

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



ITEM: 2.9  
(ID # 25228)

MEETING DATE:  
Tuesday, June 11, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

ACTION: Consent

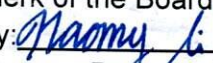
  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 6/3/2024

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MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Gutierrez, seconded by Supervisor Jeffries 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: June 11, 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**

| <b>FINANCIAL DATA</b>       | <b>Current Fiscal Year:</b> | <b>Next Fiscal Year:</b> | <b>Total Cost:</b>        | <b>Ongoing Cost</b> |
|-----------------------------|-----------------------------|--------------------------|---------------------------|---------------------|
| <b>COST</b>                 | \$ 0.0                      | \$ 0.0                   | \$ 0.0                    | \$ 0.0              |
| <b>NET COUNTY COST</b>      | \$ 0.0                      | \$ 0.0                   | \$ 0.0                    | \$ 0.0              |
| <b>SOURCE OF FUNDS: N/A</b> |                             |                          | <b>Budget Adjustment:</b> | No                  |
|                             |                             |                          | <b>For Fiscal Year:</b>   | N/A                 |

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

**BACKGROUND:**

**Summary**

In accordance with Board of Supervisors Resolution 83-338, we audited the Transportation and Land Management Agency, Planning Department. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over bank account management, contract and supplier management, and zoning change process.

Based on the results of our audit, we have identified improvement opportunities for internal controls over bank account management, contact and supplier management, and zoning change process that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, the department's process over bank account reconciliation does not have written policies and procedures, missing formal evidence of review, and contains long outstanding variances. Additionally, contract monitoring controls needs improvement in the validation of invoices. Lastly, the zoning change process does not have written formal policies and procedures to ensure consistency and compliance.

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 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit



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

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**Number of  
Recommendations**

**4** Priority Level 1  
High Risk

**1** 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

**2024-010**

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

June 11, 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, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
951-955-3800



June 11, 2024

Charissa Leach  
Assistant County Executive Officer  
Riverside County Transportation and Land Management Agency, Planning Department  
4080 Lemon Street, 14<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit**

Dear Ms. Leach:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Transportation and Land Management Agency, Planning Department to provide management and the Board of Supervisors with an independent assessment of internal controls over bank account management, contract and supplier management, and zoning change process.

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 2024-010: 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.

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 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit**

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# Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

## Executive Summary

### Overview

The Riverside County Transportation and Land Management Agency (TLMA), Planning Department (Planning) reviews land use applications including zoning changes, plot plans, and conditional use permits for business operations, tract and parcel maps for residential, commercial, and industrial projects.

Planning has an adopted budget of \$9.6 million for FY2023-24 and 33 authorized positions. County of Riverside, Fiscal Year 2023-24, Adopted Budget, Volume 1, 345-346.

### 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 bank account management, contract and supplier management, and the zoning change process. 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 October 31, 2023, through March 15, 2024, for operations from July 1, 2021, through December 31, 2023. Following a risk-based approach, our scope included the following:

- Bank account management
- Contract and supplier management
- Zoning change process

## AUDIT HIGHLIGHTS

- Bank account reconciliation process does not have policies and procedures, no formal evidence of review, and contain long outstanding variances.
- Contract Monitoring controls needs improvement in validation of Invoices.
- Zoning changes does not have written formal operation procedure to ensure consistency and compliance.



## **Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit**

### **Audit Conclusion**

Based on the results of our audit, we have identified improvement opportunities for internal controls over bank account management, contact and supplier management, and zoning change process that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, the department's process over bank account reconciliation does not have written policies and procedures, missing formal evidence of review, and contains long outstanding variances. Additionally, contract monitoring controls needs improvement in the validation of invoices. Lastly, the zoning change process does not have written formal policies and procedures to ensure consistency and compliance.





## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

### Bank Account Management

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#### Background

Planning holds one bank account outside of the Riverside County Treasurer-Tax Collector. The account is shared between all the divisions of the TLMA. County bank accounts held outside the county Treasurer are used for managing specific department financial activities which require tracking and frequent follow-up of customer collections. TLMA has one bank account outside the treasurer which was opened in 2008 as a Treasurer Issued Revolving Fund which was converted to a Zero Balance Account in 2023. Interest is earned by county treasurer for the balance of fund in that account. TLMA agency-wide bank account was included in our Planning audit to verify the adequacy and existence of internal controls in place.

