in active status and the correct mileage is used.

Fleet disables employee access with EINs when revoked General Form 30s (Gen 30) from the County Human Resources Safety Division are received. If no Gen 30 is received and an employee is separated from county employment, then there is a possibility of an EIN remaining active in the system until identified in the quarterly reconciliation. As a result of this audit, a new process was created to generate an automated report from Human Resources that specifically looks at employees that have an active Gen 30 on file and compares it to recently separated employees to generate a daily list of former employees that need to have their EINs removed from fuel site access. Fleet is scheduled to receive this report daily and removes all separated employee EINs contained on the list within 24 hours of receipt. Reconciliations will be completed quarterly to catch any inconsistencies not captured on the daily updates.

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Fleet has also received the list of previous infractions identified by the ACO and has removed the fueling rights to all past employees identified.

Additionally, Fleet policy FP403 was updated to reflect all additional processes required to address the ACOs findings. Fleet staff were informed about the policy update on February 23, 2023."

Actual/Estimated Date of Corrective Action: February 23, 2023

Finding 2: Fuel Transactions Subsequent to Vehicle Retirement

Twenty-four out of 549 (4%) vehicles disposed during the audit review period incurred a fuel transaction after the vehicle was retired in the Riverside County financial system. Employees driving emergency vehicles entered inaccurate vehicle information when fueling at a county fuel station and used vehicle numbers linked to retired vehicles. Additionally, there were vehicle life cycle status code discrepancies between the fleet management software and the department's fuel management software. This allowed retired vehicles to maintain active fuel authorization.[1] County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, "Accounts no longer necessary for business shall be disabled or removed in a timely fashion." Purchasing & Fleet's policies and procedures do not include a process that ensures a vehicle's fuel authorization is disabled upon being retired in the Riverside County financial system. Having retired vehicles with active fuel authorization exposes the department to risk where incorrect vehicle numbers are entered at fuel stations or those with access to current vehicle information may fuel unauthorized vehicles.

As of February 23, 2023, Purchasing & Fleet management provided a new policy titled *Fuel Site Account Access and Fueling Rights* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. In the follow-up audit, we will verify whether vehicles retired in the Riverside County financial system have their fuel authorization disabled in accordance with the department's new policies and procedures.

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[1] The life cycle status code is a code used to differentiate maintenance and billing processes between vehicles that are in different usage statuses (active, inactive, received, etc.). Having an active code in the fuel management software allows a vehicle to fuel at county fuel stations despite an inactive code in the fleet management software.

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Recommendation 2

Ensure personnel adheres to policies and procedures to ensure vehicles that are retired in the Riverside County financial system do not have active fuel authorization.

Management's Response

"**Concur.** In addition to the Central Fleet, there are 5 additional county departments with their own fleets that are responsible for the vehicle life cycle management. When these separate departments remove vehicles from service but do not inform Central Fleet of that action, updates are not made to the countywide fueling system which results in inactive vehicles remaining active in the fuel system.

To address the audit finding, Fleet has created policy FP403 and implemented new automated reporting to ensure that vehicle records in the Fleet Management Information System (FMIS) called FASTER and Fleets Fuel Management System (EJ Ward) are better synchronized. Fleet also developed an automated exception report that now specifically looks for any discrepancies between a Fleet-owned vehicles life cycle status code and its ability to fuel by identifying any vehicles that do not have an active life cycle code and its authorization to fuel. Any vehicle identified will have its access to fuel disabled. Fleet has received the list of infractions identified by the ACO and has removed the fueling rights to all assets identified. Fleet is also working with FASTER, the county's Fleet Management Information System vendor to provide a "Birth Certificate" integration that will automatically synchronize asset life cycle status codes between FASTER and EJ WARD eliminating this issue in the future. Implementation is ongoing. Fleet staff were notified of the new policy on February 23, 2023."

