

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



ITEM: 2.6
(ID # 22249)

MEETING DATE:
Tuesday, June 27, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2023-321 Riverside County Transportation and Land Management Agency, Planning Department, Follow-up Audit, All Districts, [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

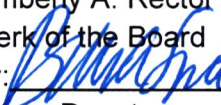
ACTION: Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 6/7/2023

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: June 27, 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	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: [CEO use]

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Transportation and Land Management Agency, Planning Department. Our audit was limited to reviewing actions taken as of February 9, 2023, to correct findings noted in our original audit report 2022-006 dated January, 11, 2021. The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings.

BACKGROUND:

Summary (continued)

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

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

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-006 included as an attachment to this follow-up audit report, or it can also be found at:

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

Impact on 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 2023-321: Riverside County Transportation and Land Management Agency, Planning Department, Follow-up Audit

Internal Audit Report 2023-321

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

Report Date: June 27, 2023



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Ben J. Benoit
Riverside County Auditor-Controller

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

June 27, 2023

Charissa Leach
Assistant County Executive Officer
Riverside County Transportation and Land Management Agency, Planning Department
4080 Lemon Street, 12th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Dear Ms. Leach:

We completed the follow-up audit of Riverside County Transportation and Land Management Agency, Planning Department. Our audit was limited to reviewing actions taken as of February 9, 2023, to help correct the findings noted in our original audit report 2022-006 dated January 11, 2021.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

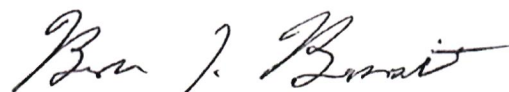
The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the seven recommendations:

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


Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2022-006 included at "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

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



Ben J. Benoit
Riverside County Auditor-Controller



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

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

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Table of Contents

	Page
Results:	
Billing for Services	4
Planning Project Review	7
 Attachments:	
A. Internal Audit Report 2022-006	
B. Status of Findings as Reported by Riverside County Transportation and Land Management Agency, Planning Department on February 9, 2023.	

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Billing for Services

Finding 1: Work on Depleted Deposit-Based Projects

“Department staff continues the work on the applications with exhausted deposit-based funding without prior approval. Five (16.67%) out of 30 of selected projects were performed at negative deposit-based funding level. The total negative amount of \$23,965 from the five projects was uncollected from the applicants. Our analysis also identified 107 applications closed out during the period of July 1, 2019, through June 30, 2021, with total negative balance of \$222,883.

Ordinance 671, *Consolidated Fees for Land Use and Related Functions*, section 1.1 references that work on any application will cease when the deposits are depleted and will resume when additional deposits are received. Deposits are monitored and, when 80% depleted, an analysis of the project is done to determine if the remaining portion of the deposit will cover expected project completion costs. Since planners do not consistently monitor the account balances of the deposit-based applications, work continues to be performed on depleted funding projects. Planning is subsidizing the costs of providing services to these unfunded projects through the use of the county general fund.”

Recommendation 1.1

“Discontinue providing services when the funding for deposited-based projects is 80% depleted until supplemental funding is deposited prior to performing additional work as outlined in Ordinance 671, *Consolidated Fees for Land Use and Related Functions*.”

Current Status 1.1: Not Implemented

We identified closed, completed, and active deposited-based projects with a negative funding balance. Planning performs work on projects with exhausted deposit-based funding. See Table A for summary negative fund balances by project status:

Table A: Summary of Conditions - Negative Funding Balances

Project Status	# Of Projects	Negative Funding Balance
Complete	37	\$106,203
Closed	13	\$17,422
Active	134	\$1,136,666

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Management's Response

"Due to the ongoing complex process for billing time against DBF projects, there will always be a gap between when the time is billed and when the actual account balance is correctly reflected, which in some cases can be up to three or four weeks. This is due to the way contract staff time is entered and processed, as well as some of the other departments in the County. Consistently projecting hours and account balances based upon these various scenarios is difficult, but planning will continue to evaluate case balances on a weekly basis. Planning will also continue to evaluate all approved and closed cases to ensure cost recovery. Separately, TLMA is working on a comprehensive amendment to Ordinance No. 671 (Fees), to amend the initial entitlement application fee deposits, which will more closely relate to an average processing amount."

Recommendation 1.2

"Ensure work authorization on projects with negative funding is approved by appropriate level of management."

