

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



**ITEM: 2.11
(ID # 23313)**

MEETING DATE:
Tuesday, October 31, 2023

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-304: Riverside County 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 2024-304: Riverside County Office of Economic Development, County Service Areas, Follow-up Audit

ACTION:Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/23/2023

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington and Gutierrez
Nays: None
Absent: Perez
Date: October 31, 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:

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 June 22, 2023, to correct findings noted in our original audit report 2021-201 dated December 8, 2020. The original audit report contained 2 recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that the two recommendations were not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-201 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 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 2024-304: Riverside County Office of Economic Development, County Service Areas, Follow-up Audit.

Office of Ben J. Benoit
Riverside County Auditor-Controller

4080 Lemon Street, 11th Floor

Riverside, CA 92501

(951) 955-3800

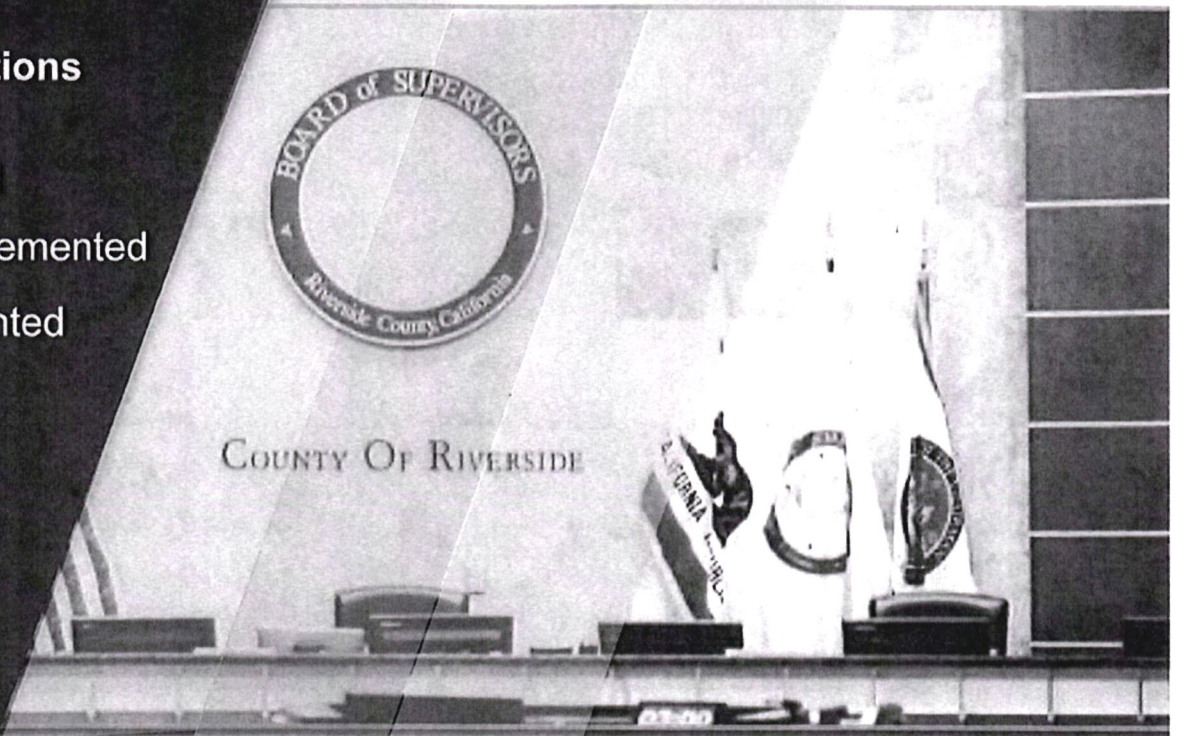
Internal Audit Report

2024-304

Follow-up

2 Recommendations

- ✓ 0 Implemented
- ▶ 0 Partially Implemented
- X 2 Not Implemented



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

October 31, 2023



COUNTY OF RIVERSIDE
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AUDITOR-CONTROLLER

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CONTROLLER
COUNTY OF RIVERSIDE

Ben J. Benoit
County Auditor-Controller

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

October 31, 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 2024-304: 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 June 22, 2023, to help correct the findings noted in our original audit report 2021-201 dated December 8, 2020.

