

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



**ITEM: 2.9**  
(ID # 21278)

**MEETING DATE:**  
Tuesday, February 28, 2023

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, All Districts. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department Follow-up Audit

**ACTION:Consent**


  
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:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: n/a</b>	

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

We completed a follow-up audit of the Riverside County Transportation and Land Management Agency, Transportation Department. Our audit was limited to reviewing actions taken as of September 27, 2022, to correct findings noted in our original audit report 2019-009 dated December 17, 2019. The original audit report contained five recommendations, all of which required implementation to help correct the reported findings.

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

- Four 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 2019-009 included as an attachment to this follow-up audit report or it can also be found at:

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

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller - Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department Follow-up Audit.

  
 Stephanie Perez, Principal Management Analyst 2/21/2023

**Internal Audit Report 2023-313**

**Riverside County  
Transportation and Land Management Agency,  
Transportation Department  
Follow-up Audit**

**Report Date: February 28, 2023**



**Office of Ben J. Benoit  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802

**ACC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Ben J. Benoit  
Riverside County Auditor-Controller

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

February 28, 2023

Charissa Leach  
Assistant County Executive Officer  
Riverside County TLMA, Transportation Department  
4080 Lemon Street, 14<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department Follow-up Audit**

Dear Ms. Leach:

We completed the follow-up audit of Riverside County Transportation and Land Management Agency, Transportation Department. Our audit was limited to reviewing actions taken as of September 27, 2022, to help correct the findings noted in our original audit report 2019-009 dated December 17, 2019.

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 five recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the five recommendations:

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

**Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, 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 2019-009 included as "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 your 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 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, Follow-up Audit**

**Table of Contents**

	<b>Page</b>
<b>Results:</b>	
Service Contractors .....	4
Construction in Progress.....	6
 <b>Attachments:</b>	
A. Internal Audit Report 2019-009	
B. Status of Findings as Reported by Riverside County Transportation and Land Management Agency, Transportation Department on September 27, 2022.	

Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, Follow-up Audit

Service Contractors

Finding 1: Street Sweeping Agreement

“The street sweeping agreement with the county requires the service contractors to submit monthly documentation with each invoice. Our review of the agreement and monthly invoices identified the following:

- The street sweeping contractor is not in compliance with the agreement with Transportation. Required documentation to support the services and charges from the contractor are not submitted.
- Transportation is not monitoring the street sweeping contractor. When we requested agreement required documentation from Transportation to support the services provided and invoiced by the contractor, they had to request it from the contractor since they could not provide the documentation themselves.
- An analysis of actual curb miles swept noted that Transportation is not being billed for actual miles swept and is instead billed for the estimated amount identified in the agreement. Additionally, the daily 45 curb mile street sweeping limit was exceeded multiple times. The contractor overbilled for the month of May 2018 as a result of charging for miles that exceed 45 per day.
- Transportation charges Riverside County Economic Development Agency a 15% administrative fee that is not supported by a rate methodology.

Exhibit 19 of the agreement states, “Contractor shall submit with the monthly statement the following terms: report showing the speed and miles swept on each sweeper used, corrective action request and completion report, copies of dump/disposal tickets, and equipment report showing all equipment used for the month with a summary of accidents, breakdowns, and spills.” We found the contractor is not submitting any of these documents on a monthly basis. Additional requirements from the agreement state, “The contractor will be paid for the actual number of curb miles swept each month (exhibit 15.1.2)”, and “the contractor shall not exceed 45 curb miles per day/per sweeper (exhibit 11.2.4).”

This was caused by Transportation relying on the contractor to submit the required monthly documentation, instead of using the agreement to identify the required documentation and ensure that documentation is submitted on a monthly basis with the

**Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, Follow-up Audit**

invoice. With no oversight for the agreement, the risk of services not being perform at a dependable level and the potential for overbilling is high.

Furthermore, the current 15% administrative fee from Transportation to the Riverside County Economic Development Agency is non-compliant with Board of Supervisors Policy B-4, Rate Charged for Current Services, which requires that any fee charged may not exceed the cost of providing a service. The 15% administrative fee is identified in the memorandum of understanding for Transportation to charge for contract administration. However, the fee does not reflect the cost of providing the service and is not supported by a rate methodology."

