

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

958



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 7, 2011

SUBJECT: Single Audit Report for Fiscal Year ending June 30, 2010.

RECOMMENDED MOTION: Receive and file the attached corrective action plan regarding Internal Control deficiencies noted in the Single Audit Report prepared by Brown Armstrong Accountancy Corporation.

BACKGROUND: On May 3, 2011, the Board of Supervisors approved the motion to receive and file the Single Audit for Fiscal Year ending June 30, 2010 item 2.11. The board directed the Auditor-Controller to return with a report addressing what is being done to address the deficiencies noted. The report contained eight findings involving the following county departments; Auditor-Controller, Transportation and Land Management, Department of Public Social Services, Economic Development Agency, Fire and Sheriff which were requested to provide an update. The attached report provides actions taken as of June 1, 2011.

The Auditor-Controller's Office Internal Audit Division will evaluate the adequacy of the implemented Internal Controls during scheduled audits of these departments.

Paul Angulo

Paul Angulo, CPA, MA
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:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

Policy ☐ Policy ☐

Consent ☒ Consent ☒

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 2.11, 5/3/11

District: All

Agenda Number:

2.1

Single Audit Report for Year Ended June 30, 2010
Financial and Federal Award Findings

I. FINANCIAL STATEMENT FINDINGS

The following findings and recommendations represent significant deficiencies, material weakness, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Audit Standards.

Finding 2010-01 — Capital Assets

Condition:

While the County maintains formalized year-end procedures to ensure that County departments submit information for financial reporting purposes, the following was noted:

- Queries from the Asset Management (AM) module of PeopleSoft are exported and compiled on numerous nVision spreadsheets in order to summarize information for financial reporting purposes and to validate depreciation expense and accumulated depreciation values generated by the AM module.
- Discrepancies between certain departmental internal calculation of accumulated depreciation and the AM module's automated calculation were noted.

View of Responsible Official and Planned Corrected Actions:

The Auditor Controller's Office is working with Oasis to develop a system generated report from the Asset Management Module to report all assets in the format that would be in compliance with the financial reporting requirement. The Auditor-Controller will communicate and work with county departments on the issues. It may take some time to get the report developed, reconciled and have all the issues addressed and fixed due to the upgrade of the PeopleSoft system. The Auditor-Controller will report back in six months on the status.

Finding 2010-02 — Deposit Based

Condition:

While the County maintains formalized year-end procedures to ensure that general ledger balances are materially correct, it was noted during testing that the Deposit Based Fee Module is not adequately reconciled to actual receivables, deposits on hand, and refunds due and payable to customers.

View of Responsible Official and Planned Corrected Actions:

TLMA is now reconciling its Deposit Based Fee (DBF) Module going forward. We have identified a software problem that intermittently generated duplicate postings of a single transaction to Accounts Receivable, in error; and are in the process of manually cleaning up these events as

Single Audit Report for Year Ended June 30, 2010
Financial and Federal Award Findings

part of prior years' reconciliation efforts. As a preventative measure, Oasis has modified its DBF case finalization processing procedures to try and prevent any further reoccurrence.

II. FEDERAL AWARD FINDINGS

Finding 2010-03: Temporary Assistance for Needy Families Cluster, Including ARRA Grant

Condition:

Caseworkers are required to utilize the IEVS to verify the eligibility of individuals to receive Temporary Assistance for Needy Families (TAN F) benefits. The IEVS reports are required to be signed by the caseworkers to evidence their review of income eligibility. Caseworkers are also required to document compliance with Child Support provisions on State forms CW 2.1, CW 2.1 NA, and CW 371.

Of the 40 TANF case files selected for test work, we noted:

- 23 cases where the IEVS reports were not signed by the caseworker or approved by a supervisor.
- 9 cases where the IEVS reports were signed by the caseworker or approved by a supervisor but not reviewed within the 45 calendar days. The maximum processing time for IEVS information is 45 calendar days; the processing period begins with the run date printed on the IEVS abstract.

