

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



**ITEM: 2.6
(ID # 21269)**

MEETING DATE:
Tuesday, February 28, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR CONTROLLER: Internal Audit Report 2023-309 Riverside County Facilities Management Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-309: Riverside County Facilities Management Follow-up Audit

ACTION:Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 2/16/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, and Gutierrez
Nays: None
Absent: Perez
Date: February 28, 2023
xc: Auditor

Kimberly Rector
Clerk of the Board

By: *Kimberly Rector*
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 completed a follow-up audit of the Riverside County Facilities Management Department. Our audit was limited to reviewing actions taken as of August 22, 2022, to correct findings noted in our original audit report 2021-006 dated June 29, 2021. The original audit report contained eight recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the eight recommendations:

- Seven of the recommendations were implemented.
- One of the recommendations was not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-006 which includes "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at:

<https://auditorcontroller.org/divisions/internal-audit>.

Impact on Citizens 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 2023-309: Riverside County Facilities Management Follow-up Audit.

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



Stephanie Perez, Principal Management Analyst 2/21/2023

Internal Audit Report 2023-309

**Riverside County
Facilities Management
Follow-Up Audit**

Report Date: February 28, 2023



**Office of Ben J. Benoit
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www.auditorcontroller.org



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CONTROLLER
COUNTY OF RIVERSIDE**

**Ben J. Benoit
Riverside County Auditor-Controller**

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

February 28, 2023

Rose Salgado
Director
Riverside County Facilities Management
3133 Mission Inn Ave
Riverside, CA 92507

**Subject: Internal Audit Report 2023-309: Riverside County Facilities Management
Follow-up Audit**

Dear Ms. Salgado:

We completed the follow-up audit of Facilities Management. Our audit was limited to reviewing actions taken as of August 22, 2022, to help correct the findings noted in our original audit report 2021-006 dated June 29, 2021.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

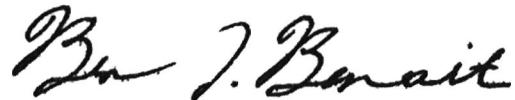
The original audit report contained eight recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the eight recommendations:

- Seven of the recommendations were implemented.
- One of the recommendations was not implemented.

Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-006 which includes "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.



Ben J. Benoit
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

**Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up
Audit**

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Internal Service Billing

Finding 1: Documentation of Changes to Billing Records

“We identified improvement areas of internal controls within the department’s documentation for changes to billing records, including user department’s occupancy, square foot usage, and billing account. These billing records are used to split the costs between multiple tenants in one building, generate invoices, and process journal entries. Further, we noted department did not have standard procedures to ensure supervisory review and documentation of changes to the billing records. Board Policy B-28, *Charges for Internal Services*, states, “ISF and GSS department shall maintain detail records of goods and services billed. These records shall be made available to user department or the Auditor-Controller upon request. All records are subject to audit.”

Our review identified the following:

- Two (11.8%) out of 17 sampled building units in which the changes occurred after user departments certified the services on the annual space occupancy certification, were not properly documented. The evaluation of space was performed by Facilities Management staff upon user department request. However, no documentation evidenced the building space remeasurement and user department’s agreement on the updated square foot usage. As such, we were not able to validate the changes to billing components in the Dynamics.
- Three (17.6%) out of 17 sampled building units in which departments occupied the county-owned space and received custodial services with inter-department verbal agreements did not have documentation with the current building occupant. As such, user department did not certify the space for the square foot usage, and the county building list was not updated during the event to evidence the occupancy and to ensure billing records were properly documented.

Absence of formal written procedures to ensure billing records are reviewed, properly documented, and leave an adequate audit trail, inhibits the ability to trace billing errors when changes are entered to the billing system, making it harder to identify the root cause of any errors and provide Facilities Management an efficient and effective way to course correct when needed.”

Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up Audit

Recommendation 1.1

“Establish internal procedures to document changes made to billing records.”

Current Status 1.1: Implemented

Recommendation 1.2

“Ensure an independent review and appropriate level of approval of documentation utilized to support changes in billing records before entering in the Dynamics system.”

Current Status 1.2: Implemented

Finding 2: Billing to User Departments

“Facilities Management billed custodial and maintenance costs in the amount of \$141,961 to a user department for the services provided to another user department. Although it ceased in May 2020, this stopped after the department being billed brought it to their attention. Facilities Management states this was the result of an agreement between these two departments and was instructed to process the billings in such manner. However, Facilities Management could not provide supporting documentation regarding the agreement.

Standard Practice Manual 1001, *Internal Control*, state that county departments and agencies shall establish, document, and maintain an effective system of internal controls to provide reasonable assurance to ensure accuracy, reliability, and timeliness of financial records and reports.