**Recommendation 1.1**

"Ensure required monthly documentation is submitted, reviewed, and approved with the invoice prior to payment for services."

**Current Status 1.1: Implemented**

**Recommendation 1.2**

"Ensure monthly invoices are billed for actual miles swept and that the daily street weeping limit of 45 miles is not exceeded."

**Current Status 1.2: Implemented**

**Recommendation 1.3**

"Develop a rate methodology for the 15% administrative fee in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services*."

**Current Status 1.3: Implemented**



Internal Audit Report 2023-313: Riverside County Transportation and Land Management Agency, Transportation Department, Follow-up Audit

**Construction in Progress**

**Finding 2: Improper Invoice Bills**

“Our review of a sample of invoices noted the following:

- An invoice to Dokken Engineering totaling \$112,121 was charged to an incorrect project. The project manager did not code the invoice accurately, which resulted in the incorrect charge on a different project.
- One invoice was received from Power Engineers for on-call consulting services provided to three separate projects. The invoice was originally coded to two of those three projects. The invoice was then changed and charged to a new project. Fiscal staff created a new work order to allocate the costs.

Per Standard Practice Manual 1001, Internal Controls (Formerly referred to as SPM 104), county departments must ensure the "accuracy, reliability and timeliness of financial records and reports." By not charging invoices to the correct project, the costs reported on the county's financial statements are misrepresented. In addition, projects which receive federal and state funding are subject to audit and unsupported costs may be required to be repaid to the funding source.”

**Recommendation 2.1**

“Develop policies and procedures to formalize the process to pay invoices.”

**Current Status 2.1: Not Implemented**

The department has not developed internal policies and procedures to formalize the process to pay invoices. As an alternative, the department adheres to the Auditor-Controller’s Office Standard Practice Manual 802, *Accounts Payable Policies*.

**Recommendation 2.2**

“Ensure all invoices are coded to the correct project prior to payment.”

**Current Status 2.2: Implemented**

**Attachment A**

**Internal Audit Report 2019-009:**

**Riverside County  
Transportation and Land Management Agency,  
Transportation Department Audit**

**Report Date: December 17, 2019**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



**COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER**

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802

**ACC** | **AUDITOR  
CONTROLLER**  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

Oscar Valdez  
Assistant Auditor-Controller

December 17, 2019

Juan Perez  
Assistant Chief Executive Officer  
Transportation and Land Management Agency, Transportation Department  
4080 Lemon Street, 14<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2019-009: Riverside County Transportation and Land Management Agency, Transportation Department Audit**

Dear Mr. Perez:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Transportation and Land Management Agency, Transportation Department to provide management and the Board of Supervisors with an independent assessment of internal controls over the monitoring of service contractors and construction in progress.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we determined internal controls over the monitoring of service contractors and construction in progress are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, Transportation does not obtain required supporting documentation to support monthly invoices for street sweeping services. In addition, a review of invoices identified \$112,121 was charged to an incorrect construction project.

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.



**Internal Audit Report 2019-009: Riverside County Transportation and Land Management Agency,  
Transportation Department Audit**

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  
George Johnson, County Executive Officer  
Grand Jury

## Table of Contents

	<b>Page</b>
<b>Executive Summary</b> .....	<b>4</b>
 <b>Results:</b>	
<b>Service Contractors</b> .....	<b>6</b>
<b>Construction in Progress</b> .....	<b>10</b>

## Executive Summary

### Overview

Transportation and Land Management Agency - Transportation Department (Transportation) oversees the design, operation, and maintenance of 2,221 miles of county roads and 108 bridges. The Transportation department has 383 authorized positions and a recommended budget of approximately \$269 million for the 2019-20 fiscal year.

### 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 monitoring service contractors and construction in progress. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

### Audit Scope and Methodology

We conducted the audit from February 20, 2019, through June 24, 2019, for operations from July 1, 2016, through May 31, 2019. Following a risk based approach, our scope included service contractors and construction in progress.

