

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



ITEM: 2.9
(ID # 24339)

MEETING DATE:
Tuesday, March 05, 2024

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-007: Riverside County Environmental Health Department Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-007: Riverside County Environmental Health Department Audit.

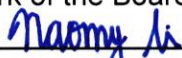
ACTION: Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 2/22/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington and Perez and Gutierrez
Nays: None
Absent: None
Date: March 5, 2024
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	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
NET COUNTY COST	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	N/A

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Environmental Health Department to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management, contract management and monitoring, and water quality monitoring.

Based on the results of our audit, internal controls over cash management and water quality monitoring are functioning as designed to help Environmental Health achieve its business process objectives. However, we have identified improvement opportunities for internal controls over contract management and monitoring that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, the department's process for contract management and monitoring does not include evidence that waste hauler compliance reviews are performed, and there is an absence of procedures for verifying waste hauler billings and revenues collected.

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

Impact on Residents 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 2024-007: Riverside County Environmental Health Department Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

www.auditorcontroller.org

Number of Recommendations

0 Priority Level 1
High Risk

2 Priority Level 2
Medium Risk

0 Priority Level 3
Low Risk

* Please refer to Appendix A for a classification of the priority levels.

Internal Audit Report

2024-007

Riverside County
Environmental Health Department Audit

March 5, 2024



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

Ben J. Benoit, Auditor-Controller
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



March 5, 2024

Jeff Johnson
Director
Riverside County Environmental Health Department
4065 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2024-007: Riverside County Environmental Health Department Audit

Dear Mr. Johnson:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Environmental Health Department to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management, contract management and monitoring, and water quality monitoring.

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.



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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 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



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Executive Summary

Overview

Riverside County Environmental Health Department (Environmental Health) consists of three divisions: District Environmental Services, Environmental Protection and Oversight, and Business Operations and Finance. District Environmental Services division is the largest division with 6 branch offices throughout the County. Environmental Health is responsible for 7 major programs, including retail food, recreational water, household garbage and sewage, plan check, organized camps/mobile home parks, retail tobacco, and vector control. Environmental Protection and Oversight division has regulatory control over hazardous materials, land use, and water system-based programs. Business Operations and Finance division provides accounting, revenue tracking and analysis, purchasing, and budget preparation and monitoring support for the department.

Environmental Health has adopted a budget of \$35.4 million for FY 2023/24 and has 195 authorized positions to execute its responsibilities *County of Riverside, Fiscal Year 2023/24 Adopted Budget, Volume 1, 300-301*.

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 cash management, contract management and monitoring, and water quality monitoring. 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 HIGHLIGHTS

- Reviews of waste hauler compliance reports need to be documented.
- Absence of a procedure for verifying waste hauler billings and revenues could lead to inaccuracies in financial records.



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Audit Scope and Methodology

We conducted the audit from August 16, 2023, through November 3, 2023, for operations from July 1, 2021, through October 2, 2023. Following a risk-based approach, our scope included the following:

- Cash management
- Contract management and monitoring
- Water quality monitoring

Audit Conclusion

Based on the results of our audit, internal controls over cash management and water quality monitoring are functioning as designed to help Environmental Health achieve its business process objectives. However, we have identified improvement opportunities for internal controls over contract management and monitoring that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, the department's process for contract management and monitoring does not include evidence that waste hauler compliance reviews are performed, and there is an absence of procedures for verifying waste hauler billings and revenues collected.



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Contract Management and Monitoring

Background

The Riverside County, Purchasing Policy Manual (2016), defines a contract as “an agreement or purchase order for the purchase or disposal of commodities or services.” The Purchasing Policy Manual further states, “purchase contracts shall be entered into only after it has been determined that prices be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration.” Price reasonableness is established through competitive bidding and supported cost analysis. The terms and conditions of county contracts identify the rights and responsibilities of the parties involved. Terms and conditions include, but are not limited to the following: payment, penalties, record retention, confidentiality, scope of services, and inspection of services.

