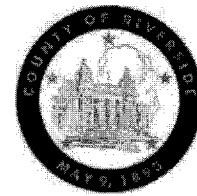


**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM
2.14
(ID # 4134)

MEETING DATE:
Tuesday, May 2, 2017

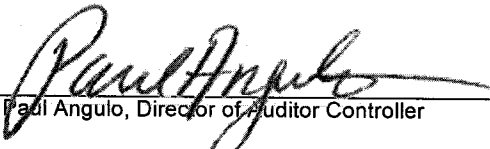
FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-320: Riverside County Office
on Aging, Follow-up Audit, District All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-320: Riverside County Office on Aging,
Follow-up Audit

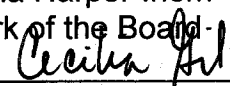
ACTION: Consent


Paul Angulo, Director of Auditor Controller 4/18/2017

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries 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: May 2, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
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

BACKGROUND:

Summary

We have completed a follow-up audit of the Riverside County Office on Aging. Our audit was limited to reviewing actions taken as of October 13, 2016, to help correct the findings noted in our original audit report 2014-014 dated October 16, 2014.

The original audit report contained 10 recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the ten recommendations, ten were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-014 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A. Riverside County Auditor-Controller – Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit.


Stephanie P. Rossi 4/25/2017

Internal Audit Report 2017-320

**Riverside County Office on Aging,
Follow-up Audit**

Report Date: March 7, 2017



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



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

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

**ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

March 7, 2017

Anna L. Martinez
Director
Riverside County Office on Aging
6296 River Crest Drive, Suite K
Riverside, CA 92507

Subject: Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit

Dear Ms. Martinez:

We have completed the follow-up audit of Riverside County Office on Aging. Our audit was limited to reviewing actions taken as of October 13, 2016, to help correct the findings noted in our original audit report 2014-014 dated October 16, 2014.

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 conclusion.

The original audit report contained 10 recommendations, all of which required implementation to help correct the reported findings. Our follow-up audit found that the 10 recommendations were implemented.

Details of the findings identified in the original audit and the status of the implementation of the respective recommendations is provided in the body of this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-014 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports. We made some changes to the findings from how they were written in the original audit report to better reflect the context of the original finding.

Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit

We appreciate the cooperation and assistance provided by the staff of the Riverside County Office on Aging during this follow-up audit. Their assistance contributed significantly to the successful completion of the 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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Expenditures

Finding 1: Inadequate Handling Procedures over Expenditures

Our review of 51 journal entries, representing purchases of supplies and services, totaling \$374,757 (10%) of total supplies and services for the last two fiscal years, disclosed that internal controls over expenditures were inadequate as evidenced by the following:

- The Riverside County Office on Aging (Office on Aging) did not seek prior approval from the Riverside County Purchasing Agent on their "sole source" procurement of in-service training for executives amounting to \$2,100.
- A journal entry on purchases of 31 "material-aid-funded items" (e.g. incontinent supplies, water heater, mattress) totaling \$5,351, paid thru procurement cards, were all recorded under the "Professional Services" account in the Riverside County Financial System (PeopleSoft).
- Wireless usage charges were recorded under "Cellular Phone", an expense account for purchases of cellular phones in PeopleSoft.
- In two instances, Office on Aging did not seek the Riverside County Executive Office's approval on out-of-state trips, amounting to \$1,609 to attend conferences.

The "Travel Out of Riverside County Overnight Stay" request form for the then-Director's trip was approved by himself. Also, his reimbursement claim for lodging amounting to \$994.17 did not agree with the receipt for \$1,283.13, and the lodging cost exceeded the established limit. The hotel's guest folio (receipt) showed a room rate of \$256.48 per night for the first four nights, and \$257.21 for the last night, or a total of \$1,283.13 (inclusive of taxes); there was a note in the folio that the then-Director only wanted \$994.17 - actual reimbursement; the note was not signed, and dated. The current Office on Aging management could not provide us the breakdown of the \$994.17.

The then-Deputy Director's airline ticket and registration fee for \$450.10 and \$165.00, respectively, were paid using the procurement card of one of the employees. The "Travel Out of Riverside County Overnight Stay" form for the airline ticket estimated at \$450.10 was approved by the then-Deputy Director for Administrative Services, and was not dated.

Based on our discussions with the Office on Aging, they believed Executive Office approval was necessary when the estimated cost of out-of-state travel was over \$1,000. As indicated in Office on Aging's "Travel Out of Riverside County Overnight Stay" form, "If over \$1,000 and not in Agency's approved budget, Executive Office approval is required."

Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit

Recommendation 1:

Office on Aging should obtain approval for "sole source" procurement of supplies or services from the Riverside County Purchasing Agent.

Current Status 1: Implemented

Office on Aging has assigned the contracts & services officer to obtain approval from the Riverside County Purchasing Director for all sole source/single source purchases.

Recommendation 1.1:

Office on Aging should ensure that proper account codes are used in recording transactions.

Current Status 1.1: Implemented

Office on Aging has assigned a senior accountant to review expenditure transactions to validate the account codes used in each transaction.

Recommendation 1.2:

Office on Aging request approval from the Riverside County Executive Office for travel costing \$1,000 or more and out-of-state in accordance with Board of Supervisors Policy D-1, *Reimbursement For General Travel and Other Actual and Necessary Expenses*.

Current Status 1.2: Implemented

The Office on Aging deputy director for administration submits all travel request costing \$1,000 or more and all out-of-state travel to the Riverside County Executive Office for approval.

