

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



ITEM: 2.6
(ID # 25251)

MEETING DATE:
Tuesday, July 09, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit

ACTION:Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 6/13/2024

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez 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: July 9, 2024
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board

By: *Nadmy L.*
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

We completed a follow-up audit of the Riverside County Treasurer Tax Collector. Our audit was limited to reviewing actions taken as of April 2, 2024, to correct findings noted in the original audit report 2023-015 performed by MGT of America Consulting dated June 28, 2023. The original audit report contained four recommendations, all of which required implementation to help correct the reported findings.

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

- Four of the recommendations were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2023-015 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 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit.



Office of Ben J. Benoit
Riverside County Auditor-Controller

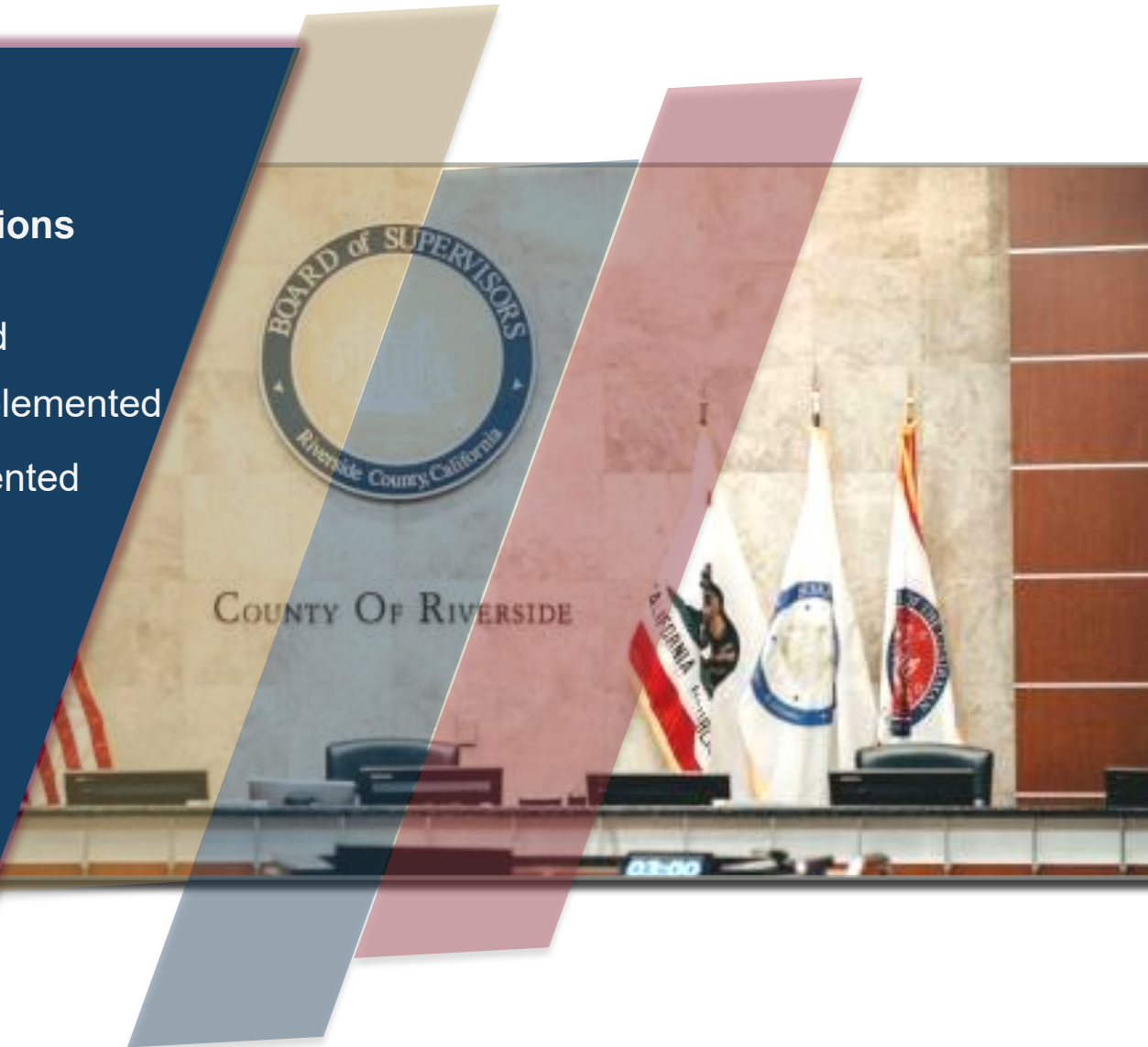
Internal Audit Report

2024-327

Follow-up

4 Recommendations

- ✓ 4 Implemented
- ▶ 0 Partially Implemented
- ✗ 0 Not Implemented



**Riverside County
Treasurer Tax Collector,
Follow-up 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, 11th Floor.
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



June 11, 2024

Mathew Jennings
Treasurer- Tax Collector
Riverside County Treasurer-Tax Collector
4080 Lemon St., 4th Floor
P.O. Box 12005
Riverside, CA 92501-3660

**Subject: Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector Follow-up
Audit**

Dear Mr. Jennings:

We completed the follow-up audit of Treasurer Tax Collector. Our audit was limited to reviewing actions taken as of April 2, 2024, to help correct the findings noted in MGT of America Consulting, County of Riverside, California Office of the Treasurer – Tax Collector Performance Audit, Final Audit Report dated June 28, 2023.

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

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

- Four of the recommendations were implemented.



Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, 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 MGT of America Consulting, County of Riverside, California Office of Treasurer – Tax Collector Performance Audit Report included at “Attachment A” of this audit report along with your department status letter as “Attachment B.” You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

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

Ben J. Benoit
Riverside County Auditor-Controller

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

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



Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit

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Attachments:

A. MGT of America Consulting, County of Riverside, California Office of Treasurer – Tax Collector Performance Audit Report

B. Status of Findings as reported by Treasurer Tax Collector on April 2, 2024.



Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit

Contract Monitoring

Observation 1.1: Contract Monitoring

“For all contracts tested, the vendor was delivering the services as stipulated under the contract, invoicing the Office correctly, and not overbilling for the services. MGT also noted that each contract agreement and contract amendment was appropriately signed off by the Office. However, the Office currently does not have any policies and procedures in place regarding contract monitoring.”

Recommendation 1.1

“MGT recommends the Office and Administrative Services Analyst I continue to develop and implement a written policy and procedures document to ensure contract monitoring is performed appropriately within the Office.”

Current Status 1.1: Implemented.

Payment Exception Processing

Observation 2.1: Payment Exception Processing

“The supporting documentation stored within the Office’s records provides evidence that the transactions tested met one of the requirements to be considered a payment exception and the payment exception amount documentation matched the amount stored in the Office’s systems. However, there is opportunity for improvement as it relates to evidencing the approval of payment exceptions.”

Recommendation 2.1

“MGT recommends that the Office enhance procedures to ensure that supervisor/manager approval is contained and documented for every payment exception prior to processing.”

Current Status 2.1: Implemented.



Internal Audit Report 2024-327: Riverside County Treasurer Tax Collector, Follow-up Audit

System Access Control

Observation 3.1: System Access Controls

“The Office does not have written policies and procedures regarding the timing of termination of access rights to Office systems linked to active directory as well as systems not linked to active directory.”

Recommendation 3.1

“MGT recommends the IT Unit creates formal policies and procedures that provide guidance as to the process for terminating access of employees who are no longer with the Office. Additionally, the policies and procedures should include details regarding the timing to terminate access to the various systems, including systems that are linked to active directory as well as systems that are not linked to active directory.”

Current Status 3.1: Implemented.

Observation 3.2: System Access Controls

“When the IT Supervisor is aware that an employee will be separating from the Office ahead of time, he is able to schedule for the active directory account to become disabled at the end of the employee’s last day. However, the Office does not have evidence that shows the exact date in which access to systems linked to active directory or systems not linked to active directory were disabled. “

Recommendation 3.2

“MGT recommends the IT Unit enhances the termination of access rights procedures to ensure that the date in which an account becomes disabled is stored within the Office records. “

Current Status 3.2: Implemented.