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 two recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the two recommendations were not implemented.

**Internal Audit Report 2024-304: 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 2021-201 included as "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/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 Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

**Internal Audit Report 2024-304: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit**

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**Internal Audit Report 2024-304: Riverside County Office of Economic Development,
 County Service Areas, Follow-up Audit**

Fund Balances

Finding 1: Fund Balance Maintenance

“County Service areas do not have a plan to determine the appropriate amount of funds being held in fund balance reserves. The amount held to cover anticipated expenditures, emergency funds, and future projects is not determined methodically, nor evaluated for reasonableness. County Service Area fund balance is comprised solely of taxpayer dollars, implying that the taxpayer’s dollars are not directly correlated to the taxpayer’s benefit.

The California Constitution, Article XIII D, *Assessment and Property-Related Fee Reform, Section 4(a)*, states that, ‘No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.’ Furthermore, California Constitution, Article XIII D, *Assessment and Property-Related Fee Reform, Section (2)(b)(1)* states, ‘revenue derived from the fee or charge shall not exceed the funds required to provide the property related service.’ The County Service Area administration is not collecting the same amount in special assessment taxes that they are expending to the benefit of the taxpayers. This principle is further asserted by *Government Code §54985(a)* which states ‘a county board of supervisors shall have the authority to increase or decrease the fee or charge... in the amount reasonably necessary to recover the cost of providing any product or service... for which the fee or charge is levied.’ The amount of special assessment taxes collected is only intended to recover the costs of providing the County Service Area services. The difference in the amount being collected and the amount being expended has resulted in fund balances that increase annually without oversight. Without the analysis and determination of reasonable fund balances, the County Service Areas cannot know if the increase to the assessment is necessary.

We sampled 10 out of 60 County Service Areas (CSA).

CSA	Service Provided
CSA 084	Lighting
CSA 091	Lighting
CSA 121	Lighting, Drainage Basin
CSA 126	Landscaping, Parks and Recreation, Sheriff
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CSA 152	Street Sweeping
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**Internal Audit Report 2024-304: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit**

From the fiscal year ending June 30, 2018, to June 30, 2020, the amount of tax revenue collected compared to the actual costs reported by the County Service Areas are as follows:

Collection of Special Assessment Taxes										
	CSA 084	CSA 091	CSA 121	CSA 126	CSA 134	CSA 143	CSA 145	CSA 149	CSA 152	Admin CSA
2017-18										
Revenues \$	169,139	\$ 156,932	\$ 103,239	\$ 1,038,122	\$ 1,532,811	\$ 2,514,207	\$ 14,576	\$ 420,923	\$ 3,951,866	\$ 2,227,233
Expenditures	43,195	106,445	90,037	718,828	1,590,799	2,707,951	-	453,333	4,735,394	2,390,953
Variance \$	125,945	\$ 50,487	\$ 13,202	\$ 319,294	\$ (57,988)	\$ (193,743)	\$ 14,576	\$ (32,410)	\$ (783,528)	\$ (163,720)
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Revenues \$	176,064	\$ 177,728	\$ 117,207	\$ 2,611,702	\$ 2,081,628	\$ 2,740,763	\$ 44,994	\$ 444,748	\$ 4,933,694	\$ 3,204,845
Expenditures	37,298	96,829	59,103	1,167,100	1,954,672	3,074,688	-	782,511	5,173,255	2,413,667
Variance \$	138,766	\$ 80,900	\$ 58,104	\$ 1,444,602	\$ 126,956	\$ (333,925)	\$ 44,994	\$ (337,763)	\$ (239,561)	\$ 791,177
2019-20*										
Revenues \$	176,593	\$ 154,868	\$ 101,191	\$ 2,538,603	\$ 2,133,642	\$ 3,254,325	\$ 16,136	\$ 587,922	\$ 4,603,506	\$ 3,091,046
Expenditures	53,093	93,556	53,414	1,204,856	1,507,020	2,858,256	-	653,415	4,424,399	2,151,384
Variance \$	123,500	\$ 61,312	\$ 47,777	\$ 1,333,747	\$ 626,622	\$ 396,069	\$ 16,136	\$ (65,494)	\$ 179,107	\$ 939,662

