

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



**ITEM: 2.8
(ID # 21413)**

MEETING DATE:
Tuesday, March 28, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2023-312: Riverside County Information Technology Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-312: Riverside County Information Technology Follow-up Audit

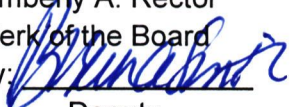
ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 3/14/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez, and Gutierrez
Nays: None
Absent: None
Date: March 28, 2023
xc: Auditor-Controller

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

**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 Information Technology. Our audit was limited to reviewing actions taken as of September 20, 2022, to correct findings noted in our original audit reports 2018-017 dated March 4, 2019, and 2021-022 dated June 29, 2021. The original audit reports contained a combined total of 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:

- Seven of the recommendations were implemented.
- Four of the recommendations were not implemented.

For an in-depth understanding of the original audits, please refer to Internal Audit Reports 2018-017 and 2021-022 included as attachments to this follow-up audit report or they 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 2023-312: Riverside County Information Technology Follow-up Audit.


 Stephanie Perez, Principal Management Analyst 3/17/2023

Internal Audit Report 2023-312

**Riverside County Information Technology
Follow– up Audit**

Report Date: March 28, 2023



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Ben J. Benoit
Riverside County Auditor-Controller

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

March 28, 2023

Jim Smith
Chief Information Officer
Riverside County Information Technology
3450 Fourteenth Street
Riverside, CA 92501

**Subject: Internal Audit Report 2023-312: Riverside County Information Technology
Follow-up Audit**

Dear Mr. Smith:

We completed the follow-up audit of Riverside County Information Technology. Our audit was limited to reviewing actions taken as of September 20, 2022, to help correct the findings noted in our original audit reports 2018-017: Riverside County Information Technology, Change of Department Head Audit (Chief Information Officer), dated March 4, 2019 and 2021-022: Riverside County Information Technology, Change of Department Head Audit, 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 reports contained a combined total of 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 11 recommendations:

- Seven of the recommendations were implemented.
- Four of the recommendations were 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 audits, please refer to Internal Audit Reports 2018-017 and 2021-022 included as "Attachment A" and "Attachment B" of this audit report along with our department status letter as "Attachment C" at <https://auditorcontroller.org/divisions/internal-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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Revolving Funds

Audit Report 2018-017

Finding 1: Fund Reconciliations

Preparation and review of monthly revolving fund reconciliations are not evidenced with date and signature from the preparer and reviewer. As such, there is no evidence that proper segregation of duties exists, reconciliations and reviews are performed in a timely manner, and that adequate reviews at the appropriate level are being performed. The Auditor-Controller's Standard Practice Manual 603, *Revolving Funds*, states, "Reconciliations must be properly reviewed and approved by a supervisor ... " Further, Standard Practice Manual 1001, *Internal Controls*, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Information Technology staff did not follow county policies and procedures. Signatures from the preparer and reviewer provide reasonable assurance that errors or fraudulent activities do not go undetected.

Recommendation 1

Ensure monthly fund reconciliations are evidenced with dates and signatures by the preparer and reviewer.

Current Status 1: Implemented

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Capital Assets

Finding 2: Tracking of Capital Assets

Information Technology is not properly tracking capital assets. Out of 15 capital assets tested, we identified the following:

- Five assets could not be located
- One asset had the incorrect serial ID

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly identified in the Asset Management Module, an overstatement or understatement of capital assets occurs. Further, not having adequate monitoring controls increases the risk of theft and misappropriation.

Recommendation 2.1

Ensure capital assets are properly tracked and tagged in accordance with Standard Practice Manual 513, *Capital Asset Tags*.

Current Status 2.1: Not Implemented

Ten out of 30 (34%) assets sampled were not affixed with an ACO asset tag number. Standard Practice Manual 513, *Capital Asset Tags*, states, "The purpose of tagging assets is to designate the assets as belonging to the County of Riverside" and tags should be located "where the number can be seen easily and identified without disturbing the operation of the item."

Recommendation 2.2

Develop a policy to ensure all capital assets purchased are placed into service and added to the Asset Management Module in a timely manner.

Current Status 2.2: Implemented

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Finding 3: Purchase of Capital Assets

The capital assets approved for purchase by the Riverside County Board of Supervisors through the purchase of the Riverside County Collaboration Center on November 14, 2013, valued at \$2.8 million, have not been recorded in the Asset Management Module. Additionally, we found the following other conditions in our review of these assets:

- After the purchase, the assets were clustered as one asset and documented as construction in progress as a temporary measure to have them uploaded in the Asset Management Module and assess the true value of the assets. Five years later, the assets have not been updated in the Asset Management Module for proper tracking and accounting.
- Assets have not been capitalized nor have they been depreciated since the assets have not been reclassified from construction in progress to active assets in the Asset Management Module.
- Information Technology could not provide a listing of active assets clustered in this group valued at \$2.8 million. Further, we were not able to identify any of these assets in the Asset Management Module as evidence they are being adequately tracked in the system.
- We were not able to verify the locations or physically verify the assets.
- The true value of the assets is not documented. These assets were purchased together with the Riverside County Collaboration Center without an appraisal report determining the value of each asset.