Current Status 1.2: Partially Implemented

Planning stated management meetings are held on a weekly basis to approve and authorize work on projects with negative funding. However, five out of five (100%) projects sampled did not have documentation to reflect that projects with negative funding were authorized and approved by management to continue performing work on.

Management's Response

"When a project with a negative account balance is flagged from the weekly report, Planning staff identifies this project by placing a note in the County's permit tracking system (PLUS). From there, the district Principal, project planner, and department analyst will discuss a course of action, which generally includes creating an invoice for additional funds, followed with reaching out to the applicant to obtain payment. Work MAY continue on the project, or it MAY be terminated until appropriate funds are provided, which is determined on a case-by-case basis."

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Recommendation 1.3

“Monitor deposit-based fees account balances during project review and perform reconciliations before the final approval of the project is granted.”

Current Status 1.3: Implemented

Finding 2: Deposit-Based Fees to Recover the Actual Costs of Providing the Services

“The deposit-based hourly rates were developed using the actual costs of FY 2016-17 and have not been annually reviewed or adjusted to reflect the recovery of current operating costs. Board of Supervisors Policy B-4, Rates Charged for Current Services, references that all county departments should evaluate existing charges for services on changes annually during the preparation of the county budget or more frequently, if necessary. The policy also outlines that department should submit a full cost study not less than every three years and adjust yearly to consider the inflation and any anticipated or negotiated salary and benefit increments. Without a full cost study of the deposit-based fees to reflect the current operation and actual costs of providing the services, Planning cannot assure full cost recovery from the deposit-based fees charged to users.”

Recommendation 2.1

“Conduct a full cost study of the deposit-based fees to ensure full cost recovery for the services it provides.”

Current Status 2.1: Implemented

Recommendation 2.2

“Review and adjust the deposit-based fees hourly rates annually in accordance with the Board Supervisors Policy B-4, Rates Charges for Current Services.”

Current Status 2.2: Implemented

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Planning Project Review

Finding 3: Documentation of Planning Project Review

"The review and notice of decision over planning projects was not consistently and sufficiently documented to ensure a thorough review with authorized approval and compliance with department procedures. During our review observed the following discrepancies:

- Ten (33.3%) out of 30 selected projects were missing documentation.
- Nineteen (63.3%) out of 30 selected projects did not have close out checklists available.
- Four (13.3%) out of 30 selected projects in which department staff did not sign off the workflow before the projects were approved.

Riverside County Standard Practice Manual 1001, *Internal Controls*, references that county departments and agencies shall establish, document, and maintain an effective system of internal control to promote effectiveness and efficiency of the operations. Planning staff follow their own process since Planning does not have formal written procedures to ensure planning project reviews and approvals are promptly documented. Absence of formal written procedures to ensure complete documentation retained in file does not provide an adequate support to department decision over a planning project."

Recommendation 3.1

"Establish formal procedures for the planning project review process to ensure staff complete the closeout checklist."

Current Status 3.1: Implemented

Recommendation 3.2

"Ensure the review and notice of decision over planning projects is consistently and sufficiently documented with all documents required in the department closeout checklist."

Internal Audit Report 2023-321: Riverside County Transportation and Land Management Agency, Planning Department Follow-up Audit

Current Status 3.2: Not Implemented

Eights out of eight (100%) of projects sampled did not have a closeout checklist as Planning does not maintain copies. The purpose of a closeout checklist is to aid in identifying documentation required to be maintained for projects.

Management's Response:

“Projects are appropriately being closed-out and include items required under the Planning Department's retention schedule. The checklist had been created to be used as a guideline, reflecting the documents were obligated to retain; however, it was not intended to be included with any final documentation. At the request of the auditor, Planning will retain the checklist and combine it with any future close-out documentation. Of note, not all items listed in the checklist are applicable to every project. It's meant as a reference guide for the close-out process.”

Attachment A

Internal Audit Report 2022-006

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

Report Date: January 11, 2021



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Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

January 11, 2021

Charissa Leach
Assistant County Executive Officer
Riverside County Transportation and Land Management Agency, Planning Department
4080 Lemon Street, 12th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Dear Ms. Leach:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside County Transportation and Land Management Agency, Planning to provide management and the Board of Supervisors with an independent assessment of internal controls over billing for services and planning project review.

