



MEMORANDUM

EXECUTIVE OFFICE, COUNTY OF RIVERSIDE

Bill Luna

County Executive Officer

Jay E. Orr

Assistant County Executive Officer

TO: Kecia Harper-Ihem, Clerk of the Board

FROM: Jay E. Orr, Assistant CEO

DATE: July 10, 2009

RE: OFF-CALENDAR

Auditor-Controller requests that the following item be taken off-calendar:

2.7 – 07/14/09: Receive and File Internal Audit Report 2009-305; Facilities Management, Follow up.

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

497



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 1, 2009

SUBJECT: Internal Audit Report 2009-305: Facilities Management, Follow-up

RECOMMENDED MOTION: Receive and file Internal Audit Report 2009-305: Facilities Management, Follow-up.

BACKGROUND: The Auditor-Controller completed a follow-up audit of the County of Riverside Facilities Management Department. Our audit was limited to reviewing actions taken as of March 24, 2009, to correct the fifteen findings referenced in our Internal Audit Report 2006-007 dated November 22, 2006.

Based upon the results of our audit, we determined that of the fifteen findings, twelve findings were corrected and three findings were partially corrected.

We will follow-up within one year to verify that management took corrective action on the three partially implemented findings.

Departmental Concurrence

Robert E. Byrd

Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA	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

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

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

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

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

COPY



County of Riverside

INTERNAL AUDIT REPORT

2009-305

Facilities Management, Follow-up

June 1, 2009

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

**4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326**



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

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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER**

**Robert E. Byrd, CGFM
AUDITOR-CONTROLLER**

**Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER**

June 1, 2009

Mr. Robert Field, Director
Facilities Management
County of Riverside
3133 Mission Inn Avenue
Riverside, CA 92507

Subject: Internal Audit Report 2009-305: Facilities Management, Follow-up

Dear Mr. Field,

We have completed a Follow-up Audit of the Facilities Management Department. Our audit was limited to reviewing actions taken as of March 24, 2009, to correct the fifteen findings referenced in our Internal Audit Report 2006-007 dated November 22, 2006.

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 opinion.

The original audit report contained fifteen findings, all of which required corrective action and therefore were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2006-007 at www.auditorcontroller.org.

This follow-up audit found that of the fifteen findings:

- Twelve findings were corrected.
- Three findings were partially corrected.

A detailed status of the findings and recommendations identified in the original audit are provided in the body of this report.

We appreciate the cooperation and assistance extended to us by staff of the Facilities Management Department during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

ROBERT E. BYRD, CGFM
Auditor-Controller

A handwritten signature in black ink, appearing to read 'M. G. Alexander', written over the printed name of the Deputy Auditor-Controller.

By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

Revolving Fund

Finding 1: Department policies or procedures for the management and maintenance of revolving funds did not exist. As a result, there is a lack of the following: reporting revolving fund shortages and overages, segregation over the responsibilities for reconciliations, proper documentation, timely reimbursements and verification of the appropriate use of revolving funds.

Current Status: Corrected. Facilities Management has developed desk procedures for their revolving fund. On August 14, 2007, Facilities Management closed their revolving fund 103 totaling \$315. Fund 8 was subsequently increased from \$1,000 to \$1,500 to cover both the Facilities Management office and parking structure. The funds utilized at the parking structure were reviewed and confirmed based upon an analysis of the change required for customers. Documentation for the increase was provided and processed through the Office of the Auditor-Controller. Reconciliations and replenishment to Revolving Fund 8 is completed monthly.

Facilities Management researched and reconciled the revolving fund, which resulted in an overage of \$488.95. Facilities Management reported the overage to the Office of the Auditor-Controller, in accordance with the Standard Practice Manual and the funds were returned to the Treasurer's Office on April 1, 2008.

Billing Process

Finding 2: The department charged a \$60.00 hourly rate for work on acquisitions and a four percent lease management fee without obtaining a fee review by the Office of the Auditor-Controller and County Executive Office, and adoption by the Board of Supervisors. Board Policy B-4, Rates Charged for Current Services, requires that the Board upon recommendation of the Auditor-Controller and the Administrative Officer adopt charges for services. There is no evidence these rates are based on an analysis of the cost to provide the services.

Current Status: Corrected. As of fiscal year 2008/09, Facilities Management developed a square footage rate based upon a cost study approved by the Board of Supervisor's on January 29, 2008.

Finding 3: The overall billing process did not provide adequate assurance about the accuracy or completeness of billings to recover the department's cost. There were no written policies and procedures to provide the guidance that is necessary for performance to be consistent and reliable. As a result, the department's billings were not timely.

Current Status: Corrected. Facilities Management developed new billing procedures, which was communicated to the billing staff. A sample of fifteen transactions during the period of July 1, 2008, through January 31, 2009, found that all billings were performed timely and accurately.

Purchasing Process

Finding 4: The overall system of internal controls over Facilities Management's purchasing process was ineffective. Facilities Management personnel with department signature authority had the ability to prepare purchase requisitions, authorize purchases, and receive goods. Additionally, Facilities Management did not have procedures to account for non-capitalized assets purchased, but rather relied on purchase requisitions and the memory of personnel to track assets.

Current Status: Corrected. Facilities Management has implemented segregation of duties between authorization, requisition preparation, receiving and stocking of goods. Additionally, Facilities Management is working with OASIS to implement bar coding inventory with an estimated completion date of July 2009. The bar coding system will allow automatic tracking of purchases.

Finding 5: Facilities Management utilized retail credit accounts without proper authorization and without an adequate system of internal controls over their use. Cards used included 47 Home Depot credit cards and one each from OfficeMax and Staples.

