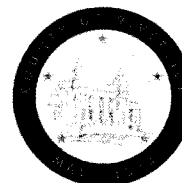


SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM
2.38
(ID # 5076)

MEETING DATE:

Tuesday, August 29, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding

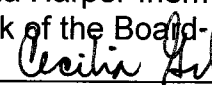
ACTION: Consent


Paul Angulo, Director of Auditor Controller 8/14/2017

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Washington, Perez and Ashley
Nays: None
Absent: Tavaglione
Date: August 29, 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 an audit of Riverside County Economic Development Agency, Project Management Office to provide management and the Board of Supervisors with an independent assessment of internal controls over contract amendments and competitive bidding. We conducted the audit from February 27, 2017, through May 9, 2017, for operations from July 1, 2014, through January 31, 2017.

Based upon the results of our audit, we determined Riverside County Economic Development Agency, Project Management Office internal controls over contract amendments and competitive bidding provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

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 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding.

Internal Audit Report 2017-013

**Riverside County Economic Development
Agency, Project Management Office
Countywide Contract Amendments and
Competitive Bidding Audit**

Report Date: July 31, 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
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AUDITOR-CONTROLLER**

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AO | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

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

**Frankie Ezzat, MPA
Assistant Auditor-Controller**

July 31, 2017

Robert Field
Assistant County Executive Office
Economic Development Agency
3403 10th St.
Riverside, CA 92501

Subject: Internal Audit Report 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding

Dear Mr. Field:

We have completed an audit of Riverside County Economic Development Agency, Project Management Office to provide management and the Board of Supervisors with an independent assessment of internal controls over contract amendments and competitive bidding. We conducted the audit from February 27, 2017, through May 9, 2017, for operations from July 1, 2014, through January 31, 2017.

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 determined Riverside County Economic Development Agency, Project Management Office internal controls over contract amendments and competitive bidding provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Since the audit resulted in no finding or recommendations in this instance, there is no requirement for a response in accordance with Board of Supervisor Resolution 83-338.

Internal Audit Report 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding

We thank the Riverside County Economic Development Agency, Project Management Office 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

The County of Riverside Economic Development Agency is comprised of 13 departments/divisions: Aviation, Community Services Division, Cultural Services, Economic Development, Edward-Dean Museum, Facilities Management, Fair and National Date Festival, Housing, Project Management Office, Riverside County Library System, Successor Agency, Workforce Development, and Office of Foreign Trade. The focus of this audit is the Project Management Office (PMO).

"The Project Management Office provides comprehensive project management and technical services for the construction of county facilities projects. Projects can range in value from \$1,000 to over \$300 million and include construction of new county facilities such as health care facilities, sheriff and fire stations, libraries, and animal shelters as well as infrastructure, building renovations, and additions.

The Project Management Office also manages Redevelopment projects, which revitalize 'blighted' community areas by utilizing tax increment and bond proceeds to finance public improvement projects. Redevelopment projects include libraries, youth and senior centers, fire stations, road improvements, storm drain and sewer improvements as well as community parks.

For larger capital projects, project managers typically oversee projects from the development of the initial concept through the final acceptance of construction. Services include, but are not limited to the following: project development; project management; environmental compliance; facility enhancements and restorations; design and specification development; public works bidding process; construction management; and, plan check and construction inspection." *Riverside County Economic Development Agency, Departments, Project Management Office, Riverside County website, accessed May 15, 2017, [http://www.rivcoeda.org/Departments/Project Management Office/tabid/1450/Default.aspx](http://www.rivcoeda.org/Departments/Project%20Management%20Office/tabid/1450/Default.aspx)*

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 contract amendments and the competitive bidding process.

Audit Conclusion

Based upon the results of our audit, we determined the Economic Development Agency, Project Management Office controls over contract amendments and competitive bidding provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable

Internal Audit Report 2017-013: Riverside County Economic Development Agency, Project Management Office, Countywide Contract Amendments and Competitive Bidding

assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Contract Amendments and Competitive Bidding

Background

Projects are initiated when PMO is contacted by a department with a project request. Approval from the Board of Supervisors is obtained prior to any design work being performed. For professional services less than \$100,000, such as project design or engineering studies, contract amounts are negotiated using a pre-approved list of contractors. For construction contracts, the Clerk of the Board advertises the notice to bidders in the local publications and the Clerk of the Board website. Bids are later opened in public by the Clerk of the Board and forwarded to County Counsel and the Executive Office for approval. Final approval of the contract is obtained from the Board of Supervisors along with the overall project budget.

PMO uses Dynamics Project Management System as their contract management system. We used this system to select a sample of contracts for review of amendments and the competitive bidding process. We identified a total of 193 contracts that were active during our review period, totaling \$398,624,307 with amendments that totaled \$6,046,411. From these contracts, we selected the 25 largest, totaling \$364,007,230.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over contract amendments and the competitive bidding process.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances.
- Conducted interviews and performed walk-throughs with PMO personnel.
- Utilized Dynamics Project Management System to identify cost charged to each contract.
- Selected a sample of 25 contracts valued at \$364,007,230 for detailed testing.

Audit Conclusion

Based upon the results of our audit, we determined the Economic Development Agency, Project Management Office controls over contract amendments and competitive bidding provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.