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 2022-006: Riverside County Transportation and Land
Management Agency, Planning Department 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 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Table of Contents

	Page
Executive Summary	4
 Results:	
Billing for Services.....	7
Planning Project Review.....	13

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Executive Summary

Overview

The Riverside County Transportation and Land Management Agency, Planning Department (Planning) reviews land use applications include zoning changes, plot plans, conditional use permits for business operations, tract and parcel maps for residential, commercial, and industrial projects. Planning has a recommended budget of \$9.3 million for FY2021-22 and has 28 positions to execute its responsibilities, *County of Riverside, Revised Fiscal Year 2021-22, Recommended Budget, Volume 1, 319.*

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 billing for services and planning project review. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Audit Scope and Methodology

We conducted the audit from June 15, 2021, through September 1, 2021, for operations from July 1, 2019, through June 30, 2021. Following a risk-based approach, our scope initially included the following:

- Billing for services
- Planning project review
- Planning regulatory compliance requirements

Through inquiry, observations, and limited examination of relevant documentation, it was determined through a risk assessment of the business processes for planning regulatory compliance requirements, that the risk exposure to Planning associated with these processes are well mitigated with internal controls and are functioning as designed. We focused our audit scope to internal controls over billing for services and planning project review.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Audit Highlights

Summary of Existing Conditions

- Department staff continues the work on the planning applications with exhausted deposit-based funding without prior approval. Without a sufficient deposit-based funding level, Planning is subsidizing the costs of providing services to these unfunded projects through the use of county general fund.
- The deposit-based hourly rates were developed using the actual costs from FY 2016-17 and have not been annually reviewed or adjusted to reflect the current operating costs. Without a full cost study of the deposit-based fees to reflect the current operation and actual costs of providing services, Planning cannot assure full cost recovery from the deposit-based fees charged to users.
- The review and notice of decision over planning projects was not consistently and sufficiently documented to ensure a thorough planning project review with authorized supervisor approval. This is due to an absence of formal written procedures to ensure complete documentation is retained in the file with proper supervisory approval.

Summary of Improvement Opportunities

- Ensure work is discontinued when a deposit-based project funding is 80% depleted, and supplemental funding is deposited prior to performing the work as outlined in Ordinance 671, *Consolidated Fees for Lan Use and Related Functions*. Also, ensure work authorization funded projects with negative balances is approved by appropriate level of management. Further, monitor deposit-based fees account balances during project review and perform reconciliations before final approval of the project is granted.
- Conduct a full cost study of the deposit-based fees to ensure full cost recovery for the services it provides and review the deposit-based fees rates annually in accordance with the Board Supervisors Policy B-4, *Rates Charges for Current Services*.
- Establish formal procedures for planning project review processes to ensure staff complete a closeout checklist. Also, ensure the review and notice of decision over planning projects is consistently and sufficiently documented with all document required in the department closeout checklist.



Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to billing for services and planning project review.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Billing for Services

Background

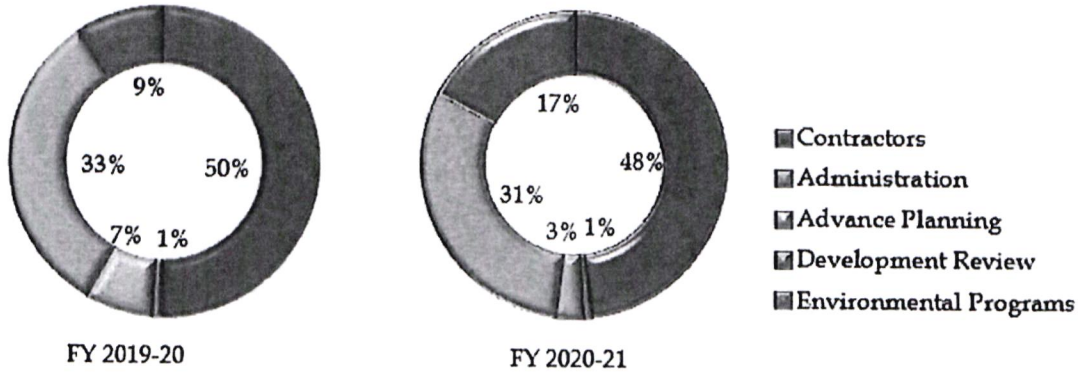
The Riverside County Board of Supervisors Policy B-4, *Rates Charged for Current Services*, provides guidance for a county department to recover the actual cost of providing services to other public agencies, various organizations, or individuals. In addition, Board of Supervisors has also adopted Ordinance 671, *Consolidated Fees for Land Use and Related Functions*, that was last amended on February 26, 2019, to provide specific guidance and schedules of deposit-based fees for planning applications. The hourly deposit-based fees were developed based on the budgeted labor and other administrative costs of planning department to recover the cost of providing the services. Deposit-based fees are structured by each group of job classifications and applied to the actual hours from the assigned staff who performed the work.

