

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



ITEM: 2.9
(ID # 21627)

MEETING DATE:
Tuesday, May 02, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2023-319: Riverside Office of Economic Development, County Service Areas, Follow-up Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-319: Riverside County Office of Economic Development, County Service Areas, Follow-up Audit

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 4/14/2023

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Washington, seconded by Supervisor Gutierrez 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: May 2, 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**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
NET COUNTY COST	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Office of Economic Development, County Service Areas. Our audit was limited to reviewing actions taken as of January 24, 2023, to correct findings noted in our original audit report 2022-019 dated July 12, 2022. The original audit report contained four recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that all four recommendations were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-019 included as an attachment to this follow-up audit report or it can also be found at <https://auditorcontroller.org/divisions/internal-audit/reports>

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 2023-319: Riverside County Office of Economic Development, County Service Areas, Follow-up Audit.


Stephanie Perez, Principal Management Analyst 4/24/2023

Internal Audit Report 2023-319

**Riverside County
Office of Economic Development
County Service Areas
Follow-up Audit**

Report Date: May 2, 2023



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

4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800

www.auditorcontroller.org



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CONTROLLER
COUNTY OF RIVERSIDE

Ben J. Benoit
Riverside County Auditor-Controller

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

May 2, 2023

Suzanne Holland
Director
Riverside County Office of Economic Development, County Service Areas
3403 Tenth Street, Suite 400
Riverside, CA 92501

Subject: Internal Audit Report 2023-319: Riverside County Office of Economic Development, County Service Areas, Follow-up Audit

Dear Ms. Holland:

We completed the follow-up audit of Riverside County Office of Economic Development, County Service Areas. Our audit was limited to reviewing actions taken as of January 24, 2023, to help correct the findings noted in our original audit report 2022-019 dated July 12, 2022.

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

**Internal Audit Report 2023-319: Riverside County Office of Economic Development,
County Service Areas, 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 2022-019 included as "Attachment A" of this audit report along with our 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 2023-319: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit**

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Internal Audit Report 2023-319: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit

Purchasing Processes

Finding 1: Purchase Orders

“Purchase orders were split and circumvented low value purchase authority limitations of \$5,000 per day per vendor for expenditures against non-contracted vendors in 22 instances, totaling \$206,784. The Purchasing Policy Manual states, ‘low value purchase authority allows departmental staff the ability to issue low value purchase orders up to the amount of \$5,000 per day per vendor and issues purchase orders up to the dollar value of \$5,000 against non-existing PeopleSoft Contracts.’ Department personnel indicated they do not have the positions with the authority of buyer I/II and personnel with the right level of authority needed additional training. Splitting purchase orders circumvents requisitions and approving controls put in place to ensure compliance with county purchasing policies and mitigate risks of inappropriate purchasing practices. Furthermore, when purchase orders are split, it circumvents the formal bid requirements designed to ensure the best use of taxpayer dollars.”

Recommendation 1.1

“Develop a process to maintain compliance with purchasing authority limitations as set forth in the Riverside County, *Purchasing Policy Manual*.”

Current Status 1.1: Implemented

Recommendation 1.2

“Ensure that staff is trained and knowledgeable on the Riverside County Purchasing Manual”.

Current Status 1.2: Implemented

Internal Audit Report 2023-319: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit

Water Treatment Facility Safety and Maintenance

Finding 2: Management over Schedule Maintenance

“Based on our review, we identified the following:

- CSA does not have a process in place for management to monitor water treatment facility inspections performed. We verified that maintenance inspection checklist forms do not document the signature and date of the manager reviewing inspections after they have been performed. Standard Practice Manual 1001, *Internal Control*, states, ‘Records are routinely examined to determine that transactions were properly processed.’ CSA is transitioning to a new water treatment facilities manager and monitoring of the maintenance process is not being performed. Absence of monitoring controls over scheduled maintenance, can impair department management objectives of maintaining a preventative maintenance program to ensure the safety and maintenance of equipment and facilities.
- Policies and procedures over water treatment facility scheduled maintenance should be formalized to include information such as effective date, approval date, and revision dates, (if any). Procedures were provided in handwritten format. Standard Practice Manual 1001, *Internal Control*, states, ‘Well-documented policies and procedures should be established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff, and help ensure continuity during employee absences or turnover.’ Policies and procedures did not go through a formal review and approval process. Formalized policies and procedures ensure important processes are consistently applied by staff and helps management in the achievement of its objectives.”