Contract monitoring is a key process in ensuring compliance with a contract established terms and conditions. This process is crucial in maintaining effective partnerships, ensuring quality services, and achieving optimal value from vendor relationships. Contract monitoring consists of understanding the terms and conditions and the scope of work. Departments can promote contract compliance through validation of satisfactory work performance, ensuring timely performance of contracted work, maintaining adequate documentation, and proper review and approval of invoices prior to payment to a contractor. The Riverside County, Purchasing Policy Manual, states, “whenever a department determines a vendor has not satisfactorily delivered the goods or services contracted for by a purchase order and/or contract, the department should address the problem by initiating a Supplier Correction Action Form located at the Purchasing’s Intranet Forms website. It should never be assumed that contract performance problems will work themselves out.” Furthermore, “corrective action procedures can influence better vendor performance, improved contracts and increase customer satisfaction. Departments are encouraged to document and report all poor or deficient performance.”

Objective

To verify the existence and adequacy of internal controls over Environmental Health’s contract management and monitoring.

Audit Methodology

To accomplish these objectives, we:

- Obtained and reviewed the Riverside County Purchasing Manual as it relates to purchasing authority limitations.



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- Obtained and reviewed a listing of all vendors/contracts/MOU's associated with Environmental Health during the audit period.
- Selected a sample of contractors to determine if adequate controls exist over contractor monitoring.
- Examined contract agreements to ensure compliance with terms.
- Verified completeness, accuracy, and adequate managerial review of documentation.
- Recalculated invoice amounts against contract rates.
- Reviewed invoices from contractor and reviewed supporting documentation for adequacy.

Finding 1: Review of Waste Hauler Compliance Reports

Priority Level: 2¹

Standard Practice Manual 1001, Internal Control, states, "Records are routinely examined and reconciled to determine that transactions were properly processed."

Reviews of waste hauler compliance reports are not documented, as such we are unable to verify if the reviews are performed timely and properly. Environmental Health does not have an established procedure or process for documenting the review of waste hauler compliance reports. The absence of a documented audit trail for compliance report reviews could result in unverified or untracked waste hauler activities, potentially leading to non-compliance with contractual agreements and standards.

Recommendation 1

Implement a formal process for documenting the review of waste hauler compliance reports, including details of the reviewer, date of review, and review outcomes.

Management's Response

"Concur. We acknowledge that our existing process of reviewing waste hauler compliance reports needs a formal verification process.

Our updated process will include a detailed internal department policy to ensure all the applicable elements of the franchise agreements are addressed. Our solid waste program will

¹ Please see Appendix A (page 13) for a description of the finding priority level classifications.



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take the lead in conducting these reviews. The Department will notify and advise the haulers to address corrections if deficiencies are identified.

Minimal financial impact to implement.”

Actual/estimated Date of Corrective Action: May 1, 2024

Finding 2: Monitoring of Waste Hauler Performance

Priority Level: 2¹

Standard Practice Manual 1001, *Internal Control*, to maintain an effective system of internal control, “records are routinely examined and reconciled to determine that transactions were properly processed.”

There is no process in place to ensure billings and revenues collected are reported correctly by waste haulers. Environmental Health does not have policies and procedures in place to require a review of waste hauler billings and revenues to verify for accuracy. Inadequate review can lead to inaccurate financial reporting, potential revenue losses, and compromise the integrity of the department’s financial controls.

Recommendation 2.1

Develop a review process for waste haulers to ensure regular verification of billings and reported revenues.

Management’s Response

“**Concur.** We acknowledge that our existing process for verification of billing and reporting is incomplete. A comprehensive process for review, including review frequency and designated staff is being generated. All effected staff will be trained which will include staff from our solid waste program and our internal support team.

Minimal financial impact to implement.”

Actual/estimated Date of Corrective Action: May 1, 2024

Recommendation 2.2

Establish written procedures for the review and oversight of waste hauler billings.



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Management's Response

“Concur. The department will establish a written procedure for the review and oversight of waste hauler billings. The internal procedure will ensure that the information collected is reviewed and reconciled in an accurate and timely manner. Staff and both the solid waste program and internal support services will participate in this review.

Minimal financial impact to implement.”

Actual/estimated Date of Corrective Action: May 1, 2024



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Cash Management

Background

Cash management in an organization encompasses the processes of handling, collecting, safeguarding, and accurately recording cash transactions. This function begins with the efficient processing of incoming and outgoing cash flows, ensuring timely handling of payments and receipts. Collection involves not just receiving cash but also verifying amounts and ensuring they match transaction records.

