

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



**ITEM: 2.10  
(ID # 23312)**

**MEETING DATE:**  
Tuesday, October 31, 2023

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2024-303: Riverside County Economic Development Agency, County Service Areas, Follow-up Audit, All Districts, [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-303: Riverside County Economic Development Agency, County Service Areas, Follow-up Audit

**ACTION:**Consent

  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/23/2023

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Spiegel, Washington and Gutierrez  
Nays: None  
Absent: Perez  
Date: October 31, 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**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: n/a</b>	

**C.E.O. RECOMMENDATION:**

**BACKGROUND:**

**Summary**

We completed a follow-up audit of the Riverside County Economic Development Agency, County Service Areas. Our audit was limited to reviewing actions taken as of June 21, 2023, to correct findings noted in our original audit report 2018-021 dated June 19, 2019. The original audit report contained 4 recommendations, all of which required implementation to help correct the reported findings.

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

- Three 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 2018-021 included as an attachment to this follow-up audit report or it can also be found at

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

**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 2024-303: Riverside County Economic Development Agency, County Service Areas, Follow-up Audit.

Office of Ben J. Benoit  
Riverside County Auditor-Controller

4080 Lemon Street, 11th Floor

Riverside, CA 92501

(951) 955-3800

# Internal Audit Report 2024-303

## Follow-up

### 4 Recommendations

- ✓ 3 Implemented
- ▶ 0 Partially Implemented
- ✗ 1 Not Implemented



**Riverside County  
Economic Development Agency  
County Service Areas  
Follow-up Audit**

October 31, 2023





**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

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4080 Lemon Street, 11<sup>th</sup> Floor  
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**ACC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Ben J. Benoit  
County Auditor-Controller

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

October 31, 2023

Suzanne Holland  
Director  
Riverside County Office of Economic Development, County Service Areas  
3403 Tenth Street, Suite 400  
Riverside, CA 92501

**Subject: Internal Audit Report 2024-303: Riverside County Economic Development Agency, County Service Areas, Follow-up Audit**

Dear Ms. Holland:

We completed the follow-up audit of Riverside County Economic Development Agency, County Service Areas. Our audit was limited to reviewing actions taken as of June 21, 2023, to help correct the findings noted in our original audit report 2018-021 dated June 19, 2019.

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

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

**Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
County Service Areas, 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 2018-021 included as "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/reports>.

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

**Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
County Service Areas, Follow-up Audit**

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Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
County Service Areas, Follow-up Audit

**Administrative Service Rate**

**Finding 1: Administrative Service Rate Methodology**

“Administrative service rates are charged to County Service Areas based on a percentage of current revenue instead of actual expenditures. The percentages, identified in Board of Supervisors Policy A-48, *Formation, Alteration and Operation of County Service Areas*, are based on the complexity of the service provided and are multiplied by the current revenues of the County Service Areas to determine the annual amount charged by the Administration. However, this policy does not contain support for the methodology used to determine these percentages and Administration could not provide support for the basis of these percentages.

Board of Supervisor’s Policy B-4, *Rates Charged for Current Services*, states, ‘Charges should recover actual costs of providing the services.’ County Ordinance 573, *Establishing Charges for Extended Services provided in County Service Areas*, Government Code 54985, and Proposition 218 also state similar language. Riverside County Economic Development Agency, Community Services Division believed this was an allowable basis for billing its cost since the Board of Supervisors approved the aforementioned percentages through Board Policy A-48, *Formation, Alteration and Operation of County Service Areas*. Charging costs to County Service Areas based on a percentage of current revenue of the County Service Area may result in the overpayment or underpayment of services.”

**Recommendation 1**

“Create a methodology and calculate an administrative service rate to charge to County Service Areas in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services*, County Ordinance 573, *Establishing Charges for Extended Services provided in County Service Areas*, Government Code 54985, and Proposition 218”

**Current Status 1: Implemented**

Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
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Delivery of Services

Finding 2: Street Sweeping Contract

“Administration receives an annual invoice from Transportation for street sweeping services. However, the invoice does not include supporting documentation that supports street sweeping services were actually performed. In addition, Transportation charges Administration a 15% administrative fee that is not supported by a rate methodology. This administrative fee is in addition to the fee charged by Administration to the County Service Areas. Board of Supervisor’s Policy B-4, *Rates Charged for Current Services*, states, ‘Charges should recover actual costs of providing the services.’ Additionally, as administrators to the County Service areas, a responsibility exists to ensure services are provided and that all fees charged are reasonable. A memorandum of understanding does not currently exist between Administration and Transportation defining the responsibilities for each department. Without a clear definition of responsibilities between Transportation and the County Service Areas, the risk of services not being performed at a dependable level and the potential for overbilling is high.”

Recommendation 2.1

“Develop a memorandum of understanding that defines the responsibilities for each department.”

Current Status 2.1: Implemented

Recommendation 2.2

“Request for Transportation to develop a fee that is supported by a rate methodology that reflects the recovery for the cost of providing their service.”

Current Status 2.2: Implemented

Finding 3: Policies and Procedures

“Policies and procedures provided for County Service Area operations lacked information such as effective date, approval, and revision dates. Administration currently does not have their policies and procedures standardized. SPM 1001, *Internal*



**Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
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*Controls* (Formerly referred as SPM 104), states, 'Well-documented policies and procedures should be established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff, and help ensure continuity during employee absences or turnover.' In addition, good internal controls require the entities' policies and procedures to be reviewed, approved, and periodically updated by management. Not doing so may result in policies and procedures being inconsistently applied by staff. In addition, revising and standardizing policies and procedures improves accuracy and ensures that current business practices and organizational changes are documented."

**Recommendation 3**

"Revise department policies and procedures to ensure they are periodically reviewed, approved by management, and communicated to staff."

**Current Status 3: Implemented at Completion of Original Audit**

**Finding 4: Late Fee Charges**

"County Service Areas received and processed approximately 1,500 street light invoices during our audit period. We selected a random sample of nine, of which (67%) of the lighting invoices reviewed contained late fee charges totaling \$688. Street light payments were not processed within the required time period. There is fiduciary responsibility to ensure taxes received are used for services rendered."

**Recommendation 4**

"Implement a process to ensure timely processing of street light invoices."

**Current Status 4: Not Implemented**

Out of the nine street light invoices selected for review, three (33%) street light invoices contained late charge fees totaling \$319. The street light invoices were selected from the three CSAs (County Service Area) that contained the most invoice amounts. The three CSAs had a combined total of \$1.98 million and 840 invoices in street light payments during our audit period. Street light payments should be processed within the required time period to avoid incurring late charge fees.

**Internal Audit Report 2024-303: Riverside County Economic Development Agency,  
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**Management's Response**

"The sample pulled includes three Southern California Edison accounts for the Desert Center area. These invoices became behind during a staffing transition in June 2022 in which new staff had to receive access to the online Edison portal to download invoices for payment. Once invoices were obtained, payment was processed immediately. Currently invoices are downloaded and emailed to a central invoice email address where multiple accounting staff have access and approval processing can begin immediately. To further improve the vouchering process, we are looking into a method of uploading utility invoices into PeopleSoft 9.2 via Excel worksheet. This is currently in a testing stage with IT staff and is expected to significantly shorten the time needed for manual data entry and thus allow an even quicker voucher processing time to help eliminate all late fees."