### Audit Highlights

#### *Existing Conditions*

Current processes are unable to mitigate risk in the following areas:

- A review of 70 invoices identified \$112,121 that was charged to an incorrect construction project.
- The street sweeping contractor does not bill for actual miles swept as required by the agreement.
- Transportation is not monitoring its street sweeping agreement. The contractor does not submit required monthly documentation to support invoices.
- The daily 45 mile curb limit per vehicle that is set by the contract was exceeded multiple times. This limitation is in place to ensure vehicles sweep and clean effectively, and that vehicles operate at a safe speed.

**Internal Audit Report 2019-009: Riverside County Transportation and Land Management Agency,  
Transportation Department Audit**

- Transportation charges a 15% administrative fee of the total amount billed by the street sweeping contractor that is not supported by a rate methodology.

***Improvement Opportunities***

The major improvement opportunities are in the following areas:

- Ensure required monthly documentation is submitted, reviewed, and approved with the invoice prior to payment for services.
- Ensure monthly invoices charge for actual miles swept.
- Ensure the daily street sweeping limit of 45 miles is not exceeded to help verify vehicles are sweeping and cleaning effectively, and that vehicles are operating at a safe speed.
- Develop a rate methodology for the 15% administrative fee in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services*.
- Ensure staff is properly trained and proper supervisor oversight is provided to ensure all invoices are coded and charged to the correct project.

**Audit Conclusion**

Based upon the results of our audit, we determined internal controls over the monitoring of service contractors and construction in progress are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, Transportation does not obtain required supporting documentation to support monthly invoices for street sweeping services. In addition, a review of invoices identified \$112,121 was charged to an incorrect construction project.

## Service Contractors

### Background

Transportation contracts with service contractors to provide various types of services such as, engineering, environmental, landscaping, and street sweeping.

Transportation contracted with Riverside County Economic Development Agency in 2006 to monitor street sweeping services on behalf of the County Service Areas. The memorandum of understanding between the two county departments outlines the following responsibilities for Transportation in administering the street sweeping agreement: establish street sweeping routes and schedules, monitor contractor performance, receive and process all claims made by the contractor, and prepare all agreement documents including request for proposals and future agreement renewals.

### Objective

Ensure Transportation has adequate internal controls over the monitoring of service contractors.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Held multiple walk-throughs with staff regarding schedule Q preparation (for reporting construction in progress), capital projects, and project budgets.
- Conducted visits of the landscaping sites with project manager.
- Obtained a list of contractors and judgmentally selected a sample for street sweeping, landscaping, and construction contractors to test.
- Judgmentally selected invoices from each contractor and verified they were approved by a project manager, supporting documentation adequately describes work completed, and they were charged to the correct project.
- Conducted testing of insurance requirements as stated in the agreements selected.



### **Finding 1: Street Sweeping Agreement**

The street sweeping agreement with the county requires the service contractors to submit monthly documentation with each invoice. Our review of the agreement and monthly invoices identified the following:

- The street sweeping contractor is not in compliance with the agreement with Transportation. Required documentation to support the services and charges from the contractor are not submitted.
- Transportation is not monitoring the street sweeping contractor. When we requested agreement required documentation from Transportation to support the services provided and invoiced by the contractor, they had to request it from the contractor since they could not provide the documentation themselves.
- An analysis of actual curb miles swept noted that Transportation is not being billed for actual miles swept and is instead billed for the estimated amount identified in the agreement. Additionally, the daily 45 curb mile street sweeping limit was exceeded multiple times. The contractor overbilled for the month of May 2018 as a result of charging for miles that exceed 45 per day.
- Transportation charges Riverside County Economic Development Agency a 15% administrative fee that is not supported by a rate methodology.

Exhibit 19 of the agreement states, "Contractor shall submit with the monthly statement the following terms: report showing the speed and miles swept on each sweeper used, corrective action request and completion report, copies of dump/disposal tickets, and equipment report showing all equipment used for the month with a summary of accidents, breakdowns, and spills." We found the contractor is not submitting any of these documents on a monthly basis. Additional requirements from the agreement state, "The contractor will be paid for the actual number of curb miles swept each month (exhibit 15.1.2)", and "the contractor shall not exceed 45 curb miles per day/per sweeper (exhibit 11.2.4)."

This was caused by Transportation relying on the contractor to submit the required monthly documentation, instead of using the agreement to identify the required documentation, and ensure that documentation is submitted on a monthly basis with the invoice. With no oversight for the agreement, the risk of services not being perform at a dependable level and the potential for overbilling is high.

