

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



**ITEM: 2.8  
(ID # 21413)**

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

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2023-312: Riverside County Information Technology Follow-up Audit, All Districts. [\$0]

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

1. Receive and file Internal Audit Report 2023-312: Riverside County Information Technology Follow-up Audit

**ACTION:Consent**

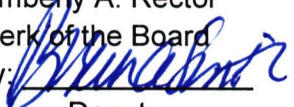
  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 3/14/2023

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

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

Kimberly A. 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:</b>	No
			<b>For Fiscal Year:</b>	n/a

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

**BACKGROUND:**

**Summary**

We completed a follow-up audit of the Riverside County Information Technology. Our audit was limited to reviewing actions taken as of September 20, 2022, to correct findings noted in our original audit reports 2018-017 dated March 4, 2019, and 2021-022 dated June 29, 2021. The original audit reports contained a combined total of 11 recommendations, all of which required implementation to help correct the reported findings.

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

- Seven of the recommendations were implemented.
- Four of the recommendations were not implemented.

For an in-depth understanding of the original audits, please refer to Internal Audit Reports 2018-017 and 2021-022 included as attachments to this follow-up audit report or they can also be found 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

**ATTACHMENTS:**

A: Riverside County Auditor-Controller - Internal Audit Report 2023-312: Riverside County Information Technology Follow-up Audit.

  
Stephanie Perez, Principal Management Analyst 3/17/2023

**Internal Audit Report 2023-312**  
**Riverside County Information Technology**  
**Follow– up Audit**  
**Report Date: March 28, 2023**



**Office of Ben J. Benoit**  
**Riverside County Auditor-Controller**  
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**ACO** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Ben J. Benoit  
Riverside County Auditor-Controller

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

March 28, 2023

Jim Smith  
Chief Information Officer  
Riverside County Information Technology  
3450 Fourteenth Street  
Riverside, CA 92501

**Subject: Internal Audit Report 2023-312: Riverside County Information Technology  
Follow-up Audit**

Dear Mr. Smith:

We completed the follow-up audit of Riverside County Information Technology. Our audit was limited to reviewing actions taken as of September 20, 2022, to help correct the findings noted in our original audit reports 2018-017: Riverside County Information Technology, Change of Department Head Audit (Chief Information Officer), dated March 4, 2019 and 2021-022: Riverside County Information Technology, Change of Department Head Audit, 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 reports contained a combined total of 11 recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the 11 recommendations:

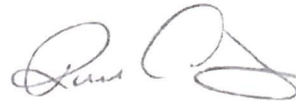
- Seven of the recommendations were implemented.
- Four of the recommendations were not implemented.

**Internal Audit Report 2023-312: Riverside County Information Technology, 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 audits, please refer to Internal Audit Reports 2018-017 and 2021-022 included as "Attachment A" and "Attachment B" of this audit report along with our department status letter as "Attachment C" at <https://auditorcontroller.org/divisions/internal-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 2023-312: Riverside County Information Technology, Follow-up Audit**

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**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

**Revolving Funds**

**Audit Report 2018-017**

**Finding 1: Fund Reconciliations**

Preparation and review of monthly revolving fund reconciliations are not evidenced with date and signature from the preparer and reviewer. As such, there is no evidence that proper segregation of duties exists, reconciliations and reviews are performed in a timely manner, and that adequate reviews at the appropriate level are being performed. The Auditor-Controller's Standard Practice Manual 603, *Revolving Funds*, states, "Reconciliations must be properly reviewed and approved by a supervisor ... " Further, Standard Practice Manual 1001, *Internal Controls*, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Information Technology staff did not follow county policies and procedures. Signatures from the preparer and reviewer provide reasonable assurance that errors or fraudulent activities do not go undetected.

**Recommendation 1**

Ensure monthly fund reconciliations are evidenced with dates and signatures by the preparer and reviewer.

**Current Status 1: Implemented**

**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

**Capital Assets**

**Finding 2: Tracking of Capital Assets**

Information Technology is not properly tracking capital assets. Out of 15 capital assets tested, we identified the following:

- Five assets could not be located
- One asset had the incorrect serial ID

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly identified in the Asset Management Module, an overstatement or understatement of capital assets occurs. Further, not having adequate monitoring controls increases the risk of theft and misappropriation.

**Recommendation 2.1**

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

**Current Status 2.1: Not Implemented**

Ten out of 30 (34%) assets sampled were not affixed with an ACO asset tag number. Standard Practice Manual 513, *Capital Asset Tags*, states, "The purpose of tagging assets is to designate the assets as belonging to the County of Riverside" and tags should be located "where the number can be seen easily and identified without disturbing the operation of the item."

**Recommendation 2.2**

Develop a policy to ensure all capital assets purchased are placed into service and added to the Asset Management Module in a timely manner.