**Actual/Estimated Date of Corrective Action:** September 1, 2023

Fleet Management

Background

Purchasing & Fleet provides a fleet management program for vehicles used for county business. The fleet management program is maintained through the department's fleet management software, which tracks vehicles, parts inventory, maintenance work orders, and fuel usage. To operate effectively, the department utilizes two garages in Riverside County where maintenance and repair services are performed on fleet vehicles. See Flowchart A for a summary of the department's work order process for maintenance and repairs:

Flowchart A: Maintenance and Repair Work Order Process
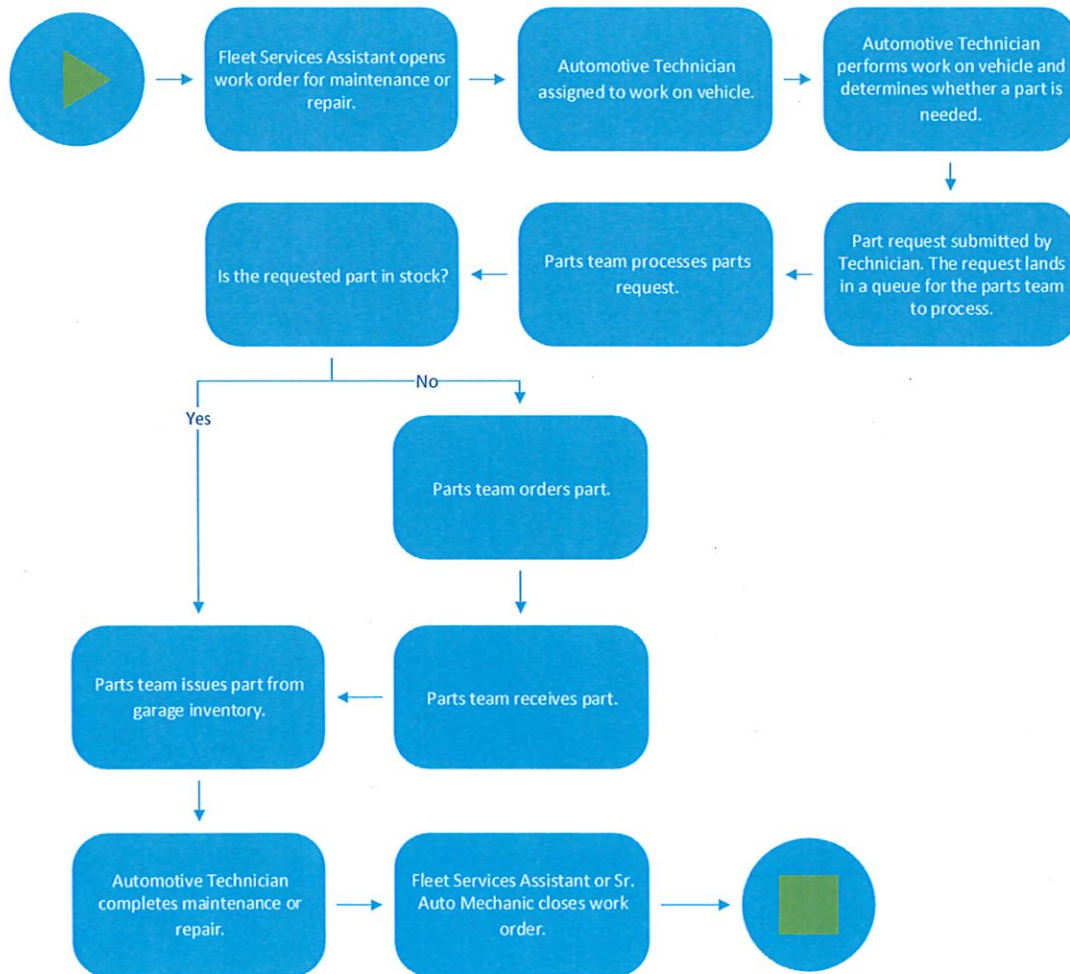
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Within each garage are storerooms that hold automotive parts categorized into two types: stock and non-stock parts. Stock parts are items normally purchased in bulk where there is a set par value that is maintained in the fleet management software. Non-stock are items less frequently used that are purchased on an as-needed basis for vehicle maintenance or repairs. Garage inventory is counted monthly and if there are any discrepancies between the actual, on-hand quantity and what is recorded in the fleet management software, inventory adjustments are made in the system.

