

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



ITEM
2.10
(ID # 3171)

MEETING DATE:
Tuesday, January 17, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2016-007: Riverside County VETERANS' SERVICES, Application Controls and Control Environment [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-007: Riverside County Veterans' Services, Application Controls and Control Environment

ACTION: Consent


Paul Angulo, Director of Auditor Controller 12/5/2016


FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	N/A

C.E.O. RECOMMENDATION: APPROVE

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington and Ashley
Nays: None
Absent: None
Date: January 17, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

2.10

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

BACKGROUND:

Summary

We have completed an audit of Riverside County Veterans' Services to provide management and the Board of Supervisors with an independent assessment of internal controls over the application controls and control environment. We conducted the audit from October 21, 2015 through March 10, 2016 for operations from July 1, 2013 through December 31, 2015.

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Veteran's Services management optimize the application controls and internal control component known as the control environment. Specifically, in areas related to the access controls to their case management application and establishment and acknowledgement of a code of ethics and timely performance evaluations of employees.

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

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

N/A

ATTACHMENT A.

Riverside County Auditor-Controller's Office Internal Audit Report 2016-007: Riverside County Veterans' Services, Application Controls and Control Environment


Stephanie Pesi 1/10/2017

Internal Audit Report 2016-007

Riverside County Veterans' Services

Report Date: November 3, 2016



**Office of Paul Angulo, CPA, MA
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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

November 3, 2016

Grant Gautsche
Director
Riverside County Veterans' Services
4360 Orange Street
Riverside, CA 92501

**Subject: Internal Audit Report 2016-007: Riverside County Veterans' Services,
Application Controls and Control Environment**

Dear Mr. Gautsche:

We have completed an audit of Riverside County Veterans' Services to provide management and the Board of Supervisors with an independent assessment of internal controls over the application controls and control environment. We conducted the audit from October 21, 2015 through March 10, 2016 for operations from July 1, 2013 through December 31, 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 areas of opportunity that can help Riverside County Veteran's Services management optimize the application controls and internal control component known as the control environment. Specifically, in areas related to the access controls to their case management application and establishment and acknowledgement of a code of ethics and timely performance evaluations of employees.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each 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.



Internal Audit Report 2016-007: Riverside County Veterans' Services, Application Controls and Control Environment

We thank the Riverside County Veterans' Services management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

Riverside County Veterans' Services (Veterans' Services) has an overall mission to provide and promote services for veterans in the County of Riverside. The Veterans Service Representatives (Service Representatives) assigned to serve the veterans are trained and accredited by the United States Department of Veterans Affairs (Veteran Affairs) and California Department of Veterans Affairs. Each Service Representative assist the veteran in obtaining the maximum benefits from the Veterans Affairs and the California Department of Veterans Affairs. This office also assists veterans by obtaining the necessary information and documentation to submit a claim for service related disabilities, educational benefits, medical treatment at Veteran Affairs Medical Centers, home loans, life insurance, and burial benefits.¹

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the Veterans' Services control environment and application controls.

Audit Conclusion

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Veteran's Services management optimize the application controls and internal control component known as the control environment. Specifically, in areas related to the access controls to their case management application and establishment and acknowledgement of a code of ethics and timely performance evaluations of employees.

¹ Riverside County Veteran's Services, <http://veteranservices.co.riverside.ca.us>

Application Controls

Background

Application controls relate to the business processes or application systems which include separation of business functions, balancing of processing totals, transaction logging and error reporting. According to Global Technology Audit Guide issued by the Institute of Internal Auditors, "the objective of application controls is to ensure:

- Input data is accurate, complete, authorized, and correct.
- Data is processed as intended in an acceptable time period.
- Data stored is accurate and complete.
- Outputs are accurate and complete.
- A record is maintained to track the process of data from input to storage and to the eventual output."²

Applications controls exist to ensure these objectives are achieved in the most efficient manner. These controls are related to the input, processing, output, and integrity of data and audit trail. For instance, if there were variations in data input for a veteran, an exceptions report generated by management would monitor whether the control was adequate.