**Current Status 2.2: Implemented**



**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

**Finding 3: Purchase of Capital Assets**

The capital assets approved for purchase by the Riverside County Board of Supervisors through the purchase of the Riverside County Collaboration Center on November 14, 2013, valued at \$2.8 million, have not been recorded in the Asset Management Module. Additionally, we found the following other conditions in our review of these assets:

- After the purchase, the assets were clustered as one asset and documented as construction in progress as a temporary measure to have them uploaded in the Asset Management Module and assess the true value of the assets. Five years later, the assets have not been updated in the Asset Management Module for proper tracking and accounting.
- Assets have not been capitalized nor have they been depreciated since the assets have not been reclassified from construction in progress to active assets in the Asset Management Module.
- Information Technology could not provide a listing of active assets clustered in this group valued at \$2.8 million. Further, we were not able to identify any of these assets in the Asset Management Module as evidence they are being adequately tracked in the system.
- We were not able to verify the locations or physically verify the assets.
- The true value of the assets is not documented. These assets were purchased together with the Riverside County Collaboration Center without an appraisal report determining the value of each asset.

When assets are inadequately recorded, identified, tracked, and reported, internal controls over the safeguarding of assets are significantly weakened. Furthermore, it understates or overstates the capital assets in the government wide financial statements of Riverside County.

**Recommendation 3.1**

Ensure capital assets acquired in purchase approved by the Riverside County Board of Supervisors on November 14, 2013, are properly recorded to ensure capitalization and

**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

depreciation occurs in accordance with Standard Practice Manual 502, *Guidelines for Useful Lives*.

**Current Status 3.1: Implemented**

**Recommendation 3.2**

Ensure all capital assets are correctly and accurately added to the Asset Management Module and costs are assigned in accordance with Standard Practice Manual 501, *Cost Basis for Capital Assets and Capitalization Thresholds*.

**Current Status 3.2: Implemented**

**Recommendation 3.3**

Ensure capital assets are properly tagged and tracked in accordance with Standard Practice Manual 513, *Asset Tags*.

**Current Status 3.3: Not Implemented**

One out of 4 (25%) sampled assets approved by the Riverside County Board of Supervisors on November 26, 2013, Agenda Item 3-20, were not affixed with an ACO asset tag number. Standard Practice Manual 513, *Capital Asset Tags*, states, "The purpose of tagging assets is to designate the assets as belonging to the County of Riverside" and tags should be located "where the number can be seen easily and identified without disturbing the operation of the item."

**Recommendation 3.4**

Reclassify and uniquely identify assets that are clustered as construction in progress.

**Current Status 3.4: Implemented**

**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

**Audit report 2021-022**

**Finding 1: Capital Assets Compliance**

Riverside County Information Technology is not in compliance with county capital asset procedures. We identified the following in our review:

- Eleven (15%) out of the 75 assets sampled did not have the manufacturer supplied serial number in the asset module of the Riverside County financial system and used the respective designated field incorrectly. Standard Practice Manual 1001, *Internal Control*, defines internal controls as the methods and procedures used to ensure accuracy and reliability of financial records. By not providing sufficient capital asset information in the Riverside County financial system, the accuracy of capital asset inventory is not reliable. Furthermore, the practice of entering accurate and complete information, ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Nineteen (25%) of the 75 assets sampled did not have county tags affixed. SPM 513 requires county departments to "Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory." Tagging of capital assets is an internal control designed to provide a method for identifying capital assets and aid in the annual capital asset physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Three (4%) out of the 75 assets sampled did not have county tags that agree with the information reported in the Riverside County financial system. By not properly tagging capital assets, Riverside County Information Technology was not in compliance with SPM 513. Proper tagging ensures information is accurate and reliable and aids certifying capital assets.
- Eight (11 %) out of the 75 assets sampled were not at the location indicated in the Riverside County financial system or at the location reported by Riverside County Information Technology. SPM 513 states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be

**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

completed." SPM 513 further requires a location change be updated in the Riverside County financial system.

- Fifteen (20%) out of 75 capital assets sampled were not disposed/ surplus in accordance with Standard Practice Manual 514 (SPM 514), *Disposal of Capital Asset*. Capital assets had been upgraded and removed from Riverside County Information Technology asset inventory. However, the assets were not removed from the Riverside County financial system. SPM 514 states, "Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal." Standard Practice Manual 505, *Accounting For: Equipment*, states, "The Departmental capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset."

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

**Recommendation 1.1**

Ensure capital asset information is accurately entered in the designated field. Specifically, the Serial ID field should be used for the manufacture provided serial number or left blank if none is assigned, pseudo serial number created by the department should be entered under a different field.

**Current Status 1.1: Implemented**

**Recommendation 1.2**

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

**Current Status 1.2: Not Implemented**

The status of this recommendation is the same as the status for recommendation 2.1 on page 5 of this audit report. This continues to be an issue that has not been addressed.

**Internal Audit Report 2023-312: Riverside County Information Technology, Follow-up Audit**

**Recommendation 1.3**

Ensure capital asset locations are updated in the Riverside County financial system.

**Current Status 1.3: Not Implemented**

Three out of 30 (10%) assets tested were not able to be located at the locations specified in PeopleSoft Asset Module at the time of our visit (November 2, 2022). Standard Practice Manual 513, *Capital Asset Tags*, states that if an "asset has been moved, the location change must be noted in the PeopleSoft Asset Management module."

