

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



**ITEM: 2.11
(ID # 24741)**

MEETING DATE:
Tuesday, April 30, 2024

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-005: Regional Park and Open Space District Audit

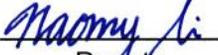
ACTION:Consent

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, 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: April 30, 2024
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: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Regional Park and Open Space District to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, reservation management, revenue recognition, contract monitoring, and grant compliance.

BACKGROUND:

Based on the results of our audit, internal controls over contract monitoring and grant compliance are functioning as designed to help Parks achieve its business process objectives. However, we identified improvement opportunities for internal controls over capital assets, reservation management, and revenue recognition that can help ensure department objectives relating to these areas are achieved. Specifically, the department can enhance the monitoring and tracking of capital assets, improve oversight of the department’s reservation management system and modifications to reservation fees, and improve the system’s reporting features to differentiate between outstanding customer payments and incomplete or unconfirmed reservations.

We will follow-up in one year to determine if actions were taken to correct the findings noted.

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’s Office - Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Recommendations

0	Priority Level 1 High Risk
7	Priority Level 2 Medium Risk
0	Priority Level 3 Low Risk

* Please refer to Appendix A for a classification of the priority levels.

Internal Audit Report

2024-005

Riverside County Regional Park and
Open Space District Audit

April 30, 2024



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

Ben J. Benoit, Auditor-Controller
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



April 30, 2024

Kyla Brown
Parks Director/General Manager
Riverside County Regional Park and Open Space District
4600 Crestmore Rd.
Riverside, CA 92509

Subject: Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Dear Ms. Brown:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Regional Park and Open Space District to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, reservation management, revenue recognition, contract monitoring, and grant compliance.

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 2024-005: Riverside County Regional Park and Open Space District 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.

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 2024-005: Riverside County Regional Park and Open Space District Audit

Table of Contents

	Page
Executive Summary.....	4
 Results:	
Capital Assets.....	6
Reservation Management.....	10
Revenue Recognition	13
Contract Monitoring	15
Grant Compliance	17
 Appendix A: Finding Priority Level Classification.....	 19



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Executive Summary

Overview

The Riverside County Regional Park and Open Space District (Parks) features more than 100,000 acres and includes camping parks, historic sites, nature centers, ecological reserves, and trails. Parks is accredited by the National Recreation and Park Association for demonstrating standards of ethical and professional practices in the delivery of park and recreation programs.

Parks provides community members and those visiting the County of Riverside access to outdoor spaces for camping, fishing, hiking, and other additional recreational activities. Visitors can also learn about the natural environment and about historical and cultural resources.

Parks has an adopted budget of \$40.6 million for FY 2023-24 and 118 adopted positions. *County of Riverside, Fiscal Year 2023-24 Adopted Budget Volume 1, 318-321.*

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 capital assets, reservation management, revenue recognition, contract monitoring, and grant compliance. 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 HIGHLIGHTS

- Tracking and monitoring of capital assets can be implemented to safeguard the department assets.
- Restrictions on the reservation management system access roles to regulate the modification of reservation fees and prevent unauthorized changes can be implemented to strengthen the overall reservation and revenue collection process.
- The reservation management system needs the ability to differentiate between outstanding payments and incomplete reservations.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Audit Scope and Methodology

We conducted the audit from August 18, 2023, through January 4, 2024, for operations from July 1, 2021, through December 27, 2023. Using a risk-based approach, our scope included the following:

- Capital Assets
- Reservation Management
- Revenue Recognition
- Contract Monitoring
- Grant Compliance

Audit Conclusion

Based on the results of our audit, internal controls over contract monitoring and grant compliance are functioning as designed to help Parks achieve its business process objectives. However, we identified improvement opportunities for internal controls over capital assets, reservation management, and revenue recognition that can help ensure department objectives relating to these areas are achieved. Specifically, the department can enhance the monitoring and tracking of capital assets, improve oversight of the department's reservation management system and modifications to reservation fees, and improve the system's reporting features to differentiate between outstanding customer payments and incomplete or unconfirmed reservations.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Capital Assets

Background

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

As of September 9, 2023, Parks maintained 349 capital assets in the Riverside County financial system's asset management module, consisting of structures, vehicles, field equipment, fixed equipment, office equipment, leased equipment, and software, with the combined acquisition cost of \$67 million.

