

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



ITEM: 2.5  
(ID # 24153)

**MEETING DATE:**  
Tuesday, February 27, 2024

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit, All Districts [\$0]

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

1. Receive and file Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit

**ACTION:** Consent

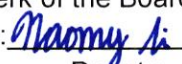
  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 2/6/2024

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Spiegel, seconded by Supervisor Perez 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: February 27, 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**

<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:** Approve

**BACKGROUND:**

**Summary**

We completed a follow-up audit of the Riverside County Office of Economic Development. Our audit was limited to reviewing actions taken as of July 11, 2023, to correct findings noted in our original audit report 2022-014 dated July 12, 2022. The original audit report contained six recommendations, all of which required implementation to help correct the reported findings.

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

- Two of the recommendations were implemented.
- One of the recommendations was not implemented.
- Three of the recommendations were no longer applicable.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-014 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 2024-310: Riverside County Office of Economic Development, Follow-up Audit.



Office of Ben J. Benoit  
Riverside County Auditor-Controller

# Internal Audit Report

## 2024-310

### Follow-up

#### 6 Recommendations

- ✓ 2 Implemented
- ✗ 1 Not Implemented
- ▶ 3 No Longer Applicable



**Riverside County  
Office of Economic Development,  
Follow-up Audit**

February 27, 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, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
951-955-3800



February 27, 2024

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

**Subject: Internal Audit Report 2024-310: Riverside County Office of Economic Development,  
Follow-up Audit**

Dear Ms. Holland:

We completed the follow-up audit of Riverside County Office of Economic Development. Our audit was limited to reviewing actions taken as of July 11, 2023, to help correct the findings noted in our original audit report 2022-014 dated July 12, 2022.

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

- Two of the recommendations were implemented.
- One of the recommendations was not implemented.
- Three of the recommendations were no longer applicable.





## Internal Audit Report 2024-310: Riverside County Office of Economic Development, 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 2022-014 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, County Executive Officer  
Dave Rogers, Chief Administrative Officer  
Grand Jury



**Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit**

## Table of Contents

	<b>Page</b>
<b>Results:</b>	
Library Operations .....	4
COVID-19 Small Business Assistance Grant Program .....	6
Small Business Revolving Loan Funds .....	7

**Attachments:**

A. Internal Audit Report 2022-014: Riverside County Office of Economic Development Audit

B. Status of Findings as Reported by Riverside County Office of Economic Development, Follow-up Audit on July 11, 2023



## Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit

### Library Operations

#### **Finding 1: Service Contract Agreement**

“Our review of the professional service agreement identified the following:

- Uncollected fees and fines were not reported by Contractor to County Library. Uncollected fees and fines totaling of \$421,105 was not reported for fiscal years 2019, 2020, and 2021, in the amounts of \$170,871, \$96,705, and \$153,529, respectively. The Board of Supervisors, *Professional Service Agreement*, states, ‘Contractor will provide detailed County Library annual revenue and expense financial reports.’ Not monitoring for these reports can result in misuse of funds and agreement non-compliance.
- Contractor disposed 18,733 materials valued at \$320,044 without prior approval from the County Librarian. Circulation Procedures, *Weeding and disposal of library materials*, states, ‘Library staff will remove such weeded materials from the library collection only with the prior written permission of the County Librarian.’ Parties involved over the write-off process were not aware of the requirement to obtain County Librarian approval prior the disposal of materials. Proper approval ensures there is no misappropriation of assets and adequate review of transactions.
- We identified five instances where there were discrepancies between the value of disposed materials recorded by Contractor and the original value of the same materials recorded by County Library. Standard Practice Manual 1001, *Internal Control*, states, ‘review and reconciliation records are routinely examined and reconciled to determine that transactions were properly processed.’ The Contractor inaccurately recorded materials price based on bibliographic information. When records are not accurate, it inhibits management ability to make proper operating and planning decisions, also, it hinders management ability to rely on its records and reduces the accuracy of financial and operating reporting.”

#### **Recommendation 1.1**

“Ensure the Contractor provides on time financial reports in accordance with the Professional Service Agreement.”

#### **Current Status 1.1: Implemented**



## Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit

### **Recommendation 1.2**

“Ensure approval is obtained from the County Librarian prior material disposal.”

### **Current Status 1.2: Not Implemented**

Documentation with evidence of a formal approval process over the disposal of materials is not maintained. As such, we cannot independently determine whether the approval over the disposal of materials is performed by the County Librarian.

### **Management’s Response**

“The Riverside County Library System (RCLS) Policies & Regulations Manual has been expanded to allow the RCLS County Librarian and Branch Managers to delegate trained staff that have authorization to approve materials proposed for disposal (referred to as 'weeding'). This Manual is being reviewed by staff for additional updates and will be routed for approval of the Board of Supervisors within this 2023/2024 fiscal year.”

