

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



**ITEM: 2.9
(ID # 17967)**

MEETING DATE:
Tuesday, January 11, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-008: Riverside County Community Action Partnership Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-008: Riverside County Community Action Partnership Audit

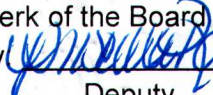
ACTION:Consent


Tanya Harris, Assistant Auditor Controller 12/20/2021

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, 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: January 11, 2022
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 of the Riverside County Community Action Partnership. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over program eligibility and purchasing process.

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

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2022-008: Riverside County Community Action Partnership Audit

Internal Audit Report 2022-008

**Riverside County
Community Action Partnership Audit**

Report Date: January 11, 2022



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

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

January 11, 2022

Carrie Harmon
Interim Executive Director
Riverside County Community Action Partnership
3403 Tenth St., Ste. 300
Riverside, CA 92501

Subject: Internal Audit Report 2022-008: Riverside County Community Action Partnership Audit

Dear Ms. Harmon:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside County Community Action Partnership to provide management and the Board of Supervisors with an independent assessment of internal controls over program eligibility and purchasing process.

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.

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Our conclusion and details of our audit are documented in the body of this audit report. 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
Jeff A. Van Wagenen, Jr., County Executive Officer
Grand Jury

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Audit**

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Audit**

Executive Summary

Overview

Riverside County Community Action Partnership services the county's qualifying residents by facilitating opportunities to self-sufficiency through education, energy conservation, wealth building, advocacy, and community organization. Community Action Partnership was created as part of the Economic Opportunity Act of 1964 and it is part of over 1,100 Community Action Agencies across the nation.

Community Action Partnership has a recommended budget of \$10.1 million for FY 2021-22 and 60 authorized positions. *County of Riverside, Revised Fiscal Year 2021-22 Recommended Budget Volume 1, 156.*

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

Audit Scope and Methodology

We conducted the audit from July 14, 2021, through September 2, 2021, for operations from July 1, 2019, through September 2, 2021. Following a risk-based approach, our scope included the following:

- Grant Compliance
- Program Eligibility
- Purchasing Process
- Volunteer Income Tax Assistance (VITA) Volunteer Backgrounds Check

Through inquiry, observations, and limited examination of relevant documentation, it was determined through a risk assessment of grant compliance and VITA volunteer background checks, that the risk exposure to Community Action Partnership associated with these processes are well mitigated with internal controls and are functioning as

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designed. We focused our audit scope to internal controls over program eligibility and purchasing process.

Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- Emergency procedures to validate the income of participants for Savings for Success and Tech for Success Programs are not established. Having written emergency policies helps strengthen the integrity of qualifications to receive assistance, ensures consistency and continuity in the business process, and ensures equitable distribution of assistance.
- Tech for Success customer intake forms are not evidenced with date and signature from a designated reviewer. Inadequate monitoring over customer intake form can result in program inefficiencies and misrepresentation of program integrity, abuse, and non-compliance with funding grants.

Improvement Opportunities

The improvement opportunities are in the following areas:

- Ensure Community Action Partnership is consistently verifying applicant's income to meet Saving for Success eligibility requirements.
- Develop emergency written income verification procedures for Savings for Success and Tech for Success programs
- Ensure intake forms are reviewed and approved by authorized individuals and evidenced with dates and signatures.
- Establish policies and procedures for the intake process to include secondary review and approval.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to program eligibility. However, we determined Community

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Action Partnership's internal controls over purchasing process 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.

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Program Eligibility

Background

Community Action Partnership's Saving for Success and Tech for Success programs help individuals and families achieve economic stability. Savings for Success provides an incentive for residents to save for their businesses, pursue education, or purchase a home by matching the amounts saved. Participants must meet the federal poverty guidelines by using the adjusted gross income or established emergency requirements, attend financial workshops, open a savings account, and contribute funds to the savings account. Once a defined savings goal is met, Community Action Partnership matches the participant. Tech for Success provides desktops or laptops to families that participate in a series of workshops that helps individuals and families acquire financial knowledge.

Objective

To verify the existence and adequacy of internal controls over the process of determining program eligibility.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of program procedures and California Department of Community Services and Development regulations.
- Interviewed department management and staff to obtain an overview of the program eligibility process.
- Selected a sample of program participants for the Savings for Success and Tech for Success programs.
- Reviewed supporting documentation outlined in the department's guidelines as required by the Department of Community Services and Development for Savings for Success and Tech for Success programs.
- Verified appropriate levels of management reviews and approvals for Savings for Success and Tech for Success programs.

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Finding 1: Program Income Eligibility

Emergency procedure to validate the income of participants for their Savings for Success and Tech for Success Programs are not documented. We sampled 20 participants for each of the programs and determined the following:

- Two out of 20 (10%) Saving for Success sampled participant's adjusted gross income (AGI) was not used to determine program eligibility.
- Nine out of 10 (90%) Tech for Success sampled participant's income could not be verified.