*This data is run as of June 30, 2020 on July 1, 2020 and is not inclusive of all accruals or year journal entries

The collection of special assessment taxes indicates that the amount being collected does not accurately reflect the cost of the services being provided. This inequitable collection of the special assessment taxes has a fixed impact on the fund balance reserves, typically increasing the balances. While high reserves are not inherently prejudicial, Business and Community Services should document a plan for those funds to circumvent an unintentional buildup of reserves.

Additionally, Board of Supervisors Policy A-48, *Formation, Alteration, and Operation of County Service Areas*, states that each fund balance should be managed carefully to assure 'adequate cash flow during the period between the beginning of the new fiscal year and the first installment receipt of special taxes and property taxes.' The fund balance from the prior year is held to cover approximately six months of expenses in the next fiscal year. The receipt of taxes typically occurs in December and June. The fund balance currently being maintained by Business and Community Services is in excess of this amount, with the exception of the Admin County Service Area.

**Internal Audit Report 2024-304: Riverside County Office of Economic Development,
 County Service Areas, Follow-up Audit**

	Fund Balance as of June 30, 2017	Average six months of expenditures	Fund Balance as of June 30, 2018*	Approximately six months of expenditures	Fund Balance as of June 30, 2019	Approximately six months of expenditures
CSA 084	\$ 678,709	\$ 21,597	\$ 707,174	\$ 18,649	\$ 833,118	\$ 26,546
CSA 091	811,034	53,222	854,825	48,414	905,312	46,778
CSA 121	583,798	45,018	623,309	29,552	636,511	26,707
CSA 126	846,100	359,414	1,216,578	583,550	1,535,872	602,428
CSA 134	682,549	795,400	701,851	977,336	643,863	753,510
CSA 143	3,093,560	1,353,975	2,924,047	1,537,344	2,730,304	1,429,128
CSA 145	1,451,027	-	1,459,025	-	1,473,601	-
CSA 149	1,237,260	226,666	1,339,096	391,256	1,306,686	326,708
CSA 152	12,713,282	2,367,697	12,937,372	2,586,627	12,153,844	2,212,200
Admin CSA	618,410	1,195,477	826,316	1,206,834	662,596	1,075,692

* The change in fund balance over the prior year may not be consistent with variances reported in this report due to entries made directly to fund balance.

In the event of an emergency there is no recourse for the County Service Areas to pay for emergency repairs or services, if the funds are not available in the reserves. The amount held in reserves for emergency funds should be based on a reasonable methodology, in addition to any amounts being held in reserves for future long term, or financially significant projects being held in amounts that are both, reasonable and estimable. These plans should annually document the appropriation or reduction of County Service Area fund balances in conformity with long term plans, specific to the individual County Service Areas goals."

Recommendation 1.1

"Develop a methodology to determine appropriate cash flow amounts and emergency funds."

Current Status 1.1: Not Implemented

The Office of Economic Development is currently working with a consultant to develop a methodology to best implement the recommendation. We will follow up in the future to ensure that the recommendation has been implemented on the final methodology developed in collaboration with the consultant.

Management's Response

"Staff are working with a consultant to develop a cash flow and emergency fund methodology that will serve as a guide for allocating revenue for operations, capital improvement plans, and emergency reserves. This is a labor-intensive project as each

**Internal Audit Report 2024-304: Riverside County Office of Economic Development,
County Service Areas, Follow-up Audit**

CSA is unique and will require an individualized methodology based on the services and amenities specific to each CSA.”

Recommendation 1.2

“Develop and annually update a plan for the unassigned fund balance, based on the County Service Area’s needs, emergency fund, and planned improvements.”

Current Status 1.2: Not Implemented

The Office of Economic Development is currently working with a consultant to develop a methodology to best implement the recommendation. We will follow up in the future to ensure that the recommendation has been implemented on the final methodology developed in collaboration with the consultant.

