

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



**ITEM
2.8
(ID # 10582)**

MEETING DATE:

Tuesday, August 27, 2019


FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2019-004: Riverside County Office
on Aging Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2019-004: Riverside County Office on Aging Audit

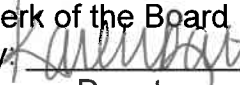
ACTION:Consent


Paul A. Angulo, County Auditor-Controller 8/14/2019

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Washington, seconded by Supervisor Spiegel and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: August 27, 2019
xc: Auditor

Kecia R. Harper
Clerk of the Board
By: 
Deputy

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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Office on Aging to provide management and the Board of Supervisors with an independent assessment of internal controls over grant agreement compliance. In addition, we assessed internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

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 (continued)

Based upon the results of our audit, we determined:

- 1) Office on Aging did not follow requirements established by a grant agreement. Specifically, Office on Aging contracted for unallowable services under the grant agreement.
- 2) Transfer of responsibility for revolving funds and capital assets to the new director was processed timely and documented with required forms.
- 3) Internal controls over capital assets are adequate to ensure the safeguarding of assets. However, internal controls over the revolving fund to ensure adequate segregation of duties, timely performance of monthly reconciliations, and adequate monitoring over transactions are not documented.

We will follow-up to verify that management implemented the corrective actions.

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 2019-004: Riverside County Office on Aging Audit.

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



Stephanie Perez, Principal Management Analyst 8/19/2019

Internal Audit Report 2019-004
Riverside County Office on Aging
Audit

Report Date: June 19, 2019



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

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Oscar Valdez
Assistant Auditor-Controller

June 19, 2019

Jewel M. Lee, Director
Riverside County Office on Aging
3610 Central Avenue, 3rd Floor
Riverside, CA 92506

Subject: Internal Audit Report 2019-004: Riverside County Office on Aging Audit

Dear Ms. Lee:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Office on Aging to provide management and the Board of Supervisors with an independent assessment of internal controls over grant agreement compliance. In addition, we assessed internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

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:

- 1) Office on Aging did not follow requirements established by a grant agreement. Specifically, Office on Aging contracted for unallowable services under the grant agreement.
- 2) Transfer of responsibility for revolving funds and capital assets to you was processed timely and documented with required forms.

Internal Audit Report 2019-004: Riverside County Office on Aging Audit

- 3) Internal controls over capital assets are adequate to ensure the safeguarding of assets. However, internal controls over the revolving fund to ensure adequate segregation of duties, timely performance of monthly reconciliations, and adequate monitoring over transactions are not documented.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. These responses are included in the body of the audit report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Office on Aging (Office on Aging) directly or through contracted providers offers services to older adults and individuals with disabilities to allow them to live independently at home. The services are free to county residents as long as they meet minimum qualifications for each service provided. These services include but are not limited to, counseling and decision support, healthy life style programs, social engagement, meals, community education, and coordination and outreach.

Office on Aging has a recommended annual budget of \$15.8 million for fiscal year 2019-20 and 71 currently authorized positions. Office on Aging receives its approximately \$15.8 million of funding from federal, state, county contributions and local funds. *County of Riverside, Fiscal Year 2019-20 Recommended Budget, June, 2019, 227.*

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over grant compliance. Also, to provide independent assessment of internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

Audit Scope and Methodology

Following a risk based approach, our scope initially included the following:

- Capital Assets
- Grant Agreement Compliance
- Procurement Cards
- Revolving Funds
- Termination of Service Providers

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to internal controls over grant agreement compliance, revolving funds, and capital assets.

Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- Office on Aging did not follow the grant agreement requirements by contracting for services considered disallowed in the grant agreement.

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- Internal controls over the revolving fund to ensure adequate segregation of duties, timely performance of monthly reconciliations, and adequate monitoring over transactions are not documented.

Improvement Opportunities

The improvement opportunities are in the following areas:

- Establish procedures to ensure outside vendors are not contracted to provide services to clients as required by the grant agreement.
- Ensure internal controls over the revolving fund have adequate segregation of duties, timely monthly reconciliations, and adequate supporting documentations.

Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Office on Aging did not follow requirements established by a grant agreement. Specifically, Office on Aging contracted for unallowable services under the grant agreement.
- 2) Transfer of responsibility for revolving funds and capital assets to the new director was processed timely and documented with required forms.
- 3) Internal controls over capital assets are adequate to ensure the safeguarding of assets. However, internal controls over the revolving fund to ensure adequate segregation of duties, timely performance of monthly reconciliations, and adequate monitoring over transactions are not documented.