Furthermore, the current 15% administrative fee from Transportation to the Riverside County Economic Development Agency is non-compliant with Board of Supervisors Policy B-4, *Rate Charged for Current Services*, which requires that any fee charged may not exceed the cost of providing a services. The 15% administrative fee is identified in the memorandum of understanding for Transportation to charge for contract administration. However, the fee does not reflect the cost of providing the service and is not supported by a rate methodology.

### **Recommendation 1.1**

Ensure required monthly documentation is submitted, reviewed, and approved with the invoice prior to payment for services.

#### **Management's Response:**

**"Concur.** As of April 1, 2019, the contractor is providing the monthly documentation as required in Exhibit 19 of the current contract. Upon receipt and review of the required documentation, staff reviews and verifies that the information is accurate prior to forwarding the invoice for approval and processing for payment of services.

In addition, the Department will conduct a self-audit on a regular basis to ensure that the terms of the contract are enforced."

Actual/estimated Date of Corrective Action: **April 2019 (Per department-Completed)**

### **Recommendation 1.2**

Ensure monthly invoices are billed for actual miles swept and that the daily street sweeping limit of 45 miles is not exceeded.

#### **Management's Response:**

**"Partially Concur.** Invoices are submitted for the actual mileage swept as indicated on each route map prepared and verified by the County. Actual mileage swept is verified on the required GPS mileage reports as required by Exhibit 19 of the contract. The invoices are reviewed prior to processing to verify the mileage billed is the actual mileage swept, based on the predetermined mileage of each current route map and the summation of all the of the current route maps within the program. In the instances where the contractor exceeded 45 miles, payment was made based on actual miles swept.

As of April 2019, verification that 45 miles is not exceeded was performed by checking the GPS mileage submittals each month."

Actual/estimated Date of Corrective Action: **April 2019 (Per department-Completed)**

#### **Auditor's Comment**

The route maps prepared and verified by the county contain the mileage the contractor is supposed to sweep each month, but do not indicate what was actually swept by the contractor. GPS mileage reports as required by Exhibit 19 of the contract were also not submitted with the invoices. Without the GPS mileage reports, it would be impossible for Transportation to determine if the mileage billed, was the actual mileage swept, nor determine if the 45 miles a day limit was ever exceeded. Using the predetermined mileage of each current route and the summation of all

**Internal Audit Report 2019-009: Riverside County Transportation and Land Management Agency,  
Transportation Department Audit**

the current route maps within the program would again only determine what the contractor was supposed to sweep, but would not indicate what the contract actually swept during the month.

**Recommendation 1.3**

Develop a rate methodology for the 15% administrative fee in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services*.

**Management's Response:**

**"Concur.** The 15% administrative fee is specifically outlined in a Memorandum of Understanding between EDA and the Transportation Department.

Beginning in April 2019, specific project numbers were established so that staff may accurately log time spent working for the benefit CSA 152. At the end of FY 20, Transportation fiscal staff will analyze this data and develop rates based on actual hours worked and actual expenditures for FY 20.

New rates in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services* will be developed and will be in effect for Fiscal Year 20-21 that begins 7-1-2020."

Actual/estimated Date of Corrective Action: **July 1, 2020**

## Construction in Progress

### Background

Transportation manages approximately 70 construction projects throughout the year. Funding for these projects come from approximately 200 sources, including cities, the gas tax, and federal and state governments. The capital expenditures of these funds are defined and programmed in the document named the Transportation Improvement Program (TIP). The document provides a multi-year projection of revenues and expenditures for Transportation. The TIP document is updated and approved by the Riverside County Board of Supervisors annually. Transportation uses the TIP report to manage its numerous projects and financial resources. The multi-year budget outlined by the TIP includes \$156 million and \$142 million for fiscal years 2017-2018 and 2018-2019, respectively.

Construction projects are initiated by Transportation's engineering management by filing a project request form, which is when a project number is assigned. Transportation's fiscal team will track the projects on an excel spreadsheet. At the end of the reporting period, fiscal staff will query the Riverside County Financial System Project Costing Module for a project summary, which summarizes all the costs incurred for the project. If the project meets the \$150,000 minimum threshold, it is reported on a document named the Schedule Q. The Schedule Q is reported to the Auditor-Controller's Office for further reporting onto the Riverside County's Comprehensive Annual Financial Report.

