

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



ITEM: 2.17
(ID # 28644)

MEETING DATE:
Tuesday, August 26, 2025

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2025-018: Riverside County Transportation and Land Management Agency, Building and Safety Division Audit, [District: All], [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2025-018: Riverside County Transportation and Land Management Agency, Building and Safety Division Audit

ACTION: Consent


Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 8/13/2025

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Medina, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: August 26, 2025
xc: Auditor

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 Transportation and Land Management Agency, Building and Safety Division. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over revenue recognition, contracted services, and badge access control.

Based on the results of our audit, we determined that internal controls over badge access controls are functioning as designed to help Building and Safety achieve its business process objectives. However, we have identified improvement opportunities for internal controls over revenue recognition and contracted services that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, improvements are needed to ensure permit extensions are documented with applicant consent, refund cancellations are properly tracked and reported, and contractor overtime approvals are consistently documented and retained.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT:

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2025-018: Riverside County Transportation and Land Management Agency, Building and Safety Division Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

- 1** Findings
• 2 Recommendations

Medium Risk

- 2** Findings
• 4 Recommendations

Low Risk

- 0** Findings

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

Internal Audit Report

2025-018

Riverside County
Transportation and Land Management Agency
Building and Safety

August, 26, 2025



COUNTY OF RIVERSIDE
OFFICE OF THE AUDITOR-CONTROLLER

BEN J. BENOIT, AUDITOR-CONTROLLER
TANYA S. HARRIS, DPA, CPA,
ASSISTANT AUDITOR-CONTROLLER



August 26, 2025

Rania Odenbaugh
TLMA Agency Director
Riverside County Transportation and Land Management Agency, Building & Safety Division
4080 Lemon Street, 14th Floor
Riverside, CA 92501

Subject: **Internal Audit Report 2025-018: Riverside County Transportation and Land Management Agency, Building and Safety Division Audit**

Dear Ms. Odenbaugh:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Transportation and Land Management Agency, Building and Safety Division to provide management and the Board of Supervisors with an independent assessment of internal controls over revenue recognition, contracted services, and badge access control.

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
Juan Perez, Chief Operating Officer
Charissa Leach, Assistant Chief Executive Officer
Grand Jury



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Executive Summary

Overview

Riverside County Transportation and Land Management Agency, Building and Safety (Building and Safety) provides construction permit related services, including grading, building plan check, counter assistance, and field inspections. The department uses in house and contract services to assist with peaks in activity relating to building inspections and plan checks. A fixed flat fee and deposit-based fee method is utilized to recover costs associated with providing these services to the residents of Riverside County.

Building and Safety has an adopted budget of \$12.6 million for FY 2024-25 and 51 adopted positions. *County of Riverside, Fiscal Year 2024-25 Adopted Budget Volume 1, 341-342.*

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 revenue recognition, contracted services, and badge access control. Internal controls are processes designed to provide management with 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 November 14, 2024, through April 28, 2025, for operations from July 1, 2022, through February 28, 2025. Following a risk-based approach, our scope included the following:

AUDIT HIGHLIGHTS

- Permit extension approvals require documented applicant consent.
- Refund cancellation tracking and communication procedures need to be formalized to support accurate public reporting.
- Written procedures are needed for requesting, approving, and documenting overtime worked under contracted services.
- A centralized process should be established to log contractor overtime requests and approvals to ensure consistent oversight.



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- Revenue Recognition cycle
- Contracted Services
- Badge Access Controls

Audit Conclusion

Based on the results of our audit, we determined that internal controls over badge access controls are functioning as designed to help Building and Safety achieve its business process objectives. However, we have identified improvement opportunities for internal controls over revenue recognition cycle and contracted services that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, improvements are needed to ensure permit extensions are documented with applicant consent, refund cancellations are properly tracked and reported, and contractor overtime approvals are consistently documented and retained.



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Revenue Recognition

Background

The Building and Safety Division within Riverside County's Transportation and Land Management Agency generates revenue primarily through permit issuance, plan check services, and inspection fees associated with construction and development activity throughout the county. These revenues fund the division's operations and support the county's broader development and oversight objectives. In fiscal year 2023, Building and Safety reported approximately \$2.5 billion in total construction permit valuations, reflecting ongoing growth in regional development activity and permit volume.