Objective

To verify the existence and adequacy of internal controls over the managing and safeguarding of capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Auditor-Controller's Office Standard Practice Manual 513 and 514.
- Conducted interviews with department management and staff.
- Obtained a listing of capital assets tracked in the Riverside County financial system.
- Selected a random sample of capital assets and verified whether the assets existed and the assets were accurately recorded.
- Identified additional capital assets during review and traced them to the Riverside County financial system.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Finding 1: Managing and Safeguarding of Capital Assets

Priority Level: 2¹

Standard Practice Manual 513, *Asset Tags*, states, “all purchased capital equipment for use by the County shall be assigned a county property asset tag number.” Also, Standard Practice Manual 514, *Disposal of Capital Asset*, states, “capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing and Fleet Services Department for disposal.” Standard Practice Manual 517, Form AM-6, *Capital Asset Transfer*, states, “in the event of an asset is to be moved from one location to another, or from one department to another, a form AM 6 must be completed.” Lastly, Standard Practice Manual 510, *Construction-In-Progress*, states, “upon completion of the projects, the related costs that have accumulated in the CIP account as a transfer in (increase) to the appropriate asset category, e.g., Buildings, and a transfer out (decrease) from CIP then depreciation will commence.”

Of the 33 capital assets randomly selected for testing, we identified the following:

- Ten capital assets (30%) were either not assigned asset tags or asset tags were missing due to the age of the assets. Documentation to request replacement asset tags was not submitted.
- Eight capital assets (27%) were no longer in use and should have been surplus in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.
- One capital asset (3%) could not be located at the time fieldwork was conducted.
- One capital asset (3%) was at a location different than the one indicated in the Riverside County financial system as the asset is being used by a different department. Proper documentation to transfer the asset timely was not completed and submitted to officially complete the transfer.
- One capital asset (3%) was in use but was not identified in the Riverside County financial system as it was commingled with costs associated with a finished construction-in-progress project. Upon completion of the construction-in-progress (CIP) project, all costs associated with the finished project were capitalized as one entire asset, which included the individual asset mentioned. Also, Standard Practice Manual 510, *Construction-In-Progress*, states, “construction-in-Progress must be recorded in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) Statements.”

The cause of the respective finding is to be mitigated by further aligning with the department's established policies and procedures. Not consistently tracking and monitoring capital assets,

¹ Please see Appendix A (page 19) for a description of the finding priority level classifications.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

prevents accurate financial reporting, can enable unauthorized access, utilization, or disposal of assets, and hinders compliance with GAAP and GASB.

Recommendation 1.1

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

Management's Response:

“**Concur.** The district's finance unit is currently working closely with the Auditor Controller's Office (ACO) Capital Assets team to request replacement asset tags for the assets identified. The District already received and issued some of the replacement tags requested from ACO.”

Actual/Estimated Date of Corrective Action: June 30, 2024

Recommendation 1.2

Ensure capital assets that are no longer in use are surplused in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

Management's Response:

“**Concur.** The District Finance team is in process of surplusing the assets identified during the audit visit.”

Actual/Estimated Date of Corrective Action: December 30, 2024

Recommendation 1.3

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

Management's Response:

“**Concur.** Our District Finance team is currently reviewing all capital assets to make sure locations are updated accordingly.”

Actual/Estimated Date of Corrective Action: June 30, 2024



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Recommendation 1.4

Ensure that capital assets are properly recorded in the Riverside County financial system after the completion of a construction-in-progress project.

Management's Response:

“**Concur.** District Finance team will ensure the asset types are appropriately recorded once a construction-in-progress project is completed as specified in Standard Practice Manual 510.”

Actual/Estimated Date of Corrective Action: June 30, 2024



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Reservation Management

Background

Parks utilizes a reservation management system which serves as a central hub for reservations and other services. Reservation fees vary based on dates and events. Parks employees are required to make manual adjustments, ensuring accurate and up-to-date fee structures. The reservation management system divides access roles into four levels: cashier (kiosk), supervisor, manager, and administrative roles.

Volunteers are an essential part of the Parks workforce and help the department meet critical operational objectives. The use of volunteers minimizes operational costs and allows Parks to offer services to guests at affordable rates. Volunteers have various responsibilities at the kiosk level, such as managing park and cabin reservations, collecting fees, and granting discounts to guests.