**Recommendation 1.4**

Ensure capital assets are disposed/ surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

**Current Status 1.4: Implemented**

# ATTACHMENT A

**Internal Audit Report 2018-017**

**Riverside County Information Technology,  
Change of Department Head Audit  
(Chief Information Officer)**

**Report Date: March 4, 2019**



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**ACC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

Oscar Valdez  
Assistant Auditor-Controller

March 4, 2019

Dave Rogers  
Chief Information Officer  
Riverside County Information Technology  
3450 14<sup>th</sup> Street  
Riverside, CA 92501

**Subject: Internal Audit Report 2018-017: Riverside County Information Technology,  
Change of Department Head Audit (Chief Information Officer)**

Dear Mr. Rogers:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department head audit for Riverside County Information Technology (Chief Information Officer). This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

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.

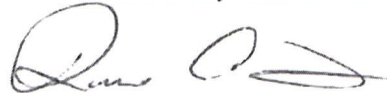
Based upon the results of our audit, we determined:

- 1) Transfer of responsibility for revolving funds and capital assets to the newly appointed Chief Information Officer was processed timely and documented with required forms.
- 2) Internal controls are inadequate and not operating effectively for the safeguarding of the revolving funds and capital assets. Specifically, revolving fund reconciliations did not show evidence of adequate segregation of duties. Also, capital assets with an estimated value of \$2.8 million, were not adequately tracked and were not recorded in the Riverside County's financial system.

**Internal Audit Report 2018-017: Riverside County Information Technology, Change of Department  
Head Audit (Chief Information Officer)**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
George Johnson, County Executive Officer  
Grand Jury



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## Executive Summary

### Overview

Riverside County Information Technology (Information Technology) is an Internal Service Fund with 100% reliance on revenues received from services. They offer services such as comprehensive technological services and support, secure systems, and project management to county departments.

### Audit Objective

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

### Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Transfer of responsibility for revolving funds and capital assets to the newly appointed Chief Information Officer was processed timely and documented with required forms.
- 2) Internal controls are inadequate and not operating effectively for the safeguarding of the revolving funds and capital assets. Specifically, revolving fund reconciliations did not show evidence of adequate segregation of duties. Also, capital assets with an estimated value of \$2.8 million, were not adequately tracked and were not recorded in the Riverside County's financial system.

## Revolving Funds

### Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisors adopted Board Resolution 83-338, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

The Riverside County Information Technology (Information Technology) has one revolving fund, with an authorized balance of \$8,000, maintained in the form of a bank account and petty cash. We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department head. Riverside County Information Technology has an established process in place for the safeguarding of the revolving funds. Access to the revolving fund/petty cash is limited to the fund custodian and three back-up individuals. We physically observed the petty cash funds are kept in locked boxes in a safe with access limited.

### Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

### Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds
- Interviewed key personnel and reviewed department procedures over the revolving funds
- Verified revolving fund reconciliations were prepared
- Performed a surprise cash count and reconciled to the fund assignment amounts
- Reviewed for adequate segregation of duties

### **Finding 1: Fund Reconciliations**

Preparation and review of monthly revolving fund reconciliations are not evidenced with date and signature from the preparer and reviewer. As such, there is no evidence that proper segregation of duties exists, reconciliations and reviews are performed in a timely manner, and that adequate reviews at the appropriate level are being performed. The Auditor-Controller's Standard Practice Manual 603, *Revolving Funds*, states, "Reconciliations must be properly reviewed and approved by a supervisor..." Further, Standard Practice Manual 1001, *Internal Controls*, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Information Technology staff did not follow county policies and procedures. Signatures from the preparer and reviewer provide reasonable assurance that errors or fraudulent activities do not go undetected.

### **Recommendation 1**

Ensure monthly fund reconciliations are evidenced with dates and signatures by the preparer and reviewer.

### **Management's Response**

**"Concur.** RCIT has updated the department's Revolving Fund Bank Reconciliation form to include a preparer's name, date and signature and a reviewer's name, date and signature."

Actual/estimated Date of Corrective Action: **October 3, 2018**

"RCIT revolving fund bank reconciliation as of September 30, 2018 has been modified to incorporate this change."

## Capital Assets

### Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual, Policy Number 515, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Riverside County Auditor-Controller's Office.

As of May 12, 2017, the time the new director became acting director and acknowledged receipt of capital assets from the outgoing officer, Riverside County Information Technology maintained 2,878 capital assets in the Riverside County Financial System Asset Management Module (Asset Management Module), consisting of servers, office equipment, and routers and switches with the combined acquisition cost of \$183.8 million.

### Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards
- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Obtained a listing of capital assets tracked in the Asset Management Module
- Selected a random sample and verified the existence of capital assets that were transferred to the new department head

## **Finding 2: Tracking of Capital Assets**

Information Technology is not properly tracking capital assets. Out of 15 capital assets tested, we identified the following:

- Five assets could not be located
- One asset had the incorrect serial ID

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly identified in the Asset Management Module, an overstatement or understatement of capital assets occurs. Further, not having adequate monitoring controls increases the risk of theft and misappropriation.

### **Recommendation 2.1**

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

### **Management's Response**

"**Concur.** The five assets that could not be located at the time of the audit were located by RCIT technical staff. During future audit visits, RCIT will ensure that the appropriate staff are assigned to assist with locating assets in a prompt manner. Additionally, the asset that had the incorrect serial ID has now been corrected and updated in PeopleSoft."

