

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



ITEM: 2.18
(ID # 25785)

MEETING DATE:
Tuesday, August 27, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-017: Riverside University Health System, Behavioral Health, Public Guardian Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-017: Riverside University Health System, Behavioral Health, Public Guardian Audit

ACTION: Consent

Ben J. Benoit

Ben J. Benoit, COUNTY AUDITOR-CONTROLLER

8/14/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: August 27, 2024
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board

By: *Cindy Rudy*
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 Riverside University Health System, Behavioral Health, Public Guardian. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over asset management.

Based on the results of our audit, we have identified improvement opportunities for internal controls over asset management that can help provide reasonable assurance that the department’s objectives relating to this area will be achieved. Specifically, the improvement opportunities are as follows: Maintain conservatee vehicles and document condition details of the vehicles when initially marshalled; improve conservatee asset tagging and inventory processes and procedures; improve physical security controls relating to the department’s warehouse; document the preparation date, review, and approval of bank account reconciliations.

We will follow-up 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 2024-017: Riverside University Health System, Behavioral Health, Public Guardian Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Recommendations

- 6** Priority Level 1
High Risk
- 2** 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

2024-017

Riverside University Health System,
Behavioral Health, Public Guardian Audit

August 27, 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



August 27, 2024

Dr. Matthew Chang
Director
Riverside University Health System, Behavioral Health, Public Guardian
4095 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2024-017: Riverside University Health System, Behavioral Health, Public Guardian Audit

Dear Dr. Chang:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside University Health System, Behavioral Health, Public Guardian to provide management and the Board of Supervisors with an independent assessment of internal controls over asset management.

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.



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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
Juan Perez, Chief Operating Officer
Grand Jury



Internal Audit Report 2024-017: Riverside University Health System, Behavioral Health, Public Guardian Audit

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Executive Summary

Overview

Riverside University Health System, Behavioral Health, Public Guardian (Public Guardian) provides services to conservatees, or individuals who are unable to care for themselves or are unable to manage their finances. Many of these conservatees are placed at long term care facilities, such as skilled nursing facilities, assisted living facilities, mental health rehabilitation centers, and other adult residential facilities in Riverside County. The department is comprised of Public Guardian management, administrative personnel, investigators, nurses, clinical therapists, case managers, accounting clerks, office assistants, and transportation team members.

Public Guardian has an adopted budget of \$9.2 million for FY 2023-24 and 63 adopted positions. *County of Riverside, Fiscal Year 2023-24 Adopted Budget Volume 1, 363-364.*

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 asset management. 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 February 1, 2024, through June 4, 2024, for operations from July 1, 2021, through May 23, 2024.

AUDIT HIGHLIGHTS

- The conditions of conservatee vehicles need to be maintained and documented in detail when initially marshalled.
- The department's conservatee asset tagging and inventory processes and procedures can be improved.
- Physical security controls at the department's warehouse need to be improved.
- The preparation date, review, and approval of bank account reconciliations need to be documented.



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Following a risk-based approach, our scope focused on conservatee asset management.

Audit Conclusion

Based on the results of our audit, we have identified improvement opportunities for internal controls over asset management that can help provide reasonable assurance that the department's objectives relating to this area will be achieved. Specifically, the improvement opportunities are as follows: Maintain conservatee vehicles and document condition details of the vehicles when initially marshalled; improve conservatee asset tagging and inventory processes and procedures; improve physical security controls relating to the department's warehouse; document the preparation date, review, and approval of bank account reconciliations.



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Asset Management

Background

Public Guardian is responsible for conservatee asset management throughout the County of Riverside. The California Probate Code and Welfare and Institutions Code outline the legal responsibilities of Public Guardian when acting as the conservator. These statutes detail the requirements for marshalling, identifying, maintaining, and spending assets belonging to the conservatee. At the start of a conservatorship administered by Public Guardian, a conservatee's assets and personal belongings that hold value are marshalled and prepared for inventory and appraisal. Conservatee assets and personal belongings are then stored at Public Guardian's warehouse where they are maintained until either sold or the conservatorship concludes. Inventory and appraisal of conservatee assets are periodically updated to reflect changes such as asset sales, removals, or discoveries, as well as during the periodic accountings submitted to the court. Additionally, Public Guardian maintains a bank account that manages all client funds.

As of April 19, 2024, Public Guardian managed the assets of 278 conservatees, which were stored and maintained in Public Guardian's warehouse.

Objective

To verify the existence and adequacy of internal controls over Public Guardian's asset management processes.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over asset management.
- Conducted interviews with key personnel to gain an understanding of the department's asset management process.
- Verified whether there was adequate segregation of duties in place relating to the asset management process.
- Verified whether training was provided to personnel over the asset management process.