Departments are billed monthly for renting fleet vehicles. Rates are calculated to recover costs associated with maintenance, repairs, and fuel. To accurately calculate the monthly billing for each department, reconciliations are performed by Purchasing & Fleet administration. Once the reconciliation is completed, a finalized report is uploaded to the Purchasing & Fleet intranet site for department viewing. From the intranet site, departments can view their billing details for the month.

Objective

To verify the existence and adequacy of internal controls over vehicle maintenance and inventory management relating to fleet services.

Audit Methodology

To accomplish these objectives, we:

• Obtained an understanding of departmental processes and procedures over fleet management.

• Interviewed key personnel regarding the department's vehicle maintenance processes and inventory management processes.

• Obtained listing of all Purchasing & Fleet work orders during the audit review period.

• Analyzed the work order process and determined whether work orders at the two garages selected for testing (Garage A and Garage B) had adequate review and approval, supporting documentation, and segregation of duties.

• Obtained a current Purchasing & Fleet vehicle listing as of the fieldwork date.

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- Randomly selected vehicles from the vehicle listing and determined whether vehicle odometers agreed with the information reported in the fleet management software and whether vehicles were overdue for preventative maintenance.

- Obtained a listing of departmental monthly billings finalized during the audit review period.

- Randomly selected monthly billings to determine whether billings had adequate review and approval prior to being posted on Purchasing & Fleet's intranet site.

- Obtained the most current garage inventory listing for one of the department's garages selected as of the fieldwork date.

- Randomly selected garage inventory items from the listing to determine whether the actual quantity on-hand agreed with the inventory listing per the fleet management software.

- Verified whether Purchasing & Fleet has adequate segregation of duties over the maintenance of inventory items and whether inventory items are adequately safeguarded.

- Obtained the department's most recent annual and cycle (monthly) garage inventory counts as of the fieldwork date.

- Verified whether garage inventory counts are performed periodically, garage inventory counts have adequate sign-off dates and approvals, and garage inventory adjustments are reviewed and approved.

- Obtained a listing of all garage inventory items purchased during the audit review period.

- Randomly selected garage inventory item purchases from the listing and verified whether purchases had adequate review and adequate supporting documentation.

Finding 3: Segregation of Duties

Seventeen out of 60 (28%) Garage B work orders randomly selected for testing did not document adequate segregation of duties. For each of the 17 instances, the technician

that performed the maintenance or repair also closed the corresponding work order. Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "duties are divided or segregated so that no one person has complete control over a key function or activity." Purchasing & Fleet's current policies and procedures do not include a process that ensures the segregation of the job duties relating to the work order process. Without a formal segregation of duties process, it increases the department's susceptibility to clerical errors, the risk of misappropriation of assets, and the risk of unauthorized activities.

On February 23, 2023, Purchasing & Fleet management provided a new policy titled *Work Order Accountability* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the new policy requires all work orders to be reviewed by management if the technician that performs the maintenance or repair also closes the corresponding work order. In the follow-up audit, we will verify segregation of duties over the work order process in accordance with the department's new policies and procedures.

Recommendation 3

Ensure personnel adheres to policies and procedures to ensure the job duties relating to the work order process are adequately segregated.

Management's Response

"**Concur.** At smaller Fleet facilities where staffing is limited, Fleet personal may be responsible for both creating, posting labor to, and closing out work orders. This presents an accountability issue for monitoring and evaluating transactions within the Fleet Management Information System since it can have the appearance that an employee can open and close their own work orders possibly charging labor without approval. To ensure accountability and integrity of the workflow process since the ACO audit, all work orders are now reviewed where the staff member or technician who conducts work posted to the work order, and who is also responsible for or has closed out the work order. Fleet Services implemented a weekly report of all work orders where the same Fleet employee performs the work and closes the work order. This report is sent to the Operations Manager for review and verification of all transactions on the work order. Documentation of these work order reviews completed by Fleet Services are filed and stored onsite for management review."