Actual/estimated Date of Corrective Action: **December 31, 2018**

"RCIT will soon begin its annual process of certifying capital assets for FY 18/19. RCIT will verify that all locations are correct. In addition, RCIT will begin random audits to ensure compliance."

### **Recommendation 2.2**

Develop a policy to ensure all capital assets purchased are placed into service and added to the Asset Management Module in a timely manner.

### **Management's Response**

"**Concur.** RCIT has updated its Capital Asset Management procedure, Asset Management procedure for Third Party Payments and the IT Procurement Process. Staff has been trained on updates to ensure assets are added in a timely manner."

Actual/estimated Date of Corrective Action: **November 1, 2018**

"RCIT will distribute and post updated procedures on its SharePoint website."

### **Finding 3: Purchase of Capital Assets**

The capital assets approved for purchase by the Riverside County Board of Supervisors through the purchase of the Riverside County Collaboration Center on November 14, 2013, valued at \$2.8 million, have not been recorded in the Asset Management Module. Additionally, we found the following other conditions in our review of these assets:

- After the purchase, the assets were clustered as one asset and documented as construction in progress as a temporary measure to have them uploaded in the Asset Management Module and assess the true value of the assets. Five years later, the assets have not been updated in the Asset Management Module for proper tracking and accounting.
- Assets have not been capitalized nor have they been depreciated since the assets have not been reclassified from construction in progress to active assets in the Asset Management Module.
- Information Technology could not provide a listing of active assets clustered in this group valued at \$2.8 million. Further, we were not able to identify any of these assets in the Asset Management Module as evidence they are being adequately tracked in the system.
- We were not able to verify the locations or physically verify the assets.
- The true value of the assets is not documented. These assets were purchased together with the Riverside County Collaboration Center without an appraisal report determining the value of each asset.

When assets are inadequately recorded, identified, tracked, and reported, internal controls over the safeguarding of assets are significantly weakened. Furthermore, it understates or overstates the capital assets in the government wide financial statements of Riverside County.

#### **Recommendation 3.1**

Ensure capital assets acquired in purchase approved by the Riverside County Board of Supervisors on November 14, 2013 are properly recorded to ensure capitalization and depreciation occurs in accordance with Standard Practice Manual 502, *Guidelines for Useful Lives*.

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

"Concur. All capital assets have been identified and will be properly recorded."

Actual/estimated Date of Corrective Action: **December 15, 2018**

"RCIT has been working with ACO capital assets principal accountant to have these assets properly recorded into PeopleSoft."

**Recommendation 3.2**

Ensure all capital assets are correctly and accurately added to the Asset Management Module and costs are assigned in accordance with Standard Practice Manual 501, *Cost Basis for Capital Assets and Capitalization Thresholds*.

**Management's Response**

"Concur. All capital assets have been identified and the cost of the assets have been determined."

Actual/estimated Date of Corrective Action: **December 15, 2018**

"RCIT Fiscal has been working with ACO capital assets principal accountant to have the assets properly recorded into PeopleSoft."

**Recommendation 3.3**

Ensure capital assets are properly tagged and tracked in accordance with Standard Practice Manual 513, *Asset Tags*.

**Management's response**

"Concur. All capital assets have been identified and will be properly tagged and tracked."

Actual/estimated Date of Corrective Action: **November 15, 2018**

"RCIT Fiscal has been working with the ACO capital assets principal accountant to have the assets properly recorded into PeopleSoft."

**Recommendation 3.4**

Reclassify and uniquely identify assets that are clustered as construction in progress.

**Management's Response**

"Concur. All capital assets will be reclassified and transferred from construction in progress."

Actual/estimated Date of Corrective Action: **December 15, 2018**

"RCIT Fiscal has been working with the ACO capital assets principal accountant to have the assets properly recorded into PeopleSoft."



# ATTACHMENT B

**Internal Audit Report 2021-022**

**Riverside County  
Information Technology  
Change of Department Head Audit**

**Report Date: June 29, 2021**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
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**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



**COUNTY OF RIVERSIDE  
OFFICE OF THE  
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**Paul Angulo, CPA, MA  
Riverside County Auditor-Controller**

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

June 29, 2021

Jim Smith  
Chief Information Officer  
Riverside County Information Technology  
3450 14<sup>th</sup> Street  
Riverside, CA 92501

**Subject: Internal Audit Report Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

Dear Mr. Smith:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department director audit for Riverside County Information Technology. This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets from the predecessor to the newly appointed department head.

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 audit are documented in the body of this audit report.

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
Jeff A. Van Wagenen, Jr., County Executive Officer  
Grand Jury

**Internal Audit Report 2021-022: Riverside County Information Technology, Change  
of Department Head Audit**

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**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

**Executive Summary**

**Overview**

Riverside County Information Technology is responsible for serving county departments, elected officials, and the public with a wide variety of information technology services. Information Technology is responsible for planning, designing, implementing, operating, and coordinating the county's information technology systems and networks, and for the delivery of information processing and communications services.