County of Riverside, California
Office of the Treasurer – Tax Collector
Performance Audit

Final Report

June 2023



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COVER LETTER

June 28, 2023

Erica Cervantes
Office of the Treasurer – Tax Collector
Riverside County Treasurer
P.O. Box 12005
Riverside, California 92502

Dear Ms. Cervantes

MGT of America Consulting, LLC (MGT) is pleased to submit our audit report of the Riverside County (the County) Treasurer performance audit. The Riverside County Treasurer - Tax Collector (Treasurer/Office) contracted with MGT to conduct a performance audit with the following primary objectives:

- 1) Contract Monitoring – For services rendered to the department – Ensure the vendor is delivering the services as stipulated under the contract, is invoicing the County correctly, and not overbilling.
- 2) Payment Exception Processing – Evaluate the different processes and related internal controls.
- 3) System Access Controls – Review the termination of ex-employees' access rights to systems managed by the Treasurer that are linked to active directory as well as those that are not linked to active directory.
- 4) Unclaimed Funds – Evaluate the different processes and related internal controls.

MGT conducted this performance audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This report provides the Treasurer with an independent and objective analysis that presents information concerning the activities reviewed. Although MGT exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected. MGT appreciates the cooperation and professional courtesies extended to the team.

Sincerely,

MGT of America Consulting, LLC

MGT
TAMPA, FLORIDA

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

The Treasurer maintains responsibility for the billing and collection of property taxes, and for the receiving, processing, investing, and safeguarding of public funds, as mandated by the laws of the state of California. The combined office is led by Matthew Jennings, a countywide, publicly elected official serving the fourth largest county in California by landmass and by population. Established May 9, 1893, Riverside County encompasses 7,303 square miles, 28 cities and a population of nearly 2.3 million. The Treasurer is a state mandated function that is governed by the California Government Code. The Treasurer is responsible for over \$17.5 billion in annual receipts and disbursements and serves as the chief investment officer with fiduciary responsibility of all funds in the county treasury.

The Treasurer contracted with MGT to conduct a performance audit of the Office of the Treasurer – Tax Collector’s (the Office) contract monitoring processes, payment exception processing, system access controls, and unclaimed funds processes and internal controls. This report presents the results of the performance audit.

AUDIT SCOPE

The audit scope incorporated the review of the Treasurer’s policies and procedures and internal controls related to its contract monitoring, payment exception processing, and unclaimed funds. The audit scope also included a review of the Treasurer’s system access controls as it relates to the termination of former employees’ access rights to systems managed by the Office.

AUDIT OBJECTIVES

Our overall audit objectives for the operating units, program, activities, and functions within the scope of the audit were:

- 1) Contract Monitoring
 - a. Ensure the vendor is delivering the

REPORT HIGHLIGHTS

- The Office should enhance policies and procedures, including developing formal contract monitoring and access rights controls policies.
- There is opportunity to enhance the process for approving payment exceptions.
- The Office has a process in-place to terminate the access rights of individuals who separate from the organization. However, there is opportunity for improvement as the Office was not able to provide supporting documentation evidencing the date in which the access rights were terminated.
- The Office appropriate policies and procedures internal controls related to its different unclaimed funds accounts.

- services as stipulated under the contract, is invoicing the County correctly, and not overbilling.
- 2) Payment Exception Processing
 - a. Evaluate the different processes and related internal controls.
 - 3) System Access Controls
 - a. Review the termination of ex-employees' access rights to systems managed by the Treasurer that are linked to active directory as well as those that are not linked to active directory.
 - 4) Unclaimed Funds
 - a. Evaluate the different processes and related internal controls.

AUDIT METHODOLOGY

- ◆ Coordinated with the Internal Audit Department and Chief Deputy Treasurer-Tax Collector from the Fiscal Compliance Unit to gain an understanding of the scope and objectives of the audit.
- ◆ Identified and documented those charged with governance and held an entrance conference with management and staff members of the areas under audit.
- ◆ Held fraud discussions with members of the management team.
- ◆ Reviewed prior audit reports to identify audit findings relevant to the audit.
- ◆ Interviewed key personnel, reviewed applicable policies and procedures, and flowcharted processes to gain an understanding of the contract monitoring, payment exception processing, system access control, and unclaimed funds functions.
- ◆ Assessed and evaluated relevant internal controls and developed and documented a testing plan.
- ◆ Haphazardly selected 5 active contracts for testing to determine if the vendor was delivering the services as stipulated under contract, is invoicing the Office correctly, and is not overbilling for services.
- ◆ Haphazardly selected 10 individuals who separated from the Office from the period July 1, 2021, through February 28, 2023, to determine whether the access rights of these individuals were disabled in a timely manner.
- ◆ Haphazardly selected 20 payment exceptions processed from the period July 1, 2022, through February 28, 2023, for audit testing. For these 20 exceptions, performed procedures to determine if:
 - There is evidence that the transaction met the requirements to be a payment exception.
 - There is evidence that the payment exception amount matched the amount per the supporting documentation.
 - There is evidence of proper approval (e.g., supervisor, manager, etc.).
- ◆ Haphazardly selected 28 unclaimed funds transactions for testing to determine if the Office adhered to its policies and procedures and state and local rules and regulations.

- ◆ Evaluated and documented test results.

CONTRACT MONITORING

BACKGROUND

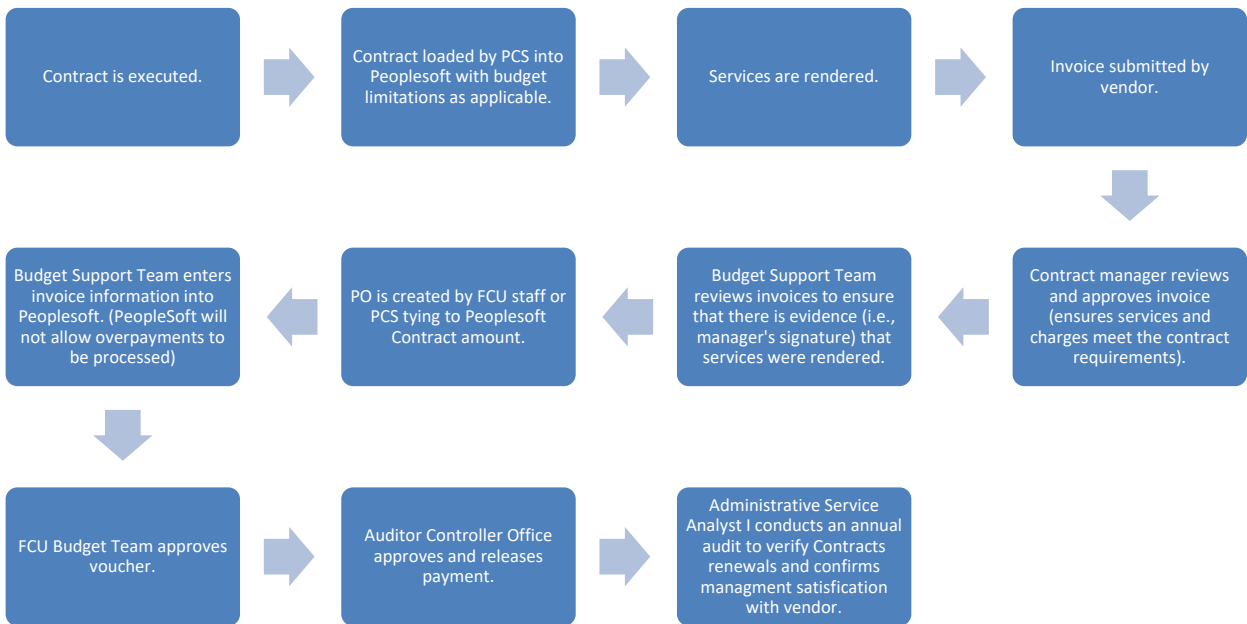
The Office currently manages 15 contracts that range in a variety of services from mailing to interactive voice response and interactive web response services. In November 2022, the Office created a new position titled, Administrative Services Analyst I, and moved an employee already working in the Office into this position. One of the main responsibilities of the Administrative Services Analyst I is to ensure the Office's contracts are current and any contract that will soon be expiring is either in the process of being renewed or a new provider is being looked for if the service is still needed by the Office.

The Office does not have formal policies and procedures in place regarding contract monitoring. The Administrative Services Analyst I is in the process of developing such policies and procedures. Per County policy number B-4, the Office is required to ensure there are sufficient funds available for the specific expenditure within the budget, but this policy is very broad and not specific to contract monitoring.

