

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



**ITEM: 2.5
(ID # 14001)**

MEETING DATE:
Tuesday, December 08, 2020

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-202: Riverside University Health System, Behavioral Health Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-202: Riverside University Health System, Behavioral Health Audit.

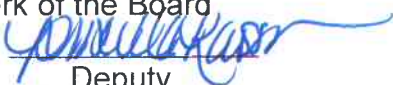
ACTION:Consent


Paul A. Angulo, County Auditor-Controller 11/18/2020

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez 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: December 8, 2020
xc: Auditor

Kecia R. Harper
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 |
| 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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside University Health System, Behavioral Health. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over capital asset and revolving fund.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the tracking and tagging of capital assets and processing of stale dated checks within the revolving fund.

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

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller - Internal Audit Report 2021-202: Riverside University Health System, Behavioral Health Audit.


 Stephanie P., Principal Management Analyst 11/30/2020

Internal Audit Report 2021-202
**Riverside University Health System,
Behavioral Health Audit**
Report Date: December 8, 2020



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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya Harris, DPA, CPA
Assistant Auditor-Controller

December 8, 2020

Dr. Matthew Chang, Director
Riverside University Health System, Behavioral Health
4095 County Circle Drive
Riverside, CA 92503

**Subject: Internal Audit Report 2021-202: Riverside University Health System,
Behavioral Health Audit**

Dear Dr. Chang:

In accordance with Board of Supervisors Resolution 83-338, we audited of the Riverside University Health System, Behavioral Health to provide an independent assessment of internal controls over capital assets and revolving fund.

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 of internal controls relating to the tracking and tagging of capital assets and processing of stale dated checks within the revolving fund.

Internal Audit Report 2021-202: Riverside University Health Center, Behavioral Health Audit

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. Management's responses are included in the report. It is our responsibility to follow-up and 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 Officer
Grand Jury

Internal Audit Report 2021-202: Riverside University Health Center, Behavioral Health Audit

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Internal Audit Report 2021-202: Riverside University Health Center, Behavioral Health Audit

Executive Summary

Overview

Riverside University Health Services, Behavioral Health (Behavioral Health) provides treatment and support services to children, transition age youth, adults and older adults with mental illness. Services include outpatient services, peer recovery services, residential care, juvenile hall, and medication programs throughout the county. With an annual budget of \$562.8 million in FY 20/21, Behavioral Health has 2,149 authorized positions in administrative services, detention program, substance abuse program, and treatment program. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, September 2020, 333. Riverside University Health System, Behavioral Health, Administration, About Us, accessed July 15, 2020, <https://www.rcdmh.org/Administration/About-Us>.*

Audit Objective

Our objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over capital assets and revolving fund. 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.

Audit Scope and Methodology

We conducted the audit from April 16, 2020, through July 7, 2020, for operations from July 1, 2018, through June 30, 2020. Following a risk-based approach, our scope initially included the following:

- Capital assets
- Initial patient assessments at the Inpatient Treatment Facility Arlington campus
- Medi-Cal billing services
- Revolving fund
- Third party healthcare provider contracts

Through inquiry, observations, and examination of relevant documentation related to initial patient assessments, Medi-cal billing services, and third party healthcare provider contracts, we concluded that internal controls over these areas are sufficient to provide reasonable assurance that an objective as described above is achieved. We focused our scope to internal controls over capital assets and revolving fund.

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Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- Behavioral Health's capital asset listing does not match the Riverside County financial system. We tested the accuracy of the listing for 29 (11.6%) of the department's 249 total capital assets and identified important information and documentation missing to adequately track the assets. Not adequately accounting for its assets, or properly identifying them in the Riverside County financial system, an over or understatement of capital assets may occur.
- Behavioral Health did not complete and file the Standard Practice Manual Form AR-1 (SPM Form AR-1), *Revolving Fund Request Order & Change Form* after the new director was appointed. In order to ensure accountability for public funds by the new department director, Form AR-1 should be completed and submitted to the Riverside County Auditor-Controller's Office as soon as the change occurs.
- Behavioral Health did not remove stale dated checks from the register when they performed monthly revolving fund reconciliations. For a sample selection of three months of reconciliations tested, we identified four of the 69 outstanding checks were stale dated and remained on the reconciliations. As a result, the department is subject to an inflated bank account balance and challenges to monitor for errors or potential mismanagement of funds.

Improvement Opportunities

The improvement opportunities are in the following areas:

- Ensure all assets are appropriately tagged and tracked in the Riverside County financial system.
- Complete and file an updated Form AR-1, *Revolving Fund Request Order & Change Form*.
- Establish policies and procedures to ensure stale dated checks identified in the monthly register monthly and the amount added back to the bank balance.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the tracking and tagging of capital assets and processing of stale dated checks within the revolving fund.

Internal Audit Report 2021-202: Riverside University Health Center, Behavioral Health Audit

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 September 18, 2019, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, the Riverside University Health System, Behavioral Health maintained 249 capital assets in the Riverside County financial system asset management module, consisting of printers, radios, and vehicles, with the combined acquisition cost of \$11,584,209.

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 department head 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 these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Established the date of the department director change.
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.

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- Selected a sample of capital assets to verify adequate internal controls exist over the safeguarding of assets.
- Selected a sample of capital assets and verified its existence.