Management’s Response

“Staff are working with a consultant to develop a plan that will guide the use of unassigned fund balance. This plan will be in coordination with the cash flow methodology in that unassigned fund balance will be allocated to reserve or capital improvements dependent on each individual CSA’s services and amenities as well as risk/exposure to major emergencies, anticipation of severe weather, and population growth within each CSA. These two items will be developed as a package.”

Attachment A

Internal Audit Report 2021-201

**Riverside County
Business and Community Services,
County Service Areas Audit**

Report Date: December 8, 2020



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

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COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya Harris, CPA, DPA, MPA
Assistant Auditor-Controller

December 8, 2020

Suzanne Holland
Director
Riverside County Business and Community Services, County Service Areas
3499 Tenth Street, 2nd Floor
Riverside, CA 92501

Subject: **Internal Audit Report 2021-201: Riverside County Business and Community Services, County Service Areas Audit**

Dear Ms. Holland:

In accordance with Board of Supervisors Resolution 83-338, we audited the Business and Community Services, County Service Areas to provide an independent assessment of internal controls over the fund balance.

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.

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to fund balances. Specifically, Riverside County Business and Community Services, County Service Areas should develop policies and procedures to address the maintenance of County Service Areas related fund balances.

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

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

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**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Executive Summary

Overview

Riverside County Business and Community Services, County Service Areas (Business and Community Services) provide municipal community services for neighborhoods within unincorporated communities in Riverside County. To provide these services County Service Areas have a budget of \$26.7 million, and 41 authorized positions. County Service Areas administration oversees the operation of 60 County Service Areas. This includes twenty-two county owned parks, two water treatment facilities and over eight million square feet of landscaping. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, September, 2020, 75. County of Riverside, County Service Areas, accessed July 1, 2020, [https://rivcoccsd.org/County Service Area](https://rivcoccsd.org/County%20Service%20Area).*

Audit Objective

Our objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over fund balances. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

Audit Scope and Methodology

We conducted the audit from April 16, 2020, through July 1, 2020, for operations from July 1, 2018, through June 30, 2020. Our scope included a review of fund balances.

Audit Highlights

Existing Conditions

- There is no policy or procedure to document the maximum amount for fund balances, the amount and methodology that constitutes an emergency fund, nor a plan for the amount held in reserves. This increases the risk of fund balances being used for purposes not directly benefitting respective County Service Area taxpayers. It also implies an overcollection of funds through the special assessment taxes for services.

Improvement Opportunities

- Develop policies and procedures to address the maintenance of County Service Areas related fund balances, establish a methodology for determining the amount to constitute an emergency reserve, and a plan to substantiate the amount being held in reserves.

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to fund balances. Specifically, Riverside County Business and Community Services, County Service Areas should develop policies and procedures to address the maintenance of County Service Areas related fund balances.

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Fund Balances

Background

County Service Areas were established by *Senate Bill 1458* authorizing unincorporated areas of the county to form County Service Areas in order to receive specific extended governmental services they would not normally receive. These services can include: street lighting, landscape maintenance, street sweeping, road services, recreation, water and sewer, structural fire protection, drainage basin, national pollutant discharge elimination, and sheriff. Residents pay for the additional services in order to meet the diversity of local conditions, circumstances, and resources.

At the formation of a County Service Area, the amount of the special assessment tax is established by an engineer who estimates cost of service, in collaboration with Business and Community Services. This tax rate is agreed upon by Business and Community Services and the housing developer. When the home buyer agrees to purchase a home, they agree to pay the special assessment taxes. If the County Service Area has a price escalator in the formation agreement, the amount of the special assessment tax will increase annually the greater of two percent or consumer price index. Historically, Business and Community Services have not increased more than two percent.

The California Constitution, Article XIII C, *Voter Approval for Local Tax Levies* and California Constitution, Article XIII D, *Assessment and Property-Related Fee Reform* were added to the California Constitution on November 5, 1996, by initiative measure Proposition 218. Per Article XIII C, Section 1(e)(1), a tax is a "charge imposed for a specific benefit... granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government." Additionally, Article XIII D, Section 4(f) states the agency needs to be able to "demonstrate that the property or properties receive a special benefit over and above the benefits conferred on the public at large and that the amount of any contested assessment is proportional to, and no greater than, the benefits conferred on the property."

