

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



ITEM: 2.13
(ID # 25893)

MEETING DATE:
Tuesday, September 17, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 8/28/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Washington, Perez and Gutierrez
Nays: None
Absent: Spiegel
Date: September 17, 2024
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board

By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
NET COUNTY COST	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
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 Human Resources Department. Our audit was limited to reviewing actions taken as of July 30, 2024, to correct findings noted in our original audit report 2024-001 dated February 27, 2024. The original audit report contained two recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the two recommendations, both were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2024-001 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 2025-301: Riverside County Human Resources Department, Follow-up Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Internal Audit Report

2025-301

Follow-up

2 Recommendations

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



**Riverside County
Human Resources Department
Follow-up Audit**

September 17, 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



September 17, 2024

Tami Douglas-Schatz
Human Resources Director
Riverside County Human Resources Department
4080 Lemon Street, 7th Floor
Riverside, CA 92501

**Subject: Internal Audit Report 2025-301: Riverside County Human Resources Department,
Follow-up Audit**

Dear Ms. Douglas-Schatz:

We completed the follow-up audit of Riverside County Human Resources Department. Our audit was limited to reviewing actions taken as of July 30, 2024, to help correct the findings noted in our original audit report 2024-001 dated February 27, 2024.

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

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

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2024-001 included as "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.



Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit

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, County Executive Officer
Dave Rogers, Chief Administrative Officer
Juan Perez, Chief Operating Officer
Grand Jury



Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit

Table of Contents

	Page
Results:	
Collection of Revenue for General Liability Insurance	4
Records Retention.....	6

Attachments:

A. Internal Audit Report 2024-001

B. Status of Findings as Reported by Riverside County Human Resources Department on July 30, 2024





Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit

Collection of Revenue for General Liability Insurance

Finding 1: Reconciliation of General Liability Insurance Payments

“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.’

Reconciliations to ensure county departments are accurately charged for the general liability insurance rates approved by the Board are not performed. Human Resources’ policies and procedures do not include a process to reconcile general liability insurance amounts charged to county departments with the approved rates. When the amounts charged to county departments are not reconciled, it impacts Human Resources’ ability to identify and correct discrepancies or errors timely and can impact financial and non-financial reporting. Additionally, county departments may be over-billed or under-billed which can negatively affect financial forecasting associated with actuarial calculations of estimated reserve levels and future general liability insurance allocated costs.

On November 27, 2023, Human Resources management updated their policy titled *Procedures for General Liability Insurance* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the updated policy includes a new procedure to perform a reconciliation at least annually to ensure county departments are accurately charged according to the approved general liability insurance rates. In the follow-up audit, we will verify whether the department performs these reconciliations in accordance with their updated policies and procedures.”

Recommendation 1:

“Ensure personnel adheres to policies and procedures to ensure general liability insurance charges are reconciled with the rates approved by the Board.”

Current Status 1: Implemented



Internal Audit Report 2025-301: Riverside County Human Resources Department, Follow-up Audit

Records Retention

Finding 2: Review and Approval of Ordering Stored Records

“Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, ‘transactions are authorized by a person assigned approval authority.’ Additionally, Standard Practice Manual 1001, *Internal Control*, states, ‘duties are divided or segregated so that no one person has complete control over a key function or activity.’

Record orders are not reviewed and approved prior to being submitted in the department's records storage portal. Although designated staff are granted authorization to submit record orders, the records storage portal does not have the workflow capability to track approvals and the department's current policies and procedures do not include a process to review and approve record orders prior to submission in the portal. Not reviewing and approving record orders submitted by Human Resources personnel increases the risk of unauthorized or inappropriate access to confidential records. Personnel may order records without proper justification, potentially leading to the misuse of sensitive information for personal or malicious purposes.

On December 4, 2023, Human Resources management provided a new policy titled *Procedures for Requesting Records from VRC* and a new form titled *Human Resources Request for Records Retrieval* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the policy includes a new procedure that requires Records Coordinators or personnel that have been authorized to access records to obtain management approval prior to record order and retrieval. Management approval is obtained through the new form mentioned above, which includes sections to be completed such as the department that originated the request, the reason for retrieval and justification, and an area for management signature and date. In the follow-up audit, we will verify whether record orders are reviewed and approved by department management in accordance with their updated policies and procedures.”