Riverside County Information Technology has an adopted budget of \$112.2 million for FY 2020-21 and 432 adopted positions to execute its responsibilities. *County of Riverside, Fiscal Year 2020-21 Adopted Budget, 224.*

**Audit Objective**

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

**Audit Conclusion**

Based upon the results of our audit, we determined:

- Internal controls are in place to ensure the safeguarding and timely transfer of revolving funds to the newly appointed Chief Information Officer.
- We identified improvement opportunities over the safeguarding of capital assets and the timely transfer of capital assets to the newly appointed Chief Information Officer.

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

## **Revolving Funds**

### **Background**

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisor's adopted Board Resolution 83-338 on November 1, 1983, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

Riverside County Information Technology has one revolving funds, with an authorized balance of \$8,000, maintained in the form of petty cash and a bank account. The revolving fund/petty cash is primarily used for emergency expenditures such as training registration, office supplies, and daily operations. Replenishments requested are reviewed and approved by the fund custodian. Petty cash access is limited to two authorized personnel and checks are processed by an accounting technician and signed by authorized check signers. The fund is reconciled monthly, signed, and dated by the preparer and reviewer.

### **Objective**

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department director were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

### **Audit Methodology**

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds.
- Interviewed key personnel and reviewed department procedures over the revolving funds.

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

- Verified revolving fund reconciliations were prepared.
- Performed a surprise cash count and reconciled to the fund assignment amounts without exception.
- Verified adequate segregation of duties existed.

**Findings: None Noted**

We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department director. The Riverside County Information Technology has an established process in place for the use of the revolving funds. Access to the revolving fund/petty cash is limited to the fund custodians and one back-up individual. We physically observed the petty cash funds are kept in locked boxes in locked drawers with access limited.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving funds and the appropriate forms were completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of the revolving funds.

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

## **Capital Assets**

### **Background**

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual, Policy Number 512, *Transfer of Accountability on Capital Assets* (SPM 512), it states that upon retirement or termination of a department director, accountability for capital assets must be transferred to the new or acting department director and notification filed with the Riverside County Auditor-Controller's Office.

As of March 11, 2021, the time the new director was appointed, Riverside County Information Technology maintained 3,090 capital assets in the Riverside County financial system asset management module, consisting of structures, vehicles, field equipment, fixed equipment, office equipment, leased equipment, and software, with the combined acquisition cost of \$147.4 million.

### **Objective**

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the newly appointed department director was completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

### **Audit Methodology**

To accomplish these objectives, we:

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



**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

- Selected a sample of capital assets to verify adequate internal controls exist over the safeguarding of assets.
- Selected a sample of capital assets and verified existence.
- Verified proper forms were completed for the retirement of capital assets.

**Finding 1: Capital Assets Transfer of Accountability**

A transfer of accountability was not completed for the newly appointed Chief Information Officer. The newly appointed Chief Information Officer was appointed March 11, 2021, and as of May 13, 2021, two months after appointment, the transfer of accountability form had not been submitted to the Auditor-Controller's Office as required by SMP 512. By not transferring capital assets to the incoming officer in a timely manner, acknowledgment of transfer of accountability has not been documented as required by county policies.

**Recommendation 1**

Ensure the transfer of capital assets from the outgoing officer to the incoming officer is documented using Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets* and submitted to the Auditor-Controller's Office within 30 days of appointment date.

**Management's Response:**

"Concur. RCIT submitted the AM-1 form to the Auditor-Controller's Office (ACO) on May 27, 2021 and will ensure that this form is submitted in the future within 30 days of the appointment of a newly appointed CIO."

**Actual/estimated Date of Corrective Action:** May 27, 2021

**Finding 2: Capital Asset Compliance**

Riverside County Information Technology is not in compliance with county capital asset procedures. We identified the following in our review:

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

- Eleven (15%) out of the 75 assets sampled did not have the manufacturer supplied serial number in the asset module of the Riverside County financial system and used the respective designated field incorrectly. Standard Practice Manual 1001, *Internal Control*, defines internal controls as the methods and procedures used to ensure accuracy and reliability of financial records. By not providing sufficient capital asset information in the Riverside County financial system, the accuracy of capital asset inventory is not reliable. Furthermore, the practice of entering accurate and complete information, ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Nineteen (25%) of the 75 assets sampled did not have county tags affixed. SPM 513 requires county departments to "Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory." Tagging of capital assets is an internal control designed to provide a method for identifying capital assets and aid in the annual capital asset physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Three (4%) out of the 75 assets sampled did not have county tags that agree with the information reported in the Riverside County financial system. By not properly tagging capital assets, Riverside County Information Technology was not in compliance with SPM 513. Proper tagging ensures information is accurate and reliable and aids certifying capital assets.
- Eight (11%) out of the 75 assets sampled were not at the location indicated in the Riverside County financial system or at the location reported by Riverside County Information Technology. SPM 513 states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed." SPM 513 further requires a location change be updated in the Riverside County financial system.
- Fifteen (20%) out of 75 capital assets sampled were not disposed/surplused in accordance with Standard Practice Manual 514 (SPM 514), *Disposal of Capital Asset*. Capital assets had been upgraded and removed from Riverside County Information Technology asset inventory. However, the assets were not removed from the Riverside County financial system. SPM 514 states, "Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal." Standard Practice Manual 505,

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

*Accounting For: Equipment*, states, "The Departmental capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset."