The special assessment tax impacts the operational fund balance of each County Service Area. Fund balance is the difference between the fund's assets and liabilities. Every fiscal year there is either an increase or decrease to the fund balance based on the difference in revenues and expenditures. If revenues exceed expenditures for that fiscal year the fund balance will increase, conversely if expenditures exceed revenues the fund balance will decrease.

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Objective

To verify the adequacy and effectiveness of internal controls over fund balances.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies, county ordinance, legislation, and applicable standards.
- Interviewed department management and staff.
- Analyzed financial information from fiscal year 2017 through 2020.
- Reviewed a sample of County Service Areas formation documents.
- Reviewed detailed support for expenditure and interfund transactions.

Finding 1: Fund Balance Maintenance

County Service Areas do not have a plan to determine the appropriate amount of funds being held in fund balance reserves. The amount held to cover anticipated expenditures, emergency funds, and future projects is not determined methodically, nor evaluated for reasonableness. County Service Area fund balance is comprised solely of taxpayer dollars, implying that the taxpayer's dollars are not directly correlated to the taxpayer's benefit.

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**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

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Internal Audit Report 2021-201: Riverside County Business and Community Services, County Service Areas Audit

Business and Community Services should document a plan for those funds to circumvent an unintentional buildup of reserves.

Additionally, Board of Supervisors Policy A-48, *Formation, Alteration, and Operation of County Service Areas*, states that each fund balance should be managed carefully to assure "adequate cash flow during the period between the beginning of the new fiscal year and the first installment receipt of special taxes and property taxes." The fund balance from the prior year is held to cover approximately six months of expenses in the next fiscal year. The receipt of taxes typically occurs in December and June. The fund balance currently being maintained by Business and Community Services is in excess of this amount, with the exception of the Admin County Service Area.

	Fund Balance as of June 30, 2017	Average six months of expenditures	Fund Balance as of June 30, 2018*	Approximately six months of expenditures	Fund Balance as of June 30, 2019	Approximately six months of expenditures
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Recommendation 1.1

Develop a methodology to determine appropriate cash flow amounts and emergency funds.

**Internal Audit Report 2021-201: Riverside County Business and Community Services,
County Service Areas Audit**

Management's Response

"Concur. CSA Administration sees the value in developing a policy to manage the appropriate level of funds necessary for standard operations as well as retaining an appropriate level of funding for effective operations in the event of an emergency."

Actual/estimated Date of Corrective Action: June 30, 2021

Recommendation 1.2

Develop and annually update a plan for the unassigned fund balance, based on the County Service Area's needs, emergency fund, and planned improvements.

Management's Response

"Concur. Unassigned fund balance that will carry over with each fiscal year will be included as part of the policy that will be developed to manage the appropriate level of funding and retention for emergencies. Included in the proposed policy will be a plan to improve the process for the issuing of purchase orders. Many of the CSAs with larger fund balances have developed these balances as a result of high value projects in process and unforeseen delays with purchase orders. CSA Admin will coordinate with County Purchasing to ensure CSA projects are executed timely."

Actual/estimated Date of Corrective Action: June 30, 2021



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Attachment B

DATE: June 21, 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 2024-304: Riverside County Office of Economic Development, County Service Area Follow-up Audit

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2021-201: Riverside County Business and Community Services, County Service Areas Audit.

6/22/23

Authorized Signature

Date

Finding 1: Fund Balance Maintenance

County Service Areas do not have a plan to determine the appropriate amount of funds being held in fund balance reserves. The amount held to cover anticipated expenditures, emergency funds, and future projects is not determined methodically, nor evaluated for reasonableness. County Service Area fund balance is comprised solely of taxpayer dollars, implying that the taxpayer's dollars are not directly correlated to the taxpayer's benefit.