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- Verified whether periodic reviews and inventory counts of conservatee assets were performed.
- Obtained a listing of all conservatees whose assets were held at the inventory warehouse at the time of review. Randomly selected a sample of conservatees for review, then judgmentally selected assets belonging to those conservatees for asset verification and review.
- Verified whether the conservatees' assets existed, the assets were in their reported location, asset tags matched the department's listing, the assets were appraised, and sufficient supporting documentation was maintained.
- Verified whether the inventory warehouse had restricted access, adequate security camera coverage, and a functional fire suppression system.
- Obtained a listing of all sold conservatee assets during the audit review period. Randomly selected a sample of sold conservatee assets for review.
- Verified whether the sold conservatee assets were appraised, sufficient supporting documentation was maintained, and proceeds deposited into Public Guardian's bank account matched auction summary reports.
- Randomly selected a sample of bank account statements and reconciliations for Public Guardian's bank account during the audit review period.
- Verified whether the bank account reconciliations were accurate, performed timely, reviewed by management timely, and did not include stale dated checks or outstanding deposits.

Finding 1: Vehicle Condition Management

Priority Level: 1¹

California Probate Code § 2401, states, "The guardian or conservator... has the management and control of the estate and, in managing and controlling the estate, shall use ordinary care and diligence." Additionally, Judicial Council of California's Handbook for Conservators (2016 Revised Edition), Section 5.2, *Responsibilities of a Conservator of the Estate*, states, "As conservator of the estate, you must protect and manage the estate for the conservatee's benefit," and, "As protector and manager of the conservatee's assets, you must... locate and take control of the assets and make sure they are adequately protected against loss."

¹ Please see Appendix A (page 14) for a description of the finding priority level classifications.



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Conservatee vehicles stored at Public Guardian’s inventory warehouse are not being adequately maintained. Specifically, conservatee vehicles were observed to be dirty, had flat tires, and windows were rolled down, exposing them to the weather and environment. Additionally, when the department documents the conditions of conservatee vehicles when initially marshalled, the documentation is not detailed and only utilizes one-letter codes to describe the conditions. As such, it cannot be determined whether the conditions of the vehicles were a result of how they are currently being maintained or if their condition had remained unchanged from when they were initially marshalled.

The department’s current policies and procedures can include additional details to ensure conservatee vehicle conditions are maintained when stored at Public Guardian’s inventory warehouse. Additionally, the department’s current policies and procedures can be improved to better document the details of conservatee vehicle conditions when initially marshalled. Documenting the condition details of conservatee vehicles when initially marshalled and ensuring that they are maintained to that standard can minimize potential financial loss for conservatees and preserves the value of vehicles. These actions add credibility to the department’s conservatorship programs and can mitigate the county’s exposure to legal consequences.

Recommendation 1.1

Update policies and procedures to comply with California Probate Code § 2401 and Judicial Council of California’s Handbook for Conservators, Section 5.2, *Responsibilities of a Conservator of the Estate*, by ensuring conditions of conservatee vehicles are maintained.

Management’s Response

“**Concur.** Riverside University Health System-Behavioral Health, Public Guardian (RUHS-BH PG) Policy #347 outlines a standard to help consider the condition of a vehicle when it is marshalled. RUHS-BH PG will revise policy to include a standard in line with the CA Probate Code to help ensure that vehicles are protected while under the control of the department and do not lose value beyond normal depreciation.”

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

Recommendation 1.2

Enhance current processes by documenting the condition details of conservatee vehicles when initially marshalled.



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Management's Response

“**Concur.** Riverside University Health System-Behavioral Health, Public Guardian (RUHS-BH PG) Policy #347 outlines a standard to help consider the condition of a vehicle when it is marshalled. RUHS-BH PG will enhance the policy to include a more formalized process to document the overall condition of the vehicle upon marshalling.”

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

Finding 2: Conservatee Asset Tracking

Priority Level: 1²

National Guardianship Association's³ Standard 17, *Duties of the Guardian of the Estate*, states, “The guardian shall use reasonable efforts to control, inventory, and monitor the person's assets, income, and liabilities... The guardian shall keep accurate records and be able to fully account for all assets, income, and expenditures of the estate.”

Public Guardian needs to improve their current process for tracking conservatee assets. Ten out of the 82 conservatee assets (12%) judgmentally selected for testing were at a location different than the one indicated by the department. Of the ten conservatee assets not in their reported location, eight were due to the related conservatorships being closed and the department's inventory listing was not updated to reflect the change, and two were due to duplicate asset entries with outdated location information.

Furthermore, Public Guardian's process over tagging conservatee assets is not consistent as only small, non-personal items and general items are tagged. Currently, the conservatee asset tagging process involves matching numbered items listed on an inventory sheet with either the individual items themselves or with a numbered plastic bag that contains different items belonging to the conservatee. These items in the numbered plastic bags are categorized as “general” items and are grouped together in similar sets. Large items, such as furniture, televisions, and bicycles, as well as personal items like clothing, photos, documents, and art, are not tagged. The department's current policies and procedures do not discern which conservatee assets are required to be tagged. Additionally, the department's current policies and procedures do not include a process to ensure that any changes made to conservatee assets are reflected in the department's inventory listing. Tagging all conservatee assets and ensuring the department's

² Please see Appendix A (page 14) for a description of the finding priority level classifications.