Applicants are required to pay an initial deposit at the time of application submittal. As the project is reviewed, the planning fiscal team processes the drawdown against the deposited funds at the end of each pay period. Deposits are monitored and when 80% is depleted, the project managers reassess the work remaining on the project and requests for additional subsequent deposits. Upon completion of all tasks associated with an application, any deposits that exceeds the actual cost by \$5.00 or more are refunded to the applicant.

Planning had a drawdown total of \$3,906,200 in FY 2019-20 and \$3,912,442 in FY 2020-21 from the deposit-based fee fund to recover the costs of planning services provided. The chart below illustrates a breakdown of the total deposit-based fee drawdown by planning services for the period of July 1, 2019, through June 30, 2021. In FY 2019-20, the top 3 drawdown recoveries were related to contractors, development review, and environmental programs for 50%, 33%, and 9% of total drawdown respectively. In FY 2020-21, the top 3 drawdown recoveries were also related to contractors, development review, and environmental programs for 48%, 31%, and 17% of total drawdown, respectively.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

**Deposit Based Fees Drawdown
 (July 1, 2019 through June 30, 2021)**



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 billing for services.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Ordinance 671, *Consolidated Fees for Land Use and Related Functions*.
- Reviewed relevant internal policies and procedures over deposit-based fee process.
- Conducted interviews with key personnel and performed walkthroughs with designated department staff.
- Verified department board approved rates were billed based on actual hours.
- Verified supporting documentation and approval of invoices and drawdown journals.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

- Reviewed employee time reporting for accuracy, completeness, and timeliness.
- Reviewed contractor invoices and drawdown from deposit-based funding.
- Verified deposit-based fee monitoring and reconciliations are occurring.

Finding 1: Work on Depleted Deposit-Based Projects

Department staff continues the work on the applications with exhausted deposit-based funding without prior approval. Five (16.67%) out of 30 of selected projects were performed at negative deposit-based funding level. The total negative amount of \$23,965 from the five projects was uncollected from the applicants. Our analysis also identified 107 applications closed out during the period of July 1, 2019, through June 30, 2021, with total negative balance of \$222,883.

Ordinance 671, *Consolidated Fees for Land Use and Related Functions*, section 1.1 references that work on any application will cease when the deposits are depleted and will resume when additional deposits are received. Deposits are monitored and, when 80% depleted, an analysis of the project is done to determine if the remaining portion of the deposit will cover expected project completion costs. Since planners do not consistently monitor the account balances of the deposit-based applications, work continues to be performed on depleted funding projects. Planning is subsidizing the costs of providing services to these unfunded projects through the use of the county general fund.

Recommendation 1.1

Discontinue providing services when the funding for deposited-based projects is 80% depleted until supplemental funding is deposited prior to performing additional work as outlined in Ordinance 671, *Consolidated Fees for Land Use and Related Functions*.

Management's Response

"Partially Concur. TLMA Planning continuously strives to achieve the best balance between providing excellent customer service and running the department like a business. Given that we are also a public agency, there are often competing priorities that influence our operations and how we process projects. Ultimately, our goal is to manage the use of land in the unincorporated areas of Riverside County. In doing so, we work

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

with a wide range of customers from multi-million-dollar corporations to moms & pops. TLMA Planning concurs that when a project has a negative balance or will soon become negative, it needs to be immediately addressed through invoicing and noticing the applicant. The decision whether to stop or continue working at that point, is case specific and should always be brought to management's attention to determine the appropriate course of action."

Actual/Estimated Date of Corrective Action: **Immediate**

Recommendation 1.2

Ensure work authorization on projects with negative funding is approved by appropriate level of management.

Management's Response

"**Concur.** TLMA Planning concurs that when a project has a negative balance, management should be made aware and then a determination on how to proceed can be made."

