

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



ITEM: 2.12
(ID # 25878)

MEETING DATE:
Tuesday, September 17, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-014: Riverside County Transportation and Land Management Agency, Transportation Department Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-014: Riverside County Transportation and Land Management Agency, Transportation Department Audit

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 8/28/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Washington, Perez and Gutierrez
Nays: None
Absent: Spiegel
Date: September 17, 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	\$ 0.0	\$ 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 the Riverside County Transportation and Land Management Agency, Transportation Department to provide management and the Board of Supervisors with an independent assessment of internal controls over vehicle maintenance and grant management.

Based on the results of our audit, we determined internal controls over grant management are functioning as designed to help Transportation achieve its business process objective. However, we have identified improvement opportunities for internal control over vehicle maintenance, specifically, the department's process for vehicle maintenance requires improvement in segregation of duties over work order management including assignment, execution, completion and closing of work orders.

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 2024-014: Riverside County Transportation and Land Management Agency, Transportation Department Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

0 Findings

Medium Risk

1 Finding
• 2 Recommendations

Low Risk

0 Findings

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

Internal Audit Report

2024-014

Riverside County Transportation and Land Management
Agency, Transportation Department Audit

September 17, 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



September 17, 2024

Charissa Leach
Assistant County Executive Officer
Riverside County Transportation and Land Management Agency, Transportation Department
4080 Lemon Street, 14th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2024-014: Riverside County Transportation and Land Management Agency, Transportation Department Audit

Dear Ms. Leach:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Transportation and Land Management Agency, Transportation Department to provide management and the Board of Supervisors with an independent assessment of internal controls over vehicle maintenance and grant management.

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
Juan Perez, Chief Operating Officer
Dennis Acuna, Director of Transportation
Grand Jury



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Internal Audit Report 2024-014: Riverside County Transportation and Land Management Agency, Transportation Department Audit

Executive Summary

Overview

Transportation and Land Management Agency, Transportation Department (Transportation) oversees engineering design, construction, and maintenance of county roads, review of plans and construction of transportation facilities by private land development, and land surveying and map processing. Riverside County-maintained road system is over 2,248 miles of roads and 108 bridges.

Transportation has a recommended budget of \$343.8 million for FY 2024-25 and 402 recommended positions. *County of Riverside, Fiscal Year 2024-25 Recommended Budget Volume 1, 327.*

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 grant management and vehicle maintenance. 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 February 2, 2024, through April 30, 2024, for operations from July 1, 2021, through February 21, 2024. Using a risk-based approach, our scope included the following:

- Vehicle Maintenance
- Grant Management

AUDIT HIGHLIGHTS

- Segregation of duties over vehicle maintenance need to be improved.



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Audit Conclusion

Based on the results of our audit, we determined internal controls over grant management are functioning as designed to help Transportation achieve its business process objective. However, we have identified improvement opportunities for internal control over vehicle maintenance, specifically, the department's process for vehicle maintenance requires improvement in segregation of duties over work order management including assignment, execution, completion and closing of work orders.



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Vehicle Maintenance

Background

Vehicle maintenance programs aid in maintaining vehicles to ensure the safety of passengers, operators, and the public. Preventive maintenance and repair activities enhance the reliability of county vehicles by minimizing service interruptions caused by vehicle or equipment failure. Adequate maintenance of vehicles and equipment promote cost-efficiency of operations and help departments maintain compliance with applicable local, state, and federal regulations as they relate to vehicle operations, repairs, and cleaning. Transportation utilizes the AssetWorks system to aid in its vehicle maintenance process.

Transportation utilizes one main vehicle yard in Riverside County where maintenance and repair services are performed on vehicles and heavy equipment. The Transportation yard houses several operational facilities, such as the operation headquarters, garage, and the inventory warehouse. The inventory warehouse holds commonly used automotive parts needed for most vehicle maintenance and some repairs. Any specialty parts are items used less frequently that are purchased on an as-needed basis.

Objective

To verify the existence and adequacy of internal controls over Transportation's vehicle maintenance process.

Audit Methodology

To accomplish these objectives, we:

- Reviewed relevant department vehicle maintenance policies and procedures over work orders and general maintenance schedules.
- Conducted interviews with Transportation management and personnel to gain an overview of vehicle maintenance processes within the department.
- Obtained and analyzed a listing of all vehicle work orders during the audit period.
- Selected a sample of work orders and verified work order approvals, segregation of duties, timeliness of work order execution, and sufficiency of supporting documentation.



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- Reviewed a current listing of all department vehicles and heavy equipment and reconciled to ensure assets were accounted for in the department's maintenance system.
- Verified that department's internal mileage tracking reconciles to vehicles' odometer.
- Conducted a site visit to Transportation's main yard to understand the vehicle maintenance process and obtain a walkthrough of the facility.

