

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

866



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 4, 2013

SUBJECT: Internal Audit Report: 2013-009: Department of Environmental Health – Capital Assets, Information Security, Records Retention Management, and Revolving Fund

RECOMMENDED MOTION: Receive and file Internal Audit Report 2013-009: Department of Environmental Health – Capital Assets, Information Security, Records Retention Management, and Revolving Fund.

BACKGROUND: We have completed an audit of the Department of Environmental Health to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, information security, records retention management, and the revolving fund. The audit covered the period July 1, 2010 through September 30, 2012.

Based upon the results of our audit, we determined the Department of Environmental Health has adequate internal controls over capital assets and records management. However, we have identified opportunities for improvement over information security and the revolving fund.

We will follow-up in one year to determine if actions were taken to correct the findings noted.

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

- Dept't Recomm.
- Consent
- Per Exec. Ofc.
- Consent

2013 JUN 11 PM 3:08
RECEIVED COUNTY OF RIVERSIDE

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

2-11



County of Riverside

INTERNAL AUDIT REPORT

2013-009

Department of Environmental Health

Capital Assets, Information Security, Records Retention Management,
and Revolving Fund

June 4, 2013

Office of
Paul Angulo, CPA, MA
County Auditor-Controller

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



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

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AO | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

**Paul Angulo, CPA, MA
AUDITOR-CONTROLLER**

June 4, 2013

Steve Van Stockum, Director
4065 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2013-009: Department of Environmental Health

Dear Mr. Van Stockum:

We have completed an audit of the Department of Environmental Health to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, information security, records retention management, and the revolving fund. The audit covered the period July 1, 2010 through September 30, 2012.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain sufficient, reliable, relevant, and useful information to provide reasonable assurance 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, reliability of financial information, and to safeguard county assets. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls.

Based upon the results of our audit, we determined the Department of Environmental Health has adequate internal controls over capital assets and records retention management. However, we have identified opportunities for improvement over information security and the revolving fund.

We will follow-up in one year to determine if actions were taken to correct the findings noted.

We thank the Department of Environmental Health management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive style with a prominent flourish at the end of the name.

By: Rachelle Román, CRMA, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

The Department of Environmental Health (the Department) is an enforcement agency operating as part of the County of Riverside. The Department regulates retail food operations, organized camps, mobile home parks (unincorporated areas only), non-municipal water systems, wells, on-site sewage systems design, businesses that handle or store hazardous materials, landfills, solid waste transfer stations, solid/liquid waste haulers, medical waste and tattoo businesses to name a few. They also offer vector control services in the County areas not covered by the two existing Vector Control Districts. In addition they respond to complaints made against the operations they regulate as well as for residential trash and sewage problems in unincorporated areas of the County. Their staff responds with the County Fire Emergency HazMat Response Team to all HazMat incidents in the County with the exception of those cities who have their own HazMat Team. Their mission is to enhance the quality of life in Riverside County through implementation of environmental health programs that protect public health and safety as well as the environment.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, information security, records retention management, and the revolving fund.

Audit Conclusion

Based upon the results of our audit, we determined the Department of Environmental Health has adequate internal controls over capital assets and records retention management. However, we have identified opportunities for improvement over information security and the revolving fund.

Capital Assets

Background

The Auditor-Controller's Standard Practice Manual (SPM) 913, *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure (or, long-lived assets), buildings and improvements, equipment, livestock, and intangible assets.

Capital assets include real property such as building (structures), land, and land improvements, regardless of value, as well as vehicles, machineries, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 913 requires all *real property* with a value of \$1 (one dollar) and all capital assets with a value of \$5,000 or more to be recorded in the PeopleSoft Asset Management Module. In addition, all entities are strongly encouraged to use the Asset Management Module to manage and maintain all non-capitalized assets. SPM 903, *Capital Asset Tags*, requires that capital assets be tagged or marked as County property. If the County property tag will not adhere to an item because of size, shape or use of the item, the department or agency should affix the assigned number in some other manner, i.e., engraving, inscribing, stenciling, etching, or painting the number on the item itself, or labeling the box in which it is kept. The number must be affixed in some way that will ensure identification for accountability.

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the Department. Department management also have roles related to capital assets, including following the proper procedures when purchasing capital assets and annually verifying that all assets assigned to their locations are properly recorded in the Asset Management Module.

The Department of Environmental Health's capital assets consist of servers, equipment, and vehicles. Capital assets are located throughout their eight office locations. Currently, the Department manages 33 capital assets worth \$563,652.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances
- Conducted interviews and performed walk-throughs with Department personnel
- Utilized PeopleSoft queries to identify the quantity and location of assets
- Verified appropriate levels of management review and approval

- Selected samples of capital asset transactions to perform detailed testing
- Verified the safeguarding and inventory of capital assets.