Facilities Management does have internal controls in place to initiate, review, and approve department billings. However, it previously lacked the processes to formalize and document the agreements that are out of their normal business process like the condition stated above. Furthermore, its processes do not have the internal controls to monitor and ensure these types of agreements do not go beyond the intended period. In the instance above, the billing for services of one department that pertained to another department occurred for 17 billing cycles. When a department is billed for services pertaining to another county agency, it impacts their respective operating budget and its ability to carry out its mission.”

Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up Audit

Recommendation 2.1

“Establish a process to document special agreements with user departments.”

Current Status 2.1: Implemented

Recommendation 2.2

“Establish internal controls to monitor special agreements and ensure they are maintained within the intended period.”

Current Status 2.2: Implemented

Finding 3: Inventory at Customer Facilities

“Facilities Management did not maintain adequate inventory for custodial supplies at customer facilities. This is important since Facilities Management directly bills user departments for the materials used. This part of their billing is separate from the hourly billing rate for the services rendered. Standard Practice Manual 801 (SPM 801), *Inventory Policies*, states that all county department must maintain adequate inventory records, must establish written procedures to train and inform employees in regard to inventories, and stockrooms must be enclosed with limited access by authorized personnel.

During our review of custodial inventory at four selected stockrooms, we identified the following:

- Department did not have formal written procedures for conducting inventory counts at customer facilities prior to our internal review.
- Inventory records and physical counts were not adequately monitored at different customer facilities. We noted the following for inventory records:
 - Four out of four custodial stockrooms where inventory listings were not reconciled, and missing items were not identified and documented.
 - Four out of four custodial stockrooms where supply sign-out sheet did not clearly indicate the employee’s name and item description that could be reconciled

Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up Audit

with the inventory listing. In addition, custodians did not log the supplies used in the sign-out sheet maintained at each custodial storeroom.

- Three out of four custodial stockrooms where inventory physical count did not match with the inventory listing provided by the custodian lead at the customer facility storeroom. In addition, we also observed a new item was placed in the stock shelf at one custodial storage without being added to the inventory listing.
- When a supply shortage occurred at one of the sites reviewed, supplies were transferred from one customer to another without supervisory review and approval. In addition, no entry was entered into the PeopleSoft to credit the original customer for the transferred supplies.
- Custodial supplies are not held in secure location. From the selected building location, we observed a customer storeroom was not locked. In addition, materials dropped off at a building docking station were not require proof of delivery by receivers. As such, delivered supplies were not counted or inspected prior to dispersing to customer storerooms. Custodial staff occasionally noticed missing items as they distribute the materials to customer storerooms.

Inadequate inventory records at custodial stockrooms hinder their ability to monitor and safeguard department supplies, as well as to accurately bill customers for supplies used.”

Recommendation 3.1

“Establish formal written procedures and provide adequate supervision and training for staff at the county facilities and ensure consistent compliance with the Standard Practice Manual 801 (SPM 801), *Inventory Policies*.”

Current Status 3.1: Implemented

Recommendation 3.2

“Periodically perform physical inventory and update the inventory listing at county facilities which will ensure an adequate inventory record.”

Internal Audit Report 2023-309: Riverside County Facilities Management, Follow-up Audit

Current Status 3.2: Not Implemented

At the time of our review (December 19, 2022) we were unable to perform physical inventory verifications as department staff was unable to provide documentation to support their latest inventory verification. Facilities Management Policy No. 700-25, *Supply Inventory at Customer Facilities*, states, "A complete physical inventory at the customer facility must be completed at the end of each month."

Recommendation 3.3

"Establish written procedures to track supplies transfers and credit the original customer for the transferred items."

Current Status 3.3: Implemented

Recommendation 3.4

"Update internal control policy over inventory delivery that requires the review and proof of delivery to all customers, as well as to safeguard the supplies distributed to all county facilities."

Current Status 3.4: Implemented

ATTACHMENT A

Internal Audit Report 2021-006
Riverside County Facilities Management
Report Date: June 29, 2021



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Riverside County Auditor-Controller
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COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

June 29, 2021

Rose Salgado
Director of Facilities Management
Riverside County Facilities Management
3133 Mission Inn Ave
Riverside, CA 92507

**Subject: Internal Audit Report 2021-006: Riverside County Facilities Management
Billing Audit**

Dear Ms. Salgado:

In accordance with Board of Supervisors Resolution 83-338, we completed the audit of Riverside County Facilities Management to provide management and the Board of Supervisors with an independent assessment of internal controls over billing.

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 our evaluation are documented in the body of this audit report.