Veterans' Services utilizes the Veterans Affairs Vet Pro Web-Case Management System to prepare veteran's claims. The system allows the Service Representative to track the status of the veteran's claims, edit the claim activity screens with new claim information, and attach documents via scans. Claims are entered during in person interviews with veterans. Once claims are completed, the Service Representative submits the claim to Veterans Affairs for processing.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of Veterans' Services application controls over its case management system.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances.
- Conducted interviews and performed walk-through with the management.

² General Technology Audit Guide 8: Auditing Application Controls, p. 2

Internal Audit Report 2016-007: Riverside County Veterans' Services, Application Controls and Control Environment

- Selected a sample for detailed testing of former staff members to determine whether access to systems was terminated.
- Reviewed the draft format of business continuity plan for the department.

Observation 1: System Accessibility

Emails to the information security officer for Veterans Affairs are used to grant and terminate access to the Vet Pro system. This methodology did not document the dates accessibility was granted or terminated. Without a proper tracking system in place to confirm the accessibility of the active employees, information security controls are weakened. Further, the risk of exposure of sensitive information is heightened when termination of system access of departing employees is not tracked and confirmed through a formal process.

Management's Response:

"Partially Concur."

Recommendation 1.1

Develop policies and procedures regarding access controls to Vet Pro as well as other systems utilized by the department.

Management's Response:

"Concur. Our department management has administrative level access and can terminate an employee's access to Vet Pro. Employee's access to Vet Pro is disabled immediately when an employee exits employment with our department. We have a process of collecting keys, the employees ID, their passwords for emails, telephone, and computer. Then the Executive Assistant deactivates their account in Vet Pro and contacts RCIT to have the employee's e-mail closed, and the Assistant Director contacts the VA and sends a letter via e-mail to have the employee's accreditation and access removed from the VA systems. Also in Vet Pro the Executive Assistant sets the employees email in Vet Pro to the Executive Assistants email, so if anyone tries to log on and reset a password, the email will be sent to the Executive Assistant.

Our Department has created a check list for when an employee is exiting employment with the department and we will formalize a written policy and procedure for exiting employees.

The observation mentioned is for system access to VPN and Citrix VA Systems. When an employee exits employment with the department our assistant director, information security officer contacts the VA information security officer by calling and then sending a letter via email notifying the VA to remove the former employee's accreditation and VA systems access. This is a process that is followed when every employee exits, but it will be formalized more clearly in written policies and procedures."

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Actual/estimated Date of Corrective Action: November 1, 2016

Recommendation 1.2

Develop a process to track when access is granted or terminated for all Veterans' Services employees.

Management's Response:

"Concur. We have created a check list which will be completed for every employee when they exit employment. An employee is granted access to VetPro when they are hired and the above mentioned policy and procedure and check list will track and be dated when access is terminated. Note that we have copies of the accreditation letters for when an employee gains accreditation and we get confirmation when the VA authorizes access. We will formalize a policy and procedure and create a check list regarding terminating VA systems access and VetPro access."

Actual/estimated Date of Corrective Action: November 1, 2016

Control Environment

Background

Internal controls are a coordination of policies and procedures established to provide reasonable assurance regarding the achievement of respective organization objectives related to the effectiveness and efficiency of operations, compliance with applicable laws and regulations, reliability of reporting, and the safeguarding of assets. Everyone in an organization affects internal controls, but it is the ultimate responsibility of management to implement them and to ensure the controls are functioning as intended. Doing so allows management to stay focused on its pursuit of an organization's strategic objectives.

In support of management efforts to achieve the objectives of the organization, management should consider the following five internal control components:

- Control Environment: Sets the tone to the organization and is the foundation of all other internal control components.
- Risk Assessments: Identifies and analyzes the risk associated with the achievement of the entity's objectives.
- Control Activities: Actions established by policies and procedures to help ensure that management's directives are carried out.
- Information and Communication: Actions to carry out the responsibilities in support of the achievement of the objectives.
- Monitoring Activities: Ongoing or separate evaluations to ascertain whether each of the components of internal controls is present and functioning.

