

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



ITEM: 2.3
(ID # 15342)

MEETING DATE:

Tuesday, June 08, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report - 2021-015 Riverside County Purchasing and Fleet Services - Change of Department Head Audit

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-015: Riverside County Purchasing and Fleet Services Department, Change of Department Head Audit

ACTION: Consent

Tanya Harris
Tanya Harris, Assistant Auditor Controller

6/2/2021

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 received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt
Nays: None
Absent: None
Date: June 8, 2021
xc: Auditor

Kecia R. Harper
Clerk of the Board

By: *[Signature]*
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 completed a change of department head audit of the Riverside County Purchasing and Fleet Services Department. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer of revolving funds and capital assets.

Please see report for audit results.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

ATTACHMENT A:

Riverside County Auditor-Controller's Office - Internal Audit Report 2021-015: Riverside County Purchasing and Fleet Services Department, Change of Department Head Audit


Stephanie Perez, Principal Management Analyst 6/2/2021

Internal Audit Report 2021-015

**Riverside County
Purchasing and Fleet Services
Change of Department Head Audit**

Report Date: June 8, 2021



**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



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

June 8, 2021

Tina Grande, Director
Riverside County Purchasing and Fleet Services Department
2980 Washington Street
Riverside, CA 92504

**Subject: Internal Audit Report 2021-015: Riverside County Purchasing and Fleet
Services Department, Change of Department Head Audit**

Dear Ms. Grande:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department head audit for Riverside County Purchasing and Fleet Services Department. This audit is conducted to ensure accountability over the transfer of revolving funds and capital assets from the predecessor to the newly appointed department director.

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.

Our conclusion and details of evaluation are documented in the body of this audit report.

Internal Audit 2021-015: Riverside County Purchasing and Fleet Services Department, Change of Department Head 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. 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
Jeffrey A. Van Wagenen, County Executive Officer
Grand Jury

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Executive Summary

Overview

The Riverside County Purchasing and Fleet Services Department (Purchasing) has four divisions: Central Mail, Fleet Services, Purchasing Services and Surplus. The responsibility of Purchasing is to provide materials, vehicles and services to county departments and agencies, and to promote the continuity of county business operations through ongoing improvement of procurement processes. Purchasing has an adopted budget of \$55 million for Fiscal Year 2020/21 and has 95 authorized positions to fulfill their mission. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, Volume 1, 226.*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding of capital assets when there is a change in department head.

Audit Conclusion

Based upon the results of our audit, we determined internal controls are in place to ensure the capital asset transfer of accountability was timely completed. However, we identified improvement opportunities for internal controls over capital asset tracking, tagging, and disposal.

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 512, *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 November 5, 2020, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, Purchasing maintained 4,595 capital assets in the Riverside County financial system, consisting of vehicles, leased vehicles, equipment, buildings, software, and land with the combined acquisition cost of \$142 million.

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 head change.
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.

Internal Audit 2021-015: Riverside County Purchasing and Fleet Services Department, Change of Department Head Audit

- Verified the internal controls over the safeguarding of assets and existence of capital assets that were transferred to the new director.
- Verified proper forms were completed for the retirement of capital assets.

Finding 1: Capital Asset Compliance

Purchasing is not in compliance with Riverside County capital asset procedures. During our review of 35 assets sampled, we identified the following:

- Eight capital asset's county tags were not affixed to capital assets. SPM 513, *Asset Tags*, requires county departments to, "Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory."
- Two capital assets could not be located. Although, Purchasing states the capital asset has been surplus, the required AM-7 form and the Surplus Property Transfer form had not been completed. SPM 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form and Surplus Property Transfer Form must be submitted to the ACO with all supporting documentation, as soon as possible."
- One capital asset was not in the location and not in use as indicated in the Riverside County financial system. SPM 513, *Asset Tags*, states, "In the event an asset is to be moved from one location to another, a Form AM-6 must be completed." The location change should be updated in the Riverside County financial system. SPM 514, *Disposal of Capital Assets*, states, "Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal."
- Three capital assets were not updated with sufficient information to accurately identify capital assets into the Riverside County financial system. County tag numbers or serial numbers were missing for capital assets. As such, we were unable to verify the capital assets. SPM 513, *Asset Tags*, states "All purchased capital equipment for use by the County shall be assigned a county property asset tag number." Additionally, SPM 513 states that tagging is important to, "provide an accurate method of identifying individual capital assets."

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Properly accounting for capital assets, their location, and updated with complete and correct information, ensures over or understatements do not occur, assets are readily available, and needed information to track and identify the assets is reliable.

Recommendation 1.1

Ensure capital assets are affixed with a county tag in accordance with Standard Practice Manual 513, *Asset Tags*.

Management's Response

"Concur. Of the eight asset tags reported as missing, one asset does not belong to Purchasing and Fleet. The asset has now been etched with the missing tag number. We will coordinate with the other department on transferring and/or tagging any other assets. Of the remaining seven tags, four were present and affixed during the audit. The remaining four did need tags, which were created on March 23, 2021 and are now affixed. The department appreciates the Auditor Controller's input and will work toward compliance."

Actual/estimated Date of Corrective Action: March 23, 2021

Recommendation 1.2

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

Management's Response

"Concur. Corrected forms were submitted to and accepted by the ACO for these two previously disposed of assets. Copies of the disposal forms are now kept on hand for future audit purposes. Any future assets to be disposed of will follow this policy and practice. The department appreciates the Auditor Controller's input and will work toward compliance."

Actual/estimated Date of Corrective Action: February 1, 2021 and March 29, 2021

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Recommendation 1.3

Ensure sufficient capital asset information is updated in the Riverside County financial system to accurately identify assets.

Management's Response

"Concur. This asset was actually in two parts; located in two garage locations. One part was subsequently surplused after the inspection. Proper paperwork was submitted for disposal. The remaining portion is tagged, and the system is updated. In the future a split asset will indicate both locations in the system or tagged as different components."

Actual/estimated Date of Corrective Action: March 23, 2021

Recommendation 1.4

Ensure asset locations agree with the Riverside County financial system listing in order to provide accurate inventory of capital assets.

Management's Response

"Concur. Please see previous response. In addressing the three capital assets in the fourth bullet point, the department worked with Facilities Management to transfer these assets (lifts) as they are affixed to the building that Purchasing and Fleet Services no longer occupies. The department will adhere to this practice going forward when leaving or entering a building with existing affixed assets. The department appreciates the guidance received by the Auditor Controller on this process."

Actual/estimated Date of Corrective Action: March 29, 2021