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

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 Van Wagenen Jr., County Executive Officer
Grand Jury

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Executive Summary

Overview

Riverside County Facilities Management (Facilities Management) is comprised of ten divisions operating through general fund, special revenue funds, and internal service funds. Facilities Management has a total adopted budget of \$236 million for FY 2020-21 with 438 authorized positions that manage approximately 15 million square feet of county owned and leased facilities. *County of Riverside, Fiscal Year 2020/21 Adopted Budget Volume 1, December 2020, 215.*

The Facilities Management internal service fund includes custodial, maintenance, and real estate. Each division provides professional services to county and non-county agencies on a cost-reimbursement basis. The internal service billings of custodial and maintenance are the focus of this review.

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 Facilities Management internal service billing. Internal controls are processes designed to provide management with 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 August 11, 2020, through March 30, 2021, for operations from July 1, 2018, through March 30, 2021. Following a risk-based approach, our scope included the following:

- Internal service billing system
- Custodial inventory monitoring at county facilities

Audit Highlights

Summary of Existing Conditions

- Documentation of changes to billing records including user's occupancy, square foot usage, and billing account does not provide an audit trail of who initiated the changes,

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

supervisor review, and department approval over the billing records. Without documented audit trail, changes entered to the billing system cannot be traced in case of errors, making it harder to identify the root cause of any errors, and provide Facilities Management with an efficient and effective way to course correct when needed.

- Facilities Management billed custodial and maintenance costs to a user department for the services provided to another user department without formalized agreement and documentation. When a department is billed for services pertaining to another county agency, it impacts their respective operating budget and its ability to carry out its mission.
- Inventory is adequately monitored at the department's purchasing warehouse. However, when custodial supplies are distributed to the county facilities, department did not have formal written procedures to maintain adequate inventory monitoring controls. Adequate inventory monitoring ensures inventory physical count, ordering, and billing to customers are reliable.

Summary of Improvement Opportunities

- Establish internal procedures to properly document change requests made to billing records. This will ensure that an audit trail with proper review and approval is evidenced.
- Establish a process to document special agreements with user departments and monitor special agreement to ensure they are maintained within the intended period. This will ensure Facilities Management recovers the actual cost of providing services to user departments.
- Establish formal written procedures and provide adequate supervision and training to staff to ensure consistent compliance with the Standard Practice Manual 801 (SPM 801), *Inventory Policies*, for custodial supplies maintained at county facilities. This should include procedures to update the inventory listing at customer facilities resulting from periodically performed physical counts and reconciliations, supply transferred credits given to the original customers, safeguarding the custodian stockroom, and obtaining proof of delivery from all customer facilities.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to internal service billing and custodial inventory monitoring at county facilities.

Internal Service Billing

Background

Board of Supervisor Policy B-28, *Charges for Internal Services*, directs county departments and districts in providing consistent services and cost recoveries. The policy defines the billing mechanism for internal service fund departments that provide services to other county department or agencies as a self-sustaining entity. Internal service fund departments are required to annually calculate and submit a rate to the Board of Supervisors for approval. The rates are subject to continuous monitoring and adjusting at mid-year to reflect the internal service fund financial performance and operations. User departments receive invoices at the adopted billing rates based on actual usage and other direct pass-thru costs as related to supplies, parts, and other contract services.

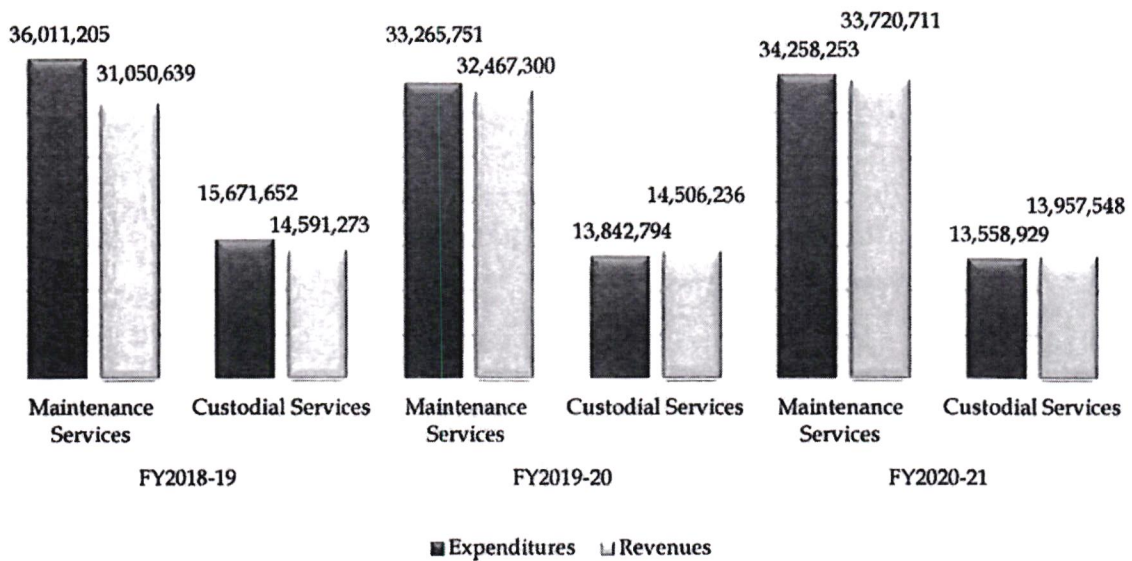
In line with the county's effort to improve business process, Facilities Management has implemented Dynamics Billing Solution Model (Dynamics) and built in comprehensive PeopleSoft project costing that automates the internal service billing process. It also improves business practices by data tracking, monitoring, and reporting of custodial and maintenance services.