Recommendation 2:

“Ensure personnel adheres to policies and procedures to ensure record orders are reviewed and approved prior to submitting the order in the records storage portal.”

Current Status 2: Implemented



Office of Ben J. Benoit
Riverside County Auditor-Controller

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Number of Recommendations

- 0** 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

2024-001

Riverside County
Human Resources Department Audit

February 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



February 27, 2024

Sarah Franco
Assistant County Executive Officer
Riverside County Human Resources Department
4080 Lemon Street, 7th Floor
Riverside, CA 92502

**Subject: Internal Audit Report 2024-001: Riverside County Human Resources Department
Audit**

Dear Ms. Franco:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Human Resources Department to provide management and the Board of Supervisors with an independent assessment of internal controls over the collection of revenue for general liability insurance, records retention, and flexible benefits payment collection 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.



Final Internal Audit Report 2024-001: Riverside County Human Resources 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



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Table of Contents

	Page
Executive Summary	4
 Results:	
Collection of Revenue for General Liability Insurance.....	6
Records Retention.....	8
Flexible Benefits Payment Collection Management.....	11
 Appendix A: Finding Priority Level Classification.....	 13



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Executive Summary

Overview

Riverside County Human Resources Department (Human Resources) provides central support to Riverside County employees throughout their employment cycle. Human Resources services include recruitments of permanent and temporary positions, employee relations, leave management, risk management, insurance, and the maintenance of employee benefits.

Human Resources has an adopted budget of \$250.6 million for FY 2023-24 and 5,691 adopted positions. *County of Riverside, Fiscal Year 2023-24 Adopted Budget Volume 1, 198.*

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 the collection of revenue for general liability insurance, records retention, and flexible benefits payment collection 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 August 1, 2023, through December 4, 2023, for operations from July 1, 2021, through November 27, 2023. Following a risk-based approach, our scope included the following:

- Collection of Revenue for General Liability Insurance
- Records Retention
- Flexible Benefits Payment Collection Management

AUDIT HIGHLIGHTS

- Periodic reconciliations need to be performed to ensure departments are accurately charged for the general liability insurance rates approved by the Board.
- Record orders need to be reviewed and approved prior to being submitted in the department's records storage portal.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Audit Conclusion

Based on the results of our audit, internal controls over flexible benefits payment collection management are functioning as designed to help Human Resources achieve its business process objectives. However, we have identified improvement opportunities for internal controls over the collection of revenue for general liability insurance and records retention that can help provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, the department's processes for the collection of revenue for general liability insurance does not include periodic reconciliations, and the processes for records retention does not include a review and approval of record orders.

Upon discussing these existing conditions with management on November 27, 2023, Human Resources proceeded to resolve these conditions and communicated their efforts to improve the adequacy and effectiveness of their internal controls. We would like to extend our appreciation to the department for being receptive to our evaluation and proactive in implementing our recommendations.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Collection of Revenue for General Liability Insurance

Background

Human Resources maintains actuarially defined reserves for general and auto liability to self-insure against accidents and disasters. Additional insurance is purchased to pay claims beyond specific high dollar amounts. Claims against county departments are paid from an Internal Service Fund (ISF) – this ISF is an accumulation of funds contributed by county departments via annual billing from Human Resources. The amount of money each county department contributes to the ISF is primarily determined by the past seven years of claims/loss history. The more costly a department's seven-year claims/loss history, the higher their allocated cost of the required program funding will be. To determine annual required funding for the general liability insurance program, an actuarial analysis of general risk factors is performed, which analyzes known and anticipated claims, as well as program operating costs. Actuaries will then recommend the county to fund the insurance program based on a predetermined confidence level. This confidence level estimates how confident the actuary is that the current reserves plus the amount collected through the ISF charges will cover all costs to settle known and anticipated claims.