Actual/Estimated Date of Corrective Action: **Immediate**

Recommendation 1.3

Monitor deposit-based fees account balances during project review and perform reconciliations before the final approval of the project is granted.

Management's Response

"**Partially Concur.** TLMA Planning implemented a process to address negative case balances in 2020. TLMA Planning receives active case balance information on a weekly basis. It is reviewed, brought to the appropriate staff's attention, and then an invoice is prepared and sent to the applicant. Staff then coordinates with the applicant to obtain the appropriate funds, in order to keep the project moving forward."

Actual/Estimated Date of Corrective Action: **Done / Immediate**

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Finding 2: Deposit-Based Fees to Recover the Actual Costs of Providing the Services

The deposit-based hourly rates were developed using the actual costs of FY 2016-17 and have not been annually reviewed or adjusted to reflect the recovery of current operating costs. Board of Supervisors Policy B-4, *Rates Charged for Current Services*, references that all county departments should evaluate existing charges for services on changes annually during the preparation of the county budget or more frequently, if necessary. The policy also outlines that department should submit a full cost study not less than every three years and adjust yearly to consider the inflation and any anticipated or negotiated salary and benefit increments. Without a full cost study of the deposit-based fees to reflect the current operation and actual costs of providing the services, Planning cannot assure full cost recovery from the deposit-based fees charged to users.

Recommendation 2.1

Conduct a full cost study of the deposit-based fees to ensure full cost recovery for the services it provides.

Management's Response

"Concur. The TLMA Planning Department has been diligent in balancing the budget even after a significant \$2M or 37 percent reduction in General Fund contributions over the past four years, from \$5.14M in FY 16/17 to \$3.19M in FY 21/22. Due to the pandemic the past two years and economic uncertainties in the prior years, the decision was made not to increase the hourly rates to further burden the County constituents. The department has recently completed a rates comparison with San Bernardino and San Diego County for the like classifications. TLMA Planning rates are comparable to San Bernardino County's rates. However, TLMA Planning is in the process of updating all entitlement application fees and has prepared a draft update. Ordinance No. 671, *Consolidated Fees for Land Use and Related Functions* is being revised to more accurately reflect the actual costs of entitlement fees for better transparency. Additionally, there is an entitlement cost estimator tool on the TLMA Planning Department website, which provides generalized breakdowns for entire project costs."

Actual/Estimated Date of Corrective Action: **In process / Immediate**

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Recommendation 2.2

Review and adjust the deposit-based fees hourly rates annually in accordance with the Board Supervisors Policy B-4, *Rates Charges for Current Services*.

Management's Response

"Concur. In addition to updating the entitlement application fees, the TLMA Planning Department is evaluating the staff hourly rates with Fiscal services to determine if increases are needed."

Actual/Estimated Date of Corrective Action: **Immediate**

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

Planning Project Review

Background

Planning reviews and processes different types of planning applications from small to major complex land use and permits as well as zone changes to the county general plan. The application process begins with the application submittal intake, review, applicable studies, determination, closeout filing, and public hearing.

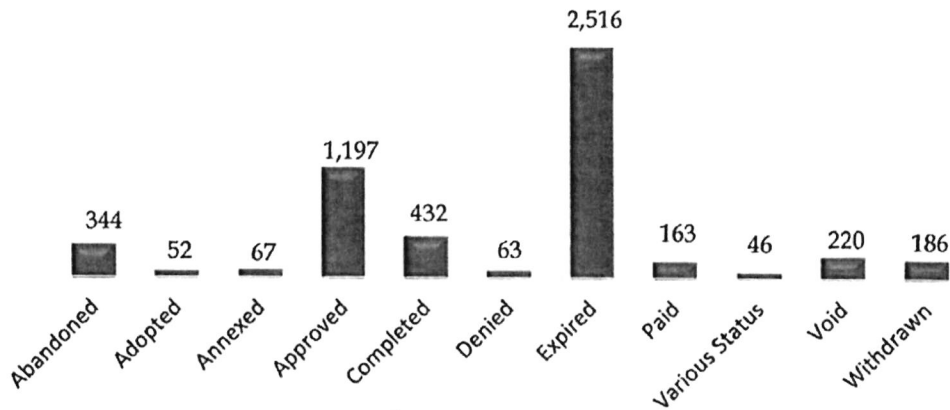
An applicant can either turn in a physical application to the Planning counter services or an online application using the upgraded county Public Land Use System (PLUS) user account. Through a user account in PLUS, applicants can submit documentation, make online payments, view status of the application, and obtain invoices or public records related to the application.