Custodial services provide routine comprehensive services including housekeeping services, carpet cleaning, janitorial equipment, restroom sanitation, interior and exterior window washing, emergency clean-ups, and pest control. For FY 2020-21, custodial services productive hourly rates for regular and overtime are \$47.72 and \$60.00, respectively. The rates are projected to recover 102.94% of custodial operating costs in FY 2020-21.

Maintenance services maintains county building infrastructure and provides preventive, corrective, and regulatory compliance maintenance services to county owned and leased facilities including energy services, heating, ventilating, air conditioning (HVAC), plumbing, electrical, carpentry, and construction. For FY 2020-21, maintenance services regular productive hourly rates for maintenance worker and grounds worker are \$81.26 and \$58.17, and overtime hourly rates for maintenance worker and grounds worker are \$101.69 and \$72.79, respectively. The rates are projected to recover 98.43% of maintenance operating costs in FY 2020-21.

The chart below illustrates the operating incomes for custodial and maintenance internal service funds by comparing the revenues and expenditures from FY 2018-19 through FY 2020-21.

**Maintenance and Custodial Internal Service Funds
 Operating Revenues and Expenses**



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 Facilities Management internal service billing.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Supervisor Policy B-28, *Charges for Internal Services*, and other county compliance standards.
- Conducted interviews with key personnel and performed walkthroughs with designated department staff members.

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

- Obtained and reviewed department procedures related to internal service billing for custodial and maintenance services.
- Obtained a listing of custodial and maintenance services billing projects and reviewed the billable units and clients associated with these billing projects in the Dynamics system.
- Verified for appropriate levels of management review and approval over department billing records.
- Selected and reviewed sample of employee timecards for appropriate level of management review and approval.
- Selected and reviewed sample billing invoices to determine the accuracy of billing information.
- Analyzed department billing journal pulled from Riverside County PeopleSoft financial systems against the selected sample billing invoices.

Finding 1: Documentation of Changes to Billing Records

We identified improvement areas of internal controls within the department's documentation for changes to billing records, including user department's occupancy, square foot usage, and billing account. These billing records are used to split the costs between multiple tenants in one building, generate invoices, and process journal entries. Further, we noted department did not have standard procedures to ensure supervisory review and documentation of changes to the billing records. Board Policy B-28, *Charges for Internal Services*, states, "ISF and GSS department shall maintain detail records of goods and services billed. These records shall be made available to user department or the Auditor-Controller upon request. All records are subject to audit."

Our review identified the following:

- Two (11.8%) out of 17 sampled building units in which the changes occurred after user departments certified the services on the annual space occupancy certification, were not properly documented. The evaluation of space was performed by Facilities Management staff upon user department request. However, no documentation evidenced the building space remeasurement and user department's agreement on the

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

updated square foot usage. As such, we were not able to validate the changes to billing components in the Dynamics.

- Three (17.6%) out of 17 sampled building units in which departments occupied the county-owned space and received custodial services with inter-department verbal agreements did not have documentation with the current building occupant. As such, user department did not certify the space for the square foot usage, and the county building list was not updated during the event to evidence the occupancy and to ensure billing records were properly documented.

Absence of formal written procedures to ensure billing records are reviewed, properly documented, and leave an adequate audit trail, inhibits the ability to trace billing errors when changes are entered to the billing system, making it harder to identify the root cause of any errors and provide Facilities Management an efficient and effective way to course correct when needed.

Recommendation 1.1

Establish internal procedures to document changes made to billing records.

Management's Response

"Partially Concur. Facilities Management (FM) conducts an annual Space Occupancy Certification (SOC) of all county departments in accordance with Board Policy H-9 and H-27. When changes are indicated on the SOC, FM verifies the changes. FM has implemented a re-certification of any space changes submitted by Department Heads. In January 2021, FM implemented the Space Occupancy Addendums to certify space changes requested mid-year. In addition, FM began implementing a practice of uploading all occupancy e-mail communications, addendums, as well as documenting verbal exchanges with occupying departments in the pertinent BAA table."