Current Status: Corrected. Facilities Management closed accounts for Home Depot, Staples and OfficeMax. Facilities Management has obtained the county approved Procurement Cards with approved limits for lead personnel.

Finding 6: County purchasing policy requires departments to purchase products from vendors holding existing county awards. During the audit period, Facilities Management averaged more than \$150,000 annually in purchases from vendors that did not have county awards.

Current Status: Corrected. Facilities Management has obtained the assistance of a Procurement Specialist who is ensuring purchases comply with county purchasing requirements.

Parking Fee Cash Handling Process

Finding 7: There is no oversight over validations, which accounts for 56 percent of potential parking revenue to the county. We estimate the value of validations to be about \$804,322 based on the fiscal year 2005/06 revenue collections. Attendants validate customers parking in any of several categories including county department validation, handicapped, juror, or public. Of the four categories, only county department validation requires documentation; the remaining three categories representing 37 percent or \$531,427 of potential revenue require no documented support from the attendants.

Current Status: Corrected. Facilities Management has implemented new validation procedures for handicapped and juror parking. Jurors are now required to provide a copy of their summons and the handicapped placard must be visible in order to receive the validation. Public validation is no longer provided. In addition, validation documentation for handicapped, juror or public customers is not maintained as only a review of the above listed items is required.

Finding 8: There are inadequate controls to ensure that all cash collected at the parking structures is safeguarded and deposited timely and intact.

Current Status: Partially Corrected. Facilities Management's safe is not locked at all times. Facilities Management implemented a secured bank bag system for each booth attendant who is accountable for his or her daily receipts. A secured bag is kept for change; however, it is kept unlocked in the unlocked safe during business hours. Both the safe and secured bag are locked overnight when the parking structure is closed.

Facilities Management has implemented procedures adding an accounting technician to reconcile daily and deposit on the next business day all revenue from both 12th Street and CAC parking structures. A 100% review of December 2008 cash receipts noted that the funds were deposited with the Treasurer's Office by the next business day.

Custodial Background Checks

Finding 9: There was no assurance that non-county employees used to provide custodial services in leased buildings used by the Sheriff, District Attorney, Probation, and Public Social Services departments undergo a background check.

Current Status: Partially Corrected. As part of the pre-employment processes both custodial and maintenance staff go through the Sheriff's background check. Live scans have been processed for 121 custodian and 75 maintenance staff. Still pending are 113 full background checks and 19 live scans for employees with more than three years of service with the county.

Lease Classification: Capital versus Operating

Finding 10: There was no documentation to support some of the information used to classify leases as capital or operating. In performing the capital versus operating lease test, the department used economic life and fair market value of the leased buildings without having documented support for those numbers.

Current Status: Corrected. One new lease added to the PeopleSoft Asset Management Module in fiscal year 2008/09 was an asset that was acquired in 1998. While the asset was acquired sometime ago, all information required to support the lease classification was evident. Facilities Management did not report any other lease agreements during the review period.

Land and Building Asset Inventory

Finding 11: The building inventory maintained by Facilities Management did not agree to PeopleSoft Asset Management Module. There were numerous buildings not included in the PeopleSoft Asset Management Module. In addition, there were three buildings listed in PeopleSoft but not included in Facilities Management's inventory listing.

Current Status: Partially Corrected. We reviewed the department's capitalized assets lists and confirmed that the PeopleSoft Asset Management Module has been updated. We reconciled the listing obtained from PeopleSoft Asset Management Module with Facilities Management's inventory listing and found that both listings have identical assets listed. Facilities Management continually updates and reconciles the listing of county owned and occupied buildings.

Finding 12: Facilities Management did not have an individual assigned to update the PeopleSoft Asset Management Module which contributed to the inconsistency between the two reports.

Current Status: Corrected. We obtained copies of Standard Practice Manual Form Asset Management 3 (SPM Form AM-3) for fiscal year 2007/08 from the Office of the Auditor-Controller's Asset Management section to verify the department assigned an individual to be responsible for the recording of capitalized and non-capitalized assets in the PeopleSoft Asset Management Module.

Capitalized Assets

Finding 13: We identified eleven unrecorded capital assets with an estimated cost of \$120,832 and estimated net book value (NBV) of \$55,500. The first five assets were not identified as capital assets at the time of acquisition and consequently were not entered into the AM module.

The last six assets were network servers, excluding the cost of all components or installation and were not capitalized.

Current Status: Corrected. We obtained copies of the current asset inventory and verified the eleven capital assets previously found as unrecorded have been entered into the PeopleSoft Asset Management Module. In accordance with PeopleSoft Asset Depreciation Calculation Module, 10 out of 11 previously unrecorded assets showed the calculated Net Book Value (NBV). The remaining asset showed no NBV because it was fully depreciated as of August 24, 2005.

Finding 14: Capitalized assets were not transferred to the Director of Facilities Management upon his appointment on April 27, 2006. The Department was not aware of Standard Practice Manual 912, Transfer of Accountability.

Current Status: Corrected. We reviewed the annual certifications submitted to Auditor-Controllers Asset Management section. The department submitted a complete inventory of assets with AM-1, AM-2, and an AM-3 attached for fiscal years 2005/06, 2006/07, and 2007/08. Thereby submitting the annual certifications and completing the transfer of accountability for capitalized assets.

Non-Capitalized Assets

Finding 15: Internal controls in place are not adequate to establish and maintain effective accountability over non-capitalized assets, particularly walk-away items.

Current Status: Corrected. We performed a query of the department's non-capitalized assets and noted the recording of 1,288 non-capitalized assets with a value of \$717,201. In addition, we reviewed all expenditures over \$200 for proper classification. We noted one of eight non-capital assets was not included in the AM module; however, Facilities Management made the correction prior to the end of our review.