The California Constitution, Article XIII D, *Assessment and Property-Related Fee Reform, Section 4(a)*, states that, "No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel." Furthermore, California Constitution, Article XIII D, *Assessment and Property-Related Fee Reform, Section (2)(b)(1)* states, "revenue derived from the fee or charge shall not exceed the funds required to provide the property related service." The County Service Area administration is not collecting the same amount in special assessment taxes that they are expending to the benefit of the taxpayers. This principle is further asserted by *Government Code §54985(a)* which states "a county board of supervisors shall have the authority to increase or decrease the fee or charge... in the amount reasonably

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necessary to recover the cost of providing any product or service... for which the fee or charge is levied." The amount of special assessment taxes collected is only intended to recover the costs of providing the County Service Area services. The difference in the amount being collected and the amount being expended has resulted in fund balances that increase annually without oversight. Without the analysis and determination of reasonable fund balances, the County Service Areas cannot know if the increase to the assessment is necessary.

We sampled 10 out of 60 County Service Areas (CSA).

CSA	Service Provided
CSA 084	Lighting
CSA 091	Lighting
CSA 121	Lighting, Drainage Basin
CSA 126	Landscaping, Parks and Recreation, Sheriff
CSA 134	Lighting, Landscaping, Parks and Recreation, Sheriff
CSA 143	Lighting, Landscaping, Parks and Recreation
CSA 145	Parks and Recreation
CSA 149	Roads
CSA 152	Street Sweeping
Admin CSA	General administration, fiscal support, overhead

From the fiscal year ending June 30, 2018, to June 30, 2020, the amount of tax revenue collected compared to the actual costs reported by the County Service Areas are as follows:

Collection of Special Assessment Taxes										
	CSA 084	CSA 091	CSA 121	CSA 126	CSA 134	CSA 143	CSA 145	CSA 149	CSA 152	Admin CSA
2017-18										
Revenues \$	169,139	156,932	103,239	1,038,122	1,532,811	2,514,207	14,576	420,923	3,951,866	2,227,233
Expenditures	43,195	106,445	90,037	718,828	1,590,799	2,707,951	-	453,333	4,735,394	2,390,953
Variance \$	125,945	50,487	13,202	319,294	(57,988)	(193,743)	14,576	(32,410)	(783,528)	(163,720)
2018-19										
Revenues \$	176,064	177,728	117,207	2,611,702	2,081,628	2,740,763	44,994	444,748	4,933,694	3,204,845
Expenditures	37,298	96,829	59,103	1,167,100	1,954,672	3,074,688	-	782,511	5,173,255	2,413,667
Variance \$	138,766	80,900	58,104	1,444,602	126,956	(333,925)	44,994	(337,763)	(239,561)	791,177
2019-20*										
Revenues \$	176,593	154,868	101,191	2,538,603	2,133,642	3,254,325	16,136	587,922	4,603,506	3,091,046
Expenditures	53,093	93,556	53,414	1,204,856	1,507,020	2,858,256	-	653,415	4,424,399	2,151,384
Variance \$	123,500	61,312	47,777	1,333,747	626,622	396,069	16,136	(65,494)	179,107	939,662

*This data is run as of June 30, 2020 on July 1, 2020 and is not inclusive of all accruals or year journal entries

The collection of special assessment taxes indicates that the amount being collected does not accurately reflect the cost of the services being provided. This inequitable collection of the special assessment taxes has a fixed impact on the fund balance reserves, typically increasing the balances. While high reserves are not inherently prejudicial, Business and Community Services should document a plan for those funds to circumvent an unintentional buildup of reserves.



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Additionally, Board of Supervisors Policy A-48, *Formation, Alteration, and Operation of County Service Areas*, states that each fund balance should be managed carefully to assure “adequate cash flow during the period between the beginning of the new fiscal year and the first installment receipt of special taxes and property taxes.” The fund balance from the prior year is held to cover approximately six months of expenses in the next fiscal year. The receipt of taxes typically occurs in December and June.

The fund balance currently being maintained by Business and Community Services is in excess of this amount, with the exception of the Admin County Service Area.