Actual/estimated Date of Corrective Action: January 2021

Auditor's comments:

Our testing included an instance in which changes to the space happened after the department's claimed implementation date. However, department could not provide us with a re-certification of space submitted by Department Head which shows the need for

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

the recommendation. This is to ensure any changes to the building space or occupants is timely reviewed and documented.

Recommendation 1.2

Ensure an independent review and appropriate level of approval of documentation utilized to support changes in billing records before entering in the Dynamics system.

Management's Response

"Partially concur. The annual Space Occupancy Certifications of all county departments are acknowledged by customer departments with changes which are verified by FM. FM has implemented a re-certification of any space changes submitted by Department Heads and approved by management prior to making changes to billing records.

Additionally, in January 2021 FM implemented a Space Occupancy Addendum for mid-year changes for the purpose of:

- Acknowledging receipt of the change notification.
- Documenting the verification of all occupancy requests.
- If applicable, acknowledgment by the rest of the building occupants of the verified change.
- Documenting re-distribution of space and billing impacts.
- Acknowledgement and documentation of Dynamics Billing system updates.
- Documentation is now uploaded to all affected Dynamics billing system records."

Actual/estimated Date of Corrective Action: January 2021

Auditor's comments:

Our testing included an instance in which changes to the space happened after the department's claimed implementation date. However, department could not provide us with a re-certification of space submitted by Department Head which shows the need for the recommendation. This is to ensure any changes to the building space or occupants is timely reviewed and documented.

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

Finding 2: Billing to User Departments

Facilities Management billed custodial and maintenance costs in the amount of \$141,961 to a user department for the services provided to another user department. Although it ceased in May 2020, this stopped after the department being billed brought it to their attention. Facilities Management states this was the result of an agreement between these two departments and was instructed to process the billings in such manner. However, Facilities Management could not provide supporting documentation regarding the agreement.

Standard Practice Manual 1001, *Internal Control*, state that county departments and agencies shall establish, document, and maintain an effective system of internal controls to provide reasonable assurance to ensure accuracy, reliability, and timeliness of financial records and reports.

Facilities Management does have internal controls in place to initiate, review, and approve department billings. However, it previously lacked the processes to formalize and document the agreements that are out of their normal business process like the condition stated above. Furthermore, its processes do not have the internal controls to monitor and ensure these types of agreements do not go beyond the intended period. In the instance above, the billing for services of one department that pertained to another department occurred for 17 billing cycles. When a department is billed for services pertaining to another county agency, it impacts their respective operating budget and its ability to carry out its mission.

Recommendation 2.1:

Establish a process to document special agreements with user departments.

Management's Response:

"Partially Concur. In January 2021, FM implemented the Space Occupancy Addendums to certify space changes requested mid-year with supporting Department Head written approvals. In addition, FM began implementing a practice of uploading all occupancy e-mail communications, addendums, as well as documenting verbal exchanges with occupying departments in the pertinent BAA table."

Actual/Estimated Date of Corrective Action: January 2021

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

Recommendation 2.2:

Establish internal controls to monitor special agreements and ensure they are maintained within the intended period.

Management's Response

"Partially Concur. Finding #2 involved the East County Emergency Operations Center (EOC) (IN0710) and the Fire Department (Fire). In 2018, the Fire Department provided an accounting string for the EOC that was used through April 2020 when Fire requested that EOC costs be reallocated directly to the Emergency Management Department (EMD) for EMD space. The Dynamics billing system was updated, and a journal was prepared as requested. This amount included both custodial and maintenance costs.

Special billing agreements will be monitored closely with scheduled follow-up requests or meetings with customer departments. The Special billing agreements are memorialized via a document, such as the SOC Addendum or e-mail and uploaded into the pertinent BAA table."

Actual/estimated Date of Corrective Action: January 2021

Finding 3: Inventory at Customer Facilities

Facilities Management did not maintain adequate inventory for custodial supplies at customer facilities. This is important since Facilities Management directly bills user departments for the materials used. This part of their billing is separate from the hourly billing rate for the services rendered. Standard Practice Manual 801 (SPM 801), *Inventory Policies*, states that all county department must maintain adequate inventory records, must establish written procedures to train and inform employees in regard to inventories, and stockrooms must be enclosed with limited access by authorized personnel.

During our review of custodial inventory at four selected stockrooms, we identified the following:

- Department did not have formal written procedures for conducting inventory counts at customer facilities prior to our internal review.