Since starting the new position, the Administrative Services Analyst I performs an annual audit of the Office's contracts. This audit includes reviewing and updating the internally created spreadsheet used to track the Office's contracts including the vendor's name, term length, effective date, expiration date, and the contract manager. Included in this review is noting which contracts have expirations within the coming year. If a contract is expiring in the coming year, the Administrative Services Analyst I will reach out to the contract manager and ask if the manager would like to renew the contract, seek another provider, or let the contract expire. A contract that is being renewed or extended will go through the County's Purchasing Department and proceed through the appropriate departments for approval.

The invoices for contracts are reviewed and signed by the contract manager. This signature is verification that the invoice can be paid, and the services being provided by the vendor are to the standard of the contract. The invoice is then submitted to the Budget Support Team for review. After review, Fiscal Compliance or the Procurement Contract Specialist will create a purchase order. The invoice will then be entered into PeopleSoft by the Budget Support Team. Once all invoice information is entered into PeopleSoft the Auditor Control Office will approve and release the payment. Contracts are set up in PeopleSoft with a budget limit. This allows payment up to the contract price and serves as a check and balance method for the office. Exhibit 1 below is a flowchart that documents the contract monitoring process.

Exhibit 1 – Contract Monitoring Flowchart



Source: Created by MGT based on information provided by the Office

If the services being provided by a vendor do not meet the standards or requirements of the contract, then the department is able to terminate the contract before the contract end date. The Administrative Services Analyst I, Supervising Accountant, Chief Deputy Treasurer-Tax Collector of the Fiscal Compliance Unit, and Chief Deputy Treasurer-Tax Collector of the IT Unit were aware of only one instances in which the Office terminated a contract early due to poor performance by a vendor. This contract was terminated in February 2022, and the contract's original expiration was November 2022.

AUDIT OBSERVATION(S)

Observation 1.1: For all contracts tested, the vendor was delivering the services as stipulated under the contract, invoicing the Office correctly, and not overbilling for the services. MGT also noted that each contract agreement and contract amendment was appropriately signed off by the Office. However, the Office currently does not have any policies and procedures in place regarding contract monitoring.

MGT interviewed key personnel, reviewed relevant internal policies and procedures, and reviewed supporting documents to gain an understanding of the Office's contract monitoring processes and procedures. MGT identified the following key procedures:

- The Administrative Services Analyst I performs an annual audit of contracts managed and paid for by the Office.
- Contract managers review and sign off on invoices to document the approval of the services provided and the amount being charged.

- All new and renewed contracts, that are equal to or more than \$5,000, must go through the County's Purchasing Department for proper approvals from the Purchasing, Treasurer-Tax Collector, County Counsel, and the Board of Supervisors.
- PeopleSoft will not allow the Office to process payments above the set budget limit, which is based on the agreed upon contract amount.
- The County Auditor Controller Office approves and releases funds for payment of invoices.

MGT selected five contracts for testing. MGT obtained and reviewed the contract agreements, invoices paid during the audit scope, and other supporting documents to determine if the vendor is delivering the services as stipulated under the contract, invoicing the Office correctly, and not overbilling for services. Audit procedures disclosed that the contractors are delivering the services as stipulated under the contract, invoicing the Office correctly, and not overbilling for the services provided. However, there is room for improvement as the Office currently does not have contract monitoring policies in place. In response to inquiries, management indicated that the Office is aware of the lack of contract monitoring policies and procedures and the Administrative Services Analyst I is working on developing formal written policies and procedures.

Recommendation 1.1: MGT recommends the Office and Administrative Services Analyst I continue to develop and implement a written policy and procedures document to ensure contract monitoring is performed appropriately within the Office.

PAYMENT EXCEPTION PROCESSING

BACKGROUND

The Office considers anything that cannot be processed in the normal course of business and needs special handling as a payment exception. The Office currently recognizes five types of payment exceptions, including Non-Sufficient Funds (NSF), Transfer of Payment, EGov Payments, Interactive Voice Recognition (IVR), and Lock Box. A brief description of each payment exception type is provided below:

- EGov Payments – These are online credit card/check payments that require research due to a bankruptcy flag, incorrect charge flag, installment payment plan is initiated, etc.
- IVR – These payments are made over the phone with the automated system.
- Lock Box – Twice a year, the Office utilizes its bank service to process the current year's tax payments. Any payments that do not fall within the current tax year, amounts do not match, or are unable to post will be collected daily and delivered to the Office for special handling.
- Non-Sufficient Funds (NSF) – Payments from taxpayers or entities which do not fully complete the fund transfer to the account for a variety of reasons, such as, no funds available, a stop payment is initiated, closed account or incorrect account or routing number submitted.
- Transfer of Payment – Transfers can be initiated for a variety of reasons, such as, a taxpayer paying on the wrong assessment, an approved cancellation of penalty, a missed application of payment, a mortgage company's request etc.

The procedures for processing payment exceptions depend on the exception type. MGT flowcharted and documented the payment exception processes. The flowcharts are included in Attachment A of this report.

AUDIT OBSERVATION(S)

Observation 2.1: The supporting documentation stored within the Office's records provides evidence that the transactions tested met one of the requirements to be considered a payment exception and the payment exception amount documentation matched the amount stored in the Office's systems. However, there is opportunity for improvement as it relates to evidencing the approval of payment exceptions.

MGT interviewed the Chief Deputy Treasurer-Tax Collector and reviewed the procedures associated with processing payment exceptions to gain understanding of the procedures established by the Office to process payment exceptions. MGT also obtained and reviewed examples of the letters provided to the taxpayers to inform them of the partial or

over payment.

Furthermore, MGT obtained and reviewed listings of the various payment exceptions processed from the period July 1, 2022, through February 28, 2023. From the listing, MGT haphazardly selected 20 payment exceptions processed during the period July 1, 2022, through February 28, 2023, for audit testing. For each of the 20 payment exceptions selected for audit testing, MGT reviewed supporting documentation stored within the Office records to determine whether:

1. There is evidence that the transaction met the requirements to be a payment exception.
2. There is evidence that the payment exception amount matched the amount per the supporting documentation.
3. There is evidence of proper approval (e.g., supervisor, manager, etc.).

Audit procedures disclosed the following:

- ◆ 100% (20 out of 20) of the payment exceptions tested included a description that explained the reason why the payment was considered an exception.
- ◆ For 100% (20 out of 20) of the payment exceptions the amount matched the amount in the supporting documentation provided by the Office.
- ◆ 70% (14 out of 20) of the payment exceptions included evidence of supervisor/manager approval.

In response to audit inquiries, the Chief Deputy Treasurer-Tax Collector indicated that when they pull the EGov/IVR report and the subcode is for overpayment they must look into the transaction and make sure it is a true overpayment. He also indicated that they ensure the address is entered correctly before placing the approval flag. Once that is complete, they can go ahead with the refund. However, during that process they do not save anything as backup to show it was approved.

Lack of approval from a supervisor/manager increases the risk that an erroneous (e.g., incorrect amount or taxpayer) payment exception is processed and undetected.