Grant Agreement Compliance

Overview

Riverside County Office on Aging (Office on Aging) receives approximately 83% in funding from federal and state agencies. The remaining 17% are from county contributions and local funds in order to provide core services. The department relies heavily on funding granted through the Older Americans Act.

Office on Aging must comply with federal, state and local agencies requirements to qualify for these funds. The requirements for funding include maintaining allowable expenditure documentation, organizing appropriate contract activities, and providing written description for each program. For the Department of Public Social Services – Holistic Assessment, Resources, Transitions for Seniors (HARTS) agreement, outside source vendors are not allowed. Failure to comply with these requirements can lead to funds being disallowed or program termination.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over compliance with grant agreement requirements.

Audit Methodology

To accomplish our objectives, we:

- Selected a sample of federal, state, and local agencies grant agreements
- Interviewed key personnel and reviewed department grant procedures to ensure compliance
- Reviewed employees time keeping documentation to verify proper tracking of hours to each grant
- Reviewed a sample of monthly and quarterly expenditure reports to ensure expenses reported and service provided are allowable per grant requirements

Finding 1: Unallowable Expenditures

Office on Aging contracted for services considered unallowable by the HARTS grant agreement with Riverside County Department of Public Social Services. The HARTS grant is to provide nursing services to in-home support services recipients. According to the agreement, "No agreement shall be made by Office on Aging with any party to furnish any services herein." Office on Aging did not have the personnel to provide nursing service at the start of the program and sub-contracted the services until qualified personnel was hired. Non-compliance with grant agreement requirements can lead to the loss of grant funds.

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Recommendation 1

Revise policies and procedures to ensure compliance with grant agreement requirements or amend the agreement to allow the use of outside services.

Management's Response:

Concur: "In May 2019, the Office on Aging completed all the necessary steps to amend the agreement to allow use of outside services."

Actual/estimated Date of Corrective Action: **May 6, 2019**

Estimated cost to implement recommendation: **\$0.00**

Revolving Funds

Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisors adopted Board Resolution 83-338, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

As of October 30, 2017, the date the new director was appointed and acknowledged receipt of the revolving fund, Office on Aging had an authorized balance of \$3,600 in its revolving fund. It maintains \$600 in the form of petty cash, and \$3,000 in a checking account. The revolving fund cash is primarily used to pay bank fees and postage. Access to the revolving fund cash is limited to the fund custodian and supervising accountant. We physically observed the petty cash funds are kept in locked boxes in a safe with access limited.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the newly appointed Director were completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish our objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds
- Interviewed key personnel and reviewed department procedures over the revolving funds
- Verified revolving fund reconciliations were prepared and completed
- Performed a surprise cash count and reconciled to the fund assignment amounts
Verified adequate segregation of duties existed
- Reviewed a sample of five months expenditure reports and supporting documentation

Finding 2: Fund Reconciliations

There is no evidence that proper segregation of duties exist, reconciliations and reviews are performed in a timely manner, and adequate reviews at the appropriate level are performed. In our sample of five monthly revolving fund reconciliations reviewed, three did not have date and signature from the preparer and reviewer. The Auditor-Controller's Standard Practice Manual 603, *Revolving Funds*, states, "Reconciliations must be properly reviewed and approved by a supervisor..." Further, Standard Practice Manual 1001, *Internal Controls*, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Office on Aging staff did not comply with county policies and procedures. Lack of segregation of duties, untimely reconciliations, and no monitoring controls, can lead to misappropriation, theft, or loss of funds.

Recommendation 2

Ensure monthly fund reconciliations are evidenced with dates and signatures by the preparer and reviewer.

Management's Response:

Concur: "In May 2019, the Office on Aging Supervising Accountant revised department forms to ensure that both preparer and reviewer reflect signatures and dates of reviews/approvals."

Actual/estimated Date of Corrective Action: **May 6, 2019**

Estimated cost to implement recommendation: **\$0.00**

Capital Assets

Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual, Policy Number 515, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Riverside County Auditor-Controller's Office.

As of October 30, 2017, the date the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, Office on Aging maintained nine capital assets in the Riverside County Financial Assets System Module (Assets Management Module), consisting of servers, vehicles, and copiers, with the combined acquisition cost of \$116,698.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed director was completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of board policies and applicable standards
- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Selected a random sample and verified the existence of capital assets that were transferred to the new department head
- Reviewed county records for Standard Practice Manual Form AM-7, *Disposal of Capital Assets*

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Finding: None Noted

Based upon the results of our testing, we determine internal controls over capital assets provided reasonable assurance that its objective related to this area will be achieved.