

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

534



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
July 20, 2005

**SUBJECT:** Internal Auditor's Report #2005-005 – County-wide Accounts Payable Interface Transactions

**RECOMMENDED MOTION:** Receive and file the Internal Auditor's Report.

**BACKGROUND:** The Auditor-Controller completed a countywide audit of accounts payable transactions processed by means of a computer interface between the originating department and the Auditor-Controller. Our purpose was to provide an independent assessment about the adequacy of internal controls over the processing and approval of accounts payable using the interface process. Our audit included interface transactions processed by Human Resources, Transportation and Land Management Agency, Department of Child Support Services, Department of Public Social Services, and Riverside County Regional Medical Center. Our audit was also scheduled to include interface transactions processed by the Treasurer-Tax Collector; however, we were not provided access to the Treasurer/Tax Collector records necessary to complete our audit.

Based upon the results of our audit, we determined Human Resources, Department of Child Support Services and Riverside County Medical Center have adequate systems of controls over the processing and approval of accounts payable using the interface process. Transportation and Land Management Agency and Department of Public Social Services had processes in place to provide for a system of controls over the interface process; however, we will not render an opinion on the adequacy of those controls as a separate audit is required due to the level of detail involved.

*Robert E. Byrd*

Robert E. Byrd  
County Auditor-Controller

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** **RECEIVE & FILE**

**County Executive Office Signature** *Dennis C. Naidu*

- Dep't Recomm.:  Policy
- Per Exec. Ofc.:  Policy
- Consent
- Consent

**Prev. Agn. Ref.:** | **District:** | **Agenda Number:**

2 . 10

COUNTY OF RIVERSIDE  
OFFICE EXECUTIVE



# County of Riverside

## INTERNAL AUDITOR'S REPORT

### Countywide Accounts Payable Interface Transactions Audit

July 20, 2005

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

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P.O. Box 1326  
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Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER

Ivan Chand, CGFM  
ASSISTANT AUDITOR-CONTROLLER

July 20, 2005

Subject: Internal Auditor's Report # 2005-005 – Countywide Accounts Payable Interface Transactions

Dear Department Heads:

We have completed a countywide audit of accounts payable transactions processed by means of a computer interface between the originating department and the Auditor-Controller. We conducted the audit during November 2004 through April 2005 for operations from July 1, 2003 through November 2004.

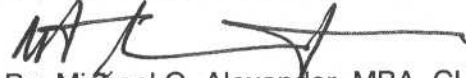
Our purpose was to provide an independent assessment about the adequacy of internal controls over the processing and approval of accounts payable interface transactions. Our audit included interface transactions processed by Human Resources, Transportation and Land Management Agency, Department of Child Support Services, Department of Public Social Services, and Riverside County Regional Medical Center.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined Human Resources, the Department of Child Support Services, and Riverside County Regional Medical Center had an adequate system of controls over the processing and approval of accounts payable interface transactions. Because we have determined it appropriate to postpone detailed testing of the Transportation and Land Management Agency and the Department of Public Social Services until a later date, as indicated in the body of our report, we are not able to conclude on the adequacy of internal controls over their interface processes at this time. We are also not able to render a conclusion on the existence and adequacy of internal controls over interface transactions processed by the Treasurer-Tax Collector as we were not provided with the access necessary to perform the audit.

We thank the participating divisions and their staff for their cooperation during this audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd  
County Auditor-Controller



By: Michael G. Alexander, MBA, CIA  
Chief Internal Auditor

Distribution List: Douglas Bagley, Riverside County Regional Medical Center  
Ron Komers, Human Resources  
John Replogle, Department of Child Support Services  
Cynthia Hinckley, Department of Public Social Services  
Tony Carstens, Transportation and Land Management Agency  
Paul McDonnell, Treasurer/Tax Collector

Cc: Dan Martinez, Executive Office  
Sally Beavan, Executive Office  
Teresa Summers, Executive Office  
Jennifer Sargent, Executive Office  
Christopher Hans, Executive Office

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## **Executive Summary**

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### **Overview**

Accounts Payable interface transactions are payments processed and electronically approved by the submitting department. The transactions flow into the accounts payable system as a scheduled payment from a file, rather than individual payment vouchers approved by the accounts payable staff of the Auditor-Controller's office. The Auditor-Controller's office does not review the source documentation for payments processed via interface. The Auditor-Controller typically receives a report from each department, providing some detail about the transactions, while the original source documentation is maintained by the originating department. These reports should provide sufficient detail to create an audit trail to the source documents, should an issue regarding a payment ever arise.

Several departments throughout the County process payments via interface. This audit included a review of the interface transactions processed by the following departments: Human Resources, Riverside County Regional Medical Center, Transportation and Land Management Agency, Department of Public Social Services and Department of Child Support Services.

### **Objectives**

Our primary objective was to assess the adequacy of controls over the processing, review and approval of accounts payable interface transactions.

### **Methodology**

To accomplish our objectives, we:

- conducted interviews with key personnel, of the departments audited, to gain an understanding of their interface transaction process;
- completed narratives and flowcharts of the interface transaction process;
- identified and reviewed applicable policies and procedures;
- performed testing to ensure the accuracy and appropriateness of interface transactions submitted for payment; and
- reviewed documentation submitted to the Auditor-Controller as support for warrants issued, ensuring the documentation provides detailed and correct information about the payments made.

### **Scope Limitation**

Our audit was scheduled to include interface transactions processed by the Treasurer/Tax Collector, in addition to the departments noted above. However, we were not provided access to the Treasurer/Tax Collector records necessary to complete our review.