Approval from the Auditor-Controller's Office and the Treasurer-Tax Collector's Office is required before any external account can be established. This ensures that accounts are opened only when necessary and with appropriate oversight, promoting responsible financial management. Ongoing monitoring and annual reporting are key practices for these accounts, helping to ensure their operations remain transparent and accountable. Security measures are also in place to safeguard account access and maintain the integrity of the transactions. The primary risks associated with these accounts include non-compliance with county policies, and lack of treasurer oversight. Regular audits and compliance checks help ensure that the management of these accounts aligns with county regulations and supports the county's financial health.

#### Objective

To verify the existence and adequacy of controls over the TLMA bank account held outside of the Treasury.

#### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of departmental processes and procedures over bank account management and bank reconciliations.
- Interviewed key personnel and obtained an overview of bank account management and bank reconciliation processes.
- Obtained a listing of all bank accounts maintained by Planning and reviewed transactions to ensure effective internal controls, such as reconciliations, segregation of duties and monitoring.



## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

- Analyzed the review, approval, and reconciliation process for the sample selected.
- Obtained a sample of monthly reconciliations and reviewed internal control such as timely resolution of discrepancies, review and approval.
- Obtained the organizational chart and verified the appropriateness of the delegation of authority and segregation of duties.

### Finding 1: Bank Account Management

Priority Level: 1<sup>1</sup>

Standard Practice Manual 607, *To Establish and Maintain Checking Accounts Outside the County Treasury*, states that the assigned trustor of bank accounts must, “ensure compliance with the policies and procedures, timely reconciliations of bank accounts, adequate segregation of duties regarding the administration of the account, monitoring the continued need or appropriate structure for such accounts, and determining other oversight requirements as appropriate”. Standard Practice Manual 1004, *Internal Control*, states, Internal controls ensure “accuracy, reliability and timeliness of financial records and reports.” Standard Practice Manual 1004, further states, “Duties are divided or segregated so that no one person has complete control over a key function or activity. Records are routinely examined and reconciled to determine that transaction were properly processed. Well-documented policies and procedures are established and maintained to promote employee understanding of job duties, provide day-to day guidance to staff and help ensure continuity during employee absence or turnover.”

Based on our review of the 5 bank reconciliation selected for testing, we identified the following:

- 5 reconciliations were not evidenced with the date and signature from a reviewer. As such, there is no evidence that reconciliation reviews are being performed.
- The 5 reconciliations reviewed contained a total of \$73,703 in variances which were not adequately described in the bank reconciliations to identify the source.
- The June 2023 reconciliation indicated 20 variances spanning as far back as July 2021 with a total of \$12,483. Although the variances were resolved by July 2023, the extended duration before resolution highlights a need for more efficient and timely resolution procedures.

High transaction volumes, staff shortages, and the absence of formal written policies and procedures led to the bank statement variances and inconsistent review and approval of bank reconciliations. Insufficient formal review and approval evidence can obstruct accountability and

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<sup>1</sup> Please see Appendix A (page 15) for a description of the finding priority level classifications



## **Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit**

lead to unresolved variances in bank reconciliations, potentially resulting in losses. Additionally, this absence can encourage accepting unexplained discrepancies without resolution efforts.

### **Recommendation 1.1**

Develop formal written policies and procedures to ensure bank reconciliation process is performed consistently and timely with adequate review and formal approval evidence.

### **Management's Response**

“**Concur.** Although, the reconciliations were not formally signed off, they have always been reviewed by the supervisor. We have experienced some delays due to staff shortages in recent years. With reassignment of responsibilities, discrepancies are now listed with a description, date and are documented in the bank reconciliation spreadsheet. Given the shift in the bank reconciliation process from monthly to daily clearing of the Treasurer Cash Receipts (TCRs), reconciliation of TCRs is now performed daily. However, the bank reconciliation itself remains a monthly task, complete with preparation, review, and date fields. Following approval by the reviewer, we save the reconciliation as a PDF along with the reviewer's sign off.”

**Actual/estimated Date of Corrective Action:** January 2024

### **Recommendation 1.2**

Develop a process to ensure all variances in bank reconciliation are listed with an accurate description and resolved timely.

### **Management's Response**

“**Concur.** We are currently conducting daily reconciliation between the TCR and bank deposits, ensuring that any discrepancies are promptly identified and resolved.”