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

- Inventory records and physical counts were not adequately monitored at different customer facilities. We noted the following for inventory records:
 - Four out of four custodial stockrooms where inventory listings were not reconciled, and missing items were not identified and documented.
 - Four out of four custodial stockrooms where supply sign-out sheet did not clearly indicate the employee name and item description that could be reconciled with the inventory listing. In addition, custodians did not log the supplies used in the sign-out sheet maintained at each custodial storeroom.
 - Three out of four custodial stockrooms where inventory physical count did not match with the inventory listing provided by the custodian lead at the customer facility storeroom. In addition, we also observed a new item was placed in the stock shelf at one custodial storage without being added to the inventory listing.
- When a supply shortage occurred at one of the sites reviewed, supplies were transferred from one customer to another without supervisory review and approval. In addition, no entry was entered into the PeopleSoft to credit the original customer for the transferred supplies.
- Custodial supplies are not held in secure location. From the selected building location, we observed a customer storeroom was not locked. In addition, materials dropped off at a building docking station were not require proof of delivery by receivers. As such, delivered supplies were not counted or inspected prior to dispersing to customer storerooms. Custodial staff occasionally noticed missing items as they distribute the materials to customer storerooms.

Inadequate inventory records at custodial stockrooms hinder their ability to monitor and safeguard department supplies, as well as to accurately bill customers for supplies used.

Recommendation 3.1:

Establish formal written procedures and provide adequate supervision and training for staff at the county facilities and ensure consistent compliance with the Standard Practice Manual 801 (SPM 801), *Inventory Policies*.

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

Management's Response

"Concur. A revised inventory control and security procedure will be adopted for the Custodial Services Division (CSD) to ensure employees understand the requirements and expectations when managing supply inventory according to SPM 801, *Inventory Policies*."

Actual/estimated Date of Corrective Action: June 25, 2021

Recommendation 3.2:

Periodically perform physical inventory and update the inventory listing at county facilities which will ensure an adequate inventory record.

Management's Response

"Partially concur. Monthly custodial inventory is performed but is not consistently adhered to. Custodial staff have been advised to comply with inventory procedures including the monitoring and safeguarding of custodial supplies. Further, all custodial supply closets and cabinets will be locked."

Actual/estimated Date of Corrective Action: June 25, 2021

Recommendation 3.3:

Establish written procedures to track supplies transfers and credit the original customer for the transferred items.

Management's Response

"Partially concur. All supply transfers are documented on the Supply/Equipment Transfer Form. However, an inventory update in Peoplesoft was not part of this practice. The revised inventory control procedure will address and outline the expectations for updating each inventory list to ensure an accurate inventory count and accurate inventory updates in Peoplesoft."

Actual/estimated Date of Corrective Action: June 25, 2021

Internal Audit Report 2021-006: Riverside County Facilities Management Billing Audit

Recommendation 3.4:

Update internal control policy over inventory delivery that requires the review and proof of delivery to all customers, as well as to safeguard the supplies distributed to all county facilities.

Management's Response

"Partially concur. Effective immediately, CSD will work with the FM Purchasing Division to schedule deliveries when CSD staff are available to receive and verify the delivery. This ensures a real time, accurate count of the supply orders. Currently, some customer departments benefit from having access to supplies that have been delivered to their facility during non-custodial work hours. Moving forward, supplies will be locked in closets and cabinets."

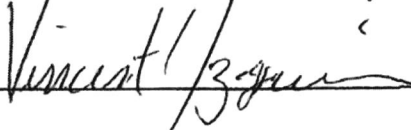
Actual/Estimated Date of Corrective Action: June 2021

ATTACHMENT B



Rose Salgado
Director of Facilities Management

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2021-006: Riverside County Facilities Management Audit.



Authorized Signature



Date

Finding 1: Documentation of Changes to Billing Records

We identified improvement areas of internal controls within the department's documentation for changes to billing records, including user department's occupancy, square foot usage, and billing account. These billing records are used to split the costs between multiple tenants in one building, generate invoices, and process journal entries. Further, we noted department did not have standard procedures to ensure supervisory review and documentation of changes to the billing records. Board Policy B-28, Charges for Internal Services, states, "ISF and GSS department shall maintain detail records of goods and services billed. These records shall be made available to user department or the Auditor-Controller upon request. All records are subject to audit."

Our review identified the following:

- Two (11.8%) out of 17 sampled building units in which the changes occurred after user departments certified the services on the annual space occupancy certification, were not properly documented. The evaluation of space was performed by Facilities Management staff upon user department request. However, no documentation evidenced the building space remeasurement and user department's agreement on the updated square foot usage. As such, we were not able to validate the changes to billing components in the Dynamics.
- Three (17.6%) out of 17 sampled building units in which departments occupied the county-owned space and received custodial services with inter-department verbal agreements did not have documentation with the current building occupant. As such, user department did not certify the space for the square foot usage, and the county building list was not updated during the event to evidence the occupancy and to ensure billing records were properly documented.