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**Human Resources**

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**Overview**Workers' Compensation

The Workers' Compensation Division of the Human Resources Department is responsible for handling the claims of Riverside County employees injured on the job. The medical expenses and indemnity payments for these employees are processed through an interface by Workers' Compensation. The division uses the Risk Envision system to record and process the payments. In turn, Risk Envision produces a file which interfaces with the PeopleSoft financial system. Through this interface warrants are processed and printed for distribution to the appropriate vendor. In fiscal year 2003/2004, Workers Compensation processed over \$19 million in payments using the Risk Envision system.

**Results**

Based on the results of our testing, we determined Workers' Compensation has a good system of internal controls in place, ensuring accounts payable transactions processed via interface are appropriate and accurate. In addition, the Auditor-Controller's Office is provided accurate and complete information about the payments processed.

**Overview**General and Professional Liability

The General and Profession Liability Division of Human Resources is entrusted with the responsibility of handling lawsuits brought against the County of Riverside. Legal expenses are an example of accounts payable transactions processed through an interface by General and Professional Liability. Like Workers' Compensation, General and Professional Liability record and process accounts payable transactions using the Risk Envision system. During fiscal year 2003/2004, General Liability processed over \$9.5 million using the Risk Envision system, while Professional Liability (commonly known as Medical Malpractice) processed approximately \$2.3 million using Risk Envision.

**Results**

We determined the General and Professional Liability Division has a good system of internal controls in place over the processing of accounts payable interface transactions. Source documentation is adequately reviewed by division personnel to ensure payments are appropriate and accurate. In addition, the Auditor-Controller's Office is provided accurate and complete information about the payments processed.

**Overview**

Exclusive Care

Exclusive Care is the County of Riverside's health benefit plan, created to offer quality health care at a substantially lower cost than other health plans. The Exclusive Care Division is a function of the Human Resources Department, responsible for paying the claims of plan members. Medical claims received by Exclusive Care are reviewed by a Claims Examiner and processed in the Med Express system. From this system, a file is created to interface with the PeopleSoft financial system. Warrants are prepared and printed as a result of this interface file. Prior to the release of warrants to Exclusive Care personnel, a report detailing claim information must be provided to the Auditor-Controller's Office. This new, more detailed report was created by Human Resources in response to a previous review by Internal Audits.

**Results**

Based on the results of our testing, we determined Exclusive Care has a good system of internal controls in place, ensuring accounts payable transactions processed via interface are appropriate and accurate. In addition, Exclusive Care has created a more detailed report of claims processed for use by the Auditor Controller's Office in support of these claims. The detailed report provides accurate and complete information about the payments processed.

## **Transportation and Land Management Agency (TLMA)**

### **Overview**

#### **Deposit Based Fee Refunds**

Deposit-Based Fees (DBF) allow developers to place deposits with TLMA in order to offset the County's labor costs and fee amounts for land use and development activities. The deposit is posted to a project ID and tracked using the OASIS financial system. After a deposit has been made, and a new project has been established, County personnel track any time spent working on the project in OASIS' Time and Labor system. The Time and Labor system interfaces with the financial system to reduce the deposit amount. Once the project is closed, a refund is issued if the deposit has not been depleted.

### **Results**

DBF refunds are issued as a result of information available in OASIS modules. This information includes the original deposit amount and the time and labor records spanning the duration of the project. To properly conclude on the adequacy of controls over the DBF refund process, it would be necessary to review the entire DBF process, beginning with the receipt of the deposit. Because this additional testing would require a significant amount of time and resources, and will significantly expand the scope of this audit we will not complete our review of the DBF refund process at this time. However, further testing of the entire DBF process may be performed as a separate project at a later date.

**Riverside County Regional Medical Center**

**Overview**

Medically Indigent Services Program (MISP)

The Medically Indigent Services Program (MISP) provides relief and support to Riverside County residents who are indigent and incapacitated by disease or accident. To be eligible for MISP, participants must meet established income requirements, age limitations and not have access to any other medical coverage. Medical claims for MISP patients are processed using the Surado System. The Surado System maintains information about the eligibility of each patient, and the current pricing schedule for pharmaceuticals and medical services. After claims are reviewed and approved, and the cost for services are appropriately adjusted, an interface file is created and transferred to the PeopleSoft financial system, and warrants are subsequently printed and mailed to the service providers.

**Results**

Based on the results of our testing, we determined MISP has a good system of internal controls in place, ensuring accounts payable transactions processed via interface are appropriate and accurate. In addition, the Auditor-Controller's Office is provided accurate and complete information about the payments processed.

**Department of Public Social Services (DPSS)**

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**Overview**

In August 2004, DPSS began using the Statewide Automated Welfare System Consortium-IV, or C-IV. C-IV is an on-line system designed to manage data and payment information for the following DPSS programs:

- California Work Opportunity and Responsibility to Kids (CalWORKS)
- Food Stamps
- Foster Care
- Adoption Assistance Program (AAP)
- Cash Assistance Program for Immigrants (CAPI)
- Child Care Programs
- Employment Services (including Welfare to Work and Food Stamp Employment Training)
- Kinship Guardianship Assistance Program (Kin GAP)
- Refugee Assistance Program

Using the C-IV system, employees of DPSS' General Accounting Section (GAS) are able to review and approve payments to clients of the programs listed above. As a result of the data input in the C-IV system, warrants are generated and issued to DPSS clients.

**Results**

Oftentimes, C-IV payment amounts are determined as a result of program requirements or other State and Federal regulations, and not vendor requests, as is typical with many accounts payable transactions. Therefore, to determine if C-IV payment amounts are accurate and appropriate, our testing must extend beyond the GAS unit to the field offices for each program. Because this additional testing would require a significant amount of time and resources, we have determined it appropriate to postpone further testing of DPSS interface transactions. It will be included in a departmental audit at a later date.