Every construction project is assigned to a project manager with other project managers assisting in the various phases including, construction, design, and environmental services. One project manager oversees the project from beginning to end to ensure the project is completed timely and within budget. All invoices related to a project are reviewed and approved by a project manager. When an invoice is received, the project manager enters the code on the invoice with the assigned project number and approves the invoice with their signature. The fiscal team will utilize the signature as evidence the invoice is approved for payment and will use the assigned project number to ensure the payment is charged to the correct account.

### Objective

Ensure construction project costs are being tracked and recorded. Also, to ensure construction projects meet minimum thresholds as reported on the Schedule Q.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.

**Internal Audit Report 2019-009: Riverside County Transportation and Land Management Agency,  
Transportation Department Audit**

- Obtained the 2016-17 and 2017-18 Schedule Qs from the General Accounting Division of the Auditor-Controller's Office, and judgmentally selected construction in progress projects to perform audit testing.
- Judgmentally selected invoices to ensure they were approved by a project manager, supported by appropriate documentation, and accurately recorded.
- Ensured all projects meeting a \$150,000 threshold were adequately and accurately recorded and reported.

**Finding 2: Improper Invoice Bills**

Our review of a sample of invoices noted the following:

- An invoice to Dokken Engineering totaling \$112,121 was charged to an incorrect project. The project manager did not code the invoice accurately, which resulted in the incorrect charge on a different project.
- One invoice was received from Power Engineers for on-call consulting services provided to three separate projects. The invoice was originally coded to two of those three projects. The invoice was then changed, and charged to a new project. Fiscal staff created a new work order to allocate the costs.

Per Standard Practice Manual 1001, *Internal Controls* (Formerly referred to as SPM 104), county departments must ensure the "accuracy, reliability and timeliness of financial records and reports." By not charging invoices to the correct project, the costs reported on the county's financial statements are misrepresented. In addition, projects which receive federal and state funding are subject to audit and unsupported costs may be required to be repaid to the funding source.

**Recommendation 2.1**

Develop policies and procedures to formalize the process to pay invoices.

**Management's Response:**

"Do not concur. The Transportation department processes are in line with the Auditor Controller's Standard Practice Manual Policy Number 802 "Accounts Payable Policies". Additionally, departmental best practices are in place to ensure that invoices are coded and reviewed by project managers for accuracy and completeness. The invoices then pass through fiscal approval to provide a review of appropriate signatures, budget availability, accounting string accuracy, and to screen for active projects with appropriate task code combinations before being forwarded to TLMA administration to continue processing where invoices are again checked for appropriate signatures, budget compliance, and coding accuracy."

**Actual/estimated Date of Corrective Action: N/A**

### **Auditor's Comment**

Standard Practice Manual 203, *Processing Vouchers* (Formerly referred to as SPM 802), provides general guidance on processing invoices for all county departments. It does not contain detailed information on the specific processes and controls that are unique to the Transportation department. In order to ensure your department's best practices are followed, we recommend the processes be formalized in policies and procedures.

### **Recommendation 2.2**

Ensure all invoices are coded to the correct project prior to payment.

### **Management's Response:**

**"Partially Concur.** The Transportation Department processed over 16,000 invoices between 7-1-18 and 6-30-19. Though the department has processes to screen invoices for inaccuracies, there are instances where an invoice may be coded incorrectly and posted to the General Ledger. If this is the case, there are mechanisms in place that allow for corrections to occur. A journal entry will then be processed to correct the error.

In the sample invoice provided for Dokken Engineering, Voucher# 437960 in the amount of \$112,121.43 was posted to Project C70038 on 11/14/18 with an accounting date of 11/8/18. A correcting journal entry to move this amount to the correct project C30054 was processed on 11/15/18, resulting in one day of incorrect posting."