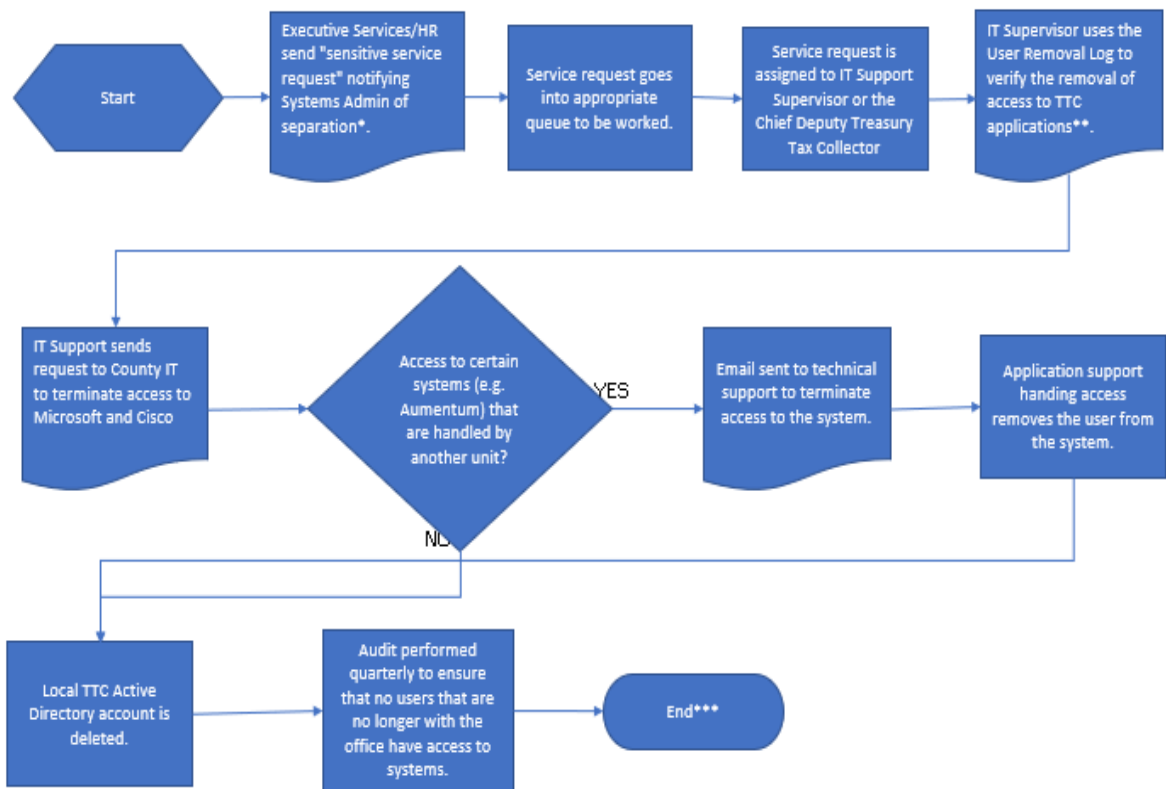
Recommendation 2.1: MGT recommends that the Office enhance procedures to ensure that supervisor/manager approval is contained and documented for every payment exception prior to processing.

SYSTEM ACCESS CONTROLS

BACKGROUND

The responsibilities of the Office's IT Unit include terminating the access rights to Office systems for employees who separated from the organization. The process of terminating the access of former employees is a critical process that should be done in a timely manner. Former employees whose access is not removed can potentially log in and wreak havoc, whether intentionally or unintentionally. The IT Unit uses a User Removal Log spreadsheet to keep track of the individuals who are no longer employed by the Office and when access to the various systems should be terminated. Exhibit 2 below provides an overview of the current access termination process utilized by the IT Unit.

Exhibit 2 – Termination of Access Rights Flowchart



*Ticket includes the following information:
 1. Time of deactivation (i.e., immediately or EOD on final day of employment).
 2. Updated badge status
 3. Existing employee conditions
 4. Last day on staff
 5. Description (if applicable)
 6. Attachments (if applicable)

**User Removal Log - an Excel workbook listing all the systems applicable to TTC.

***Deployed hardware is turned in and inspected no later than 4PM on the last date user will be in the office.

Source: created by MGT and confirmed by the Chief Deputy Tax-Collector for IT

AUDIT OBSERVATION(S)

Observation 3.1: The Office does not have written policies and procedures regarding the timing of termination of access rights to Office systems linked to active directory as well as systems not linked to active directory.

MGT interviewed the Chief Deputy Treasurer-Tax Collector for IT and reviewed the County's Information Security Policy (Policy No. A-58) and Information Security Standard v1.0 to gain understanding of the formal process established by the Office to terminate the access rights of employees who are no longer with the organization. MGT was not able to obtain a formal policy regarding the timing for termination of access to Office systems for employees who separate from the organization. In response to audit inquiries, management indicated that the Office does not have a formal policy detailing a process for terminating user rights access of individuals who are no longer with the organization. The County wide policy indicates that the access rights should be terminated in a timely manner, but does not provide specifics as to what constitutes a timely manner (e.g., 24 hours, 48 hours, etc.) Lack of written policies and procedures providing guidance as to the timing of system access termination for employees who are no longer with the Office increases the risks that a former employee accesses a system potentially corrupting or stealing critical information stored in the system.

Recommendation 3.1 - MGT recommends the IT Unit creates formal policies and procedures that provide guidance as to the process for terminating access of employees who are no longer with the Office. Additionally, the policies and procedures should include details regarding the timing to terminate access to the various systems, including systems that are linked to active directory as well as systems that are not linked to active directory.

Observation 3.2: When the IT Supervisor is aware that an employee will be separating from the Office ahead of time, he is able to schedule for the active directory account to become disabled at the end of the employee's last day. However, the Office does not have evidence that shows the exact date in which access to systems linked to active directory or systems not linked to active directory were disabled.

MGT obtained and reviewed the Office's Removal Log spreadsheet to gain an understanding of how the IT Unit keeps track of the systems an individual has access to and when the access to the systems is terminated. Furthermore, MGT obtained a listing of employees who separated from the Office from the period July 1, 2021, through February 28, 2023. From this listing of 27 employees who separated from the Office during the audit period, MGT haphazardly selected 10 individuals for audit testing. For each of the 10 former employees, MGT performed the following:

1. Reviewed the User Removal Log spreadsheet to assess whether the 10 former employees selected for testing were included in the User Removal Log.
2. Obtained the original service ticket submitted by the applicable manager to determine the systems to which the former employee had access to.

3. Compared the original service ticket to the User Removal Log spreadsheet to determine if there is evidence that the former employee's access to all applicable systems was terminated.
4. Requested supporting documentation showing the exact day on which the former employee's access to all the applicable systems was terminated. The supporting documentation provided by the Office was not sufficient for us to determine the date in which the access was disabled.

Audit procedures disclosed that for employees who are terminated without prior knowledge from the IT Supervisor, he disables access to the Office's domain (active directory) immediately. However, the Office does not have evidence that shows the exact date in which an account of an employee who separated from the Office was disabled. In response to audit inquiries, management indicated that the current system does not track the day exact day in which access was disabled. Lack of documentation evidencing the date in which the access rights of employees who separated from the Office is terminated increases the risk that account deactivations are not carried out properly and in a timely manner which can lead to a more vulnerable IT environment.

Recommendation 3.2 - MGT recommends the IT Unit enhances the termination of access rights procedures to ensure that the date in which an account becomes disabled is stored within the Office records.

UNCLAIMED FUNDS

BACKGROUND

The Office manages three types of unclaimed funds. The three types are general unclaimed funds, property tax unclaimed refunds, and estates of deceased persons with known heirs (escheated estates). The rules and regulations that the Office must follow to maintain, distribute, and move the unclaimed funds to either the general fund or the state depend on the type of unclaimed funds.

General Unclaimed Funds

The Office acquires unclaimed property in accordance with California Government Code 50050. The most common types of general unclaimed funds are property tax double payments and estates with unknown heirs. The Office maintains a database on its website that allows individuals to search if they have any monies unclaimed in their name. The database website link is: <https://countytreasurer.org/unclaimed-money>. All amounts that are over \$15 are included in this database and are available to be claimed. These funds are to be kept by the Office for at least three years before they can be included in a publication. Once funds are included in a publication, individuals have a minimum of 45 days and a maximum of 60 days to claim their funds. If the funds are not claimed, the Office, with formal approval from the County Board of Supervisors, will transfer the funds to the general fund, minus the expenses incurred by the Office to gather the information and publish the publications.

The Office maintains multiple spreadsheets and performs monthly reconciliations to ensure the funds are accurately accounted for. One of the spreadsheets is a reconciliation file that is used to track all the activity within the unclaimed funds account. The other spreadsheet is called "Database," which is used to trace the reconciliation file to the amount on the County's database. The difference between these two spreadsheets is that the "Database" spreadsheet does not include any amounts under \$15. The team that is performing the reconciliation is separate from the team that is maintaining and updating the two spreadsheets and the online database. See Attachment B for the flowchart of the general unclaimed funds process.