### **Recommendation 1.3**

“Develop a process to ensure materials are recoded by its original price of which Contractor records must match County Library records.”

### **Current Status 1.3: Implemented**





## Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit

### COVID-19 Small Business Assistance Grant Program

#### **Finding 2: Grant Program Usage**

“Eight (80%) out of 10 grant program files for COVID-19 relief to local businesses did not contain documentation required to support the use of funds. The Grant Program Framework, *Grant Use*, states, ‘The Grant must be used for employee salary and benefits and other business capital and operating expenses directly related to the immediate impacts of COVID-19 as identified in the application submitted by Business. No other use of funds is allowed by the Business.’ Department relies on Business to upload the required documents without following up to ensure the intended use of funds. These documents were required to comply with federal grant guidelines.”

#### **Recommendation 2**

“Ensure the collection and verification of documentation supporting the use of Grant Program funds is consistently obtained as intended in current and future programs of similar nature.”

#### **Current Status 2: No Longer Applicable**

The COVID-19 grant program discussed in the original finding ended in December 2021 and falls outside of our audit review period. Additionally, there were no current programs of a similar nature to review.



## Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit

### Small Business Revolving Loan Funds

#### **Finding 3: Compliance with the Revolving Loan Fund Program**

“Loan funds provided to local small businesses are approved and/or evaluated without obtaining complete documentation and information required by the respective fund. We identified the following:

- One (25%) out of four loan applications was approved and awarded without obtaining required documentation for eligibility determination. Personnel managing program missed to obtain required tax documentation to establish eligibility before funding the loan. The loan was funded in April 2020, without 2018 and 2019 tax documentation. As such, there is no evidence that the loan proceeds provided were based on the funding requirements. The Economic Development Revolving Loan Fund Administrative Plan Policies and Procedures, *Application Requirements*, states, ‘To be eligible for funding, a proposed project shall meet the following minimum requirements, financial data: current personal financial statements of principals; the last three years’ business financial statements and tax returns for established operations.’ Non-compliance with the respective Loan Program requirements, it can negatively impact the department ability to receive future funding from the federal agency.
- Nine (100%) out of nine loan packages did not contain the schedule of performance reports. The U. S. Department of Commerce, *Revolving Loan Fund Financial Assistance Award Standard Terms and Conditions*, states, ‘Borrower shall submit the following performance and/or evaluation report to Economic Development to facilitate mandated reporting to the U.S. Department of Commerce: A calendar quarterly report of progress and accomplishments for all funded activities.’ Department’s concern was whether the businesses were still operating without requesting the ongoing performance reports. Non-compliance with the respective Loan Program requirements, it can negatively impact the department ability to receive future funding from the Federal agency.”

#### **Recommendation 3.1**

“Ensure required documentation obtained prior to awarding loan fund, is consistently in accordance with the Economic Development Revolving Loan Fund Administrative Plan Policies and Procedures, *Application Requirements*.”



## **Internal Audit Report 2024-310: Riverside County Office of Economic Development, Follow-up Audit**

### **Current Status 3.1: No Longer Applicable**

Office of Economic Development has established a contract agreement with AmPac for the management and operation of the Revolving Loan Fund Program. The finalization of updated policies and procedures for this program is currently in progress. The respective contract agreement received approval from the Board during the meeting held on Tuesday, June 24, 2023. As such, the operating nature of how this program was managed when we did the original audit has change. For this reason, we state that our recommendation as it was originally made is no longer applicable as a direct operational procedure for Office of Economic Development. However, the required reports and other respective documentation that will need to be obtained prior to awarding loan funds will be the responsibility of AmPac, and Office of Economic Development will need to monitor that the needed documents are obtained. Therefore, we now recommend for Office of Economic Development to monitor the adherence of the contract agreement requirements. We will include the Revolving Fund Loan Program in future audits.

### **Recommendation 3.2**

“Ensure the required reports meant to be collected throughout the life of the loans are collected as outlined in the terms and conditions.”

### **Current Status 3.2: No Longer Applicable**

Office of Economic Development has established a contract agreement with AmPac for the management and operation of the Revolving Loan Fund Program. The finalization of updated policies and procedures for this program is currently in progress. The respective contract agreement received approval from the Board during the meeting held on Tuesday, June 24, 2023. As such, the operating nature of how this program was managed when we did the original audit has change. For this reason, we state that our recommendation as it was originally made is no longer applicable as a direct operational procedure for Office of Economic Development. However, the required reports and other respective documentation that will need to be maintained, will be the responsibility of AmPac, and Office of Economic Development will need to monitor that the needed documents are maintained. Therefore, we now recommend for Office of Economic Development to monitor the adherence of the contract agreement requirements. We will include the Revolving Fund Loan Program in future audits.