³ The National Guardianship Association (NGA) is a nonprofit organization specializing in the field of guardianship, providing essential standards, education, certification, and advocacy. Their goal is to ensure that individuals under guardianship receive high-quality, ethical, and professional care. The NGA's resources and standards aim to enhance the practice of guardianship and protect the rights and well-being of vulnerable individuals.



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inventory listing remains updated minimizes the risk of financial losses associated with misappropriation or loss of assets, refines asset location and tracking, and mitigates the county's exposure to legal consequences.

Recommendation 2.1

Revise existing policies and procedures to add verbiage that discerns which conservatee assets are required to be tagged.

Management's Response

"**Concur.** RUHS will revise department policies and procedures to detail which conservatee assets in inventory should be tagged."

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

Recommendation 2.2

Develop a process to ensure that any updates made to a conservatee asset identifier, such as an asset tag number, or asset location is reflected in the department's inventory listing.

Management's Response

"**Concur.** RUHS-BH PG will develop a clear process to outline the necessary steps in updating asset information, including the location, so that any changes will be documented in a timely manner."

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

Finding 3: Warehouse Physical Security Controls

Priority Level: 1⁴

Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "Equipment, inventories, cash and other property are secured physically, counted periodically and compared with control records."

Public Guardian can improve physical security controls for the warehouse in which they store conservatee assets. The department limits warehouse access to personnel with operational needs and to executive personnel who may need to provide essential services during a disaster or unforeseen circumstances. Physical keys to access areas within the warehouse are stored in a

⁴ Please see Appendix A (page 14) for a description of the finding priority level classifications.



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lockbox that is only accessible to authorized personnel. However, the key to the lockbox is near the lockbox itself which provides full access to everything in the warehouse. Additionally, the department does not periodically change the locks and combination codes within the warehouse. The department does not have a process in place to ensure the lockbox key is stored in a secure area away from the lockbox. Furthermore, the department does not have a process in place to periodically change locks and combination codes at Public Guardian's warehouse. Securing the lockbox key and periodically changing locks and combination codes reduces the risk of unauthorized access and potential financial loss for conservatees, protects sensitive information, and mitigates the county's exposure to legal consequences.

Recommendation 3.1

Ensure compliance with Standard Practice Manual 1001, *Internal Control*, by storing the lockbox key in a secure location with restricted access.

Management's Response

"Concur. RUHS-BH PG limits access to the warehouse to only those staff that have an operational need for access, and executive leadership team members that would need access to the warehouse to provide essential services in case of a disaster or unforeseen circumstance. Any access to that lockbox can only be made by an individual on the short list of authorized employees. In the interest of better security, RUHS-BH PG will relocate the lockbox key to a distinct and secure location, away from the lockbox, with continued limited access."

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

Recommendation 3.2

Update policies and procedures to establish a timeframe to periodically change locks and combination codes in Public Guardian's warehouse.

Management's Response

"Concur. RUHS-BH PG will update policies and procedures to outline a process to periodically change locks and combinations, and in addition control warehouse access on an individual basis."

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



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Finding 4: Bank Account Reconciliations

Priority Level: 2⁴

Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, “records are routinely examined and reconciled to determine that transactions were properly processed.” 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.”

Documentation with evidence of a formal review and approval process over bank account reconciliations needs to be maintained. Although bank account reconciliations are being performed, documentation of when the reconciliations were prepared, who reviewed and approved the reconciliations, and when the reconciliations were reviewed and approved needs to be recorded. As such, we were not able to determine whether review and approval occurred over bank account reconciliations or if the reconciliations were performed and reviewed timely. Current policies and procedures documenting a process to record when reconciliations were prepared, who reviewed and approved the reconciliations, and when reconciliations were reviewed and approved are not included. Documenting the review and approval of bank reconciliations enables the department to identify and correct discrepancies or errors timely and enhances transparency and accountability for the work performed by department personnel.

Recommendation 4.1

Ensure compliance with Standard Practice Manual 1001, *Internal Control*, by documenting the preparation date, review, and approval of bank account reconciliations.

Management’s Response

“**Concur.** RUHS-BH PG prepares and maintains monthly bank account reconciliation that are reviewed and approved upon completion. RUHS-BH PG will implement a process that documents the timelines of preparation, review, and approval for the monthly bank account reconciliation.”

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

Recommendation 4.2

Update policies and procedures to include documenting the preparation date, review, and approval of bank accounts reconciliations.



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Management's Response

“Concur. RUHS-BH PG regularly maintains and reconciles the program’s bank account. RUHS-BH PG policy will be updated to include the process of documenting the preparation, review, and approval of the monthly bank account reconciliation.”

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



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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.