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Actual/Estimated Date of Corrective Action: February 23, 2023

Finding 4: Fleet Garage Inventory Counts

Monthly garage inventory count documentation does not show evidence of who performed the counts, when the counts were performed, and who reviewed and approved the counts. As such, we are unable to determine whether adequate segregation of duties exist over the department's monthly garage inventory counts, if counts are routinely performed, and if counts are reviewed and approved by management. Standard Practice Manual 801, *Inventory of Materials and Supplies*, states, "as one employee does the count, another employee must be assigned to do the recording of the count on the count sheet." Additionally, Standard Practice Manual 801, *Inventory of Materials and Supplies*, states, "the supervisor/manager must randomly select items from the completed count sheets and verify." Purchasing & Fleet's current policies and procedures do not include a process to ensure the formal review and approval of monthly garage inventory counts are adequately documented. Without formally documenting preparer and reviewer signatures and dates, it decreases formal accountability measures if inventory discrepancies arise and does not ensure adequate segregation of duties.

On February 23, 2023, Purchasing & Fleet management provided a new policy titled *Parts Inventory* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Additionally, the department ordered stamps to ensure that the printed garage inventory count sheets have designated sections to capture the employee performing the count and the supervisor reviewing and approving the count. In the follow-up audit, we will verify whether the formal review and approval of monthly garage inventory counts are adequately documented in accordance with the department's new policies and procedures.

Recommendation 4

Ensure personnel adheres to policies and procedures to ensure completed garage inventory count sheets are reviewed and approved by management.

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Management's Response

"**Concur.** Fleet has created new policy FP401 and implemented new procedures to ensure a separation of responsibilities and duties, and to provide greater supervisory and management oversight. Fleet purchased stamps to ensure that inventory documentation has a dedicated place to capture both the employee performing the inventory count and the supervisor reviewing and approving the count. The new policy and procedures were discussed with the Fleet staff on February 23, 2023."

Actual/Estimated Date of Corrective Action: February 23, 2023

Finding 5: Fleet Garage Inventory Adjustments

Adequate documentation with evidence of a formal review and approval process over garage inventory adjustments is not maintained. Discrepancies identified during the department's monthly garage inventory counts are investigated by a fleet garage storekeeper who will adjust inventory quantities once the investigation is complete. Prior to the adjustment being posted, the department does not document whether the garage inventory adjustments were reviewed or approved by management. As such, we cannot determine whether adequate review and approval exists over garage inventory adjustments.

Standard Practice Manual 801, *Inventory of Materials and Supplies*, states, "significant differences between physical counts and perpetual inventory records must be investigated by supervisory personnel and reported to management." Additionally, Standard Practice Manual 801, *Inventory of Materials and Supplies*, states, "management must investigate and is responsible for all adjustments." Policies and procedures do not include a process that ensures inventory adjustments are formally reviewed and approved by management prior to being posted to the fleet management software. Without documenting who reviewed and approved garage inventory adjustments, it may lead to challenges when identifying patterns or trends that may indicate larger issues with inventory management and financial reporting may be inaccurate.

On February 23, 2023, Purchasing & Fleet management provided a new policy titled *Parts Inventory* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the new policy requires all garage inventory adjustments to be entered by a Fleet Supervisor, with any adjustments that exceed a specific dollar amount or percentage variance to be

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reviewed and approved by the Operations Manager. In the follow-up audit, we will verify whether inventory adjustments are formally reviewed and approved by management in accordance with the department's new policies and procedures.

Recommendation 5

Ensure personnel adheres to policies and procedures to ensure garage inventory adjustments are reviewed and approved by management prior to being posted to the fleet management software.

Management's Response

"**Concur.** Fleet has created new policy number FP401 and implemented new procedures to improve the inventory process and to properly document any necessary inventory adjustments. Once completed, the monthly inventory report will be signed by a Fleet Supervisor and a copy provided to the Operations Manager. Any variance exceeding 2% of the total count and exceeding $50 in adjustments or any amount over $100 in value will be reviewed, approved, and documented by departmental management. The new policy and procedures were discussed with the Fleet staff on February 23, 2023."

Actual/Estimated Date of Corrective Action: February 23, 2023

Finding 6: Fleet Garage Inventory Purchases

Records that allow for tracing part requisitions or work orders to their corresponding purchase orders are not maintained. Part requisitions and work orders are processed using the fleet management software and purchase orders are processed using Riverside County's electronic procurement system. Part requisitions and work orders are not being linked to their corresponding purchase orders. As such, we could not determine whether adequate segregation of duties exist over garage inventory purchases. Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "duties are divided or segregated so that no one person has complete control over a key function or activity." The fleet management software does not have the capability to trace part requisitions and work orders to their corresponding purchase orders in Riverside County's electronic procurement system. Not having a process to trace part requisitions or work orders to their corresponding purchase order can increase the risk of having unauthorized or excessive inventory purchases. By tracking a purchase order to the part requisition and work order that

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initiated it, the department can better control costs associated with maintaining and servicing county vehicles.