Objective

To verify the existence and adequacy of internal controls over reservation management.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department procedures over the reservation processes.
- Conducted interviews with department management, staff, and volunteers.
- Obtained a list of customer complaints and verified whether they were resolved.
- Obtained access to the department's reservation management system and reviewed activities and related transactions.
- Conducted a site visit to Parks campsites and cabins and reconciled reservations in the system with the actual on-site occupancy.
- Observed reservation check-in and check-out processes.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Finding 2: Reservation Fee Modifications

Priority Level: 2²

Standard Practice Manual 1001, *Internal Control*, states that, “transactions should be authorized by a person assigned approval authority.” Additionally, Standard Practice Manual 1001, *Internal Control*, states, “duties are divided or segregated so that no one person has complete control over a key function or activity.”

The department’s reservation management system enables Parks staff and volunteers at the kiosk level to modify reservation fees without management approval. Access rights at the kiosk level do not have restrictions in place for changing reservation fees. Additionally, the department does not have a process in place to monitor and review manual adjustments made to reservation fees. These current operational practices can result in unauthorized fee changes, difficulties in promptly identifying and rectifying discrepancies or errors, and can impact financial and non-financial reporting.

Recommendation 2.1

Implement restrictions on kiosk level access rights to prevent unauthorized changes to reservation fees.

Management’s Response:

“**Concur.** The District’s reservation processing fees apply exclusively to online reservations or those made through our guest services call center. Unfortunately, our newly implemented point-of-sale (POS) system lacks the ability to differentiate where the sale occurs. Consequently, we’ve granted modification access to our park attendants and kiosk-operating volunteers, allowing them to waive reservation processing fees for walk-in customers. In addition, a discounted rate is applied if a customer reserves a week or month, versus less than one week. The POS system lacks the ability to apply a discounted rate based on the number of days reserved, thus the discount must be manually applied.

The POS system includes audit trail capabilities, meticulously tracking all transactions, including modifications. To this end, the finance staff and POS vendor collaborated on a weekly activity report detailing all staff-performed modifications. Park supervisors are expected to review this report regularly and provide a signed acknowledgment to the finance unit. In addition, the District is in the process of reviewing and updating fees and will seek to reduce the number of fee modifications required.”

² Please see Appendix A (page 19) for a description of the finding priority level classifications.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Actual/Estimated Date of Corrective Action:

- April 1, 2024 (activity report review); and
- August 1, 2024 (fee schedule revisions)

Recommendation 2.2

Develop a process to ensure reservation fee adjustments are reviewed and approved by management.

Management's Response:

“Concur. Same response as Recommendation 2.1.”

Actual/Estimated Date of Corrective Action: April 1, 2024



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Revenue Recognition

Background

Parks provides community members and those visiting the County of Riverside access to outdoor spaces for camping, fishing, hiking, and other additional recreational activities. In addition to annual property tax income, the revenue generated by the department includes park admissions, facility rentals, special events, and other related services. Parks routinely accepts advances for events, such as weddings or holiday campsite bookings, where customers are offered the flexibility to make incremental payments due to the potentially high cost involved. For sales related to these services, the department utilizes their reservation management system to manage bookings and to record transactions as a point-of-sale system. The system has a module that allows the department to track and monitor outstanding customer payments once a reservation has been initiated. Guests can cancel reservations and receive refunds up to 48 hours before the reservation date.

Objective

To verify the existence and adequacy of internal controls over revenue recognition.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over the recognition of revenue for reservation activities.
- Conducted interviews with department management and staff.
- Obtained a list of revenue transactions and randomly selected a sample of treasury cash receipts for testing.
- Obtained and reviewed department accruals and year-end closing transactions.
- Using the department's reservation management system, extracted invoices and performed a review of balances.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Finding 3: Tracking of Outstanding Customer Payments

Priority Level: 2³

Standard Practice Manual 1001, *Internal Control*, states, “records are routinely examined and reconciled to determine that transactions were properly processed.”

The department’s reservation management system lacks the ability to differentiate between outstanding customer payments and incomplete or unconfirmed reservations. If a reservation was initiated but never processed or finalized, the fee associated with the reservation is included in the department’s outstanding payments module despite the reservation not actually occurring. Additionally, the reservation management system is unable to automatically remove the incomplete reservations, requiring manual intervention by Parks staff for deletion. A process of reviewing and deleting incomplete reservations is currently not in place. Allowing incomplete reservations to remain open and not separating them from actual outstanding customer payments overstates the department’s accounts receivable balance. This overstatement of accounts receivable leads to inaccuracies in the financial records, as it becomes challenging to differentiate between actual revenue generated from completed reservations and the outstanding balances from incomplete reservations.

Recommendation 3

Develop a process at the park kiosk level that requires supervisors or managers to review and clear all incomplete reservation activities.

