

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

906



**FROM:** Riverside County Auditor-Controller

**SUBMITTAL DATE:**  
October 13, 2015

**SUBJECT:** Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration [District: All]; [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration

**BACKGROUND:**

**Summary**

We have completed an audit of the Riverside County Economic Development Agency, Facilities Management Administration to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, cash handling, expenditures, non-capitalized assets, records retention, revenues, and revolving fund. We conducted the audit during the period December 1, 2014 through August 18, 2015 for operations of July 1, 2012

(Continued on page 2)

*Paul Angulo*  
Paul Angulo, CPA, CGMA, MA  
Riverside County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
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

BY: *Samuel Wong* 11/24/15  
Samuel Wong

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

☐ Positions Added  
☐ Change Order  
☐ A-30  
☐ 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-4

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11:** Riverside County Auditor-Controller's Office - Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration Audit Report, [District: All]; [\$0]

**DATE:** October 13, 2015

**PAGE:** Page 2 of 2

**BACKGROUND:**

**Summary (continued)**

through June 30, 2014 and subsequently expanded the audit period to include the period of July 1, 2014 through June 30, 2015.

Based upon the results of our audit, we identified opportunities for improvement over internal controls relating to records retention and non-capitalized assets. We determined Facilities Management Administration internal controls over capitalized assets, cash handling, expenditures, revenues, and its revolving fund provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

**Impact on Citizens and Businesses**

Provide an assessment of internal controls audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration

**Internal Audit Report 2015-005**

**Riverside County Economic Development  
Agency, Facilities Management  
Administration**

**Report Date: October 13, 2015**



**Office of Paul Angulo, CPA, CGMA, MA  
County of Riverside Auditor-Controller  
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**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



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OFFICE OF THE  
AUDITOR-CONTROLLER

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**ACC AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE**

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

**Frankie Ezzat, MPA**  
ASSISTANT AUDITOR-CONTROLLER

October 13, 2015

Mr. Robert Field  
Assistant CEO/ EDA Director  
Riverside County Economic Development Agency  
3403 10<sup>th</sup> Street, Suite 400  
Riverside, CA 92501

**Subject: Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration**

Dear Mr. Field:

We have completed an audit of Riverside County Economic Development Agency, Facilities Management Administration to provide management and the Board of Supervisors with an independent assessment of internal controls over capitalized assets, cash handling, expenditures, non-capitalized assets, records retention, revenues, and revolving fund. We conducted the audit from December 1, 2014 through August 18, 2015 for operations of the period July 1, 2012 through June 30, 2014 and subsequently expanded the audit period to include July 1, 2014 through June 30, 2015.

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.

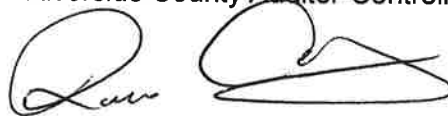
Based upon the results of our audit, we identified opportunities for improvement over internal controls relating to records retention and non-capitalized assets. We determined Facilities Management Administration internal controls over capitalized assets, cash handling, expenditures, revenues, and its revolving fund provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

**Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported conditions and recommendations 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 the Riverside County Economic Development Agency, Facilities Management Administration management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

## Table of Contents

	Page
Executive Summary.....	4
<b>Results:</b>	
Records Retention.....	5
Non-Capitalized Assets.....	7

## **Executive Summary**

### **Overview**

The Riverside County Economic Development Agency, Facilities Management Administration (Department) consists of four distinct service units: Accounting and Finance, Executive Management, Human Resources, and Purchasing. The Department provides support to offices within the Facilities Management division, which include, Custodial Services, Energy, Maintenance Services, Parking, Project Management, and Real Estate.

Some staff members within the Department provide direct support to several other divisions within the Riverside County Economic Development Agency. An allocation methodology has been developed to spread the costs equitably based on time and effort spent on these specific activities. A percentage of salaries and benefits are allocated directly to those divisions based on the number of divisions directly supported. An executive assistant, deputy director, assistant director and a principal accountant have been identified as positions that provide support to other divisions.