Objective

To verify the existence and adequacy of internal controls over Human Resources' revenue collection process relating to general liability insurance.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over the collection of revenue for general liability insurance.
- Interviewed key personnel regarding the department's process to collect revenue for general liability insurance.
- Verified whether there was adequate segregation of duties in place relating to the collection of revenue for general liability insurance.
- Obtained a listing of all general liability related claims paid during the audit review period and selected a random sample of claims for review.
- Verified whether there was adequate documentation to support the paid claims and whether there was adequate review and approval.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

- Obtained the department’s most recent general liability insurance cost allocation calculation from their actuary and verified whether the calculation was reviewed and approved by management.
- Obtained a listing of all general liability insurance payments charged to county departments during fiscal year 2023.
- Verified whether the payments agreed with the actuarial calculation, the payments were accurately recorded in the Riverside County financial system, and journal entries to record the payments were reviewed and approved.

Finding 1: Reconciliation of General Liability Insurance Payments

Priority Level: 2¹

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.”

Reconciliations to ensure county departments are accurately charged for the general liability insurance rates approved by the Board are not performed. Human Resources’ policies and procedures do not include a process to reconcile general liability insurance amounts charged to county departments with the approved rates. When the amounts charged to county departments are not reconciled, it impacts Human Resources’ ability to identify and correct discrepancies or errors timely and can impact financial and non-financial reporting. Additionally, county departments may be over-billed or under-billed which can negatively affect financial forecasting associated with actuarial calculations of estimated reserve levels and future general liability insurance allocated costs.

On November 27, 2023, Human Resources management updated their policy titled *Procedures for General Liability Insurance* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the updated policy includes a new procedure to perform a reconciliation at least annually to ensure county departments are accurately charged according to the approved general liability insurance rates. In the follow-up audit, we will verify whether the department performs these reconciliations in accordance with their updated policies and procedures.

Recommendation 1

Ensure personnel adheres to policies and procedures to ensure general liability insurance charges are reconciled with the rates approved by the Board.

¹ Please see Appendix A (page 13) for a description of the finding priority level classifications.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Management's Response

“Concur. Human Resources concurs with the recommendation of the Auditor-Controller. On November 27, 2023, HR implemented an ongoing operational change by ensuring all rate funds must be reconciled on an annual occurrence at minimum. HR Finance Division has included fund management and reconciliation as part of ongoing efforts to remedy uncollected funds.”

Actual/estimated Date of Corrective Action: November 27, 2023

Records Retention

Background

Human Resources is exposed to various confidential and sensitive documents and records that contain county employee data. These records can contain data related to Personally Identifiable Information (PII)², employment contracts, payroll information, performance evaluations, disciplinary records, and background checks. Such records are retained and stored pursuant to the county-wide General Records Retention Schedule (GRRS), as well as the more department-specific Departmental Records Retention Schedule (DRRS).

Human Resources contracted with an offsite records storage vendor to house records and provide document destruction and transportation services per the department's required GRRS and DRRS. The department has authorized staff members with access to ordering physical records, or ordering digitally scanned copies of records, from one of the vendor's offsite storage facilities in response to claims-related subpoenas or document destruction requests. These record orders are submitted using a portal configured by the records storage vendor for which Human Resources can grant or restrict access to employees based on role or job duty.

Objective

To verify the existence and adequacy of internal controls over Human Resources' records retention process.

² The United States Department of Labor defines PII as “any representation of information that permits the identify of an individual to whom the information applies to be reasonably inferred by either direct or indirect means.” Examples of sensitive PII may include an employee's full name, address, social security number, biometric data, banking information, and medical records.

“Guidance on the Protection of Personal Identifiable Information.” U.S. Department of Labor. Accessed December 19, 2023. <https://www.dol.gov/general/ppii>.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over records retention.
- Interviewed key personnel regarding the department's record retention process.
- Verified whether there was adequate segregation of duties in place relating to records retention.
- Obtained a copy of the department's most current contract with their records storage vendor and verified whether there was an audit clause in the contract.
- Obtained a listing of records storage warehouses from the vendor and randomly selected a warehouse for physical security testing.
- Verified whether the records storage warehouse had restricted access, adequate security camera coverage, a functional fire suppression system, and electronic backups of records.
- Obtained a current stored records inventory listing from the records storage vendor. Selected a random sample of records for review and verified whether the records physically existed.
- Verified whether the department performs periodic inventory counts of the records maintained by the records storage vendor.
- Obtained a listing of record orders from the department's records storage portal and selected a sample of orders for review.
- Verified whether the individual record orders detailed approvals and if the records order report is periodically reviewed and approved by management.