Recommendation 2.1

“Update the scheduled maintenance checklist form to document the monitoring process performed by management.”

Current Status 2.1: Implemented

**Internal Audit Report 2023-319: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit**

Recommendation 2.2

“Develop department policies and procedures to ensure that they are periodically reviewed, approved by management, and communicated to staff.”

Current Status 2.2: Implemented

Attachment A

Internal Audit Report 2022-019

Riverside County
Office of Economic Development,
County Service Areas
Audit

Report Date: July 12, 2022



Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
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www.auditorcontroller.org



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Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

July 12, 2022

Suzanne Holland
Director
Riverside County Office of Economic Development, County Service Areas
3403 Tenth Street, Suite 400
Riverside, CA 92501

Subject: Internal Audit Report 2022-019: Riverside County Office of Economic Development, County Service Areas Audit

Dear Ms. Holland:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of Economic Development, County Service Areas to provide management and the Board of Supervisors with an independent assessment of internal controls over purchasing processes and water treatment facility safety and maintenance.

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 2022-019: Riverside County Office of Economic Development,
County Service Areas 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
Dave Rogers, Chief Administrative Officer
Grand Jury

Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit

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**Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit**

Executive Summary

Overview

The Office of Economic Development consists of Economic Development, Riverside County Library System, Edward Dean Museum, County Service Areas, and Office of International Business.

The County Service Areas provide municipal community services for neighborhoods within unincorporated communities in Riverside County. County Service Areas administration oversees the operation of 60 County Service Areas. This includes twenty-two county owned parks, three water treatment facilities and over eight million square feet of landscaping. Each County Service Area is authorized to provide services based on the needs of each community. The County Service Areas collect special taxes and assessments to provide services to specific areas of the county. County Service Areas jurisdiction covers the entire unincorporated Riverside County and provides municipal services such as: streetlights, parks and recreation, landscaping, street sweeping, water and sewage, and road maintenance. Park recreation services are available at 12 of County Service Areas Parks. They host year-round events in effort to enhance the quality of life for residents. Road maintenance services maintain and repair potholes, road signs, and street markings. Water meter reading, water treatment and distribution facilities are provided for all County Service Areas residents.

County Service Areas has an adopted budget of \$29.9 million for FY 2021-22 and 37 adopted positions to execute its responsibilities. *County of Riverside, Fiscal Year 2021-22 Adopted Budget Volume 1, 218-220.*

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 purchasing processes and water treatment facility safety and maintenance. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

**Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit**

Audit Scope and Methodology

We conducted the audit from March 23, 2022, through May 18, 2022, for operations from July 1, 2020, through May 11, 2022. Following a risk-based approach, our scope initially included the following:

- Park Recreation Services
- Purchasing Processes
- Scheduled Road Maintenance
- Water Treatment Facility Safety and Maintenance

Through inquiry, observations, and limited examination of relevant documentation, it was determined through a risk assessment of the business processes for park recreation services and scheduled road maintenance, that the risk exposure to the Office of Economic Development, County Service Areas associated with these processes are well mitigated with internal controls and are functioning as designed. Therefore, we focused our audit scope to internal controls over the purchasing processes and water treatment facility safety and maintenance.

Summary of Existing Conditions

- Split purchases were identified in multiple purchase orders. Splitting purchase orders circumvents requisitions and approving controls put in place to ensure compliance with county purchasing policies and mitigate risks of inappropriate purchasing practices.
- Department does not have a process in place for management to monitor water treatment facility inspections performed. Absence of monitoring controls over scheduled maintenance can impair department management objectives of maintaining a preventative maintenance program to ensure the safety and maintenance of equipment and facilities.
- Department policies and procedures over water facilities have not been reviewed, dated, and approved by management. This may result in policies and procedures being inconsistently applied by staff. In addition, revising and standardizing policies and procedures improves accuracy and ensures that current business practices and organizational changes are documented.

**Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit**

Summary of Improvement Opportunities

- Develop a process to maintain compliance with purchasing authority limitations as set forth in the Riverside County Purchasing Manual.
- Ensure that staff is trained and knowledgeable on the Riverside County Purchasing Manual.
- Update the schedule maintenance checklist form to document the monitoring process performed by management.
- Develop department policies and procedures to ensure they are periodically reviewed, approved by management, and communicated to staff.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to purchasing processes and water treatment facility safety and maintenance.