Recommendation 6

Develop a process that ensures part requisitions and work orders are adequately traced to their corresponding purchase orders.

Management's Response

"**Concur.** The County's current Fleet Information Management System (FMIS) FASTER does not have the capability of attaching Purchase Order (PO) information from previously purchased on hand stock to a new technician request for parts. These requests are filled from on hand and previous purchased stock and could have initially been provided by various PO's creating difficulty in tying a specific technician requisition to a specific PO.

Fleet is currently exploring efficiencies and programmatic changes that may result in the implementation of this recommendation."

Actual/Estimated Date of Corrective Action: November 1, 2023

Finding 7: Reconciliations Over Monthly Department Billings

Documentation with evidence of a formal review and approval process over reconciling monthly department billings is not maintained. Monthly reconciliations are being performed, but the department does not document whether the reconciliations were reviewed or approved by management. As such, we cannot determine whether adequate review and approval exists over reconciling monthly department billings or if the reconciliations were performed timely. Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "records are routinely examined and reconciled to determine that transactions were properly processed." Additionally, Standard Practice Manual 1001, *Internal Control*, states, "duties are divided or segregated so that no one person has complete control over a key function or activity." Policies and procedures do not include a process that ensures the department's monthly billing reconciliations are reviewed and approved by management prior to final billing being posted. Not documenting the review and approval over reconciling monthly department billings impacts the ability to identify

and correct discrepancies or errors timely and can impact financial and non-financial reporting.

Recommendation 7.1

Ensure compliance with Standard Practice Manual 1001, *Internal Control*, by adequately documenting the review and approval of monthly department billing reconciliations prior to finalizing billing.

Management's Response

"**Concur.** To comply with Standard Practice Manual 1001, *Internal Control*, Purchasing and Fleet Services Fiscal team will ensure adequate reviews prior to billing finalization. The Accounting Technician II will perform pre-bill, final bill, and preparation of the sales reconciliation. The Accountant II will review and reconcile the sales reconciliation document and send to the Principal Accountant for review/approval. Upon approval, the Accounting Technician II will process the journal and bill departments for services rendered."

Actual/Estimated Date of Corrective Action: May 30, 2023

Recommendation 7.2

Develop policies and procedures that ensure reconciliations over monthly department billings are adequately reviewed and approved.

Management's Response

"**Concur.** The monthly billing process was modified on 5/26/2023 in response to the audit finding. A new Standard Operating Procedure (SOP) was created to accompany the changes. Updated procedures were discussed at Fiscal Team meeting on 5/30/2023, to achieve full implementation effective that date. The new process includes the division of duties in the process and review of the monthly billings whereby the staff will prepare the monthly billings and obtain approval by Fiscal supervision prior to final billing and journal posting."

Actual/Estimated Date of Corrective Action: May 30, 2023

System Access Controls

Background

System access controls within information systems ensure proper confidentiality, integrity, and availability to the data stored within the system. Authentication is a control which confirms a user's identity to provide access to a systems sensitive information. Sensitive information is any information that must be protected from unauthorized access to maintain the information security of an organization or an individual. Authentication is often achieved by using login credentials such as a username and password. Authentication relies on the presumption that the user is authorized to use the system and that only the user knows the login credentials to gain access.

Active Directory is a directory service which allows county departments to manage permissions and access to network resources, and linked data applications utilized by the department. When a user ends employment with Purchasing & Fleet, it is the department's responsibility to create and approve a help desk ticket to request the removal of the departed employee's access rights to their Active Directory account. Once the ticket is approved by department personnel, Riverside County Information Technology (Information Technology) is notified to disable Active Directory to remove permissions and network access. These help desk tickets contain various workflow tasks such as disabling e-mail accounts, Active Directory, data/application systems access, badge access, reclaiming software licenses, and reclaiming any equipment that may have been issued to an employee. A help desk ticket is not closed until all tasks within have been completed by Information Technology personnel.