Actual/estimated Date of Corrective Action: **November 15, 2018 (Per department-Completed)**

# Attachment B




## COUNTY OF RIVERSIDE Transportation and Land Management Agency Charissa Leach Assistant CEO/TLMA Director



Transportation      Planning      Building & Safety      Code Enforcement      Aviation

---

**The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2019-009: Riverside County Transportation and Land Management, Transportation Department Audit.**

  
\_\_\_\_\_

9/29/22  
\_\_\_\_\_

**Authorized Signature**

**Date**

---

### **Finding 1: *Street Sweeping Agreement***

The street sweeping agreement with the county requires the service contractors to submit monthly documentation with each invoice. Our review of the agreement and monthly invoices identified the following:

- The street sweeping contractor is not in compliance with the agreement with Transportation. Required documentation to support the services and charges from the contractor are not submitted.
- Transportation is not monitoring the street sweeping contractor. When we requested agreement required documentation from Transportation to support the services provided and invoiced by the contractor, they had to request it from the contractor since they could not provide the documentation themselves.
- An analysis of actual curb miles swept noted that Transportation is not being billed for actual miles swept and is instead billed for the estimated amount identified in the agreement. Additionally, the daily 45 curb mile street sweeping limit was exceeded multiple times. The contractor overbilled for the month of May 2018 as a result of charging for miles that exceed 45 per day.
- Transportation charges Riverside County Economic Development Agency a 15% administrative fee that is not supported by a rate methodology.

Exhibit 19 of the agreement states, "Contractor shall submit with the monthly statement the following terms: report showing the speed and miles swept on each sweeper used, corrective action request and completion report, copies of dump/disposal tickets, and equipment report showing all equipment used for the month with a summary of accidents, breakdowns, and spills." We found the contractor is not submitting any of these documents on a monthly basis. Additional requirements from the agreement state, "The contractor will be paid for the actual number of curb miles swept each month (exhibit 15.1.2)", and "the contractor shall not exceed 45 curb miles per day/per sweeper (exhibit 11.2.4)."

This was caused by Transportation relying on the contractor to submit the required monthly documentation, instead of using the agreement to identify the required documentation and ensure that documentation is submitted on a monthly basis with the invoice. With no oversight for the agreement, the risk of services not being perform at a dependable level and the potential for overbilling is high.

Furthermore, the current 15% administrative fee from Transportation to the Riverside County Economic Development Agency is non-compliant with Board of Supervisors Policy B-4, *Rate Charged for Current Services*, which requires that any fee charged may not exceed the cost of providing services. The 15% administrative fee is identified in the memorandum of understanding for Transportation to charge for contract administration. However, the fee does not reflect the cost of providing the service and is not supported by a rate methodology.

**Current Status**

Reported Finding Corrected?  Yes  No

Finding 1 has been corrected and the resolutions are detailed within the responses to the individual recommendations that are listed below.

**Recommendation 1.1**

Ensure required monthly documentation is submitted, reviewed, and approved with the invoice prior to payment for services.

**Management Reply**

"**Concur.** As of April 1, 2019, the contractor is providing the monthly documentation as required in Exhibit 19 of the current contract. Upon receipt and review of the required documentation, staff reviews and verifies that the information is accurate prior to forwarding the invoice for approval and processing for payment of services. In addition, the Department will conduct a self-audit on a regular basis to ensure that the terms of the contract are enforced."

Actual/estimated Date of Corrective Action: **April 2019 (Per Department-Completed)**

**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).

The contractor provides monthly documentation as is required per the street sweeping agreement. Upon the receipt of all documentation, the information is reviewed and verified by the Transportation Department Program Administrator for compliance with the contract terms and accuracy prior to any invoices being paid/processed.



### Recommendation 1.2

Ensure monthly invoices are billed for actual miles swept and that the daily street sweeping limit of 45 miles is not exceeded.

#### Management Reply

**"Partially Concur.** Invoices are submitted for the actual mileage swept as indicated on each route map prepared and verified by the County. Actual mileage swept is verified on the required GPS mileage reports as required by Exhibit 19 of the contract. The invoices are reviewed prior to processing to verify the mileage billed is the actual mileage swept, based on the predetermined mileage of each current route map and the summation of all the of the current route maps within the program. In the instances where the contractor exceeded 45 miles, payment was made based on actual miles swept.

As of April 2019, verification that 45 miles is not exceeded was performed by checking the GPS mileage submittals each month."