Finding 2: Review and Approval of Ordering Stored Records

Priority Level: 2³

Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, "transactions are authorized by a person assigned approval authority." Additionally, Standard Practice Manual 1001, *Internal Control*, states, "duties are divided or segregated so that no one person has complete control over a key function or activity."

³ Please see Appendix A (page 13) for a description of the finding priority level classifications.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Record orders are not reviewed and approved prior to being submitted in the department's records storage portal. Although designated staff are granted authorization to submit record orders, the records storage portal does not have the workflow capability to track approvals and the department's current policies and procedures do not include a process to review and approve record orders prior to submission in the portal. Not reviewing and approving record orders submitted by Human Resources personnel increases the risk of unauthorized or inappropriate access to confidential records. Personnel may order records without proper justification, potentially leading to the misuse of sensitive information for personal or malicious purposes.

On December 4, 2023, Human Resources management provided a new policy titled *Procedures for Requesting Records from VRC* and a new form titled *Human Resources Request for Records Retrieval* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the policy includes a new procedure that requires Records Coordinators or personnel that have been authorized to access records to obtain management approval prior to record order and retrieval. Management approval is obtained through the new form mentioned above, which includes sections to be completed such as the department that originated the request, the reason for retrieval and justification, and an area for management signature and date. In the follow-up audit, we will verify whether record orders are reviewed and approved by department management in accordance with their updated policies and procedures.

Recommendation 2

Ensure personnel adheres to policies and procedures to ensure record orders are reviewed and approved prior to submitting the order in the records storage portal.

Management's Response

“Concur. Human Resources concurs with the recommendation of the Auditor-Controller. On January 18, 2024, HR implemented an ongoing operational change by ensuring Records Coordinators or personnel that have been authorized to access records obtain management approval prior to record order and retrieval from the Vital Records Control (VRC) system. HR Administrative Services Unit has included a new HR Request for Records Retrieval form for manager's review and approval to request records from the Vital Records Control (VRC) system as part of ongoing efforts to improve the adequacy and maintain an effective system of internal control.”

Actual/estimated Date of Corrective Action: January 18, 2024



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

Flexible Benefits Payment Collection Management

Background

The County helps regular full-time employees pay for health, dental, and vision insurance by offering flexible benefit credits (flex credits) to reduce how much is paid in monthly premiums when enrolling in a County-sponsored medical plan. The flex credits an employee receives is determined by the applicable memorandum of understanding or ordinance that governs the bargaining unit or employee group the employee is in. These flex credits are applied automatically through the Riverside County payroll system (payroll system). Each County-sponsored medical plan is issued a specific deduction code in the payroll system and is automatically offset by the flex credits received. If the flex credits do not cover the total amount of insurance premiums for the month, the employee is responsible for paying the difference. If the flex credits received are greater than the cost of the monthly insurance premiums, than those credits are considered “flex excess” and are transferred to a county contribution fund to help offset the costs related to general health benefits.

Objective

To verify the existence and adequacy of internal controls over Human Resources’ flexible benefits payment collection management process.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over flexible benefits payment collection management.
- Interviewed key personnel regarding the department’s flexible benefits payment collection management process.
- Verified whether there was adequate segregation of duties in place relating to recording flexible benefits payments.
- Selected a random sample of pay periods for review and verified whether flex credits payroll deductions were accurately recorded and journal entries to record the deductions were reviewed and approved by management.



Final Internal Audit Report 2024-001: Riverside County Human Resources Department Audit

- Selected a random sample of pay periods for review and verified whether the transfer of excess flex credits was accurately recorded and the transfer of funds was reviewed and approved by management.
- Obtained the department's most recent reconciliation between the amount of funds collected from county employees and the amount paid to insurance vendors.
- Verified whether the amount collected from employees was sufficient to cover the cost of the vendors, the vendors were paid timely, and vendor payments were reviewed and approved by management.
- Verified whether the department periodically reviews fund transactions and performs an analysis to prevent a deficit fund balance.

Finding: None Noted

Priority Level: N/A

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



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.



The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2024-001: Riverside County Human Resources Department Audit.

Authorized Signature

7/30/24

Date

Finding 1: Reconciliation of General Liability Insurance Payments

“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.’