Absence of formal written procedures to ensure billing records are reviewed, properly documented, and leave an adequate audit trail, inhibits the ability to trace billing errors when changes are entered to the billing system, making it harder to identify the root cause of any errors and provide Facilities Management an efficient and effective way to course correct when needed.

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Project Management Office
Maintenance & Custodial
Real Estate & Parking
Energy Efficiency
Administration

Current Status

Reported Finding Corrected? Yes No

Recommendation 1.1

Establish internal procedures to document changes made to billing records.

Management Reply

“Partially Concur. Facilities Management (FM) conducts an annual Space Occupancy Certification (SOC) of all county departments in accordance with Board Policy H-9 and H-27. When changes are indicated on the SOC, FM verifies the changes. FM has implemented a re-certification of any space changes submitted by Department Heads. In January 2021, FM implemented the Space Occupancy Addendums to certify space changes requested mid-year. In addition, FM began implementing a practice of uploading all occupancy e-mail communications, addendums, as well as documenting verbal exchanges with occupying departments in the pertinent BAA table.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

FM continues to conduct annual Space Occupancy Certifications, verifying any modifications of space, as well as Space Occupancy Addendums if changes occur mid-year. All relevant email communications are stored in the pertinent BAA table.

Recommendation 1.2

Ensure an independent review and appropriate level of approval of documentation utilized to support changes in billing records before entering in the Dynamics system.

Management Reply

“Partially Concur. The annual Space Occupancy Certifications of all county departments are acknowledged by customer departments with changes which are verified by FM. FM has implemented a re-certification of any space changes submitted by Department Heads and approved by management prior to making changes to billing records.

Additionally, in January 2021 FM implemented a Space Occupancy Addendum for mid-year changes for the purpose of:

- Acknowledging receipt of the change notification.

- Documenting the verification of all occupancy requests.
- If applicable, acknowledgment by the rest of the building occupants of the verified change.
- Documenting re-distribution of space and billing impacts.
- Acknowledgement and documentation of Dynamics Billing system updates.
- Documentation is now uploaded to all affected Dynamics billing system records.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

All department requested Space Occupancy changes are required to submit a Form 5 for FM and EO (if required) review and approval. Addendums for mid-year changes are reviewed and approved by requesting department head, other building occupants if necessary, and signed off by FM management prior to making changes to the building records and BAA table.

Finding 2: Billing to User Departments

Facilities Management billed custodial and maintenance costs in the amount of \$141,961 to a user department for the services provided to another user department. Although it ceased in May 2020, this stopped after the department being billed brought it to their attention. Facilities Management states this was the result of an agreement between these two departments and was instructed to process the billings in such manner. However, Facilities Management could not provide supporting documentation regarding the agreement.

Standard Practice Manual 1001, *Internal Control*, state that county departments and agencies shall establish, document, and maintain an effective system of internal controls to provide reasonable assurance to ensure accuracy, reliability, and timeliness of financial records and reports.

Facilities Management does have internal controls in place to initiate, review, and approve department billings. However, it previously lacked the processes to formalize and document the agreements that are out of their normal business process like the condition stated above. Furthermore, its processes do not have the internal controls to monitor and ensure these types of agreements do not go beyond the intended period. In the instance above, the billing for services of one department that pertained to another department occurred for 17 billing cycles. When a department is billed for services pertaining to another county agency, it impacts their respective operating budget and its ability to carry out its mission.

Current Status

Reported Finding Corrected? Yes No

Recommendation 2.1

Establish a process to document special agreements with user departments.

Management Reply

“Partially Concur. In January 2021, FM implemented the Space Occupancy Addendums to certify space changes requested mid-year with supporting Department Head written approvals. In addition, FM began implementing a practice of uploading all occupancy e-mail communications, addendums, as well as documenting verbal exchanges with occupying departments in the pertinent BAA table.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

In January 2021, FM began certifying mid-year space changes using the Space Occupancy Addendum as well as uploading all relevant emails and documenting verbal communications with the occupying department in the pertinent BAA table.

Recommendation 2.2

Establish internal controls to monitor special agreements and ensure they are maintained within the intended period.

Management Reply

“Partially Concur. Finding #2 involved the East County Emergency Operations Center (EOC) (IN0710) and the Fire Department (Fire). In 2018, the Fire Department provided an accounting string for the EOC that was used through April 2020 when Fire requested that EOC costs be reallocated directly to the Emergency Management Department (EMD) for EMD space. The Dynamics billing system was updated, and a journal was prepared as requested. This amount included both custodial and maintenance costs.

Special billing agreements will be monitored closely with scheduled follow-up requests or meetings with customer departments. The Special billing agreements are memorialized via a document, such as the SOC Addendum or e-mail and uploaded into the pertinent BAA table.”