Audit Results

Based upon the results of our audit, internal controls over capital assets are adequate and effective.

Information Security

Background

The primary computer software systems utilized by the Department are PeopleSoft Financials and Decade-Envision Connect. The Department utilizes Decade-Envision Connect to monitor and track invoicing/billing, complaints, and inspection statuses. The system allows for customization for the business need of the Department and interfaces well with other programs. The software provides management reports to help identify agency productivity, justify program needs and funding, and provides a means of accountability to the public. These systems are used daily by the Department and contain information needed by the organization for accurate reporting and to operate effectively and efficiently.

Board of Supervisors Policy Number A-58, *Riverside County Enterprise Information Systems Security Policy*, is the policy of Riverside County to protect Riverside County information in accordance with all applicable laws, governmental regulations and accepted best practices to minimize information security risk; ensuring the right information is available to the right people at the right time.

Policy Number A-58 states sensitive information includes personal, medical records or financial information on employees, constituents, citizens, customers, business partners, or anyone else that has not been previously defined in law to be a public record. Sensitive information may also include any other information that could enable an individual to commit identity theft when so defined in law or policy.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over information security.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of department personnel
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures
- Obtained and understood policies and procedures regarding information security
- Performed tests to ensure internal controls were adequate over security of information
- Determined the nature of information stored by the department

Finding 1

The Department is storing highly sensitive customer credit card information in a hard copy format. The information, cardholder name, credit card number, expiration date, card type, and security code is written down when a customer wants to make a payment over the phone using a credit card. Payments over the phone can be made for services such as inspections or permit fees. The (PCI SSC) Payment Card Industry Security Standards Council has established data

elements that allow businesses who absolutely need to store the information to do so in a manner that protects the data; however, no valid reason was found as to why the data needs to be stored by the Department nor was the hard copies containing the sensitive data completely secured. The Administrative Services Analyst II was storing the sensitive information in a locked drawer in his office; however, we noticed hard copies containing sensitive information located in his inbox, in an unsecured manner. The PCI SSC allows for the storage of the Primary Account Number, as long as it is rendered unreadable; however, it does not allow storage of the Security Authentication Code. In addition, Policy Number A-58 11.1.2.1 *Minimum Information Protection*, indicates sensitive information should be kept from view of unauthorized people and that information should not be stored in a given location any longer than the business function or regulation requires.

The storing of highly sensitive information by the Department inherits the risk of having sensitive information stolen or accessed by unauthorized users. This could potentially result in the Department incurring fines and penalties from credit card companies, the termination and ability of accepting payment cards, legal costs, and may result in identify theft.

Recommendation 1

The Department's procedures regarding the storage of sensitive information must be immediately modified to ensure sensitive information is properly destroyed when no longer needed. In addition, immediately discontinue the storage of security authentication codes to ensure compliance with PCI SSC.

Management's Response

“Concur. As of March 4, 2013 the department has modified the procedure regarding sensitive credit card data storage. The “Primary Account Number” (16 digit) and “Security Authentication Code” (3 digit) will be immediately destroyed after receiving the Credit Card transaction authorization/approval code. All hard copy information will be placed in a secured location unattainable to any unauthorized persons. Hard copy information will be retained for no more than 45 days, and will be destroyed/shredded on the 46th day.”

Records Retention Management

Background

Board of Supervisors Policy A-43: *County Records Management and Archives Policy*, Section D.5 *Records Retention Schedules – Standard – Retention Period*, indicates "retention periods on Board approved records retention schedules are mandatory, and records shall be disposed of in accordance with those approved retention periods." All County Departments must adhere to the Countywide General Records Retention Schedule (GRRS_2012_Rev07) if they do not have an approved departmental records retention schedule by the Board of Supervisors.

The Department has two Board of Supervisors approved departmental records retention schedules: (1) Community Health Agency (CHA) – Environmental Health – District Environmental Services (DRRS_CHA-DES_2011_Rev02) and (2) CHA – Environmental Health – Environmental Protection and Oversight Division (DRRS_CHA-EPO_2010_Rev02). These two retention schedules reflect retention requirements for specific documents the Department utilizes to conduct business. In addition, the Department adheres to the Countywide General Records Retention Schedule for commonly found records that are standard in most Departments. The Department also has a written Records Management Policy they have implemented to ensure procedures are followed to adhere to all retention schedules.