Revenue recognition within Building and Safety is governed by applicable accounting standards and county financial policies. It is critical that revenues are accurately recorded in the appropriate accounting period to reflect the actual delivery of services and to ensure the integrity of financial reporting. Building and Safety utilizes the county's permitting and financial systems to track service requests, process payments, and recognize revenues as performance obligations are met—such as when permits are issued, or inspections are completed.

Effective revenue recognition practices help maintain fiscal accountability, forecast resource needs, and support ongoing compliance with state and local reporting requirements. Key elements include monitoring deferred revenue accounts, validating fee schedules, ensuring timely service delivery, and maintaining robust internal controls over billing and collections. Accurate and timely revenue recognition is essential for transparent financial management, supporting operational planning, and aligning with the County's goals for responsible governance and public service delivery.

Objective

To verify the existence and adequacy of internal controls over Building and Safety revenue recognition.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of relevant policies and procedures, including:
 - Governmental Accounting Standards Board, *Statements 33 and 34*
 - *Invoice processing desk procedures*



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- Conducted interviews and performed walk-throughs with department personnel responsible for revenue recognition.
- Obtained understanding of segregation of duties and the processes related to billing, accounts receivable collection, and rate setting.
- Obtained a list of services and charges from Building and Safety and verified whether the correct rates were applied.
- Reviewed revenue reports to determine whether charges were recognized in accordance with GASB Statements 33 and 34.
- Reviewed project listing from Building and Safety and verified whether supporting documentation and required approvals were retained in accordance with contract terms.

Finding 1: Permits Extension Documentation

Priority Level: 1

California Health and Safety Code, Section 18938.6 (b), states, “A permittee may request an extension of a permit. The building official may grant, in writing, one or more extensions of time for periods of not more than 180 days per extension. The permittee shall request an extension pursuant to this subdivision in writing and demonstrate justifiable cause for the extension.”

In 4 of 26 (15%) sampled cases, Building and Safety permits were extended and deposit-based fee revenue was recognized without documented consent from the applicant. Verbal requests and in-person meetings with applicants are not substantiated with a written request for permit extensions that resulted in undocumented applicant consent before processing an extension. Extending permits without the applicant’s consent can result in a misunderstanding about the project status and timeline, leading to potential disputes and uncertainty between the department and applicants. It may also increase the risk of excessive delays or disagreements regarding fees, and reduce transparency in the permit administration process.

Recommendation 1.1

Ensure the verbal request for extensions are processed once the applicant submits documented consent before processing any permit extensions, in alignment with regulatory requirements.



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Management's Response:

“Partially Concur. During 2024, 7,375 permits were extended and since 1/1/2025 another 2884 were extended as of today. All of permits extended during 2024 and year to date for 2025 (except 4) were done in writing through a process already established and works well. The other 4 (two are for the same project, so in reality 3) were extended at request of the applicant through the Building Official due to special circumstances.

The process of expiring and extending permits is as follows:

- a. Applicant receives a system generated notification of expiration within 30 days with a link to submit the request online (i.e. in writing)
- b. Applicant submits the extension request form.
- c. The Building Department receives the extension request.
- d. The Building Department reviews the request, and if approved, the permit is extended.”

Actual/estimated Date of Corrective Action: The department did not provide an actual or estimated date of corrective action for this recommendation.

Auditor's Comment

We acknowledge the department's explanation of it's process for handling permit extension requests. However, our testing was limited to 26 sampled cases, of which 4 (15%) did not have documented applicant consent prior to extension being processed. While the department has indicated broader compliance across all permit extensions during 2024 and 2025. We did not verify or evaluate the full population of permit activity during that period. The recommendation remains to ensure that all permit extensions, regardless of how the request was initiated, are supported by documented applicant consent to promote consistency, transparency, and accountability.

Recommendation 1.2

Ensure compliance with regulatory requirements is consistent.

Management's Response:

“Concur.”

Actual/estimated Date of Corrective Action: June 1, 2025



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Auditor's Comment

We acknowledge the department's efforts to implement the recommendation, prior to the issuance of the audit report. During the follow-up audit, we will verify whether the department complies with the recommendation for consistent documentation of applicant permit extension requests.