Unclaimed Property Tax Refunds

Unclaimed Property Tax Refunds are refunds that are generated from either a property being reassessed by the County Auditor or a taxpayer appealing their assessment and winning their appeal. In either case, the taxpayer has already paid his or her taxes for the year and is entitled to the difference between the taxes paid and the new assessment amount. When a reassessment occurs, the Office will attempt to locate the individual that is due for a refund. Once located, the Office will send him or her a letter and a claim form, which the taxpayer is to fill out and return to the Office so the refund can be processed. Funds that are not claimed will remain with the County in the Unclaimed Property Tax Refunds account. These funds will be held for at least four years (eight years for individuals eligible for the Disabled Veterans Exception) or until the funds have been claimed. Pursuant to Revenue and Taxation Code 5097 and 5102, property tax refunds that go unclaimed for four years after the payment date or one year after the mailing of the claim form, whichever is later, the funds are eligible to be moved to the general fund. The County includes all funds that were held for longer than four years in a publication. This publication

is separate from the general unclaimed funds publication and is completed each year. After the expiration of the publication, the Office, with formal approval from the Board of Supervisors, will transfer all unclaimed property tax refunds funds from the publication to the general fund minus the expenses incurred by the Office to gather the information and publish the publication. The Office maintains a database on its website with the available refunds to claim at <https://countytreasurer.org/property-tax-unclaimed-refunds>. See Attachment B for a flowchart of the unclaimed property tax refund process.

As of February 28, 2023, the Office had approximately \$11.7 million in unclaimed funds related to property tax refunds. The latest publication, during the audit scope, was posted on April 28, 2022, and May 5, 2022. The publication indicated that the Office had approximately \$442k in funds that were eligible to be transferred to the general fund, if not claimed. Of the \$442k, approximately \$31k (7%) was subsequently claimed by taxpayers. The Office does not perform monthly reconciliations of the unclaimed property tax refunds account; however, the Office does maintain its online databased weekly, with new refunds and new releases (claims) being updated every Monday. During the audit scope, the Office processed approximately 7,000 claims for a total of approximately \$36 million.

Escheated Estates

An Escheated Estate is monies remitted to the Treasurer when an heir named to an estate cannot be located or refused to accept the estate at the time of probate. During the probate process, the court determines the monies, assets, or property the heir(s) should receive from the estate. The Public Administrator or an attorney's office submits the outstanding monies to the Treasurer. The Office's responsibility is to record the funds, make notice of the funds held, and pay out monies to lawful heirs.

Funds may be received over the counter by a member of the Fiscal Compliance staff or by mail. All monies received for estates with known heirs are receipted in the Escheated Estates Fund 65655. The Office is required to keep these funds for a minimum of one year and are maintained on a database on the Office's website.

According to California Code of Civil Procedure, the County must semiannually report and transfer to the State Controller's Office any unclaimed estates of deceased persons with known heirs that have been on deposit with the County for one year prior to the closing date of the report period. Heirs can claim funds prior to the Office sending them to the state by providing the proper documents. See Attachment B for a flowchart of the escheated estate process.

AUDIT OBSERVATION(S)

Observation 4.1: For all three types of unclaimed funds, the Office appears to follow its policies and procedures and relevant rules and regulations as it relates to the collection of, accounting for, and the distribution of unclaimed funds.

MGT interviewed two of the Chief Deputy Treasurer-Tax Collectors and the Supervising Accountant, as well as reviewed the Office's policies and procedures and applicable state and local rules and regulations to gain understanding of the formal processes and internal

controls established by the Office for the three types of unclaimed funds. In addition, MGT performed the following procedures:

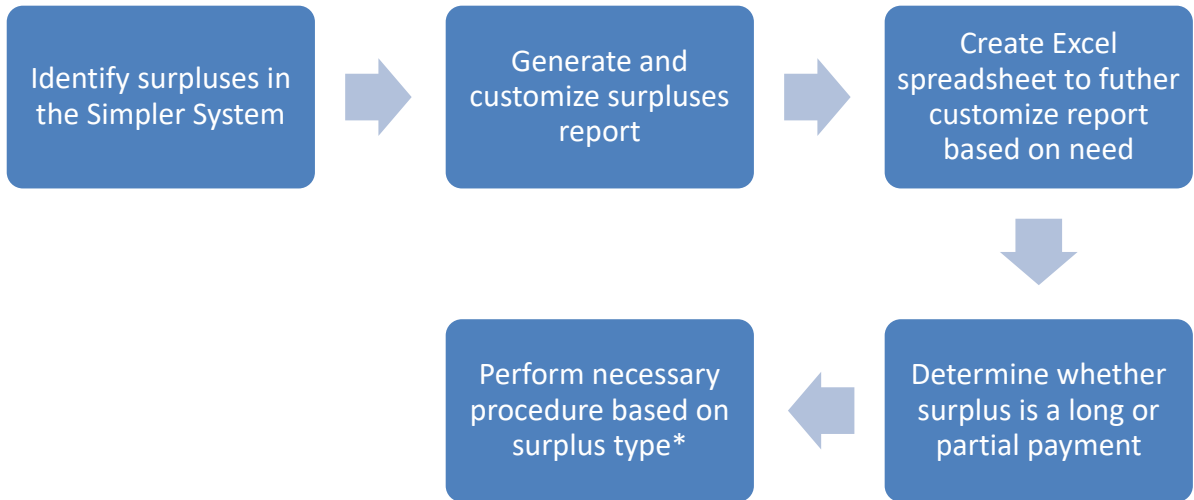
- ◆ Obtained and reviewed the spreadsheets and other documentation related to the February 2023 balances in the general unclaimed funds and escheated estates funds as well as the respective databases.
- ◆ Obtained and reviewed the February 2023 reconciliation documentation for the general unclaimed funds and escheated estates accounts.
- ◆ Obtained and reviewed the most recent publications for each of three types of unclaimed funds.
- ◆ Obtained and reviewed documentation for any subsequent claims submitted to the Office because of the publications.
- ◆ Obtained and reviewed the documentation of general unclaimed funds being transferred to the general fund after approval from the Board of Supervisors.
- ◆ Obtained and reviewed the documentation of escheated estates funds being transferred to the state as directed by rules and regulations.

MGT also tested disbursements of claims to individuals for each of the three types of unclaimed funds. For general unclaimed funds, MGT reviewed the two claims that occurred from July 1, 2021, through February 28, 2023. For unclaimed property tax refunds, MGT tested 25 of the 7,569 claims that occurred from July 1, 2021, through February 28, 2023. For escheated estates, there were no claims that occurred during the audit period. MGT elected to review the latest claim processed by the Office which occurred in January 2021. For each claim tested, MGT reviewed the documentation submitted to the Office and disbursement of the funds. It was noted that each claim tested appears to comply with the Office's applicable policies and procedures and state and local rules and regulations.

Recommendation 4.1 – Not Applicable.

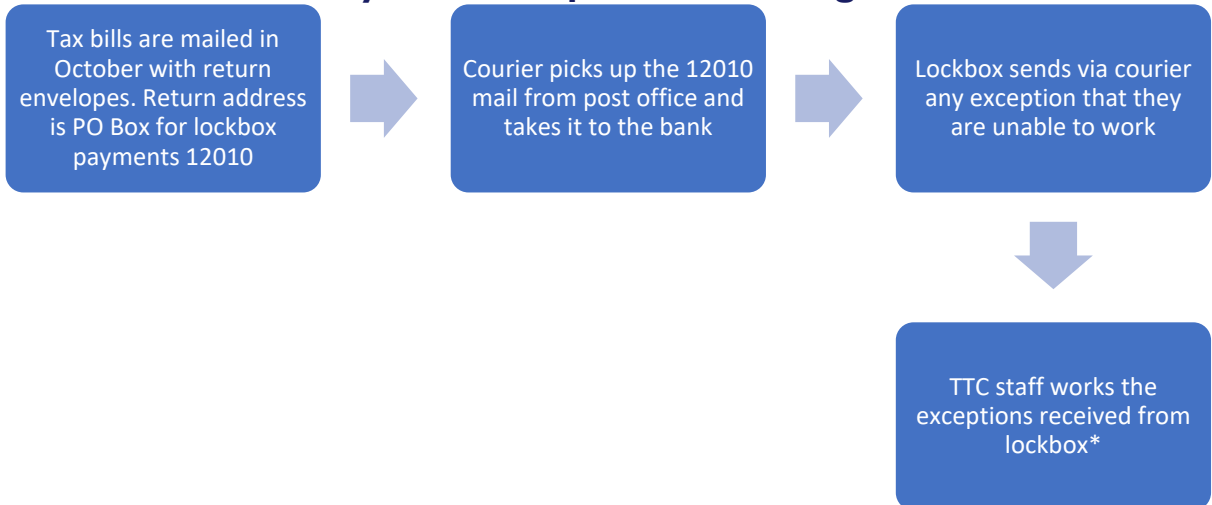
ATTACHMENT A – PAYMENT EXCEPTION FLOWCHARTS