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

**Recommendation 2.1**

Ensure capital asset information is accurately entered in the designated field. Specifically, the Serial ID field should be used for the manufacture provided serial number or left blank if none is assigned, pseudo serial number created by the department should be entered under a different field.

**Management's Response:**

"**Partially Concur.** RCIT utilized department assigned serial nos. in order to identify some assets since the manufacturer serial nos. were unavailable or not supplied/assigned by the manufacturer. In any case, RCIT places either the department issued or manufacturer serial no. in the same field in the PeopleSoft system in order to ensure this unique identifier is visible to and convenient for staff when conducting inventory utilizing the ACO provided RVAM Inventory Report. RCIT will work with the Auditor-Controller's Office to find the best field to utilize in the future."

**Actual/estimated Date of Corrective Action:** December 31, 2021

**Recommendation 2.2**

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

**Management's Response:**

"**Concur.** Due to the nature of RCIT's network and radio infrastructure/equipment, the county tag cannot be applied to every asset. Therefore, equipment is verified utilizing either the manufacturer serial no. or the department assigned serial no. RCIT will work with the Auditor-Controller's Office to create a tagging system that works best for every IT specific scenario."

**Actual/estimated Date of Corrective Action:** June 30, 2022

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

**Recommendation 2.3**

Ensure capital asset locations are updated in the Riverside County financial system.

**Management's Response:**

"Concur. RCIT will automate the asset relocation notification process in order to minimize the time period between when an item is moved and the PeopleSoft system is updated. Additionally, AM-6 forms are only required to be completed in the case of transfers between departments and not in the case of internal fund transfers."

**Actual/estimated Date of Corrective Action:** December 31, 2021

**Recommendation 2.4**

Ensure capital assets are disposed/surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

**Management's Response:**

"Partially Concur. Many items are in transit due to year-end inventory and the retirement of older assets in order to bring new assets online. RCIT has over 80 locations and items designated for surplus are generally moved to a centralized location, inventoried and then a surplus form is prepared. RCIT provided surplus forms to the Auditor-Controller's Office and will be transferring items to Surplus. Subsequently, RCIT will prepare and send the AM-7 to the Auditor-Controller's Office."

**Actual/estimated Date of Corrective Action:** July 1, 2021

JIM SMITH  
Chief Information Officer

DARRYL POLK  
Chief Technology Officer

TRACY TILLMAN  
Deputy Director Admin – IT

ANTHONY CHOGYOJI  
Chief Information Security Officer



# ATTACHMENT C

MARTIN PEREZ, ACIO  
Enterprise Applications Bureau

VACANT, ACIO  
Technology Services Bureau

GUSTAVO VAZQUEZ, ACIO  
Converged Communications Bureau

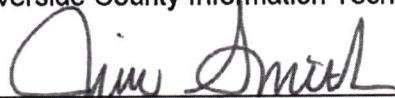
September 22, 2022

Rene Casillas  
Deputy Auditor-Controller  
Riverside County Auditor-Controller Office  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, CA 92502

**Subject: Internal Audit Report 2023-312: Riverside County Information Technology  
Follow-up Audit- Department Response**

Dear Mr. Casillas:

The following are the current statuses of the reported findings and planned corrective actions contained in Internal Audit Report 2018-017: Riverside County Information Technology, Change of Department Head Audit (Chief Information Officer) and Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit.

  
\_\_\_\_\_

9-20-2022  
\_\_\_\_\_

Authorized Signature

Date

**Internal Audit Report 2018-017: Riverside County Information Technology, Change of  
Department Head Audit (Chief Information Officer)**

### **Finding 1: Fund Reconciliations**

Preparation and review of monthly revolving fund reconciliations are not evidenced with date and signature from the preparer and reviewer. As such, there is no evidence that proper segregation of duties exists, reconciliations and reviews are performed in a timely manner, and that adequate reviews at the appropriate level are being performed. The Auditor-Controller's Standard Practice Manual 603, Revolving Funds, states, "Reconciliations must be properly reviewed and approved by a supervisor ... " Further, Standard Practice Manual 1001, Internal Controls, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Information Technology staff did not follow county policies and procedures. Signatures from the preparer and reviewer provide reasonable assurance that errors or fraudulent activities do not go undetected.

**Current Status**

Reported Finding Corrected?  Yes  No

The revolving fund reconciliation form was updated to include the preparer's name, date and signature and the reviewer's name, date and signature.

**Recommendation 1**

Ensure monthly fund reconciliations are evidenced with dates and signatures by the preparer and reviewer.

**Management Reply**

"Concur. RCIT has updated the department's Revolving Fund Bank Reconciliation form to include a preparer's name, date and signature and a reviewer's name, date and signature."

Actual/estimated Date of Corrective Action: **October 3, 2018**

**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).**

Monthly reconciliations are performed on the revolving fund monthly, evidenced with signatures of both preparer and reviewer on the Revolving Fund Bank Reconciliation Form.

**Finding 2: Tracking of Capital Assets**

Information Technology is not properly tracking capital assets. Out of 15 capital assets tested, we identified the following:

- Five assets could not be located
- One asset had the incorrect serial ID

Standard Practice Manual 513, Capital Asset Tags, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly identified in the Asset Management Module, an overstatement or understatement of capital assets occurs. Further, not having adequate monitoring controls increases the risk of theft and misappropriation.