Purchasing Processes

Background

Riverside County Purchasing and Fleet Services Department is responsible for implementing policies and procedures set forth in the Riverside County *Purchasing Policy Manual* (December 31, 2021). The Director of Purchasing is the Purchasing Agent for Riverside County and can delegate her authority to Riverside County staff with limitations that vary depending on the level of authority granted. See Table A for a summary of delegation of purchasing authority.

Table A: Summary of Delegation of Purchasing Authority

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

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

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

Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit

Objective

To verify the existence and adequacy of controls over department purchasing processes.

Audit Methodology

To accomplish these objectives, we:

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

Finding 1: Purchase Orders

Purchase orders were split and circumvented low value purchase authority limitations of \$5,000 per day per vendor for expenditures against non-contracted vendors in 22 instances, totaling \$206,784. The *Purchasing Policy Manual* states, "low value purchase authority allows departmental staff the ability to issue low value purchase orders up to the amount of \$5,000 per day per vendor and issues purchase orders up to the dollar value of \$5,000 against non-existing PeopleSoft Contracts." Department personnel indicated they do not have the positions with the authority of buyer I/II and personnel with the right level of authority needed additional training. Splitting purchase orders circumvents requisitions and approving controls put in place to ensure compliance with county purchasing policies and mitigate risks of inappropriate purchasing practices. Furthermore, when purchase orders are split, it circumvents the formal bid requirements designed to ensure the best use of taxpayer dollars.

Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit

Recommendation 1.1

Develop a process to maintain compliance with purchasing authority limitations as set forth in the Riverside County, *Purchasing Policy Manual*.

Management's Response

"Partially Concur. The department LVPA created Purchase Orders under \$5,000 for the same vendors for separate CSA Special Districts with separate tax area funding sources and separate project needs. These projects within the CSARC Business Unit were not for a single project that was deliberately split. The department is reviewing overall service needs and will be seeking multiple blanket Purchase Orders for each vendor from Purchasing for the unique and separate CSA special districts. A written procedure will be drafted to instruct all staff on the Purchasing Policy Manual and the department's steps to remain in compliance."

Actual/Estimated Date of Corrective Action: July 1, 2022

Auditor's Comment

Under any emergency event, adequate internal controls are necessary to safeguard county assets as it reduces the risk of error, misappropriation of assets, and unauthorized activities. All county operations should work under established Purchasing guidelines as each policy is created with an objective that ensures compliance with all applicable laws, regulations, procurement requirements, and to support the best interests of the County. If an operation cannot work within the guidelines, then the department should communicate with Purchasing for appropriate solutions. As indicated in our finding, at the time of our review, County Service Areas circumvented low value purchase authority limitations of \$5,000 per day per vendor for expenditures against non-contracted vendors.

Recommendation 1.2

Ensure that staff is trained and knowledgeable on the Riverside County Purchasing Manual.

Management's Response

"Concur. In July of 2020, the newly divided Office of Economic Development did not have a designated Buyer and all PO needs above \$400 were being sent to Central

**Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit**

Purchasing whose service level capability was not sufficient for our department's needs. To assist Central Purchasing with the lower value POs, the LVPA duties were added to one staff in August 2020 with the intention of eliminating the LVPA duties upon the successful conversion of our department to RivcoPro. The LVPA will reattend the online Purchasing training and until the department has fully converted to RivcoPro, staff will continue to confer with Purchasing staff for guidance and attend Buyer's Meetings."

Actual/Estimated Date of Corrective Action: June 15, 2022

Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit

Water Treatment Facility Safety and Maintenance

Background

County Service Areas (CSA) provides oversight for three water treatment facilities. They are CSA 51 Lake Tamarisk, CSA 62 Ripley, and CSA 122 Mesa Verde. Each facility contains several wells and pumps, with a couple of large water reservoirs for water storage. Also, the department is using meters to track the flow of the water being pumped and the level of chemicals, such as, sodium hydroxide and sulfuric acid that are used to balance the potential hydrogen levels of the water. Water meter reading, water treatment, and distribution facilities are provided for all CSA residents. Scheduled maintenance prevents potential problems that might occur. Department is using manual schedule maintenance as a guideline.

Objective

To verify the existence and adequacy of controls over department water treatment facilities safety and maintenance.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Conducted site visit and inspection on two water treatment facilities.
- Reviewed monthly reports for water samples sent to the State Water Resources Control Board for safety measurement.
- Obtained listing of all water treatment equipment requiring maintenance services through water extraction processes.
- Selected a sample of maintenance records and performed testing on the documentation and the appropriateness of management approval.

Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit

Finding 2: Management Over Schedule Maintenance

Based on our review, we identified the following:

- CSA does not have a process in place for management to monitor water treatment facility inspections performed. We verified that maintenance inspection checklist forms do not document the signature and date of the manager reviewing inspections after they have been performed. Standard Practice Manual 1001, *Internal Control*, states, "Records are routinely examined to determine that transactions were properly processed." CSA is transitioning to a new water treatment facilities manager and monitoring of the maintenance process is not being performed. Absence of monitoring controls over scheduled maintenance, can impair department management objectives of maintaining a preventative maintenance program to ensure the safety and maintenance of equipment and facilities.
- Policies and procedures over water treatment facility scheduled maintenance should be formalized to include information such as effective date, approval date, and revision dates, (if any). Procedures were provided in handwritten format. Standard Practice Manual 1001, *Internal Control*, states, "Well-documented policies and procedures should be established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff, and help ensure continuity during employee absences or turnover." Policies and procedures did not go through a formal review and approval process. Formalized policies and procedures ensure important processes are consistently applied by staff and helps management in the achievement of its objectives.

Recommendation 2.1

Update the scheduled maintenance checklist form to document the monitoring process performed by management.

Management's Response

"Concur. Improve policies and procedures under the new format to verify inspections and maintenance have been properly and timely completed. A second signature line will be included in the maintenance checklist to provide for management oversight. Staff time related to editing the existing scheduled maintenance checklist will be minimal."

Actual/Estimated Date of Corrective Action: September 1, 2022

**Internal Audit Report 2022-019: Riverside County Office of Economic Development,
County Service Areas Audit**

Recommendation 2.2

Develop department policies and procedures to ensure that they are periodically reviewed, approved by management, and communicated to staff.

Management's Response

“Concur. Water system operations require a more substantial and complete policies and procedures manual that covers maintenance, operations, inspections, and compliance regulations. Policies and procedures will be improved in a new format and will include information from industry experts.”

Actual/Estimated Date of Corrective Action: June 30, 2023

Attachment B



RIVERSIDE COUNTY
OFFICE OF ECONOMIC DEVELOPMENT

DATE: January 17, 2023

TO: Auditor-Controller's Office
Audit and Specialized Accounting Division

FROM: Suzanne Holland, Director
Riverside County Office of Economic Development, County Service Area

SUBJECT: Reply to Internal Audit Report 2023-319: Riverside County Office of
Economic Development, County Service Areas Follow-up Audit

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2022-019: Riverside County Office of Economic Development, County Service Areas Audit.

A handwritten signature in black ink, appearing to read "Suzanne Holland", written over a horizontal line.

Authorized Signature

A handwritten date "1/24/2023" written in black ink over a horizontal line.

Date

Finding 1: Purchase Orders

Purchase orders were split and circumvented low value purchase authority limitations of \$5,000 per day per vendor for expenditures against non-contracted vendors in 22 instances, totaling \$206,784. The Purchasing Policy Manual states, "low value purchase authority allows departmental staff the ability to issue low value purchase orders up to the amount of \$5,000 per day per vendor and issues purchase orders up to the dollar value of \$5,000 against non-existing PeopleSoft Contracts." Department personnel indicated they do not have the positions with the authority of buyer I/II and personnel with the right level of authority needed additional training. Splitting purchase orders circumvents requisitions and approving controls put in place to ensure compliance with county purchasing policies and mitigate risks of inappropriate purchasing practices. Furthermore, when purchase orders are split, it circumvents the formal bid requirements designed to ensure the best use of taxpayer dollars

RIVERSIDE COUNTY
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Current Status

Reported Finding Corrected?



Yes



No

Internal procedures were updated to no longer separate Purchase Orders by CSA funds, which was causing multiple POs under \$5,000 to be created by the LVPA that totaled more than the \$5,000 per vendor per day LVPA limit. Blanket POs are now created under one CSA Fund and the fund number is changed at the time of vouchering to the correct CSA Fund.

Recommendation 1.1

Develop a process to maintain compliance with purchasing authority limitations as set forth in the Riverside County, *Purchasing Policy Manual*.