For an organization to have an effective control environment, management should consistently demonstrate and communicate its commitment to integrity and ethical values, establish adequate governance oversight processes, implement an organizational structure with adequate authority and responsibility, demonstrate a commitment to attract, develop and retain a competent workforce, and have strong workforce accountability measures for the achievement of the organizational objectives.

Our audit focused on the Control Environment component since it is the foundation of an effective system of internal controls. It provides discipline and structure to the achievement of the primary objectives of an entity and establishes the tone from the top-down of organizations. As such, when management, at every level of the organization views internal controls as essential to the successful achievement of its objectives, it is expected that the same view will be conveyed to everyone within the organization and as a result, internal controls will work effectively. The opposite effect will occur when management view the internal controls as obstacles and/or unrelated to the achievement of the entity's objectives.

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Our specific scope included the following areas:

- Code of ethics – implementation, training and communication
- Employee developmental training
- Evaluations – completion and goal setting
- Organizational and reporting structure – effective and efficient
- Succession planning – development for business continuity
- Communication of mission and other pertinent matters
- Employee exit interviews – organizational improvement opportunities as viewed from department employees
- Policies and Procedures – development, implementation and communication

Veterans' Services executive management team develops and implements internal controls to ensure compliance with policies, procedures and ordinances outlined by the United States Department of Veterans Affairs (Veterans Affairs) and the County of Riverside respectively. In order to ensure compliance, the executive management team facilitates training in staff meetings and requires Veterans Service Representative to complete the State and Federal certifications as required. This team provides a hands-on approach to developing the staff and collaborates to ensure the departments overall goals are accomplished.

Their control environment components are integrity, ethical values, and competence of Veteran's Services staff, which sets the tone of the organization. The executive management team instills these components by championing their staff with mentoring and regularly training on relevant policies, procedures and ordinances.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of the Veterans' Services control environment.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable laws, codes, regulations, and policies.
- Conducted interviews and performed walk-through with management and staff.
- Reviewed organizational and reporting structure.
- Performed an employee turnover analysis to determine the turnover rate.

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- Selected a sample of employees and reviewed files for completion of employee evaluations, developmental training, and goal setting.
- Requested and reviewed department meeting agendas.

Observation 2: Formalized Code of Ethics

Prior to March 16, 2016 Veterans' Services did not have a formalized code of ethics. However, their core values aligned with those of Veterans Affairs and are included in the annual training, Responsibility, Involvement, and Preparation of Claims (TRIP) Program conducted and administered by Veterans Affairs, there was no opportunity for staff to acknowledge the receipt of the core values or code of ethics. The purpose of the code of ethics is to establish the "minimum requirement for conduct, and behavioral expectations rather than specific activities." When these expectations are not communicated, organizations lack the discipline and structure to ensure objectives are achieved.

Recommendation 2

Develop formalized code of ethics for Veterans' Services.

Auditor's Note

Veterans' Services developed their code of ethics and provided acknowledgements from each of their employees during the report writing phase of the audit.

Management's Response:

"Concur. During the ACO audit our department created a code of ethics for the Department of Veterans' Services."

Actual/estimated Date of Corrective Action: Completed

Observation 3: Performance Evaluations

Annual performance evaluations were not completed for a two-year period for an employee who did not comply with professional conduct. This occurred because of transitions in staff responsible for completing evaluations as well as the necessity to manage case workloads. Board of Supervisors Policy, C-21, *Employee Performance Evaluation Reports*, Section 3 (b) states, "...regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with county or on the anniversary of promotion or entry into their current job classification." Delayed performance evaluations may defer the achievement of the department's overall mission and goals which ordinarily allows the employees performance to be enhanced within the organization as it reveals the need for improvement in areas which affect the achievement of the department's set goals.

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Recommendation 3

Complete all performance evaluations when required.

Management's Response:

"Concur. All performance evaluations will be completed when required and a calendar for completing performance evaluations will be created for supervisors to track when each employees evaluations are due."

Actual/estimated Date of Corrective Action: November 1, 2016