Actual/estimated Date of Corrective Action: **April 2019 (Per Department-Completed)**

#### 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 invoices and daily logs are submitted to the Transportation Department by the contractor. The daily log information for all curb miles swept (actual miles) is verified as per the contract and for accuracy by the Transportation Department Program Administrator.

### Recommendation 1.3

Develop a rate methodology for the 15% administrative fee in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services*.

#### Management Reply

**"Concur.** The 15% administrative fee is specifically outlined in a Memorandum of Understanding between EDA and the Transportation Department.

Beginning in April 2019, specific project numbers were established so that staff may accurately log time spent working for the benefit CSA 152. At the end of FY 20, Transportation fiscal staff will analyze this data and develop rates based on actual hours worked and actual expenditures for FY 20.

New rates in accordance with Board of Supervisors Policy B-4, *Rate Charged for Current Services* will be developed and will be in effect for Fiscal Year 20-21 that begins 7-1-2020."

Actual/estimated Date of Corrective Action: **July 1, 2020**

**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).

An MOU between Riverside County Business and Community Services and the Transportation Department became effective on July 1st, 2020. The MOU stipulated that an annual benefit and overhead billing rate would be submitted to and approved by the Auditor-Controller and used on Transportation Department billings for CSA152. The ACO approved FY20/21 Rates on 07/20/20, FY21/22 rates on 07/28/21, & FY22/23 rates on 08/10/22. The department has been using ACO approved rates for this billing.

**Finding 2: Improper Invoice Bills**

Our review of a sample of invoices noted the following:

- An invoice to Dokken Engineering totaling \$112,121 was charged to an incorrect project. The project manager did not code the invoice accurately, which resulted in the incorrect charge on a different project.
- One invoice was received from Power Engineers for on-call consulting services provided to three separate projects. The invoice was originally coded to two of those three projects. The invoice was then changed and charged to a new project. Fiscal staff created a new work order to allocate the costs.

Per Standard Practice Manual 1001, *Internal Controls* (Formerly referred to as SPM 104), county departments must ensure the "accuracy, reliability and timeliness of financial records and reports." By not charging invoices to the correct project, the costs reported on the county's financial statements are misrepresented. In addition, projects which receive federal and state funding are subject to audit and unsupported costs may be required to be repaid to the funding source.

**Current Status**

Reported Finding Corrected?  Yes  No

Finding 2 has been corrected and the resolutions are detailed within the responses to the individual recommendations that are listed below.

**Recommendation 2.1**

Develop policies and procedures to formalize the process to pay invoices.

### Management Reply

"Do not concur. The Transportation department processes are in line with the Auditor Controller's Standard Practice Manual Policy Number 802 "Accounts Payable Policies". Additionally, departmental best practices are in place to ensure that invoices are coded and reviewed by project managers for accuracy and completeness. The invoices then pass-through fiscal approval to provide a review of appropriate signatures, budget availability, accounting string accuracy, and to screen for active projects with appropriate task code combinations before being forwarded to TLMA administration to continue processing where invoices are again checked for appropriate signatures, budget compliance, and coding accuracy."

Actual/estimated Date of Corrective Action: N/A

### 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).

The Transportation department's processes have been outlined in the initial response and are still in place.

### Recommendation 2.2

Ensure all invoices are coded to the correct project prior to payment.

### Management Reply

"Partially Concur. The Transportation Department processed over 16,000 invoices between 7-1-18 and 6-30-19. Though the department has processes to screen invoices for inaccuracies, there are instances where an invoice may be coded incorrectly and posted to the General Ledger. If this is the case, there are mechanisms in place that allow for corrections to occur. A journal entry will then be processed to correct the error.

In the sample invoice provided for Dokken Engineering, Voucher# 437960 in the amount of \$112,121.43 was posted to Project C70038 on 11/14/18 with an accounting date of 11/8/18. A correcting journal entry to move this amount to the correct project C30054 was processed on 11/15/18, resulting in one day of incorrect posting."

Actual/estimated Date of Corrective Action: November 15, 2018 (*Per Department-Completed*)

### 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).

The invoice coding issue that was identified by the audit had been corrected and addressed in the initial Management Reply.