Finding 2: Refunds Cancellation and Reporting

Priority Level: 2

California Government Code § 29802, *Void Warrants Not Presented Within Six Months*, provides that, "Any warrant issued by a county is void (i.e., becomes stale) if not presented to the county treasurer for payment within six months after its date." The Riverside County Auditor-Controller's Office maintains a publicly accessible Outstanding State Dated Warrants Listing on its website. This list displays key information, including the payment amount, warrant number, stale date, and claim deadline, along with a notice that dated warrants must be claimed by the deadline to be considered for reissuance. Additionally, California Government Code § 50050, *Local Agency Unclaimed Money*, states, "If a county holds money (such as unclaimed refunds or payments) that remains unclaimed for three years, the county may take ownership of these funds after providing public notice."

Two of 13 (15%) sampled refunds issued for excess deposit-based fees were canceled before reaching the 180-day threshold for stale-dated warrants. Specifically, both refund checks remained unclaimed for 140 and 146 days before being canceled. Because they were canceled early, these payments were not publicly reported to give recipients an opportunity to claim the funds. Early warrant cancellations that occur without public reporting reduce transparency and limit public access to potentially refundable payments. Furthermore, there is currently no defined process for tracking and reporting canceled refund payments, which increases the risk that unclaimed refunds are not properly disclosed in accordance with public reporting expectations and state requirements.

Recommendation 2.1

Develop and maintain a listing of unclaimed refund checks that were canceled before reaching the stale-dated threshold. Coordinate with the Auditor-Controller's Office to determine whether these items should be included in the *Outstanding Stale Dated Warrants* listing or if a separate public notice process should be implemented.



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Management's Response:

“Concur. To streamline the refund process and minimize delays for applicants, TLMA cancels checks before they become stale-dated, especially when there is an intention to reissue them. This proactive approach ensures that the funds are promptly available for reissuance, thereby preventing unnecessary delays in reissuing refunds to applicants.

Effective May 16, 2025, TLMA no longer cancels checks to adhere to Auditor's recommendation. Instead, checks are allowed to go through the stale dated process, which ensures compliance with California Government Code.”

Actual/estimated Date of Corrective Action: May 16, 2025

Auditor's Comment

We acknowledge the department's efforts to implement the recommendation, prior to the issuance of the audit report. During the follow-up audit, we will verify whether the department complies with the recommendation in preparation of the listing of unclaimed funds.

Recommendation 2.2

Ensure that all issued refund checks that remain unclaimed for six months are allowed to meet the stale-dated threshold and are included in the Auditor-Controller's Office public listing of stale-dated warrants.

Management's Response:

“Concur. TLMA no longer cancels returned checks. The returned checks will remain unclaimed for six months to reach stale-dated threshold and will be included in the Auditor Controller's public listing of stale-dated warrants. The Auditor Controller's office will return the fund to TLMA after they are deemed unclaimed”

Actual/estimated Date of Corrective Action: May 16, 2025

Auditor's Comment

We acknowledge TLMA's efforts to improve the returned check handling process and agree that the checks should remain unclaimed until they reach the stale-dated threshold. However, we would like to clarify that, in accordance with California Government Code § 50050, unclaimed funds held by the County for three years may become the property of the County following public



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notice. As such, these funds will not be returned to TLMA but instead transferred to the County's General Fund. TLMA's expectation of receiving the funds back after the unclaimed period is not consistent with the statutory process governing unclaimed funds.

Contracted Services

Background

The Riverside County, *Purchasing Policy Manual* (February 14, 2025), 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.

Contracted services 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 supplier relationships. Contracted services 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.

Objective

To verify the existence and adequacy of internal controls over Building and Safety contracted services.

Audit Methodology

To accomplish these objectives, we:



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- Obtained and reviewed Riverside County Purchasing Policy Manual as it relates to rights and responsibilities over procurement.
- Conducted interviews with key personnel to obtain an understanding of department processes and procedures over contracted services.
- Obtained a listing of all contracts utilized during the audit review period and judgmentally selected suppliers for review and testing.
- Obtained and reviewed Building and Safety's contract agreements with selected suppliers to understand the requirements and deliverables of the contract.
- Verified whether there was adequate segregation of duties in place relating to the contracted services.
- Reviewed contract files to verify approval, confirm the presence of supporting documentation, assess timeliness of processing, validate that rates were applied in accordance with contract terms, and evaluate monitoring practices over services rendered.
- Reviewed available records and timesheets to determine whether overtime charges were supported, documented, and aligned with contractual provisions.