Finding 1: Segregation of Duties

Priority Level: 2¹

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," and further emphasizes, the need for employees to "receive appropriate training and guidance necessary to ensure that control processes function properly and suspected improprieties are reported appropriately."

Of the 62 work orders randomly selected for testing, we identified the following:

- Eleven work orders (18%) had one employee signing off on the entire work order process, opening, finishing, and closing. This concentration of control within a single individual could lead to operational risks such as unmonitored performance, biases in handling the tasks, and a greater vulnerability to unauthorized activities. The absence of a 2-party verification can also undermine the integrity of the work order process.
- Six work orders (10%) involved an employee completing the work on a work order and closing out the work order. In these instances, an employee working on the work order is closing without any quality control documented by management to ensure monitoring of the work completed.
- Seven work orders (11%) involved accounting staff, who are not directly engaged in creating, servicing, or reviewing the work orders, yet they completed certain steps in the process.

The vehicle maintenance system that Transportation utilizes records the name of the user who makes changes as the one who completed the step, overriding the fields regardless of who originally opened, finished, or closed the work order. Within the system, there is no process in place to track changes made to the work orders. Additionally, the system lacks the capability to show the history of changes or maintain an audit trail. This lack of tracking and evidence of segregation of duties increases the risk of vehicle parts misappropriation, compromised accountability, inadequate departmental oversight, and diminished service quality.

¹Please see Appendix A (page 11) for a description of the finding priority level classifications



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Recommendation 1.1

Develop policies and procedures to document notes with reason for delays and modification on work orders to formally track delays and changes.

Management's Response

"Partially Concur. Pertaining to the segregation of duties mentioned above, between 82% to 90% of the work orders had followed the internal controls guideline. Where 10% to 18% of the work orders missed segregation of duties, the department has improved the protocols and has implemented the corrective action recommended by the ACO.

The main reason for delays in processing the work orders has been the delays in receiving needed parts to repair the equipment, and therefore, staff felt it was not necessary to add note in the work orders. However, going forward the staff members are advised to add notes with reason for delays and if modification on work order is done.

About the third bullet point regarding accounting staff completing certain steps, accounting staff members edit the work order(s) only to correct time entry or accounting string. To adhere to ACO's recommendation, procedure has been implemented following Auditor's onsite visit on 4/15/2024 to add a comment in AssetWorks stating the reason the work order was reopened."

Actual/Estimated Date of Corrective Action: April 15, 2024 & July 1, 2024

Recommendation 1.2

Develop training to enhance the technological proficiency of all mechanics, in regard to the work order process.

Management's Response

"Partially Concur. Training manual already exists for work order completion. However, Fleet Management will conduct a training to improve mechanical staff members' technological proficiency."

Actual/Estimated Date of Corrective Action: October 31, 2024



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Grant Management

Background

Transportation currently manages 49 grants, which are funding 94 projects across Riverside County. In fiscal years 2022 and 2023, Transportation secured \$234 million and \$145 million in grant funding, respectively. The Transportation Improvement Program (TIP) is responsible for the administration of these projects, including programming, coordinating, reporting, and monitoring the various federal, state, and local revenues used to fund the department's capital projects. Planned capital expenditures from a variety of funds are outlined, programmed, and compiled into an annual TIP document. This document provides a multi-year projection of anticipated revenues and expenditures for the department's capital projects, ensuring transparency and effective management of grant resources.

Grant management is an essential process in adhering to established terms and conditions within the framework of awarded grants. This process plays a critical role in fostering effective partnerships, ensuring the delivery of quality services, and maximizing the value derived from grant-funded initiatives. Grant management involves an understanding of the stipulated terms and conditions, encompassing project scope, budgetary constraints, and reporting requirements. Departments can enhance compliance by validating satisfactory project performance, ensuring timely execution of grant-related activities, maintaining comprehensive documentation, and conducting thorough reviews and approvals of financial disbursements associated with the grant. The adherence to grant management procedures assists with sustaining positive relationships with funding entities, promoting efficient utilization of grant resources, and achieving the intended outcomes of the grant-funded initiatives.

Objective

To verify the existence and adequacy of internal controls over Transportation's grant management process.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over grant management.
- Interviewed key personnel regarding the department's grant management process.



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- Obtained a listing of all active and inactive grants awarded to the department during the audit review period. Randomly selected a sample of grants awarded to the department and obtained all relevant grant agreements.
- Obtained a listing of all expenditures claimed for the selected grants. Randomly selected a sample of grant expenditures for review and verified whether expenditures or services provided were allowed, reported timely, reviewed, accurate, and had sufficient supporting documentation.
- Reviewed all suppliers in the selected grants and verified contractors' debarred status on the United States Government System for Award Management (SAM).

Finding: None Noted

Priority Level: N/A

Based on the results of our audit, we determined that internal controls over grant management provide reasonable assurance that its objective related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, 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.