Reconciliations to ensure county departments are accurately charged for the general liability insurance rates approved by the Board are not performed. Human Resources’ policies and procedures do not include a process to reconcile general liability insurance amounts charged to county departments with the approved rates. When the amounts charged to county departments are not reconciled, it impacts Human Resources’ ability to identify and correct discrepancies or errors timely and can impact financial and non-financial reporting. Additionally, county departments may be over billed or under billed which can negatively affect financial forecasting associated with actuarial calculations of estimated reserve levels and future general liability insurance allocated costs.

On November 27, 2023, Human Resources management updated their policy titled *Procedures for General Liability Insurance* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the updated policy includes a new procedure to perform a reconciliation at least annually to ensure county departments are accurately charged according to the approved general liability insurance rates. In the follow up audit, we will verify whether the department performs these reconciliations in accordance with their updated policies and procedures.”

Current Status

Reported Finding Corrected? Yes No

Recommendation 1

“Ensure personnel adheres to policies and procedures to ensure general liability insurance charges are reconciled with the rates approved by the Board.”

Management Reply

“Concur. Human Resources concurs with the recommendation of the Auditor Controller. On November 27, 2023, HR implemented an ongoing operational change by ensuring all rate funds must be reconciled on an annual occurrence at minimum. HR Finance Division has included fund management and reconciliation as part of ongoing efforts to remedy uncollected funds.”

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).

At the end of each fiscal year, Human Resources Finance Division audits and reconciles all approved Board Rates.

Finding 2: Review and Approval of Ordering Stored Records

“Standard Practice Manual 1001, *Internal Control*, states that, to maintain an effective system of internal control, ‘transactions are authorized by a person assigned approval authority.’ Additionally, Standard Practice Manual 1001, *Internal Control*, states, ‘duties are divided or segregated so that no one person has complete control over a key function or activity.’

Record orders are not reviewed and approved prior to being submitted in the department's records storage portal. Although designated staff are granted authorization to submit record orders, the records storage portal does not have the workflow capability to track approvals and the department's current policies and procedures do not include a process to review and approve record orders prior to submission in the portal. Not reviewing and approving record orders submitted by Human Resources personnel increases the risk of unauthorized or inappropriate access to confidential records. Personnel may order records without proper justification, potentially leading to the misuse of sensitive information for personal or malicious purposes.

On December 4, 2023, Human Resources management provided a new policy titled *Procedures for Requesting Records from VRC* and a new form titled *Human Resources Request for Records Retrieval* that addresses the condition above and communicated their efforts to improve the adequacy and effectiveness of their internal controls. Specifically, the policy includes a new procedure that requires Records Coordinators or personnel that have been authorized to access records to obtain management approval prior to record order and retrieval. Management approval is obtained through the new form mentioned above, which includes sections to be completed such as the department that originated the request, the reason for retrieval and justification, and an area for management signature and date. In the follow up audit, we will verify whether record orders are reviewed and approved by department management in accordance with their updated policies and procedures."

Current Status

Reported Finding Corrected? Yes No

Records stored offsite are reviewed and approved by a manager prior to records personnel with access to VRC submitting an order for retrieval via the VRC portal.

Recommendation 2

"Ensure personnel adheres to policies and procedures to ensure record orders are reviewed and approved prior to submitting the order in the records storage portal."

Management Reply

"**Concur.** Human Resources concurs with the recommendation of the Auditor Controller. On January 18, 2024, HR implemented an ongoing operational change by ensuring Records Coordinators or personnel that have been authorized to access records obtain management approval prior to record order and retrieval from the Vital Records Control (VRC) system. HR Administrative Services Unit has included a new HR Request for Records Retrieval form for manager's review and approval to request records from the Vital Records Control (VRC) system

as part of ongoing efforts to improve the adequacy and maintain an effective system of internal control.”

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).

Since the audit, HR has recently updated the PDF form to a Laserfiche form and is published in our SharePoint site under forms at <https://lf-intweb1.rivcoca.org/Forms/RecordsRetrieval>. This streamlines the process and saves the approved or denied retrieval request forms in the Laserfiche repository for tracking purposes. We provide an example of a completed form. The department is also in the process of developing additional job aides for distribution to staff working with records stored offsite.