Finding 3: Overtime Approval Documentation

Priority Level: 2

Standard Practice Manual 1001, *Internal Control*, states, "Records are routinely examined and reconciled to determine that transactions were properly processed," and further emphasizes, the need for "Ensuring accuracy, reliability, and timeliness of financial records and reports" as methods of internal control. Per Building and Safety's third-party contracts, "Overtime Approval, Prior Approval shall be obtained by County Staff for Building Inspector and Geotechnical Services."

Based on our review of 58 randomly selected invoices containing overtime charges billed by the contracted inspection staff, eight (14%) did not include documentation showing that Building and Safety approved the overtime prior to the hours being worked, as required by the contract. A consistent process for documenting and retaining contractor overtime approval records before the overtime is performed is not in place. Without consistent documentation of contractor overtime approval, the department is unable to demonstrate that overtime charges were



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authorized in advance, which may limit its ability to verify compliance with contract terms, manage costs, and ensure oversight of contract billing practices.

Recommendation 3.1

For contracted services, establish a centralized process to log all Building and Safety overtime requests and approvals which require documented pre-approval for overtime worked, to promote consistent oversight and compliance.

Management's Response:

"Concur."

Actual/estimated Date of Corrective Action: June 1, 2025

Auditor's Comment

We acknowledge the department's efforts to implement the recommendation, prior to the issuance of the audit report. During the follow-up audit, we will verify whether the department complies with the recommendation for establishing a centralized process to log all Building and Safety overtime requests and approvals.

Recommendation 3.2

Ensure consistent compliance with overtime procedures.

Management's Response:

"Concur."

Actual/estimated Date of Corrective Action: June 1, 2025

Auditor's Comment



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We acknowledge the department's efforts to implement the recommendation, prior to the issuance of the audit report. During the follow-up audit, we will verify whether the department complies with the recommendation for consistent compliance with overtime procedures.



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Badge Access Control

Background

Access Control Management is a crucial component of information security that involves the establishment, maintenance, and enforcement of policies and procedures to manage access to information systems, resources, and physical facilities within an organization. Access control management plays a vital role in safeguarding sensitive data, maintaining the integrity of systems, and protecting against unauthorized access or breaches. Access extends to physical access control, ensuring that only authorized personnel can enter secure areas or buildings. It is essential for protecting physical assets and sensitive information stored in physical locations.

Badge access controls serve as a fundamental component in establishing and maintaining a secure physical environment within the organization. Badge access controls are essential for regulating and monitoring entry and exit points, aligning with the overarching objective of fortifying the organization's security infrastructure. The utilization of identification badges or electronic access cards contributes to the establishment of robust internal controls, ensuring that access permissions are intricately configured in adherence to organizational security policies and regulatory standards. By objectively assessing the design and functionality of the badge access system, the department can identify any potential vulnerabilities or inefficiencies and determine enhancements that bolster the organization's overall physical security measures.

Objective

To verify the existence and adequacy of internal controls over department name (specific area reviewed).

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of relevant access control policies and procedures, including:
 - *Onboarding Process of Building and Safety*
 - *Offboarding Process of Building and Safety*
- Conducted interviews and performed walk-throughs with department personnel responsible for access control management.
- Obtained a listing of separated employees from Human Resources to review.



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- Obtained a county-wide report of all active and deactivated badges.
- Verified whether separated employees had their badge deactivated.
- Verified whether separated employees had their badge access rights disabled within 24 hours of their departure from the department.
- Verified whether separated employees had documentation maintained and proper approval for access right changes.
- Obtained a listing of all badges scanned at Building and Safety facilities.
- Verified whether a separated employee badges were scanned after their separation date and investigated any discrepancies
- Verified whether irregularities in badge access use during the weekend, holidays, vacation time off, and after normal working hours exist.
- Verified whether employees have more access rights than others with similar job titles.

Finding: None Noted

Priority Level: N/A

Based on the results of our audit, we determined that internal controls over badge access 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.