Management’s Response:

“**Concur.** District staff and POS vendor are working on a report to provide incomplete reservation activities to park supervisors. Once developed, the District expects that these are reviewed and cleared on a weekly basis and a signed report be provided to acknowledge the review. The signed acknowledgement will be submitted to the finance unit each week.”

Actual/Estimated Date of Corrective Action: May 30, 2024

³ Please see Appendix A (page 19) for a description of the finding priority level classifications.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Contract Monitoring

Background

The Riverside County *Purchasing Policy Manual (2021)* defines a contract as “an agreement or purchase order for the purchase or disposal of commodities or services.” The *Purchasing Policy Manual* further states, “purchase contracts shall be entered into only after it has been determined that prices to be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration” which includes “price reasonableness [which] can be established through [competitive bidding and] supported [through a] ... cost analysis.” The terms and conditions of county contracts identify the rights and responsibilities of the parties involved. Terms and conditions include, but are not limited to the following: payment, penalties, record retention, confidentiality, scope of services, and inspection of services.

Contract monitoring is a key process in ensuring compliance with a contract’s established terms and conditions and requires an understanding of the scope of work. Departments can promote contract compliance through validation of satisfactory work performance, ensuring timely performance of contracted work, maintaining adequate documentation, and proper review and approval of invoices prior to payment to a contractor.

Objective

To verify the existence and adequacy of internal controls over contract monitoring.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over contract monitoring.
- Conducted interviews with department management and staff to gain an understanding of the processes over monitoring contractors.
- Obtained a listing of all contracts associated with Parks during the audit review period.
- Randomly selected a sample of contracts and vouchers to determine whether the invoices were processed timely, had proper approvals, items were fully supported, and the scope of work was compliant with the contract agreements.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Finding: None Noted

Based on the results of our audit, we determined that internal controls over contract monitoring provide reasonable assurance that its objective related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Grant Compliance

Background

Parks receives over \$17 million in funding from federal and state agencies for the purpose of improving the quality of life for the County of Riverside citizens, enhance county attractiveness, vibrancy, and resident engagement. Grant funding was also used to promote positive park use with ranger patrol and a park reservation system that makes the various parks accessible to all through camping, events, and day use.

Parks assigns project IDs to each program and records expenditures based on the respective program. Parks is required to submit claims to state and local agencies for reimbursement. Requirements for grant funding include maintaining allowable expenditure documentation, accurate financial records, and providing supportable claims to be submitted for reimbursement.

Objective

To verify the existence and adequacy of internal controls over grant compliance.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over grant compliance.
- Interviewed key personnel regarding the department's grant compliance process.
- Obtained a listing of all active and inactive grants awarded to the department during the audit review period. Selected a random sample of grants awarded to the department and obtained all relevant grant agreements.
- Obtained a listing of all expenditures claimed for the selected grants. Selected a random sample of grant expenditures for review and verified whether expenditures or services provided were allowed, reported timely, reviewed, accurate, and had sufficient supporting documentation.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Finding: None Noted

Based on the results of our audit, we determined that internal controls over grant compliance provide reasonable assurance that its objective related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.



Internal Audit Report 2024-005: Riverside County Regional Park and Open Space District Audit

Appendix A: Finding Priority Level Classification

Priority Level 1	Priority Level 2	Priority Level 3
<p>These are audit findings that represent the most critical issues that require immediate attention and pose a significant risk to the department’s objectives, compliance, security, financial health, or reputation. They may indicate serious control failures, non-compliance with laws or regulations, significant financial errors, or vulnerabilities with severe potential impact. Immediate corrective measures are necessary to mitigate the risks associated with these findings.</p>	<p>These are audit findings that are important and require timely resolution, but their impact is not as severe as Priority Level 1. They may highlight moderate control weaknesses, areas of non-compliance with internal policies and procedures, or financial discrepancies that are significant but are not critical. While they might not pose an immediate threat, they should be addressed promptly to prevent further escalation or potential negative consequences.</p>	<p>These are audit findings that are less critical and generally have a lower impact on the department’s objectives, compliance, or operations. They may include minor control deficiencies, procedural deviations with minimal impact, or non-critical administrative errors. While they may not require immediate attention, they should still be acknowledged and addressed within a reasonable timeframe to ensure ongoing improvement and prevent potential accumulation of minor issues.</p>
<p><u>Expected Implementation Date of Recommendation*</u> One to three months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Three to six months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Six to twelve months</p>

* Expected completion to implement recommendation date begins after issuance of final audit report.