The Department's revenues and expenditures for the three years of the audit period are illustrated in the chart below:

Fiscal Year	Revenues	Expenditures	Variance
FY2012/13	\$3,433,994	\$3,433,994	\$ -
FY2013/14	\$2,739,600	\$2,738,490	\$1,110
FY2014/15	\$3,061,140	\$3,061,138	\$2

### **Audit Objective**

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the department's internal controls over capitalized assets, cash handling, expenditures, non-capitalized assets, records retention, revenues, and revolving fund.

### **Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement over internal controls relating to records retention and non-capitalized assets. We determined Facilities Management Administration internal controls over capitalized assets, cash handling, expenditures, revenues, and its revolving fund provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

## **Records 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 of Supervisors approved records retention schedules are mandatory, and records shall be disposed of in accordance with those approved retention periods. All County of Riverside departments must adhere to the County of Riverside, California General Records Retention Schedule (GRRS) and/or County of Riverside, California Departmental Records Retention Schedule (DRRS) approved by the Board of Supervisors.

Facilities Management abides by the approved DRRS approved by the Board of Supervisors for disposition of programmatic records and GRRS for all other records. GRRS revisions 6 through 8 were effective during the audit period of July 1, 2012 to June 30, 2015.

### **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 office personnel.
- Identified and reviewed laws, codes, and regulations, ordinances, applicable policies, and procedures.
- Obtained an understanding of the policies and procedures regarding records retention management.
- Performed testing to ensure internal controls were adequate over records retention.
- Determine if sensitive information is secured with limited access.

### **Finding 1: Disposition of Records**

The department did not dispose records in accordance with approved retention periods. We requested all record disposition documentation between July 1, 2012 and June 30, 2014; we received no documentation and were told no records were disposed. According to management, there was no program in place to identify records for destruction. Board of Supervisors policy A-43, *County Records Management and Archives Policy*, requires all departments to adhere to Board of Supervisors approved records retention schedules. By not



**Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration**

destroying records in accordance with approved retention periods, the County of Riverside fails to meet the Board of Supervisors' goals of saving space, money, time, and labor with the proper preservation and storage of only necessary records. We expanded our review period to include July 1, 2014 through June 30, 2015 and we determined the department disposed records at the end of calendar year 2014. However, the department did not dispose records at the end of FY2014/15 as required per Board of Supervisors approved records retention schedules.

**Recommendation 1**

Compare records inventory to Board of Supervisors approved records retention schedules and identify records for disposal. Prepare and submit a Records Management and Archives Program (RMAP) Form 652, *Records Disposition Certificate* or RMAP Form 784, *Records Disposition Certificate - County Depts. Shred Only* with the proper approvals for all identified records for disposal.

**Management's Response**

**"Partially Concur.** The EDA worked with the Assessor County Clerk Recorder in developing approved records retention schedules. Facilities Management Administration was able to finalize the records retention schedule by minute order 3.19 approved by the Board of Supervisors on September 9, 2014. Management could not fully implement an effective records management program until board approval was obtained that would authorize the destruction of our records. This process took several months to get to an approval stage. The agency was unable to destroy records during the period of review performed by this audit. Thereafter, EDA began to implement its records management program and has begun the process of destroying records."

Actual/estimated Date of Corrective Action: **Date not provided.**

**Auditor's Comments**

The department has shown an interest in developing their records retention program by working with the Riverside County Assessor-County Clerk-Recorder, Records Management and Archives Program (RMAP) to develop a DRRS. The DRRS was approved by the Board of Supervisors on September 9, 2014 by minute order 3.19. As such, the department abides by the approved DRRS for disposition of programmatic records and GRRS for disposition of all other records. The GRRS requires disposition of records at the end of the fiscal year and calendar year. Records destruction documentation at the end of the fiscal year is typically submitted in the July and August time-frame. RMAP was contacted to see if the department submitted records destruction documentation at the end of fiscal year 2014/15. RMAP indicated that as of September 29, 2015, no records destruction documentation was submitted by the department since January 2015.