	Fund Balance as of June 30, 2017	Average six months of expenditures	Fund Balance as of June 30, 2018*	Approximately six months of expenditures	Fund Balance as of June 30, 2019	Approximately six months of expenditures
CSA 084	\$ 678,709	\$ 21,597	\$ 707,174	\$ 18,649	\$ 833,118	\$ 26,546
CSA 091	811,034	53,222	854,825	48,414	905,312	46,778
CSA 121	583,798	45,018	623,309	29,552	636,511	26,707
CSA 126	846,100	359,414	1,216,578	583,550	1,535,872	602,428
CSA 134	682,549	795,400	701,851	977,336	643,863	753,510
CSA 143	3,093,560	1,353,975	2,924,047	1,537,344	2,730,304	1,429,128
CSA 145	1,451,027	-	1,459,025	-	1,473,601	-
CSA 149	1,237,260	226,666	1,339,096	391,256	1,306,686	326,708
CSA 152	12,713,282	2,367,697	12,937,372	2,586,627	12,153,844	2,212,200
Admin CSA	618,410	1,195,477	826,316	1,206,834	662,596	1,075,692

* The change in fund balance over the prior year may not be consistent with variances reported in this report due to entries made directly to fund balance.

In the event of an emergency there is no recourse for the County Service Areas to pay for emergency repairs or services, if the funds are not available in the reserves. The amount held in reserves for emergency funds should be based on a reasonable methodology, in addition to any amounts being held in reserves for future long term, or financially significant projects being held in amounts that are both, reasonable and estimable. These plans should annually document the appropriation or reduction of County Service Area fund balances in conformity with long term plans, specific to the individual County Service Areas goals.

Current Status

Reported Finding Corrected? Yes No

Staff contracted with consultant in July of 2022 to assist with the tax roll assessments and engineering reports needed for new finance district developments. CSA Admin is working with the contractor on fund balance level efforts.

Recommendation 1.1

Develop a methodology to determine appropriate cash flow amounts and emergency funds.



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Management Reply

“Concur. CSA Administration sees the value in developing a policy to manage the appropriate level of funds necessary for standard operations as well as retaining an appropriate level of funding for effective operations in the event of an emergency.”

Actual/estimated Date of Corrective Action: **November, 1, 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 is currently developing a policy that incorporates service levels, asset management, and capital improvement plans into a methodology for determining appropriate fund balance levels for each district.

Recommendation 1.2

Develop and annually update a plan for the unassigned fund balance, based on the County Service Area’s needs, emergency fund, and planned improvements.

Management Reply

“Concur. Unassigned fund balance that will carry over with each fiscal year will be included as part of the policy that will be developed to manage the appropriate level of funding and retention for emergencies. Included in the proposed policy will be a plan to improve the process for the issuing of purchase orders. Many of the CSAs with larger fund balances have developed these balances as a result of high value projects in process and unforeseen delays with purchase orders. CSA Admin will coordinate with County Purchasing to ensure CSA projects are executed timely.”

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Staff is currently developing a policy that incorporates service levels, asset management, and capital improvement plans into a methodology for determining appropriate fund balance levels for each district. This policy will guide the use of carry over fund balances.

Thank you for submitting your request to speak. The Clerk of the Board office has received your request and will be prepared to allow you to speak when your item is called. To attend the meeting, please call (669) 900-6833 and use **Meeting ID # 864 4411 6015 . Password is 20231031**. You will be muted until your item is pulled and your name is called. Please dial in at 9:00 am with the phone number you provided in the form so you can be identified during the meeting.

Submitted on October 30, 2023

Submitted values are:

First Name

B

Last Name

Anderson

Address (Street, City and Zip)

N/A

Phone

7602192615

Email

ba4612442@gmail.com

Agenda Date

10/31/2023

Agenda Item # or Public Comment

2.11

State your position below

Oppose

Comments

Oppose the "Emergency Management Department" (EMD) from direct access or control over a critical professional field such as life saving transportation.

Any new Ordinances (#756.1) to replace others for the pupose of (EMD) taking control from other entities should be stopped.

(EMD) has lost many community members support/trust in regards to EMD declaring a "False" LOCAL State of Emergency to their allegation of saving lifes.