EGov and IV Payment Exception Processing Flowchart



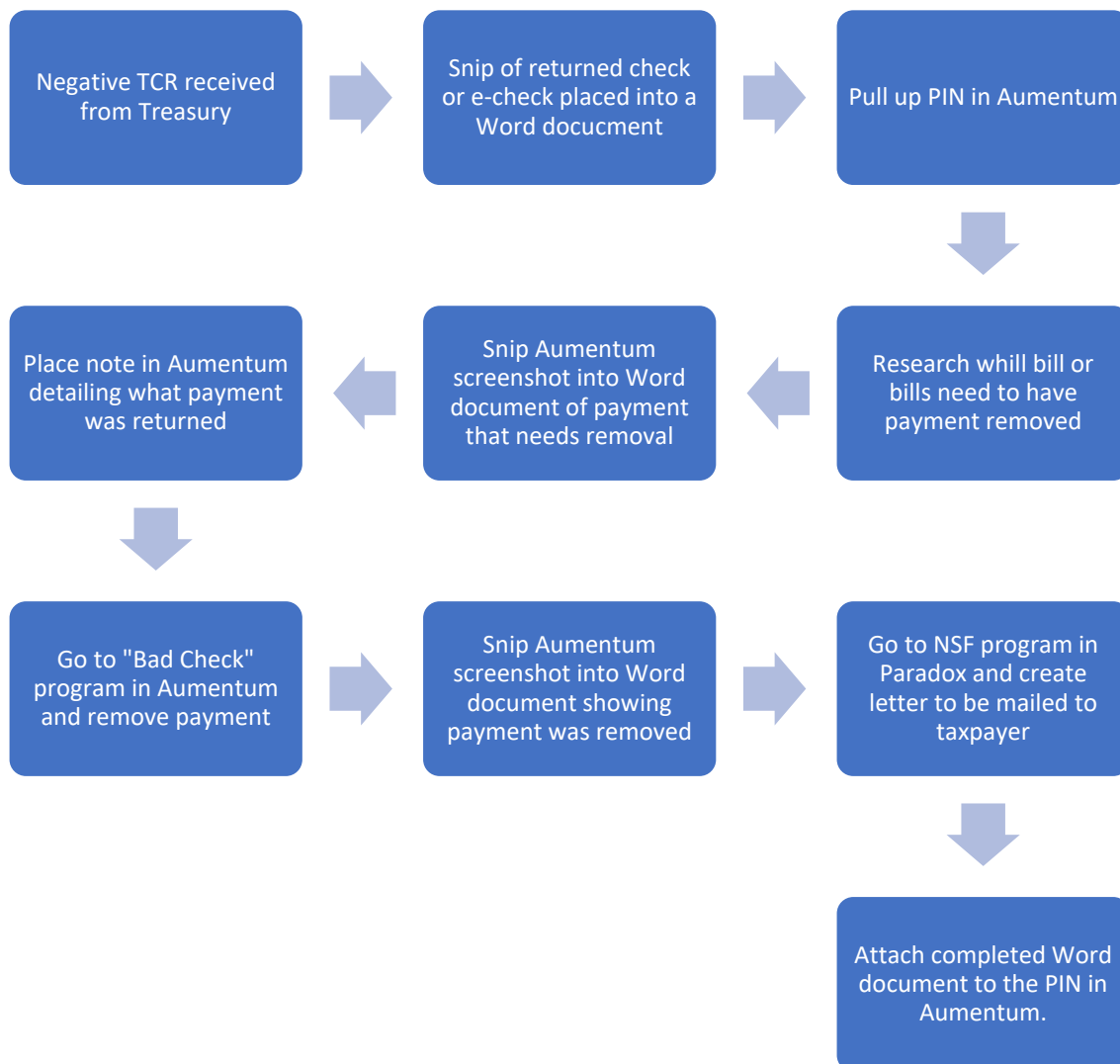
*- Send partial payment letter for partial payments; Send long letter for E-check overpayment; Enter assesses name in tender screen for IVR phone payment; Process EGOV credit card or debit card overpayment through Heartland.
Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

Lockbox Payment Exception Processing Flowchart



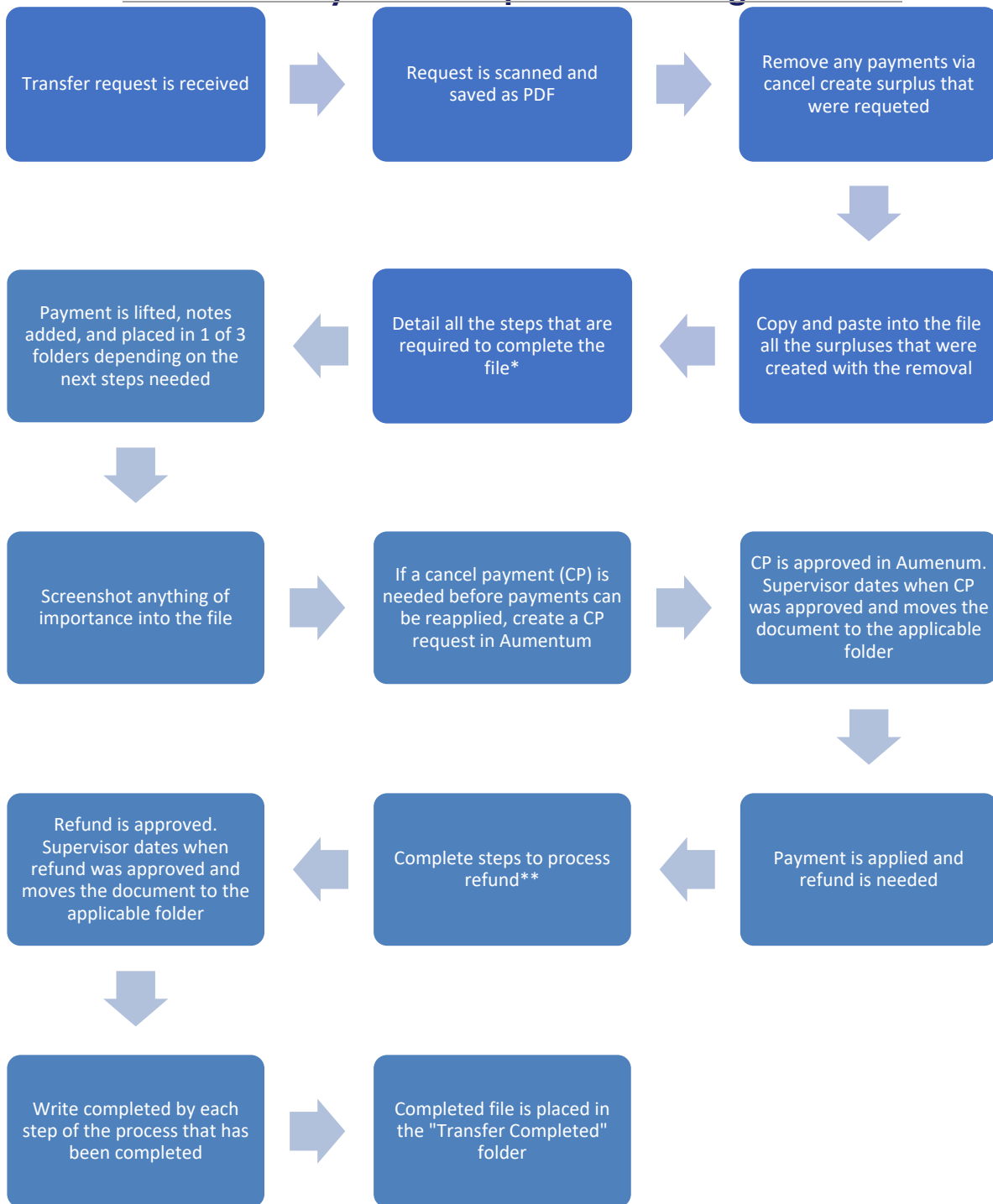
*- Reasons for exceptions include: No stubs included with payment; Invalid stubs included with payment; Unmatched transactions; Remittance with correspondence; Foreign checks; Envelope/payment was damaged upon arrival; and correspondence only.
Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

Non-Sufficient Funds Payment Processing Flowchart



Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

Transfer of Payment Exception Processing Flowchart



*- For example: Apply payment to PIN XXXXXX for 2021 annual refund overage and send letter to current owner of PIN XXXXXXXX

** - Create a new page and screenshot from Aumentum the surplus(es) that need to be approved, the tender info screen and any stubs, checks, envelopes, or Heartland printouts that would pertain to payment.

Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

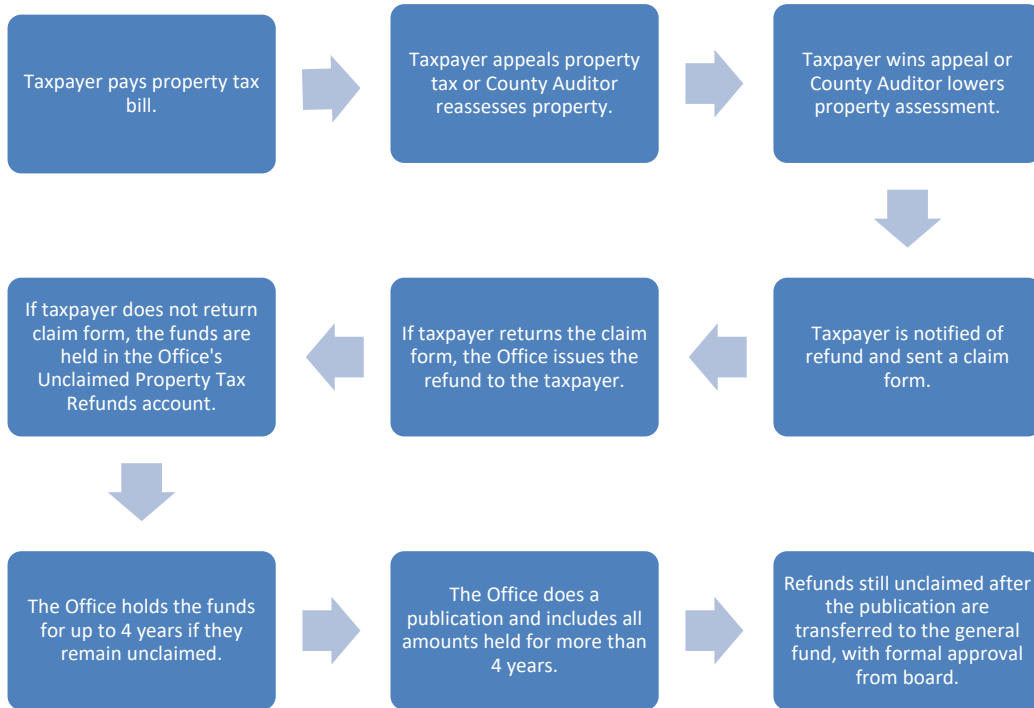
ATTACHMENT B – UNCLAIMED FUNDS FLOWCHARTS

General Unclaimed Funds Flowchart



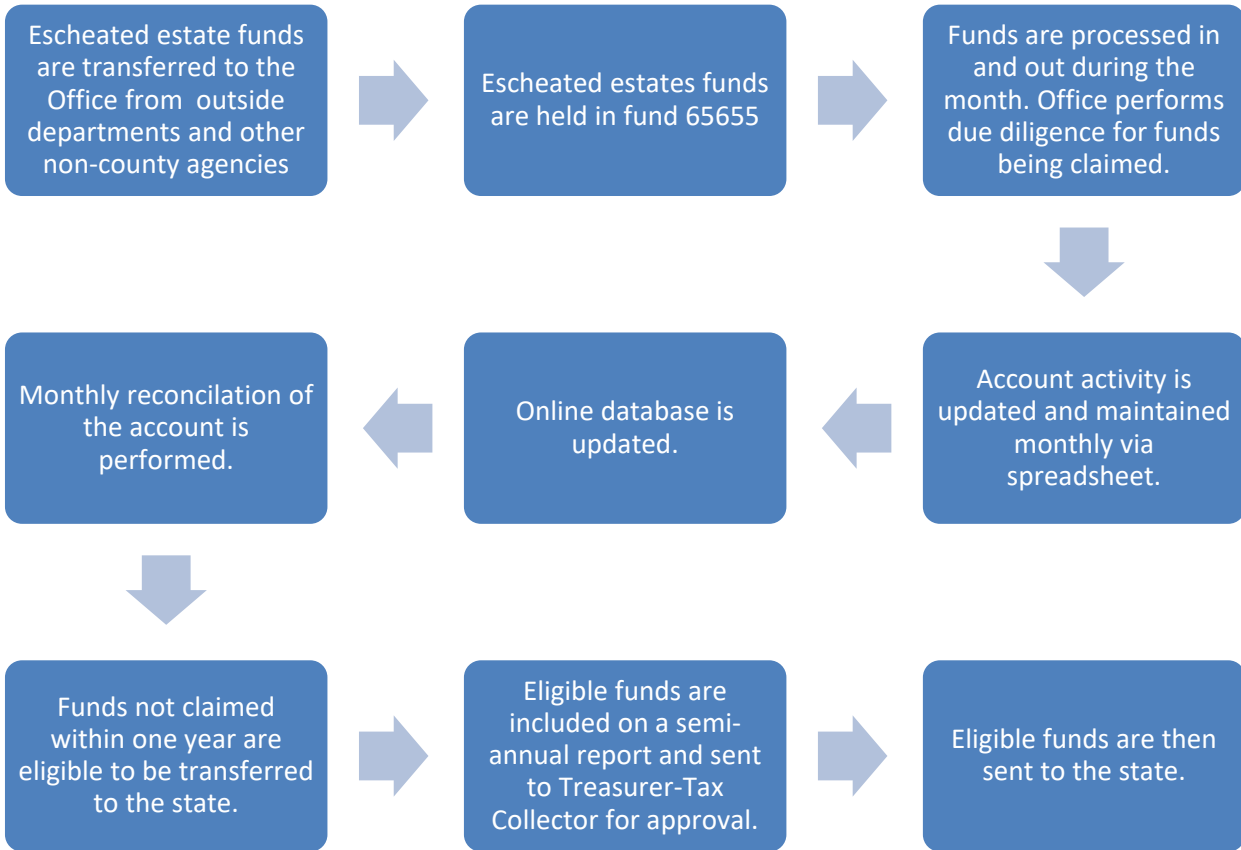
Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

Unclaimed Property Tax Refunds Flowchart



Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

Escheated Estate Unclaimed Funds Flowchart



Source: created by MGT and confirmed by the Chief Deputy Tax-Collector

ATTACHMENT C - MANAGEMENT'S RESPONSE

COUNTY OF RIVERSIDE

MATTHEW JENNINGS
TREASURER
TAX COLLECTOR



GIOVANE PIZANO
ASSISTANT TREASURER
MELISSA JOHNSON
ASSISTANT TAX COLLECTOR

DATE: June 26, 2023

TO: Ricardo Cepin, Senior Consultant, CPA, CFE MGT Consulting

FROM: Erica Cervantes, Chief Deputy

SUBJECT: Reply to Performance Audit Draft Report 6-12-23

Recommendation 1.1

MGT recommends the Office and Administrative Services Analyst I continue to develop and implement a written policy and procedures document to ensure contract monitoring is performed appropriately within the Office.

Management Reply to the Audit

Concur. While the Treasurer-Tax Collector's Office does not have any internal policies or procedures in place, the Purchasing Division oversees county purchasing and procurement practices for all county departments, establishes procurement policies and procedures to comply with state regulations, and implements best practices to provide services with fairness and integrity, which includes performing countywide contract implementation. Due to a recent office organization, our office hired an Administrative Services Analyst I position to oversee and monitor contract compliance at the internal level. The incumbent is currently in the training process and is working with our Senior Management team to incorporate and develop a written policy and procedures to ensure contract monitoring is performed appropriately. Our office intends to have an internal policy and procedures in place no later than December 31, 2023.