When received, the application is entered into the PLUS system with a unique project identity number and is assigned to a lead project planner. The application is then transmitted to respective departments and agencies for review and comments. The lead project planner reviews the application, performs any required assessments, and meets with applicant to obtain all the required documentations. Lead project planner also meets with the Development Advisory Committee which include participants from different county departments such as Transportation, County Counsel, Fire, Flood Control, Environmental Health, and the applicant to discuss any concerns and applicable regulatory requirements for the project. Upon completion, the final application package is filed in PLUS and started public hearing motions. Public hearing is announced to the applicant and any related parties to the project. Any responsible parties to the application can file a written appeal to the Administrative Review Board within 10 calendar dates of the decision of the Planning Director or other department head. If the parties do not agree with the Administrative Review Board, they can also file a written appeal to the Board of Supervisors within 10 calendar days of the Administrative Review Board's decision.

During the audit period of July 1, 2019, through June 30, 2021, Planning had a total of 5,286 closed projects. The chart below illustrates 5,286 planning projects that were closed out with various status during the audit period.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

**Planning Closed Projects
 (July 1, 2019, through June 30, 2021)**



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 planning application review.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Ordinance 348, *Providing for Land Use Planning and Zoning Regulations and Related Functions*.
- Conducted interviews with key personnel and performed walkthroughs with designated department staff.
- Obtained and reviewed department procedures related to the application review and approval process.
- Obtained a listing of closed out applications in PLUS and selected sample applications to review supporting documentation against the checklist for closed out projects.

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

- Verified for appropriate review and approval with delegation of authority over the closed out projects.
- Requested hearing schedule and selected sample applications to review the timeliness of each hearing.

Finding 3: Documentation of Planning Project Review

The review and notice of decision over planning projects was not consistently and sufficiently documented to ensure a thorough review with authorized approval and compliance with department procedures. During our review we observed the following discrepancies:

- Ten (33.3%) out of 30 selected projects were missing documentation.
- Nineteen (63.3%) out of 30 selected projects did not have close out checklists available.
- Four (13.3%) out of 30 selected projects in which department staff did not sign off the workflow before the projects were approved.

Riverside County Standard Practice Manual 1001, *Internal Controls*, references that county departments and agencies shall establish, document, and maintain an effective system of internal control to promote effectiveness and efficiency of the operations. Planning staff follow their own process since Planning does not have formal written procedures to ensure planning project reviews and approvals are promptly documented. Absence of formal written procedures to ensure complete documentation retained in file does not provide an adequate support to department decision over a planning project.

Recommendation 3.1

Establish formal procedures for the planning project review process to ensure staff complete the closeout checklist.

Management's Response

"Concur. The TLMA Planning Department has recently established a formalized project close-out process, that reflects the new, all digital way of processing. We will continue to

Internal Audit Report 2022-006: Riverside County Transportation and Land Management Agency, Planning Department Audit

conduct appropriate training to ensure all staff are aware of the process and that it is implemented moving forward.”

Actual/Estimated Date of Corrective Action: **Immediate**

Recommendation 3.2

Ensure the review and notice of decision over planning projects is consistently and sufficiently documented with all documents required in the department closeout checklist.

Management’s Response

“**Concur.** Due to the wide variety of project types the Planning Department processes, including Ordinance amendments, Legislative acts, General Plan updates, in addition to regular construction projects, the specific timing related to the closeout process can vary. However, the notice of decision after a project has gone to hearing, is generally provided within 5-days. Staff will work to ensure the notices are timely sent and will include the notice with all project closeout documentation.”

Actual/Estimated Date of Corrective Action: **Immediate**

Attachment B



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



Transportation Planning Building & Safety Code Enforcement Aviation

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2022-006: Riverside County Transportation and Land Management, Planning Department Audit.

2/9/23

Authorized Signature

Date

Finding 1: Work on Depleted Deposit-Based Projects

"Department staff continues the work on the applications with exhausted deposit-based funding without prior approval. Five (16.67%) out of 30 of selected projects were performed at negative deposit-based funding level. The total negative amount of \$23,965 from the five projects was uncollected from the applicants. Our analysis also identified 107 applications closed out during the period of July 1, 2019, through June 30, 2021, with total negative balance of \$222,883.