When assets are inadequately recorded, identified, tracked, and reported, internal controls over the safeguarding of assets are significantly weakened. Furthermore, it understates or overstates the capital assets in the government wide financial statements of Riverside County.

Recommendation 3.1

Ensure capital assets acquired in purchase approved by the Riverside County Board of Supervisors on November 14, 2013, are properly recorded to ensure capitalization and

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depreciation occurs in accordance with Standard Practice Manual 502, *Guidelines for Useful Lives*.

Current Status 3.1: Implemented

Recommendation 3.2

Ensure all capital assets are correctly and accurately added to the Asset Management Module and costs are assigned in accordance with Standard Practice Manual 501, *Cost Basis for Capital Assets and Capitalization Thresholds*.

Current Status 3.2: Implemented

Recommendation 3.3

Ensure capital assets are properly tagged and tracked in accordance with Standard Practice Manual 513, *Asset Tags*.

Current Status 3.3: Not Implemented

One out of 4 (25%) sampled assets approved by the Riverside County Board of Supervisors on November 26, 2013, Agenda Item 3-20, were not affixed with an ACO asset tag number. Standard Practice Manual 513, *Capital Asset Tags*, states, "The purpose of tagging assets is to designate the assets as belonging to the County of Riverside" and tags should be located "where the number can be seen easily and identified without disturbing the operation of the item."

Recommendation 3.4

Reclassify and uniquely identify assets that are clustered as construction in progress.

Current Status 3.4: Implemented

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Audit report 2021-022

Finding 1: Capital Assets Compliance

Riverside County Information Technology is not in compliance with county capital asset procedures. We identified the following in our review:

- Eleven (15%) out of the 75 assets sampled did not have the manufacturer supplied serial number in the asset module of the Riverside County financial system and used the respective designated field incorrectly. Standard Practice Manual 1001, *Internal Control*, defines internal controls as the methods and procedures used to ensure accuracy and reliability of financial records. By not providing sufficient capital asset information in the Riverside County financial system, the accuracy of capital asset inventory is not reliable. Furthermore, the practice of entering accurate and complete information, ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Nineteen (25%) of the 75 assets sampled did not have county tags affixed. SPM 513 requires county departments to "Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory." Tagging of capital assets is an internal control designed to provide a method for identifying capital assets and aid in the annual capital asset physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Three (4%) out of the 75 assets sampled did not have county tags that agree with the information reported in the Riverside County financial system. By not properly tagging capital assets, Riverside County Information Technology was not in compliance with SPM 513. Proper tagging ensures information is accurate and reliable and aids certifying capital assets.
- Eight (11 %) out of the 75 assets sampled were not at the location indicated in the Riverside County financial system or at the location reported by Riverside County Information Technology. SPM 513 states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be

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completed." SPM 513 further requires a location change be updated in the Riverside County financial system.

- Fifteen (20%) out of 75 capital assets sampled were not disposed/ surplused in accordance with Standard Practice Manual 514 (SPM 514), *Disposal of Capital Asset*. Capital assets had been upgraded and removed from Riverside County Information Technology asset inventory. However, the assets were not removed from the Riverside County financial system. SPM 514 states, "Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal." Standard Practice Manual 505, *Accounting For: Equipment*, states, "The Departmental capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset."

Properly accounting for capital assets, their location, and updated with complete and correct information, ensures over or understatements do not occur, assets are readily available, and needed information to track and identify the assets is reliable.

Recommendation 1.1

Ensure capital asset information is accurately entered in the designated field. Specifically, the Serial ID field should be used for the manufacture provided serial number or left blank if none is assigned, pseudo serial number created by the department should be entered under a different field.

Current Status 1.1: Implemented

Recommendation 1.2

Ensure capital assets are affixed with a county tag in accordance with Standard Practice Manual 513, *Asset Tags*.

Current Status 1.2: Not Implemented

The status of this recommendation is the same as the status for recommendation 2.1 on page 5 of this audit report. This continues to be an issue that has not been addressed.

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Recommendation 1.3

Ensure capital asset locations are updated in the Riverside County financial system.

Current Status 1.3: Not Implemented

Three out of 30 (10%) assets tested were not able to be located at the locations specified in PeopleSoft Asset Module at the time of our visit (November 2, 2022). Standard Practice Manual 513, *Capital Asset Tags*, states that if an "asset has been moved, the location change must be noted in the PeopleSoft Asset Management module."

Recommendation 1.4

Ensure capital assets are disposed/ surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

Current Status 1.4: Implemented