Views of Responsible Officials and Planned Corrective Actions:

Department of Public Social Services implements the following procedures:

- Performance Standards for Eligibility Technicians are being revised to include new components in their case processing. Two of the elements include Utilizing Income and Eligibility Verification System and Documenting Cooperation with Child Support Services. Although new performance standards are not planned to become effective until September 2011, supervisors will begin monitoring through case reviews to ensure compliance.
- Beginning June 2011, DPSS will re-establish a Quality Assurance unit whereby the utilization of Income and Eligibility Verification System will be monitored for compliance. Further, the Quality Assurance unit, as part of the case review process, will ensure that eligibility technicians are reviewing customer compliance in cooperating with the Department of Child Support Services.
- Research Analysis unit will develop management reports to evaluate trends of IEVS usage at an office and worker level. These management trend reports will be provided to the Deputy Directors to aid the CalWORKs program in determining where additional focused training is needed.

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- The action plan outlined is a collaborative effort that will ensure compliance. However, in the event of continual non-compliance, DPSS Human Resources team will assist in any necessary disciplinary action.

Finding 2010-04: COPS Hiring Recovery Program (CHRP), Including ARRA Grant

Condition:

During the testing of quarterly expenditure reimbursements for compliance requirement Allowable Cost/Cost Principle, we found that in the first two quarters of fiscal year 2009-2010, the entry-level hourly rate used to calculate payroll expenditure reimbursement does not tie to the rate used to calculate the payroll expenditure on payroll register, which reflects actual salaries and benefits paid to the new hires and/or rehires. The rate used for reimbursement was \$26.87, which was higher than the rate used for payroll register, \$26.35. Upon further investigation, it was discovered that a 2% pay raise was applied to the hourly rate for the first two quarters by mistake. The 2% pay raise should not have taken effect until the third quarter of the fiscal year. As a result, a total of \$53,939.50 of payroll expenditure was over-claimed for reimbursement in the current fiscal year.

Views of Responsible Officials and Planned Corrective Actions:

Sheriff department developed a step-increase projection sheet to ensure the miscalculation error does not occur in future and have provided follow up training to staff reminding them to cap reimbursement requests at the actual amount the Department paid out. Upon discovery of the issue, the Department proactively contacted the Department of Justice, Community Oriented Policing Services (COPS) Office to notify them of the over claim and identify the preferred method of reimbursement. The COPS Office directed the Department to adjust down the next quarter's claim amount by the amount over-claimed and provide an explanation in the remarks section of the financial report. The Department followed the instruction from COPS Office in its 2010 1st quarter's expenditure reimbursement report. No further action was required by the COPS Office. The issue was resolved.

Finding 2010-05: Emergency Food and Shelter Program Cluster, Including ARRA Grant

Condition:

The County's Fire Department Office is responsible for monitoring the grant activities of their subrecipients, which includes on site verification of grant activities (administrative, programmatic, and fiscal management).

Views of Responsible Officials and Planned Corrective Actions:

- Riverside County Operational Area reinstated subrecipient monitoring on March 23, 2011 and will continue throughout the year.
- Complete monitoring visits to all subrecipients within a year and then be on schedule to monitor on a yearly schedule.

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Finding 2010-06: ARRA-Homelessness Prevention and Rapid Re-Housing Program

Condition:

Of the 40 case files selected for test work, we noted:

- One case file where an ID for a household member over 18 years old was not included in the file. An ID is required for all household members over 18 years old. Also required for every member of the household is a birth certificate and social security card.
- One case file where a staff affidavit was not included in the file. A staff affidavit should be kept on file to show the caseworker is not related to the client.

Views of Responsible Officials and Planned Corrective Actions:

The County is taking additional steps to ensure that the files are adequately maintained to support eligibility requirements. These steps include:

1. The Housing Specialists, which are the case managers for every HPRP client, will be required to complete a HPRP Client File Checklist/Guideline form for every case (file) assigned to them.
2. The Lead HPRP staff member is required to prepare and complete a HPRP File Review form prior to the issuance of any approved payments. The form is also used as part of each client's file close-out review.
3. CDBG/ESG staff will conduct regular monitoring visits (every 1-2 months) at the Housing Authority to audit randomly selected HPRP Client files to verify that the HPRP Client File Checklist/Guideline form and the HPRP File Review form have been completed and filed. CDBG/ESG staff will then audit selected files to determine the accuracy of the check lists and review forms.

Finding 2010-07: Senior Community Service Employment Program, Including ARRA Grant

Condition:

During our testing of eligibility at the Office of Aging, we noted that 4 of our 37 samples had recertifications that were not completed within a timely manner.