Finding 1: Capital Asset Oversight

Behavioral Health is not properly tracking capital assets. We tested 29 (11.6%) of the total 249 assets and noted the following:

- Sixteen assets did not have asset tags provided by the Auditor-Controller's Office affixed to track and identify it as a county asset.
- Four assets were surplused by the department, but required documentation was not submitted to the Auditor-Controller's Office.
- Two assets were located at physical locations that differ from the location noted in the Riverside County financial system, did not have asset tags affixed, were not being used by the department, and had not been surplused by the department.
- Two assets serial number did not match the Riverside County financial system.
- One asset was located at the Arlington ITF facility and was not able to be physically verified.

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." In addition, Standard Practice Manual 514, *Disposal of Capital Asset*, states "all capital assets that are being disposed of or are not being used, are obsolete and/or beyond repair, are to be disposed of." Capital assets were not adequately tagged or tracked by the department. By not adequately accounting for its assets, or properly identifying them in the Riverside County financial system, an over or understatement of capital assets occurs.

Recommendation 1

Ensure capital assets are properly tracked and disposed of in accordance with Standard Practice Manual 513, *Capital Asset Tags* and Standard Practice Manual 514, *Disposal of Capital Asset*.

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Management's Response

"Do not concur. Riverside University Health System - Behavioral Health recognizes the importance of properly tracking capital assets, and as such has implemented inventory processes to ensure capital assets are tracked timely and accurately. RUHS-BH utilizes department asset number tags to track all assets in addition to the use of ACO issued asset tags for capital assets. For capital assets, Department asset number crosswalk to the ACO issued tag number within the RUHS-BH asset tracking database. We will work with the ACO to add ACO issued ACO asset tags as well."

Actual/estimated Date of Corrective Action: October 8, 2020

Auditor's Comment:

The Auditor-Controller's Office is the central accounting department responsible for reporting all financial information for the county. Standard Practice Manual 513 is the county's policy regarding how to properly tag assets. Standard Practice Manual 513 states "the tags received by the departments should immediately be placed on the equipment. Tags should be consistently placed in the same location on each similar type of asset." Additionally, "if possible the tags should be accessible for viewing...if the issued tag by the ACO will not adhere to an item because of size, shape or use of the item, the department should affix the assigned tag number in some other manner..., the assigned tag number must be affixed in some way that will ensure identification for accountability purposes."

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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 Supervisor's adopted Board Resolution 83-338 on November 1, 1983, 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.

The Riverside University Health System, Behavioral Health has two revolving funds. The revolving fund has an authorized balance of \$20,000 maintained in the form of a bank account and a petty cash balance of \$200 which was not tested in the scope of our audit. Checks are endorsed by the department manager, with two backup staff. Replenishments are processed by the fund custodian with the approval of the department director. Reconciliations are performed monthly by the fund custodian and reviewed by the department manager.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head 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 these 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.

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- Performed a cash count and reconciled to the fund assignment amounts.
- Reviewed for adequate segregation of duties.

Finding 2: Revolving Fund Transfer of Accountability

Riverside County Behavioral Health did not complete and file the Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* after the new director was appointed effective September 7, 2018. *Riverside County Board of Supervisors Board Resolution 74-156, Section 7*, states, "In the event that the officer having a revolving fund is succeeded by another person of whom a like fund is established, the fund may be transferred by said officer to his successor...." Additionally, Standard Practice Manual 603 states "a change in Department Head requires a new AR-1 Form to be completed acknowledging the amount of the Department's Revolving Fund and the departments designated custodian." The submission of an updated Form AR-1 to the Auditor-Controller's Office, ensures and documents transfer of accountability for public funds by the new department director.

Recommendation 2

Ensure the SPM Form AR-1 requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, as soon as there is a change in director.

Management's Response

"**Partially concur.** The understanding at the time of the last department head change was that resubmission of this form was not required as the custodian of the fund had already been transferred to local program staff. Process are established to ensure proper completion of the SPM Form AR-1 upon future changes in Department director."

Actual/estimated Date of Corrective Action: October 9, 2020

Auditor's Comment:

Riverside County Board of Supervisors Board Resolution 74-156, Section 7 requires that when there is a change in Department director the revolving fund is to be transferred to the incoming director. The incoming director is acknowledging both the existence and accountability of the funds. The acknowledgement of the transfer of accountability is most efficiently documented in written format, by filing Standard Practice Manual Form AR-1.

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Finding 3: Stale Dated Check

Four of the 69 outstanding checks on the monthly reconciliations of the revolving fund were outstanding beyond six months and not stale dated under department records. Government code §29802 states that any warrant issued is void if not presented to the county treasury for payment within six months after its issuance date. The department voids its checks intermittently causing stale dated checks to remain in the reconciliation as outstanding items. As a result, the department's bank balance is inflated, and the risk of errors increases over time if stale dated checks are not adequately identified.

Recommendation 3

Ensure all outstanding checks that are six months or older are removed from the register and added back to the bank balance monthly.

Management's Response

"Concur. RUHS-BH concurs with the recommendation, RUHS provided additional training to staff and reminded them of the appropriate policies and procedures."

Actual/estimated Date of Corrective Action: October 9, 2020