## Non-Capitalized Assets

### Background

Board of Supervisor's policy H-26, *Non-Capitalized Asset Management*, defines non-capitalized "walk-away" assets as assets which are small, mobile, easily converted for personal use and have a fair market value of \$200 or more and an acquisition cost of less than \$5,000 (over \$5,000 are classified as capitalized assets). Examples include, but are not limited to laptops, personal digital assistants (PDAs), global positioning system (GPS) receivers, and cell phones. Departments are required to track non-capitalized, walk-away assets through the PeopleSoft Asset Management Module (Asset Module), or another established system, if reviewed and approved by the Auditor-Controller's Office.

As of June 30, 2015, the department maintained 689 non-capitalized, walk-away assets in the Asset Module, consisting of laptops, personal digital assistants, and cell phones with the combined acquisition value of \$246,829.

### Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over non-capitalized, walk-away assets.

### Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, ordinances, applicable policies, and procedures.
- Conducted interviews and performed walk-throughs with department personnel.
- Utilized Asset Module queries to identify the quantity, locations, and non-capitalized, walk-away asset movement.
- Selected samples of non-capitalized, walk-away asset transactions to perform detailed testing.

### Finding 2: Accountability of Non-Capitalized, Walk-Away Asset Records

Non-capitalized, walk-away assets were not properly managed in the Asset Module. Our review of 25 non-capitalized, walk-away assets, identified 11 (44%) were reported in the Asset Module but were not on-hand. According to management, non-capitalized, walk-away assets were misplaced during the consolidation of information technology staff with the Riverside County Information Technology Department. Board of Supervisors policy H-26, *Non-Capitalized Asset*

**Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities Management Administration**

*Management*, requires departments to track non-capitalized, walk-away assets by using the Asset Module. Not maintaining updated information in the Asset Module may result in loss of control over assets and/or misstating the value of non-capitalized, walk-away assets.

We re-inventoried the 11 misplaced, non-capitalized, walk-away assets on August 18, 2015 and one asset was on-hand and 10 were still misplaced.

**Recommendation 2**

Require responsible staff members to sign hand receipts for non-capitalized, walk-away assets under their possession on an annual basis as part of the capitalized asset inventory process. Reconcile hand receipts to the Asset Module.

**Management's Response**

**"Partially Concur.** The EDA took immediate steps to rectify this discrepancy. A physical inventory was conducted of all laptops and was finalized in April. The inventory process uncovered one of the eleven missing laptops. The EDA also conducted an inventory of computers in the entire Agency. Strict accountability of our assets is important to our Agency and will continue to be of great concern. The EDA will continue to conduct physical inventories on a yearly basis.

The EDA's Accounting and Finance section has had a process in place for obtaining customer hand receipts. Documentation is on file and was reviewed by the auditor during his visit. Currently, the hand signatures from the employee are obtained on the actual invoice and packing slip, which happen to be the same document. In addition, EDA will implement another process which includes an annual verification of assets for each employee prior to the close of each fiscal year to ensure the asset module is up to date. The list will also be shared with each division's Deputy Director and will further enhance accountability of these assets.

It has also been difficult for the EDA to track and monitor IT equipment that is managed by RCIT staff. RCIT is currently exploring a new system for tracking and managing these assets. The EDA will continue to work with RCIT to develop a more effective process to ensure accountability and strict adherence to policy H-26. Collectively these processes will improve accountability and strict adherence to policy H-26.

Physical inventories have been conducted and completed in April 2015 and will be scheduled hereinafter yearly. The accounting staff have also been trained and will start the annual verification process this fiscal year. The EDA will continue to work closely with RCIT staff to improve communication in regards to the movement and changes of IT equipment."

Actual/estimated Date of Corrective Action: **Completed.**

**Internal Audit Report 2015-005: Riverside County Economic Development Agency, Facilities  
Management Administration**

**Auditor's Comments**

The department does collect signatures from staff using non-capitalized equipment, which can be used to hold staff members responsible for any missing non-capitalized equipment. However, documentation containing signatures were not made available for review for the 10 misplaced laptops.