Views of Responsible Officials and Planned Corrective Actions:

In 2008, the program transitioned into a new internal database. There were several problems with the transition regarding moving data from one field to another. One of the problems when we transferred the data from the old database to the new database was the date of application

Single Audit Report for Year Ended June 30, 2010
Financial and Federal Award Findings

and start date were transposed, therefore giving us the wrong date to do the recertification. We have gone through every record in the database and corrected the problem as of May 9, 2011. This will allow us to perform recertification on or before the recertification date.

The Senior Employment department has completed their audit of program participant files as of May 5, 2011.

Finding 2010-08: Justice Assistance Grant (JAG) & Multi-Jurisdictional Meth Enforcement (Cal-MMET), Including ARRA Grant

Condition:

During our testing of reporting at the Sheriff's Department, we noted that some of the reports had slight variances with the supporting documentation. The reports included were the SEFA, the Cal-MMET data collection report and performance measurement tools report, and the JAG GMS PMT Quarterly report.

Views of Responsible Officials and Planned Corrective Actions:

The Contracts & Grants Administrative Services Manager II is reviewing the required reports prior to submission.

***Single Audit Report for the Year Ended June 30, 2010
Agreed Upon Conditions and Recommendations***

Agreed Upon Condition 2010-1 – DPSS Payroll:

Condition:

During our review of the General Time Study Instructions for all DPSS Staff, staff must ensure the hours and dates reported on the time study and the time sheet must match. However, some items between the two forms do not have the same title and may cause discrepancies but the daily totals must match. During our payroll testing, we noted three cases out of the random sample of 60 in which the non-allocable hours on the time sheet did not agree to the non-allocable hours reported on the time study; however, the daily total hours worked did agree. This appears to be an isolated incident; however, this could potentially lead to over claiming of payroll expenditures.

Management Response

Riverside County DPSS implemented the following methods to ensure that time study forms and corresponding time sheets reconcile:

Instructions

The latest time study instructions for the May 2011 period (Dept. Memo # 2011-050) include reconciliation instructions.

General time study instructions are e-mailed every 3 months to the entire department, and are also made available on the department intranet for all to access.

Department Wide Reminders

Staff receives reminders and/or instructions that the time study and time sheets must reconcile in the following communications:

Instruction to reconcile the time study and time sheet is also included on the actual time study form.

Time study reminder and update e-mails are sent to the entire department indicate reconciliation is required. This communication also includes the actual pay periods that correspond with the current time study period.

Training

Time study training has been conducted at various times with various audiences. Each session includes verbal and/or written instructions on the reconciliation of the time study and time sheets.

Single Audit Report for the Year Ended June 30, 2010
Agreed Upon Conditions and Recommendations

| Recent Time Study Training/Meetings | | |
|-------------------------------------|---------------------------------------|--|
| Date | Audience | Comment |
| 5/18/11 | CalWorks Regions | 1 st line supervisors present |
| 5/11/11 | New Employee Orientation/Induction | Eligibility Technicians present |
| 3/3/11 | CalWorks & NHS Division | Regional time study contacts trained on time study |
| 3/3/11 | Individual Meetings CPS & Foster Care | Quarterly Contact Meeting |
| 3/1/11 | Individual Meeting CPS | Quarterly Contact Meeting |
| 12/2/10 | Individual Meeting CPS | Quarterly Contact Meeting |
| 12/2/10 | Individual Meeting Foster Care | Quarterly Contact Meeting |
| 11/15/10 | New Employee Orientation/Induction | Adult Services Social Workers |
| 9/2/10 | Individual Meeting CPS | Quarterly Contact Meeting |
| 9/1/10 | Individual Meeting CPS | Quarterly Contact Meeting |

Agreed Upon Condition 2010-2 – DPSS Authorized Signers:

Condition

When testing non- payroll expenditures samples, we noticed that some Purchase Orders (POs) were signed by Buyers or Buyer Assistants in the DPSS Purchasing Division, whose signatures were not on the DPSS' Authorized Signature List. We were informed later that it is a common practice in the Purchasing Division that the Buyers and Buyer Assistants who have been through extensive trainings are allowed to sign the PO's on behalf of the Contract and Purchasing Officer. However, this practice was not well communicated to other Divisions of DPSS or to the County's Auditor-Controller's Office.

Management Response

The Buying Authority document includes the list of job positions that are allowed to approve and sign the Purchase Orders on behalf of the Contract and Purchasing Officer.

The list of designated signatories serves as the communication to other divisions in DPSS and the County Auditor-Controller's Office so that signatures on the Purchase Orders from the Purchasing Division's authorized positions are easily recognized.