Objective

To verify the existence and adequacy of internal controls over employee access rights to system applications.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of County of Riverside Information Security Standard v1.0.

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- Interviewed key personnel regarding the department's employee access termination processes.

- Obtained a listing of all critical systems used by Purchasing & Fleet and judgmentally selected a sample of systems not linked to Active Directory.

- Obtained listing of employees who had access to the selected system applications not linked to Active Directory during the audit review period.

- Obtained listing of employees whose access to the selected system applications not linked to Active Directory were terminated during the audit review period.

- Obtained report from Information Technology that details Purchasing & Fleet ticket creation and approval dates for disabling employee access to Active Directory.

- Verified whether access rights to the selected system applications not linked to Active Directory were disabled within 24 hours of an employee's departure from Purchasing & Fleet.

- Verified whether requests to disable Active Directory were created and approved by Purchasing & Fleet personnel within 24 hours of an employee's departure from the department.

Finding 8: Timely Termination of System Access Rights

Employees did not have their Active Directory account termination requests created and approved timely (within 24 hours) upon separation. Additionally, employee access rights were not removed timely for two systems not linked to Active Directory (System A and System B). See Table A for a summary of findings:

Table A: Summary of Findings – System Access Controls

System	Findings
Active Directory	41 out of 46 departed employees (89%) did not have their Active Directory account termination requests created and approved in a timely manner. The average time elapsed between employee departure and ticket approval was 138 days, with the longest taking 694 days for approval and the shortest taking 2 days.

Table A, continued: Summary of Findings – System Access Controls

System	Findings
System A	Of the 30 employees with access to System A enabled, 3 employees (10%) departed from the department continued to have access to System A at the time of our review.
	Eighteen out of a total of 25 employees (72%) did not have their access removed in a timely manner. The average days lapsed was 153 days, with the longest taking 433 days to disable and the shortest taking 14 days.
System B	Of the 18 employees with access to System B enabled, 3 employees (17%) departed from the department continued to have access to System B at the time of our review.
	One out of a total of two employees (50%) did not have their access removed in a timely manner. The number of days it took to disable access for the one employee was 127 days.

County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, "Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer." The department's current policies and procedures do not include a process to ensure user accounts for departed employees are to be disabled or removed on the day of departure. Allowing user accounts to remain open after employment has ended exposes the department to risk where information maintained in the departments can be continuously accessed by individuals who no longer have a right or need to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.

On February 23, 2023, Purchasing & Fleet management provided a new offboarding checklist titled *Departing Employee Checklist* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. In the follow-up audit, we will verify whether user accounts for departed employees are disabled or removed timely in accordance with the department's new policies and procedures.

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Recommendation 8.1

Ensure compliance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, by creating and approving requests to disable Active Directory accounts within 24 hours of an employee's departure from the department.

Management's Response

"**Concur.** Purchasing and Fleet services has updated the departing employee checklist to better identify and track account termination requests. The checklist was modified 5/26/23 in response to the audit finding and a new SOP was created to accompany the changes. The updated procedures will be discussed at Senior Management Meeting on 6/14/2023, the Supervising Procurement Contract Specialist meeting on 6/7/23 and with the Administrative Support Staff on 06/7/23 for full implementation by 6/14/23. Documentation will be stored in our records and added to training plans for future new staff."

Actual/Estimated Date of Corrective Action: June 14, 2023

Recommendation 8.2

Ensure compliance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, by disabling user accounts not linked to Active Directory on the day of an employee's departure from the department.

Management's Response

"**Concur.** Purchasing and Fleet services has updated the departing employee checklist to better identify and track account termination requests. The new checklist will be used for offboarding of employees to ensure that access to Fleet and other county systems are removed immediately upon termination. The checklist and accompanying SOP were modified 5/26/23 in response to the audit finding and will be fully trained and implemented by 6/14/23."

Actual/Estimated Date of Corrective Action: June 14, 2023

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Recommendation 8.3

Ensure the department's *Departing Employee Checklist* is consistently followed when offboarding employees separating from the department and maintain the checklist in employee files.