Ordinance 671, Consolidated Fees for Land Use and Related Functions, section 1.1 references that work on any application will cease when the deposits are depleted and will resume when additional deposits are received. Deposits are monitored and, when 80% depleted, an analysis of the project is done to determine if the remaining portion of the deposit will cover expected project completion costs. Since planners do not consistently monitor the account balances of the deposit-based applications, work continues to be performed on depleted funding projects. Planning is subsidizing the costs of providing services to these unfunded projects through the use of the county general fund."

Current Status

Reported Finding Corrected? Yes No

Corrected. Planning Department's administrative analyst receives weekly DBF reports and reviews for low and negative account balances. The planners also routinely check DBF account balances for projects they are working on. When a low or negative account balance is flagged, the planner will coordinate with the administrative analyst and invoice the project for an appropriate amount of additional funding. Should an active project have a negative balance, the planner will discuss the specific situation with their supervisor to determine a course of action, which can range from stopping all work to continuing work when there is an understanding that additional funds are pending submittal.

Recommendation 1.1

"Discontinue providing services when the funding for deposited-based projects is 80% depleted until supplemental funding is deposited prior to performing additional work as outlined in Ordinance 671, Consolidated Fees for Land Use and Related Functions."

Management Reply

"**Partially Concur.** TLMA Planning continuously strives to achieve the best balance between providing excellent customer service and running the department like a business. Given that we are also a public agency, there are often competing priorities that influence our operations and how we process projects. Ultimately, our goal is to manage the use of land in the unincorporated areas of Riverside County. In doing so, we work with a wide range of customers from multi-million-dollar corporations to moms & pops. TLMA Planning concurs that when a project has a negative balance or will soon become negative, it needs to be immediately addressed through invoicing and noticing the applicant. The decision whether to stop or continue working at that point, is case specific and should always be brought to management's attention to determine the appropriate course of action."

Actual/estimated Date of Corrective Action: **Immediate**

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).

Fully Implemented. Due to the nature of entitlement processing and DBF funding, the course of action described above continues, with no further changes. The Planning Department implemented a more efficient tracking and monitoring system to capture low and negative account balances and will consider the appropriate course of action on a case-by-case basis, through consultation with management when account funds have been depleted.

"Ensure work authorization on projects with negative funding is approved by appropriate level of management."

Management Reply

"**Concur.** TLMA Planning concurs that when a project has a negative balance, management should be made aware and then a determination on how to proceed can be made."

Actual/estimated Date of Corrective Action: **Immediate**

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).

Fully Implemented. Corrective actions related to monitoring low and negative account balances coupled with the decision-making process to continue working on a project or not when funds are low or negative, have been fully implemented.

Recommendation 1.3

"Monitor deposit-based fees account balances during project review and perform reconciliations before the final approval of the project is granted."

Management Reply

"**Partially Concur.** TLMA Planning implemented a process to address negative cash balances in 2020. TLMA Planning receives active case balance information on a weekly basis. It is reviewed, brought to the appropriate staff's attention, and then an invoice is prepared and sent to the applicant. Staff then coordinates with the applicant to obtain the appropriate funds, in order to keep the project moving forward."

Actual/estimated Date of Corrective Action: **Done/Immediate**

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).

Fully Implemented. Project account balances are routinely checked for sufficient funding and will be placed on hold for approval hearings, if there are insufficient funds.

Finding 2: Deposit-Based Fees to Recover the Actual Costs of Providing the Services

"The deposit-based hourly rates were developed using the actual costs of FY 2016-17 and have not been annually reviewed or adjusted to reflect the recovery of current operating costs. Board of Supervisors Policy B-4, Rates Charged for Current Services, references that all county departments should evaluate existing charges for services on changes annually during the preparation of the county budget or more frequently, if necessary. The policy also outlines that department should submit a full cost study not less than every three years and adjust yearly to consider the inflation and any anticipated or negotiated salary and benefit increments. Without a full cost study of the deposit-based fees to reflect the current operation and actual costs of providing the services, Planning cannot assure full cost recovery from the deposit-based fees charged to users."

Current Status

Reported Finding Corrected? Yes No

Partially Corrected. The Planning Department conducted a Deposit Based Fee ("DBF") analysis, with the goal of evaluating Planning applications and adjusting their submittal fees accordingly, to more closely represent actual costs. A revised set of proposed entitlement application fees have been recommended by the Planning Department and will be submitted to the Auditor for their approval.