Safeguarding cash is a critical aspect, involving secure methods of storage and transport to prevent theft, loss, or misappropriation. This includes using safes, secure transit services, and restricted access to cash handling areas. Timely depositing of cash into financial institutions is also a key component, reducing the risk associated with holding large amounts of cash on premises.

Recording of cash transactions is fundamental for maintaining accurate financial records. This includes detailing all cash movements in ledgers or digital systems, allowing for effective tracking and auditing. Internal controls, such as segregation of duties between those who handle cash and those who record transactions, and regular reconciliations, are essential. These controls ensure the accuracy of records, prevent fraud, and maintain the overall integrity of an organization's financial processes.

Objective

To verify the existence and adequacy of internal controls over Environmental Health's cash management.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards over cash transactions.
- Conducted interviews and performed walk-throughs with department personnel responsible for payment collection processing operations.
- Reviewed supporting documentation for cash transactions.
- Selected a sample of county receipts to verify whether transactions were properly recorded and maintained the appropriate backup documentation.



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- Compared bank reconciliation with bank statement to determine whether appropriate levels of management reviews and approvals were evidenced.
- Verified payments received are recorded and reconciled in the Riverside County financial system.

Finding: None Noted

Priority Level: N/A

Based upon the results of our audit, we determined Environmental Health’s internal controls over cash management provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.



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Water Quality Monitoring

Background

The Environmental Health department's water quality monitoring is a critical initiative aimed at safeguarding public health and environmental integrity. With a focus on assessing and ensuring the safety of water sources within its jurisdiction, the department employs an approach that involves continuous monitoring, testing, and analysis of various water parameters. This includes evaluating chemical, biological, and physical aspects to identify potential contaminants, assess water quality standards compliance, and detect emerging issues that may pose risks to the community. The department's water quality monitoring program encompasses a range of activities such as routine sampling from diverse water sources, including drinking water supplies, recreational water bodies, and groundwater. Strict compliance with established protocols and regulatory guidelines is essential to ensure the accuracy and reliability of the collected data.

Internal controls over water monitoring can include periodic audits of testing procedures and independent verification of results to ensure accuracy and adherence to regulatory standards. These controls can aid in identifying and rectifying procedural inconsistencies, thereby maintaining the reliability of water quality assessments.

Objective

To verify the existence and adequacy of internal controls over Environmental Health's water quality monitoring.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of applicable standards over water quality monitoring.
- Conducted interviews and performed walk-throughs with department personnel responsible for water quality monitoring.
- Obtained a list of active cases with violations during the audit period.
- Selected a sample of cases and reviewed issued compliance order/letter to identify corrections required to be performed by water facility.
- Verified the State reporting was completed properly.



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Finding: None Noted

Priority Level: N/A

Based upon the results of our audit, we determined Environmental Health’s internal controls over water quality monitoring provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.



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Appendix A: Finding Priority Level Classification

Priority Level 1	Priority Level 2	Priority Level 3
<p>These are audit findings that represent the most critical issues that require immediate attention and pose a significant risk to the department’s objectives, compliance, security, financial health, or reputation. They may indicate serious control failures, non-compliance with laws or regulations, significant financial errors, or vulnerabilities with severe potential impact. Immediate corrective measures are necessary to mitigate the risks associated with these findings.</p>	<p>These are audit findings that are important and require timely resolution, but their impact is not as severe as Priority Level 1. They may highlight moderate control weaknesses, areas of non-compliance with internal policies and procedures, or financial discrepancies that are significant but are not critical. While they might not pose an immediate threat, they should be addressed promptly to prevent further escalation or potential negative consequences.</p>	<p>These are audit findings that are less critical and generally have a lower impact on the department’s objectives, compliance, or operations. They may include minor control deficiencies, procedural deviations with minimal impact, or non-critical administrative errors. While they may not require immediate attention, they should still be acknowledged and addressed within a reasonable timeframe to ensure ongoing improvement and prevent potential accumulation of minor issues.</p>
<p><u>Expected Implementation Date of Recommendation*</u> One to three months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Three to six months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Six to twelve months</p>

* Expected completion to implement recommendation date begins after issuance of final audit report.