Management's Response

"**Concur.** Purchasing and Fleet Services administrative support staff will submit a help desk ticket with the Riverside County Information Technology Group (RCIT) requesting the deactivation of all access granted upon hire/entry into department. Administrative support staff will save a copy of the RCIT ticket completion notice signifying all access has been deactivated. The Administrative Support Services Manager will audit records quarterly to ensure compliance. The new process will be implemented on 6/14/23. We anticipate the first audit will be performed in the first week of October 2023 and quarterly thereafter."

Actual/Estimated Date of Corrective Action: June 14, 2023

Vehicle Surplus Process

Background

Purchasing & Fleet manages the disposal of county surplus items such as office equipment and capital assets by redistributing the items to other county departments or agencies. Purchasing & Fleet facilitates surplus bids for the surplus of vehicles using a third-party auction vendor. When a department wants to surplus a vehicle, a Vehicle Return Form must be submitted to Purchasing & Fleet. The Vehicle Return Form is used to coordinate processes that must occur when a vehicle is surplused or removed from service and to be returned to Purchasing & Fleet for final disposition and disposal. Upon receiving a vehicle posed for disposition, Purchasing & Fleet determines its usability and prepares it to be picked up by their third-party auction vendor. Once the vehicle auction is complete, Purchasing & Fleet archives the resulting auction package and submits it, along with an AM-7 Form, to the Auditor-Controller's Office to retire the vehicle in the Riverside County financial system.

Objective

To verify the existence and adequacy of internal controls over the vehicle surplus process relating to Purchasing & Fleet.

Audit Methodology

To accomplish these objectives, we:

• Obtained an understanding of departmental processes and procedures over the vehicle surplus process.

• Interviewed key personnel regarding the department's vehicle surplus processes.

• Verified whether there was adequate segregation of duties in place related to surplusing a vehicle.

• Obtained a listing of all Purchasing & Fleet vehicles surplused during the audit review period.

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- Selected surplused vehicles from the listing and verified whether the proper forms were submitted to the Auditor-Controller's Office, review and approval upon surplusing the vehicles was adequate, supporting documentation relating to surplusing the vehicles was sufficient, and proceeds from surplusing the vehicles were adequately monitored.

Finding 9: Incomplete Vehicle Return Forms

Thirteen of the 35 (37%) surplused vehicles randomly selected for testing had incomplete Vehicle Return Forms. The Vehicle Return Forms were missing a signature and date in the section "Fleet Employee Receiving Vehicle." As such, we were unable to verify whether adequate segregation of duties exists between the person receiving the vehicle and the person preparing the vehicle for auction. Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "duties are divided or segregated so that no one person has complete control over a key function or activity." Policies and procedures did not include a process that ensures Vehicle Return Forms are completed upon receiving a county vehicle from other departments. By not ensuring the Vehicle Return Forms are completed, the department cannot adequately monitor which employee received the vehicle and prepared it for auction in the event of a discrepancy when reconciling inventory or reporting assets.

On February 23, 2023, Purchasing & Fleet management provided an updated Vehicle Return Form, as well as instructions for completing the form, that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. In the follow-up audit, we will verify whether Vehicle Return Forms are completed and signed upon receiving a county vehicle from other departments in accordance with the department's new policies and procedures.

Recommendation 9

Ensure Purchasing & Fleet employees complete and sign Vehicle Return Forms upon receiving a county vehicle from other departments.

Management's Response

"**Concur.** Fleet has implemented new policy FP501 and updated the procedure to improve the Vehicle Return Form process (VRF) and to properly document Vehicle Life Cycle Status changes when units are taken out of service. Fleet has modified the current version of Fleets Vehicle Return form as well as added additional instructions to ensure

that all required fields are completed and that the completed document is attached to
the vehicles record in the Fleet record management system. Vehicle return forms (VRF)
are completed and signed by the requesting department then received and signed by a
fleet employee then the Capital Asset Disposition form (AM7) is processed by members
of Fleets fiscal team and then submitted to the Auditor-Controller's Office. This process
requires three separate activities by county employees per vehicle being disposed,
which ensures segregation of duties for greater accountability. Fleet staff were notified
of the new policy on May 31, 2023."

Actual/Estimated Date of Corrective Action: May 31, 2023