**Actual/estimated Date of Corrective Action:** January 2024



## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

### Contract and Supplier Management

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#### Background

The Riverside County, Purchasing Policy Manual (2016), 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 be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration.” Price reasonableness is established through competitive bidding and supported 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 established terms and conditions. This process is crucial in maintaining effective partnerships, ensuring quality services, and achieving optimal value from supplier relationships. Contract monitoring consists of understanding the terms and conditions and 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 Planning’s contract and supplier management.

#### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over contract management.
- Interviewed key personnel and reviewed department procedures over process to monitor service contractors.
- Obtained a listing of all suppliers during the audit review period and judgmentally selected a sample of suppliers for review.



## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

- Reviewed supplier insurance coverage and independence.
- Reviewed invoices from supplier and supporting documentation for adequacy.
- Verified completeness, accuracy, and adequate managerial review of documentation.
- Examined contract agreements to ensure compliance with terms and conditions.
- Verified invoices matched with purchase orders and were properly recorded.
- Verified the services performed are adequately monitored.
- Reviewed segregation of duties over purchase order and invoice processing.

### Finding 2: Contract Compliance

Priority Level: 1<sup>2</sup>

Standard Practice Manual 1001, *Internal Control*, states, “Records are routinely examined and reconciled to determine that transactions were properly processed,” and further emphasizes, the need for “Ensuring accuracy, reliability and timeliness of financial records and reports” as methods of internal control.

Of the 32 invoices randomly selected for testing, we identified the following:

- One voucher was incorrectly linked to a non-associated contract, increasing the potential impairment of contract expenditure tracking accuracy.
- Six invoices did not comply with the pricing of its respective contract.
- Four invoices utilizing subcontractors did not have prior written authorization per the contract requirements.

Non-compliance with contract provisions was attributed to high employee turnover, lack of training, and large volume of invoices. Insufficient review of invoices increases the risk of financial loss, contract non-compliance, and inefficient use of public funds.

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<sup>2</sup> Please see Appendix (page 15) for a description of the finding priority level classification



## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

### Recommendation 2.1

Develop a process to ensure invoices are reviewed before payment for accuracy, correct contract terms and applicable rate.

### Management's Response

“**Concur.** TLMA fiscal management has initiated a formal written procedure to enhance the monitoring of active contracts. This involves compiling details such as the contract biller title, billing rate, terms, contract amount, subcontractor name, where applicable. The department usually allows the primary contractor to sub out work, as needed, when they don't specialize in certain areas. The primary contractor gets the approval from Planning Director before proceeding with the sub. In the above instance, it was approved verbally.”

**Actual/estimated Date of Corrective Action:** May 2024

### Recommendation 2.2

Ensure that the department obtains prior written approval from the County of Riverside before permitting contractors to engage subcontractors for any work or services under contracted agreements.

### Management's Response

“**Concur.** With the procedure initiated by TLMA fiscal management., TLMA will catch incorrect billing and will be able to notify the Planning Director if a subcontract is not listed on the original contractor agreement, should it have been overlooked during the review process.

**Actual/estimated Date of Corrective Action:** May 2024



## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

### Zoning Change Process

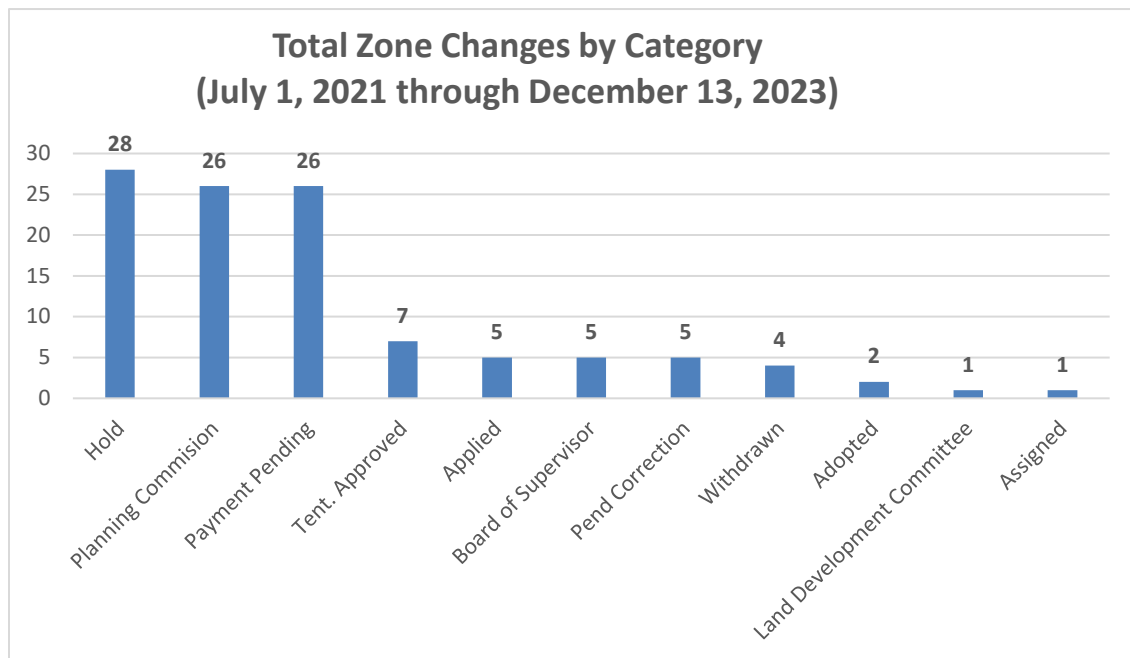
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#### Background