Recommendation 2.1

MGT recommends that the Office enhance procedures to ensure that supervisor/manager approval is contained and documented for every payment exception prior to processing.

Management Reply to the Audit

Concur. Our office recognizes the supervisor/manager approval stamp within our property tax system as the primary authorization for payment exceptions as it relates to the approval flag. Any secondary documentation used outside the property tax system for EGov/IVR and transfers may not always reflect a supervisor/manager sign-off as these transactions may not always be handled by our Refund Processing Unit as a payment exception. To ensure the handling and consistency of how secondary documentation is used for the approval process of payment exceptions and if the approval flags agree with supporting documentation, our office will review the current procedures and implement any changes to ensure that the recommendation is being adhered to. Our office intends to implement the changes no later than December 31, 2023.

1

COUNTY OF RIVERSIDE

Recommendation 3.1

MGT recommends the IT Unit creates formal policies and procedures that provide guidance as to the process for terminating access of employees who are no longer with the Office. Additionally, the policies and procedures should include details regarding the timing to terminate access to the various systems, including systems that are linked to active directory as well as systems that are not linked to active directory.

Management Reply to the Audit

Concur. While the County does not have a formal timeline to terminate access controls to users the Treasurer-Tax Collector shall draft a policy to comply with items that pertain to our office and user access controls on systems handled by our office. Our office intends to implement the changes no later than January 31, 2024.

Recommendation 3.2

MGT recommends the IT Unit enhances the termination of access rights procedures to ensure that the date in which an account becomes disabled is stored within the Office records.

Management Reply to the Audit

Concur. Our office will work to improve the method in which we systematically remove user rights and maintain proper recordkeeping standards. It should be noted that our office cannot maintain records of any termination actions handled outside the Treasurer-Tax Collector's Office. When a termination request is sent over to the County of Riverside Information Technology Office (County IT), our office does not control the handling, processing, or the expected completion time for a request. However, at the departmental level, our office will maintain a record of when a request has been sent over to County IT, along with follow-up and request completion dates. In addition, we will log when access has been denied via password changes to all systems until County IT completes the task. Our office intends to implement the changes no later than January 31, 2024.

MATTHEW JENNINGS
County of Riverside Treasurer - Tax Collector

Giovane Pizano
Assistant Treasurer



Melissa Johnson
Assistant Tax Collector

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2023: MGT of America Consulting, County of Riverside, California Office of the Treasurer – Tax Collector Performance Audit, Final Audit Report.

[Handwritten Signature]

4-2-24

Authorized Signature

Date

Observation 1.1: Contract Monitoring

“For all contracts tested, the vendor was delivering the services as stipulated under the contract, invoicing the Office correctly, and not overbilling for the services. MGT also noted that each contract agreement and contract amendment was appropriately signed off by the Office. However, the Office currently does not have any policies and procedures in place regarding contract monitoring.”

Current Status

Reported Finding Corrected? Yes No

Recommendation 1.1

“MGT recommends the Office and Administrative Services Analyst I continue to develop and implement a written policy and procedures document to ensure contract monitoring is performed appropriately within the Office.”

Management Reply

“Concur. While the Treasurer-Tax Collector’s Office does not have any internal policies or procedures in place, the Purchasing Division oversees county purchasing and procurement practices for all county departments, establishes procurement policies and procedures to comply with state regulations, and implements best practice to provide with fairness and integrity, which includes performing countywide contract implementation. Due to a recent office organization our office hired an Administrative Services Analyst I position to oversee and monitor contract compliance at the internal level. The incumbent currently in the training process and is working with our Senior Management team to incorporate and develop written policy and procedures to ensure contract monitoring performed appropriately. Our office intends to have an internal policy and procedure: in place no later than December 31, 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).

The corrective action for Recommendation 1.1 has been successfully completed. Our efforts were focused on ensuring that contract monitoring adheres to best practices. To fulfill this requirement, Policy Number A-7 Contract Management was established, effective December 31, 2023. We believe these measures will greatly improve our ability to monitor contracts effectively and ensure compliance with relevant regulations.

Observation 2.1: Payment Exception Processing

“The supporting documentation stored within the Office’s records provides evidence that the transactions tested met one of the requirements to be considered a payment exception and the payment exception amount documentation matched the amount stored in the Office’s systems. However, there is opportunity for improvement as it relates to evidencing the approval of payment exceptions.”

Current Status

Reported Finding Corrected? Yes No

Recommendation 2.1

“MGT recommends that the Office enhance procedures to ensure that supervisor/manager approval is contained and documented for every payment exception prior to processing.”

Management Reply

“Concur. Our office recognizes the approval stamp within our property tax system as the primary authorization for payment exceptions as it relates to the approval flag. Any secondary documentation used outside the property tax system for EGov/IVR and transfers may not always reflect a supervisor/manager sign-off as these transactions may not always be handled by our Refund Processing Unit as a payment exception. To ensure the handling and consistency of how secondary documentation is used for the approval process of payment exceptions and if the approval flags agree with supporting documentation, our office will review the current procedures and implement any changes to ensure that the recommendation is being adhered to. Our office intends to implement the changes no later than December 31, 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).

As of December 31, 2023, the corrective action for Recommendation 2.1 has been successfully implemented. The following measures have been enacted to address this recommendation:

1. The transfer request process now requires approval by the supervisor before the transfer is initiated.
2. The approval flags for EGOV payments and IVR payments are now being saved in the back-up system.

These actions were taken to enhance control and oversight over transfer requests and payment approvals, ensuring compliance with relevant policies and procedures.

Observation 3.1: System Access Controls

“The Office does not have written policies and procedures regarding the timing of termination of access rights to Office systems linked to active directory as well as systems not linked to active directory.”

Current Status

Reported Finding Corrected? Yes No

Recommendation 3.1

“MGT recommends the IT Unit creates formal policies and procedures that provide guidance as to the process for terminating access of employees who are no longer with the Office. Additionally, the policies and procedures should include details regarding the timing to terminate access to the various systems, including systems that are linked to active directory as well as systems that are not linked to active directory.”

Management Reply

“Concur. While the County does not have a formal timeline to terminate access controls to users the Treasurer-Tax Collector shall draft a policy to comply with items that pertain to our office and user access controls on systems handled by our office. Our office intends to implement the changes no later than January 31, 2024.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The corrective action for Recommendation 3.1 has been successfully implemented. Our efforts were concentrated on ensuring that pertinent information is accessible to authorized individuals while safeguarding County resources. To meet this objective, Policy Number A-8 Information Security Access Control was enacted, effective January 31, 2024. We anticipate that these measures will significantly enhance our capability to safeguard County information in compliance with all relevant laws, governmental regulations, and established best practices, thereby reducing information security risks.

RIVERSIDE COUNTY TREASURER

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Observation 3.2: System Access Controls

“When the IT Supervisor is aware that an employee will be separating from the Office ahead of time, he is able to schedule for the active directory account to become disabled at the end of the employee’s last day. However, the Office does not have evidence that shows the exact date in which access to systems linked to active directory or systems not linked to active directory were disabled. “

Current Status

Reported Finding Corrected? Yes No

Recommendation 3.2

“MGT recommends the IT Unit enhances the termination of access rights procedures to ensure that the date in which an account becomes disabled is stored within the Office records. “

Management Reply

“Concur. Our office will work to improve the method in which we systematically remove user rights and maintain proper recordkeeping standards. It should be noted that our office cannot maintain records of any termination actions handled outside the Treasurer-Tax Collector's Office. When a termination request is sent over to the County of Riverside Information Technology Office (County IT), our office does not control the handling, processing, or the expected completion time for a request. However, at the departmental level, our office will maintain a record of when a request has been sent over to County IT, along with follow-up and request completion dates. In addition, we will log when access has been denied via password changes to all systems until County IT completes the task. Our office intends to implement the changes no later than January 31, 2024.”

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The corrective action for Recommendation 3.2 has been successfully implemented. Our efforts were concentrated on ensuring that pertinent information is accessible to authorized individuals while safeguarding County resources. To meet this objective, Policy Number A-8 Information Security Access Control was enacted, effective January 31, 2024. We anticipate that these measures will significantly enhance our capability to safeguard County information in compliance with all relevant laws, governmental regulations, and established best practices, thereby reducing information security risks.

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