**Current Status**

Reported Finding Corrected?  Yes  No

Assets were located and incorrect serial ID was corrected in Peoplesoft.

**Recommendation 2.1**

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

**Management Reply**

"**Concur.** The five assets that could not be located at the time of the audit were located by RCIT technical staff. During future audit visits, RCIT will ensure that the appropriate staff are assigned to assist with locating assets in a prompt manner. Additionally, the asset that had the incorrect serial ID has now been corrected and updated in PeopleSoft."

Actual/estimated Date of Corrective Action: **December 31, 2018**

**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).**

Asset location was confirmed by the bureau technical staff. If there is movement of the asset, staff completes either the Return Merchandise Authorization (RMA) Notice Form or the Inventory Change Request (ICR) Form. In addition, asset locations are confirmed during the annual certification and updated if needed.

**Recommendation 2.2**

Develop a policy to ensure all capital assets purchased are placed into service and added to the Asset Management Module in a timely manner.

**Management Reply**

"**Concur.** RCIT has updated its Capital Asset Management procedure, Asset Management procedure for Third Party Payments and the IT Procurement Process. Staff has been trained on updates to ensure assets are added in a timely manner."

Actual/estimated Date of Corrective Action: **November 1, 2018**

**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).**

Asset procedures were updated with staff training. Assets are added into Peoplesoft by the Senior Accountant then verified by the Principal Accountant to ensure accuracy and completeness.

### Finding 3: Purchase of Capital Assets

The capital assets approved for purchase by the Riverside County Board of Supervisors through the purchase of the Riverside County Collaboration Center on November 14, 2013, valued at \$2.8 million, have not been recorded in the Asset Management Module. Additionally, we found the following other conditions in our review of these assets:

- After the purchase, the assets were clustered as one asset and documented as construction in progress as a temporary measure to have them uploaded in the Asset Management Module and assess the true value of the assets. Five years later, the assets have not been updated in the Asset Management Module for proper tracking and accounting.
- Assets have not been capitalized nor have they been depreciated since the assets have not been reclassified from construction in progress to active assets in the Asset Management Module.
- Information Technology could not provide a listing of active assets clustered in this group valued at \$2.8 million. Further, we were not able to identify any of these assets in the Asset Management Module as evidence they are being adequately tracked in the system.
- We were not able to verify the locations or physically verify the assets.
- The true value of the assets is not documented. These assets were purchased together with the Riverside County Collaboration Center without an appraisal report determining the value of each asset.

When assets are inadequately recorded, identified, tracked, and reported, internal controls over the safeguarding of assets are significantly weakened. Furthermore, it understates or overstates the capital assets in the government wide financial statements of Riverside County.

#### Current Status

Reported Finding Corrected?  Yes  No

The classification and proper recording of the assets was completed in May 2019.

Ensure capital assets acquired in purchase approved by the Riverside County Board of Supervisors on November 14, 2013, are properly recorded to ensure capitalization and depreciation occurs in accordance with Standard Practice Manual 502, *Guidelines for Useful Lives*.



### Management Reply

"Concur. All capital assets have been identified and will be properly recorded."

Actual/estimated Date of Corrective Action: **December 15, 2018**

### 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).**

Assets were recorded in Peoplesoft. Asset ID numbers are 4120 and 5216- 5266. The finance team reviews all purchase requisitions. If assets are included in the requisition, it is then forwarded to the asset team for review. The asset team will provide a breakdown of what is to be capitalized and expensed on the requisition.

### Recommendation 3.2

Ensure all capital assets are correctly and accurately added to the Asset Management Module and costs are assigned in accordance with Standard Practice Manual 501, *Cost Basis for Capital Assets and Capitalization Thresholds*.

### Management Reply

"Concur. All capital assets have been identified and the cost of the assets have been determined."

Actual/estimated Date of Corrective Action: **December 15, 2018**

### 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).**

Assets were recorded in Peoplesoft. Asset ID numbers are 4120 and 5216- 5266. Assets are added into Peoplesoft by the Senior Accountant then verified by the Principal Accountant to ensure accuracy and completeness.

### Recommendation 3.3

Ensure capital assets are properly tagged and tracked in accordance with Standard Practice Manual 513, *Asset Tags*.

### Management Reply

"Concur. All capital assets have been identified and will be properly tagged and tracked."

Actual/estimated Date of Corrective Action: **November 15, 2018**

**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).**

Assets were recorded in Peoplesoft. Assets ID numbers are 4120 and 5216- 5266. The asset team follows the movement of the PO that contains assets and works with the warehouse team to ensure assets are tagged before they are shipped out to locations.

**Recommendation 3.4**

Reclassify and uniquely identify assets that are clustered as construction in progress.

**Management Reply**

"Concur. All capital assets will be reclassified and transferred from construction in progress."

Actual/estimated Date of Corrective Action: **December 15, 2018**

**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 AM-4 form was completed to reclassify the assets from construction in progress to completed assets and recorded in Peoplesoft module. The asset team reviews requisitions containing assets and provides a breakdown of what is to be capitalized, expensed or marked to CIP if warranted.