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. There are two categories of zone changes: physical land use change ordinance and text change ordinance. The application process includes the application submittal intake, review, applicable studies, determination, closeout filing, and public hearing.

Every case is assigned a unique identity, and the application is transmitted to the relevant departments and agencies (Transportation, County Counsel, Fire, Flood Control, Environmental Health) for review and comments. Planning staff then conduct assessments and organize meetings with the Development Advisory Committee, which includes representatives from these departments and the applicant, to address concerns and discuss the project's regulatory requirements.

During the audit period of July 1, 2021, through December 13, 2023, Planning had a total of 110 active zoning changes. The chart below illustrates 110 zoning changes with various status during the audit period.





## Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit

### Objective

To verify the existence and adequacy of internal controls over Planning's zoning change process.

### Audit Methodology

To accomplish these objectives, we:

- Obtained and documented all relevant policies and procedures related to the zoning change process.
- Interviewed TLMA Planning management and personnel to gain an overview of the zoning change process.
- Obtained the list of applicable classifications for projects and priority processing guidelines.
- Obtained a listing of zoning change applications and analyzed classification, priority levels, turnaround time.
- Obtained a copy of the organizational chart and the Segregation of Duties (SOD) matrix, then observed the appropriateness of the delegation and segregation of authority.

### Finding 3: Zone Change Process

Priority Level:2<sup>3</sup>

Standard Practice Manual 1004, *Internal Control*, states, internal control ensure “accuracy, reliability and timeliness of financial records and reports, promoting effectiveness and efficiency of operations.” Standard Practice Manual 1004, further states, “Well-documented policies and procedures are established and maintained to promoted employee understanding of job duties, provide day-to day guidance to staff and help ensure continuity during employee absence or turnover.”

Planning does not have formalized policies and procedures for processing zoning changes. The department is actively drafting the zoning change process. While this draft serves as an initial framework, it currently lacks detailed operational guidelines for day-to-day activities. Planning can consider incorporating detailed role responsibilities, step-by-step instructions, performance metrics, specified training requirements, a document control system, and regular review and update mechanisms to enhance the clarity, effectiveness, and compliance of the zoning change policies and procedures. Due to absence of policies and procedures, qualitative measures and quantitative measures are not defined to address the efficiency and effectiveness of zone change

<sup>3</sup> Please see Appendix A (page 15) for a description of the finding priority level classifications.





## **Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department Audit**

process, which could lead to the inconsistency, inefficiency, non-compliance of applicable laws and legal ramification.

### **Recommendation 3**

Develop and implement detailed policies and procedures for zoning change processes, ensuring they include clear guidelines and responsibilities. Additionally, these should be regularly reviewed and updated to maintain relevance and effectiveness, with staff training to support proper implementation.

### **Management's Response**

**"Concur.** The department concurs with the assessment and intends to have the formal Change of Zone process resolved before end of this year, including a workflow / process document for zone changes."

**Actual/estimated Date of Corrective Action:** January 2025



**Internal Audit Report 2024-010: Riverside County Transportation and Land Management Agency, Planning Department 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><br/>One to three months</p>   | <p><u>Expected Implementation Date of Recommendation *</u><br/>Three to six months</p>   | <p><u>Expected Implementation Date of Recommendation *</u><br/>Six to twelve months</p>  |

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