Office of Community Services requires participants to meet income requirements which states, "adjusted gross income of the household is equal to or less than 200 percent of the poverty line (as determined by the Office of Management and Budget)." Furthermore, CSD Program Advisory CPA-C-20-01, states, "If an affected individual or family does not have access to income eligibility documentation, agencies may consider establishing emergency procedures to validate income." It further states, "Procedures may include flexibility to reduce the amount of documentation required, and/or to accept self-certification when eligibility documentation is not available to meet immediate emergency needs." Additionally, Riverside County Auditor-Controller's Standard Practice Manual 1001, *Internal Control*, defines internal controls as the "Well documented policies and procedures are established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff and help ensure continuity during employee absences or turnover." Community Action Partnership relies on employee judgement to determine which methods can be used for income verification. Having written emergency policies helps strengthen the integrity of qualifications to receive assistance, ensures consistency and continuity in the business process, and ensures equitable distribution of assistance.

Recommendation 1.1

Ensure Community Action Partnership is verifying applicant's income to meet Saving for Success eligibility as required by program guidelines and requirements.

Management's Response

"**Concur.** Community Action Partnership (CAP) Riverside will develop and implement policies that outline the verification of income for program participants consistent with

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program guidelines and requirements for the Savings for Success program. Income will be verified prior to enrollment in the program with two layers of approval.”

Actual/Estimated Date of Corrective Action: **November 18, 2021**

Recommendation 1.2

Develop emergency written income verification procedures for Savings for Success and Tech for Success programs.

Management’s Response

“**Concur.** CAP Riverside will implement emergency written income verification procedures for the Savings for Success and Tech for Success programs. These procedures will be followed, and program staff will be trained on these procedures immediately.”

Actual/Estimated Date of Corrective Action: **November 18, 2021**

Finding 2: Tech for Success Applicant Review

Intake forms are not evidenced with date and signature from a reviewer for 20 out of 20 (100%) randomly selected applicants. As such, there is no evidence that reviews are being performed. Riverside County Auditor-Controller’s Standard Practice Manual 1001, *Internal Controls*, states, “Transactions are authorized by a person assigned approval authority.” Community Action Partnership relies on employee’s judgement to determine proper review and oversight of the application process and does not require signature to document sufficient levels of approval. Inadequate monitoring over customer intake form can result in program inefficiencies and misrepresentation of program integrity, abuse, and non-compliance with funding grants.

Recommendation 2.1

Ensure intake forms are reviewed and approved by designated personnel and evidenced with dates and signatures.

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Management's Response

"Concur. CAP Riverside will develop and implement a procedure to ensure all intake forms for the Tech for Success program go through two layers of approval with date and signature fields."

Actual/Estimated Date of Corrective Action: **November 18, 2021**

Recommendation 2.2

Establish policies and procedures for the intake process to include secondary review and approval.

Management's Response

"Concur. CAP Riverside will develop and implement policies and procedures that include a secondary review and approval for Tech for Success applicants. The Tech for Success application will be updated to include a secondary review and approval prior to enrollment in the program."

Actual/Estimated Date of Corrective Action: **November 18, 2021**

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Purchasing Process

Background

Riverside County Purchasing and Fleet Services Department is responsible for implementing policies and procedures set forth in the Riverside County *Purchasing Policy Manual* (September 1, 2016). The Director of Purchasing is the Purchasing Agent for Riverside County and can delegate his/her authority to Riverside County staff with limitations that vary depending on the level of authority granted. See Table A for a summary of delegation of purchasing authority.

Table A: Summary of Delegation of Purchasing Authority

Position	Purchase Order Authority	PO's Against PeopleSoft Contracts
Low Value Purchase Authority (LVPA)	\$5,000 per day per vendor	\$25,000 per day per vendor
Buyer I	\$25,000 per day per vendor	\$100,000 per day per vendor
Buyer II	\$50,000 per day per vendor	\$100,000 per day per vendor

Purchasing authority limitations will vary depending on whether purchases are made against county contracted vendors and non-county contracted vendors. "County staff may be granted low value purchase authority upon successful completion of required training. Low value purchase authority allows departmental staff the ability to issue purchase orders up to the amount of \$5,000 per day per vendor and issues purchase orders up the dollar value of \$25,000 against existing PeopleSoft contracts" (*Purchasing Manual, September 2016*).

Expenditures of \$5,000 or greater, require county departments to obtain a minimum of three written quotes from potential vendors to ensure the best use of taxpayer dollars. The *Purchasing Policy Manual* describes the splitting of purchase orders as follows, "Deliberate attempts to split orders, where the purpose is keeping total cost of each order down below bid limits, and failure to combine orders when practical for the best interest of the county in order to circumvent the limitations, is prohibited and may result in disciplinary actions reduced or suspended purchasing authority.

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Objective

To verify the existence and adequacy of controls over department expenditures.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of county procurements policies and procedures.
- Interviewed key personnel regarding procurement expenditure processes.
- Obtained a listing of all expenditures for Community Action Partnership during the review period of the audit to analyze and identify split purchase orders.
- Obtained a listing of all Community Action Partnership staff with delegated purchasing authority.
- Analyzed department expenditure data for the audit period to identify instances of split purchase orders at the \$5,000 and \$25,000 limitations.

Finding: None Noted

Based upon the results of our audit, we determined internal controls over department expenditures provide reasonable assurance that its objective related to this area will be achieved.