Recommendation 2.1

"Conduct a full cost study of the deposit-based fees to ensure full cost recovery for the services it provides."

Management Reply

"Concur. The TLMA Planning Department has been diligent in balancing the budget even after a significant \$2M or 37 percent reduction in General Fund contributions over the past four years, from \$5.14M in FY 16/17 to \$3.19M in FY 21/22. Due to the pandemic the past two years and economic uncertainties in the prior years, the decision was made not to increase the hourly rates to further burden the County constituents. The department has recently completed a rates comparison with San Bernardino and San Diego County for the like classifications. TLMA Planning rates are comparable to San Bernardino County's rates. However, TLMA Planning is in the process of updating all entitlement application fees and has prepared a draft update. Ordinance No. 671, Consolidated Fees for Land Use and Related Functions is being revised to more accurately reflect the actual costs of entitlement fees for better transparency. Additionally, there is an entitlement cost estimator tool on the TLMA Planning Department website, which provides generalized breakdowns for entire project costs."

Actual/estimated Date of Corrective Action: **In process/Immediate**

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).

Partially Implemented. As stated, the Planning Department evaluated their entitlement application costs over the course of the past 4 to 5 years to determine actual costs. Planning has adjusted the initial application fees and is recommending updating Ordinance No. 671 to include the updated fee structure. Most of the major planning case types will remain as a Deposit Based Fees and these applications can significantly vary in their final / overall costs, due the nature of the entitlement process. However, the recommendation is to amend the initial deposit, to more closely cover the average cost of processing.

Recommendation 2.2

"Review and adjust the deposit-based fees hourly rates annually in accordance with the Board Supervisors Policy B-4, Rates Charges for Current Services."

Management Reply

"Concur. In addition to updating the entitlement application fees, the TLMA Planning Department is evaluating the staff hourly rates with Fiscal services to determine if increases are needed."

Actual/estimated Date of Corrective Action: **Immediate**

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).

Partially Implemented. The Deposit Based Fee hourly rates have been evaluated and approved by the Auditor Controller. As the Planning Department is in the process of updating Ordinance No. 671 to include the updated fee structure, the department is recommending taking both of these items for board approval simultaneously.

Finding 3: Documentation of Planning Project Review

"The review and notice of decision over planning projects was not consistently and sufficiently documented to ensure a thorough review with authorized approval and compliance with department procedures. During our review observed the following discrepancies:

- Ten (33.3%) out of 30 selected projects were missing documentation.
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Current Status

Reported Finding Corrected? Yes No

Corrected. The Planning Department has an entitlement checklist containing specific items / documents that projects are required to include. Planning staff uses the checklist as a guide when preparing a project for hearing, to ensure the appropriate documentation is included. Conversely, after a project is approved, a separate checklist is used as a reference guide for the close-out process, to ensure to correct documentation is archived. This checklist is consistent with the department's records retention schedule.

Recommendation 3.1

"Establish formal procedures for the planning project review process to ensure staff complete the closeout checklist."

Management Reply

"**Concur.** The TLMA Planning Department has recently established a formalized project close-out process, that reflects the new, all digital way of processing. We will continue to conduct appropriate training to ensure all staff are aware of the process and that it is implemented moving forward."

Actual/Estimated Date of Corrective Action: **Immediate**

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).

Fully Implemented. The Planning Department has created formalized documentation that is used as a reference guide for preparing a project for hearing and for use at final project closeout. Staff will be signing the closeout checklist document, which asserts the project is complete and includes all required documentation pursuant to the records retention policy.

Recommendation 3.2

"Ensure the review and notice of decision over planning projects is consistently and sufficiently documented with all documents required in the department closeout checklist."

Management Reply

"**Concur.** Due to the wide variety of project types the Planning Department processes, "Concur. Due to the wide variety of project types the Planning Department processes, including Ordinance amendments, Legislative acts, General Plan updates, in addition to regular construction projects, the specific timing related to the closeout process can vary. However, the notice of decision after a project has gone to hearing, is generally provided within 5-days. Staff will work to ensure the notice with all project closeout documentation."

Actual/Estimated Date of Corrective Action: **Immediate**

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).

Fully Implemented. The Planning Department provides a notice of project decision to developers, along with the final approved conditions of approval, once a project is completed.