Information Security

Finding 2: Non-compliance with Information Security Standards

Office on Aging was not compliant with Riverside County Information Security Standards regarding business continuity, event logging, vulnerability scans and account management due to lack of awareness. Our review disclosed that:

- A business impact analysis had not been accomplished.
- Event logs were not retained for 90 days.

Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit

- Full weekly anti-virus scans on servers and workstations were not completed.
- User accounts for three separated employees were not disabled in a timely manner.

Failure to comply with the standards could result in an interruption of services; leave the network vulnerable to illegal entry and potential misuse of information. In November 2013, and December 2013, Office on Aging disabled system access for the three separated employees and began retaining logged events for 90 days, and performing a full weekly anti-virus scans on servers and workstations.

Recommendation 2:

Office on Aging conduct a business impact analysis to ensure continued business operations in the event of an emergency.

Current Status 2: Implemented

Office on Aging completed a business impact analysis in November 2014.

Capital Assets

Finding 3: Complete Fixed Assets Information

Office on Aging did not ensure that the PeopleSoft Asset Module contained the required information for 9 of the 11 capital assets reviewed. Our review of Office on Aging's capital assets inventory as of June 30, 2013, disclosed the following:

- Three vehicles with acquisition dates of March 1, 2007, and May 19, 2010, did not have tag numbers, model descriptions, a serial number, and location.
- A server and color printer acquired in June 2005, did not have model descriptions.
- Four copy machines acquired in 2008, did not have serial numbers, model descriptions or locations.

Fixed asset tags, serial/identification numbers, model descriptions, and accurate location information facilitate inventorying and help assure accuracy of the year-end certification.

Recommendation 3:

Office on Aging should familiarize itself with the Riverside County Auditor-Controller's Office Standard Practice Manuals to facilitate inventorying and assure accuracy of the year-end certification.

Internal Audit Report 2017-320: Riverside County Office on Aging, Follow-up Audit

Current Status 3: Implemented

Office on Aging has updated policies and procedures related to fixed assets and shared with all pertinent staff. Office on Aging has also updated the PeopleSoft Asset Module to include all missing fixed asset information.

Finding 4: Timely Reporting of Asset Retirements

Capital asset retirements were not reported to the Riverside County Auditor-Controller's Office (ACO) in a timely manner. We reviewed all retirements during the review period and showed that Office on Aging took 62 days to notify the ACO Asset Management Section of the disposition of its two vehicles.

Reporting the retirement of capital assets in an untimely manner may result in loss of control over assets and/or misstating the value of capital assets.

Recommendation 4:

Office on Aging should report the retirement of capital assets in accordance with the Riverside County Auditor-Controller's Office Standard Practice Manual 518 (Formerly referred as SPM 922).

Current Status 4: Partially Implemented

Office on Aging has updated policies and procedures related to capital assets and shared with all pertinent staff. We reviewed capital asset dispositions during the audit period and noted that Office on Aging is reporting the disposition of capital assets to the ACO in a timely manner.

Non-Capital Assets

Finding 5: Tracking Non-Capital Assets

Office on Aging did not properly track their non-capital assets or ensure they were entered into the PeopleSoft Asset Module. Our comparison of non-capital assets as of June 30, 2013, in the PeopleSoft Asset Module against purchases of non-capital computer equipment for the last two fiscal years disclosed that all four computer equipment items totaling \$4,181.20, purchased during fiscal years 2010-13 were not included in the PeopleSoft Asset Module.

According to the department, they did not follow correct procedures in recording the non-capital assets into the PeopleSoft Asset Module. The department was coordinating with the ACO Asset Management Section for guidance.

Failure to properly record non-capital walk-away assets in the PeopleSoft Asset Module may negatively affect the process of identifying, controlling, and valuing county assets.

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Failure to properly record non-capital walk-away assets in the PeopleSoft Asset Module may negatively affect the process of identifying, controlling, and valuing county assets.

Recommendation 5:

Perform a physical inventory of non-capital walk-away assets to ensure all non-capital assets are properly recorded in the PeopleSoft Asset Module.

Current Status 5: Implemented

Office on Aging has updated policies and procedures related to fixed assets and shared with all pertinent staff. Office on Aging also performed a physical inventory of all non-capital walk-away assets in July 2016.

Recommendation 5.1:

Office on Aging should perform a monthly review of its non-capital assets status report from PeopleSoft, approve any pending transactions, and formally advise (via email) ACO Asset Management Section to process the transaction, and update the PeopleSoft Asset Module.

Current Status 5.1: Implemented

Office on Aging has assigned an accounting technician I to perform a periodic review of non-capital assets in the PeopleSoft Asset Module. The accounting technician I is in-charge of communicating all changes with the ACO Asset Management Section.

Recommendation 5.2:

The department should provide training relating of PeopleSoft Asset Module to their staff in charge of processing assets.

Current Status 5.2: Implemented

Office on Aging has updated policies and procedures related to fixed assets and shared with all pertinent staff.

Records Management

Finding 6: Untimely Record Destruction

Unnecessary costs were incurred by the Office on Aging for retaining records beyond their required retention period. On August 1, 2012, Office on Aging authorized the destruction of records related to rejected bids for the period July 1, 2004, to June 30, 2005. The official records retention period for these documents was the fiscal year (when the bid was rejected) plus two years, which indicates the records, should have been destroyed in August of 2008.

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Retaining records beyond the required retention period incurs unnecessary costs and may result in additional costs from public information requests.

Recommendation 6:

Office on Aging establish a periodic review of records, and document monitoring system.

Current Status 6: Implemented

Office on Aging has assigned program leaders to conduct periodic reviews of records for their respective sections and to purge any records that are not within the required retention period.