Current Status

Corrective Action Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Special billing agreements are memorialized in an SOC Addendum and e-mail correspondence is uploaded into the pertinent BAA table.

Finding 3: Inventory at Customer Facilities

Facilities Management did not maintain adequate inventory for custodial supplies at customer facilities. This is important since Facilities Management directly bills user departments for the materials used. This part of their billing is separate from the hourly billing rate for the services rendered. Standard Practice Manual 801 (SPM 801), *Inventory Policies*, states that all county department must maintain adequate inventory records, must establish written procedures to train and inform employees in regard to inventories, and stockrooms must be enclosed with limited access by authorized personnel.

During our review of custodial inventory at four selected stockrooms, we identified the following:

- Department did not have formal written procedures for conducting inventory counts at customer facilities prior to our internal review.
- Inventory records and physical counts were not adequately monitored at different customer facilities. We noted the following for inventory records:
 - Four out of four custodial stockrooms where inventory listings were not reconciled, and missing items were not identified and documented.
 - Four out of four custodial stockrooms where supply sign-out sheet did not clearly indicate the employee name and item description that could be reconciled with the inventory listing. In addition, custodians did not log the supplies used in the sign-out sheet maintained at each custodial storeroom.
 - Three out of four custodial stockrooms where inventory physical count did not match with the inventory listing provided by the custodian lead at the customer facility storeroom. In addition, we also observed a new item was placed in the stock shelf at one custodial storage without being added to the inventory listing.
- When a supply shortage occurred at one of the sites reviewed, supplies were transferred from one customer to another without supervisory review and approval. In addition, no entry was entered into the PeopleSoft to credit the original customer for the transferred supplies.
- Custodial supplies are not held in secure location. From the selected building location, we observed a customer storeroom was not locked. In addition, materials dropped off at a building docking station were not require proof of delivery by receivers. As such, delivered supplies were not counted or inspected prior to dispersing to customer storerooms. Custodial staff occasionally noticed missing items as they distribute the materials to customer storerooms.

Inadequate inventory records at custodial stockrooms hinder their ability to monitor and safeguard department supplies, as well as to accurately bill customers for supplies used.

Current Status

Reported Finding Corrected? Yes No

Recommendation 3.1

Establish formal written procedures and provide adequate supervision and training for staff at the county facilities and ensure consistent compliance with the Standard Practice Manual 801 (SPM 801), *Inventory Policies*.

Management Reply

"**Concur.** A revised inventory control and security procedure will be adopted for the Custodial Services Division (CSD) to ensure employees understand the requirements and expectations when managing supply inventory according to SPM 801, *Inventory Policies*."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

FM has implemented a revised inventory control and security procedure and provides training to new hires as they come on board and quarterly to ensure consistent compliance with the SPM 801 Inventory Policies

Recommendation 3.2

Periodically perform physical inventory and update the inventory listing at county facilities which will ensure an adequate inventory record.

Management Reply

"**Partially Concur.** Monthly custodial inventory is performed but is not consistently adhered to. Custodial staff have been advised to comply with inventory procedures including the monitoring and safeguarding of custodial supplies. Further, all custodial supply closets and cabinets will be locked."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

FM is consistently providing monthly inventory inspections at county facilities and updating the inventory list as necessary to ensure accurate accounting of inventory. All custodial supply locations are locked and secured.

Recommendation 3.3

Establish written procedures to track supplies transfers and credit the original customer for the transferred items.

Management Reply

"Partially concur. All supply transfers are documented on the Supply/Equipment Transfer Form. However, an inventory update in Peoplesoft was not part of this practice. The revised inventory control procedure will address and outline the expectations for updating each inventory list to ensure an accurate inventory count and accurate inventory updates in Peoplesoft."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

On a weekly basis, Supply Transfer Forms are completed by Custodial staff, reviewed by Custodial Supervisors for completeness and submitted to FM Accounting who then ensures that the inventory is credited by creating an Express Put-Away to return items in the Peoplesoft Inventory Module and an Express Issue to transfer the items to the proper building/customer. Monthly updates are made to the inventory tracking sheets.

Recommendation 3.4

Update internal control policy over inventory delivery that requires the review and proof of delivery to all customers, as well as to safeguard the supplies distributed to all county facilities.

Management Reply

"Partially Concur. Effective immediately, CSD will work with the FM Purchasing Division to schedule deliveries when CSD staff are available to receive and verify the delivery. This ensures a real time, accurate count of the supply orders. Currently, some customer departments benefit from having access to supplies that have been delivered to their facility during non-custodial work hours. Moving forward, supplies will be locked in closets and cabinets."

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

FM Purchasing has implemented a process to contact the daytime supervisor to arrange delivery of supplies. Once supplies are delivered, verified, and signed off on the Material Supply Request, they are placed in a secured/locked closet.