**Internal Audit Report 2021-022: Riverside County Information Technology, Change of Department Head Audit**

**Finding 1: Capital Assets Compliance**

Riverside County Information Technology is not in compliance with county capital asset procedures. We identified the following in our review:

- Eleven (15%) out of the 75 assets sampled did not have the manufacturer supplied serial number in the asset module of the Riverside County financial system and used the respective designated field incorrectly. Standard Practice Manual 1001, *Internal Control*, defines internal controls as the methods and procedures used to ensure accuracy and

reliability of financial records. By not providing sufficient capital asset information in the Riverside County financial system, the accuracy of capital asset inventory is not reliable. Furthermore, the practice of entering accurate and complete information, ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.

- Nineteen (25%) of the 75 assets sampled did not have county tags affixed. SPM 513 requires county departments to "Place the tag where the number can be seen easily and identified without disturbing the operation of the item, which will assist with the physical inventory." Tagging of capital assets is an internal control designed to provide a method for identifying capital assets and aid in the annual capital asset physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout departments.
- Three (4%) out of the 75 assets sampled did not have county tags that agree with the information reported in the Riverside County financial system. By not properly tagging capital assets, Riverside County Information Technology was not in compliance with SPM 513. Proper tagging ensures information is accurate and reliable and aids certifying capital assets.
- Eight (11 %) out of the 75 assets sampled were not at the location indicated in the Riverside County financial system or at the location reported by Riverside County Information Technology. SPM 513 states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed." SPM 513 further requires a location change be updated in the Riverside County financial system.
- Fifteen (20%) out of 75 capital assets sampled were not disposed/ surplused in accordance with Standard Practice Manual 514 (SPM 514), *Disposal of Capital Asset*. Capital assets had been upgraded and removed from Riverside County Information Technology asset inventory. However, the assets were not removed from the Riverside County financial system. SPM 514 states, "Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal." Standard Practice Manual 505, *Accounting For: Equipment*, states, "The Departmental capital asset coordinator is responsible for completing Form AM-7 to dispose of an asset."

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

#### Current Status

Reported Finding Corrected?  Yes  No

Records for assets noted above were updated as well as asset procedures.

### Recommendation 1.1

Ensure capital asset information is accurately entered in the designated field. Specifically, the Serial ID field should be used for the manufacture provided serial number or left blank if none is assigned, pseudo serial number created by the department should be entered under a different field.

#### Management Reply

"Partially Concur. RCIT utilized department assigned serial nos. in order to identify some assets since the manufacturer serial nos. were unavailable or not supplied/ assigned by the manufacturer. In any case, RCIT places either the department issued or manufacturer serial no. in the same field in the PeopleSoft system in order to ensure this unique identifier is visible to and convenient for staff when conducting inventory utilizing the ACO provided RV AM Inventory Report. RCIT will work with the Auditor-Controller's Office to find the best field to utilize in the future."

Actual/estimated Date of Corrective Action: **December 31, 2021**

#### 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).**

Assets are added into Peoplesoft by the Senior Accountant; information is then verified by the Principal Accountant to ensure accuracy and completeness. In cases where the serial number is not available, asset team will work with ACO for resolution.

### Recommendation 1.2

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

#### Management Reply

"Concur. Due to the nature of RCIT's network and radio infrastructure/ equipment, the county tag cannot be applied to every asset. Therefore, equipment is verified utilizing either the manufacturer serial no. or the department assigned serial no. RCIT will work with the Auditor-Controller's Office to create a tagging system that works best for every IT specific scenario."

Actual/estimated Date of Corrective Action: **June 30, 2022**

#### 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 tangible items which include assets are delivered to the warehouse. The Asset team works with warehouse to identify new assets and are tagged before being shipped to locations. In cases where equipment is unable to be tagged, asset team will work with ACO for resolution.

### Recommendation 1.3

Ensure capital asset locations are updated in the Riverside County financial system.

### Management Reply

"Concur. RCIT will automate the asset relocation notification process in order to minimize the time period between when an item is moved and the PeopleSoft system is updated. Additionally, AM-6 forms are only required to be completed in the case of transfers between departments and not in the case of internal fund transfers."

Actual/estimated Date of Corrective Action: **December 31, 2021**

### 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).

Two forms were created to assist with the notification process when assets are moved, the Return Merchandise Authorization (RMA) Notice Form and the Inventory Change Request (ICR) Form. The forms are now available in Service Now for use.

### Recommendation 1.4

Ensure capital assets are disposed/ surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

### Management Reply

"Partially Concur. Many items are in transit due to year-end inventory and the retirement of older assets in order to bring new assets online. RCIT has over 80 locations and items designated for surplus are generally moved to a centralized location, inventoried and then a surplus form is prepared. RCIT provided surplus forms to the Auditor-Controller's Office and will be transferring items to Surplus. Subsequently, RCIT will prepare and send the AM-7 to the Auditor-Controller's Office."

Actual/estimated Date of Corrective Action: **July 1, 2021**

**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 assets were surplus/disposed with AM-7 form completed and sent to ACO. Bureaus complete the surplus form and send to the Warehouse inbox. The form is then reviewed by both the warehouse and asset teams. If assets have been identified on the form, an AM-7 with proper documentation is sent to ACO for removal of asset in Peoplesoft.