Management Reply

"Partially Concur. The department LVPA created Purchase Orders under \$5,000 for the same vendors for separate CSA Special Districts with separate tax area funding sources and separate project needs. These projects within the CSARC Business Unit were not for a single project that was deliberately split. The department is reviewing overall service needs and will be seeking multiple blanket Purchase Orders for each vendor from Purchasing for the unique and separate CSA special districts. A written procedure will be drafted to instruct all staff on the Purchasing Policy Manual and the department's steps to remain in compliance."

Actual/Estimated Date of Corrective Action: June 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).

Written procedures were established in May 2022. Vendor usage was reviewed and vendors with high activity were identified for Blanket Purchase orders. Larger dollar usage is being identified for contracts through the Purchasing Department. Usage of Blanket Purchase Orders were implemented in June 2022.

RIVERSIDE COUNTY

OFFICE OF ECONOMIC DEVELOPMENT

3403 10TH STREET, SUITE 400, RIVERSIDE, CA 92501 | (951) 955-8916

Recommendation 1.2

Ensure that staff is trained and knowledgeable on the Riverside County Purchasing Manual

Management Reply

"Concur. In July of 2020, the newly divided Office of Economic Development did not have a designated Buyer and all PO needs above \$400 were being sent to Central Purchasing whose service level capability was not sufficient for our department's needs. To assist Central Purchasing with the lower value POs, the LVPA duties were added to one staff in August 2020 with the intention of eliminating the LVPA duties upon the successful conversion of our department to RivcoPro. The LVPA will reattend the online Purchasing training and until the department has fully converted to RivcoPro, staff will continue to confer with Purchasing staff for guidance and attend Buyer's Meetings."

Actual/Estimated Date of Corrective Action: June 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).

Our assigned Buyer was consulted for our vendor needs and a meeting was held with LVPA, Accounting, and Operational staff in May 2022 to discuss Purchase order needs and ensure staff understand to have a Blanket PO available for purchases in May 2022. LVPA staff attended training for Agreement/Contracts, Bid Solicitations, and Procurement Systems in June 2022. Purchasing will be offering the Procurement Compliance / Policies training after the Purchase Order Manual is updated. Staff also attend the monthly Buyer Meetings held by Purchasing and share pertinent information with department staff.

Finding 2: Management Over Schedule Maintenance

Based on our review, we identified the following:

- CSA does not have a process in place for management to monitor water treatment facility inspections performed. We verified that maintenance inspection checklist forms do not document the signature and date of the manager reviewing inspections after they have been performed. Standard Practice Manual 1001, *Internal Control*, states, "Records are routinely examined to determine that transactions were properly processed."

RIVERSIDE COUNTY

OFFICE OF ECONOMIC DEVELOPMENT

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CSA is transitioning to a new water treatment facilities manager and monitoring of the maintenance process is not being performed. Absence of monitoring controls over scheduled maintenance, can impair department management objectives of maintaining a preventative maintenance program to ensure the safety and maintenance of equipment and facilities.

- Policies and procedures over water treatment facility scheduled maintenance should be formalized to include information such as effective date, approval date, and revision dates, (if any). Procedures were provided in handwritten format. Standard Practice Manual 1001, Internal Control, states, "Well-documented policies and procedures should be established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff, and help ensure continuity during employee absences or turnover." Policies and procedures did not go through a formal review and approval process. Formalized policies and procedures ensure important processes are consistently applied by staff and helps management in the achievement of its objectives.

Current Status

Reported Finding Corrected? Yes No

Finding 2.1, the routine maintenance checklist has been updated to include management signature line, however, the water system policies and procedures are continuing to be compiled.

Recommendation 2.1

Update the scheduled maintenance checklist form to document the monitoring process performed by management.

Management Reply

"Concur. Improve policies and procedures under the new format to verify inspections and maintenance have been properly and timely completed. A second signature line will be included in the maintenance checklist to provide for management oversight. Staff time related to editing the existing scheduled maintenance checklist will be minimal."

Actual/Estimated Date of Corrective Action: September 1, 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).

The maintenance checklist has been updated to include a management signature line showing management confirmation that maintenance has taken place.

Recommendation 2.2

Develop department policies and procedures to ensure that they are periodically reviewed, approved by management, and communicated to staff.

Management Reply

"Concur. Water system operations require a more substantial and complete policies and procedures manual that covers maintenance, operations, inspections, and compliance regulations. Policies and procedures will be improved in a new format and will include information from industry experts."

Actual/Estimated Date of Corrective Action: June 30, 2023

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).

Staff have received an industry standard template for water system policies and procedures from Rural Communities Assistance Corp and are in the process of incorporating it to our systems' specifics.