We reviewed copies of destruction of records documentation for the period under audit and noted records were destroyed in accordance with GRRS_2012_Rev07, DRRS_CHA-DES_2011_Rev02, and DRRS_CHA-EPO_2010_Rev02. In addition, all destruction of records documentation had proper Department Head verification and approval noted.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over records retention management.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of department personnel
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures
- Obtained and understood policy and procedures regarding records retention management
- Performed testing to ensure internal controls were adequate over records retention

Audit Results

Based upon the results of our audit, internal controls over records retention management are adequate and effective.

Revolving Fund

Background

Revolving funds are established by the County department under the custodianship of a County officer for the use of official County business. The Department of Environmental Health submitted (SPM) Standard Practice Manual AR-1, *Revolving Fund Request Order & Change Form*, to the Auditor-Controller's Office to establish a new revolving fund. The purpose noted was to allow the Department to pay for emergency purchases. The new revolving fund was approved by the Auditor-Controller's Office on August 27, 2012, and check number 10156 in the amount of \$5,000 was issued by the Treasurer's Office on August 28, 2012. As of the date of fieldwork, the revolving fund had not been setup by the Department and the check was still located in the Department's safe. Evidently, the Department does not have a business need for a revolving fund in the amount of \$5,000.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the revolving fund. However, since the Department has not setup their approved revolving fund, we could not complete an assessment of the revolving fund.

Finding 2

As previously noted, the Department submitted (SPM) Standard Practice Manual AR-1, *Revolving Fund Request Order & Change Form*, to the Auditor-Controller's Office to establish a revolving fund. The purpose noted was to allow the Department to pay for emergency purchases. The revolving fund was approved by the Auditor-Controller's Office on August 27, 2012, and check number 10156 in the amount of \$5,000 was issued by the Treasurer's Office on August 28, 2012. As of the date of fieldwork, the revolving fund had not been setup by the Department and the check was still located in the Department's safe.

Upon this finding, the Department setup their revolving fund on April 12, 2013. The Department operated without the revolving fund for over 8 months.

Recommendation 2

The Department should immediately reduce their revolving fund account to \$1,000 since there is no evident business need for a revolving fund in the amount of \$5,000.

Management's Response

“Non-Concur. Although it took a prolonged time to establish the Revolving Fund it does not diminish the need for the funds. The purpose for establishing the Revolving Fund was to ensure the department had the resources to cover any internal emergency purchase or external environment emergency. The Department of Environmental Health is designated as a First Response Agency, reducing the Revolving Fund to \$1,000 could restrict the department's ability to respond to an emergency. The department believes the \$5,000 level is appropriate and prefers that the amount remains at this level.”


Auditor's Comment

Although the department does not concur with our recommendation, we still recommend reducing their revolving fund account to \$1,000 since there is no evidential business need for a revolving fund in the amount of \$5,000.

We will evaluate the revolving fund transactions during our follow-up audit in one year to determine if the business need has changed.



COUNTY OF RIVERSIDE • COMMUNITY HEALTH AGENCY
DEPARTMENT OF ENVIRONMENTAL HEALTH

DATE: May 30, 2013
TO: Auditor-Controller's Office
Audits and Specialized Accounting Division
FROM:  Steve Van Stockum, Director
Department of Environmental Health
SUBJECT: Reply to Draft Audit Report 2013-009

Recommendation 1:

The Department's procedures regarding the storage of sensitive information must be immediately modified to ensure sensitive information is properly destroyed when no longer needed. In addition, immediately discontinue the storage of security authentication codes.

Management position concerning the recommendation: Concur

Comments:

As of March 4, 2013 the department has modified the procedure regarding sensitive credit card data storage. The "Primary Account Number" (16 digit) and "Security Authentication Code" (3 digit) will be immediately destroyed after receiving the Credit Card Company transaction authorization/approval code. All hard copy information will be placed in a secured location unattainable to any unauthorized persons. Hard copy information will be retained for no more than 45 days, and will be destroyed/shredded on the 46th day.

Actual/estimated Date of Corrective Action: March 4th 2013

Estimated cost to implement recommendation (if material): \$0.00

Recommendation 2:

The Department should immediately reduce their revolving fund account to \$1,000 since there is no dire business need for a revolving fund in the amount of \$5,000.

Management position concerning the recommendation: Non-Concur

Comments:

Although it took a prolonged time to establish the Revolving Fund it does not diminish the need for the funds. The purpose for establishing the Revolving Fund was to ensure the department had the resources to cover any internal emergency purchase or external environment emergency. The Department of Environmental Health is designated as a First Response Agency, reducing the Revolving Fund to \$1,000 could restrict the department's ability to respond to an emergency. The department believes the \$5,000 level is appropriate and prefers that the amount remains at this level.

Actual/estimated Date of Corrective Action: April 12, 2013.

Estimated cost to implement recommendation (if material): \$0.00