ITEM: 2.14
(ID # 25896)
MEETING DATE:
Tuesday, September 17, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit, [District: All]; [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit.

ACTION:Consent

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

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Washington, Perez and Gutierrez
Nays: None   Kimberly A. Rector
Absent: Spiegel   Clerk of the Board
Date: September 17, 2024   By:
xc: Auditor Controller   Deputy

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$ 0.0	$ 0.0	$ 0.0	$ 0.0
NET COUNTY COST	$ 0.0	$ 0.0	$ 0.0	$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Department of Public Social Services. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over access control management, capital assets, overtime monitoring, and revolving fund.

Based on the results of our audit, we identified improvement opportunities for internal controls over access control management, capital asset management, overtime monitoring and revolving funds that can help provide reasonable assurance that the department's objectives relating to the area will be achieved. Specifically, separated employee badges need to be deactivated timely, access rights changes need to be well documented, badges need to be collected upon employee separation. Additionally, employees need to adhere to vacation time policies, overtime needs to be supported and documented, and the department needs to accurately estimate their overtime needs. Furthermore, assets need to be accurately tracked and monitored, revolving fund reconciliations need to be completed timely, and reconciliation documentation needs to be accurate. Finally revolving fund shortages need to be reported and replenished timely, and Public Social Services needs to adhere to cash advance timeframes.

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

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit.

Office of Ben J. Benoit

Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

4 Findings
- **13 Recommendations**

Medium Risk

5 Findings
- **13 Recommendations**

Low Risk

0 Findings

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

Internal Audit Report

2024-021

Riverside County

Department of Public Social Services

September 17, 2024

September 17, 2024

Charity Douglas
Director of Department of Public Social Services
Riverside County Department of Public Social Services
4060 County Circle Drive
Riverside, CA 92503

Subject: **Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit**

Dear Ms. Douglas,

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Department of Public Social Services to provide management and the Board of Supervisors with an independent assessment of internal controls over access control management, capital asset management, overtime monitoring, and revolving fund.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Our conclusion and details of our audit are documented in the body of this audit report.

Internal Audit Report 2024-021: Riverside County Department of Public Social Services 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
      Juan Perez, Chief Operating Officer
      Grand Jury

Table of Contents

Executive Summary

Overview

Riverside County Department of Public Social Services (Public Social Services) is dedicated to supporting and improving the health, safety, independence, and well-being of individuals and families. Public Social Services is comprised of three major program divisions. The Adult Services Division provides programs to aid elder and dependent adults. The Children's Services Division offers programs designed to promote safety, permanency, and well-being of vulnerable children as well as investigating child abuse and neglect allegations. The Self-Sufficiency Division supports individuals and families to achieve well-being, and economic independence.

Public Social Services has a recommended budget of $1.56 billion for FY 2024-25 and 5,803 recommended positions. *County of Riverside, Fiscal Year 2024-25 Recommended Budget Volume 1, 144-149.*

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 access control management, capital asset management, overtime monitoring, and revolving fund. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

AUDIT HIGHLIGHTS

- Separated employee badges need to be deactivated timely.
- Access rights changes need to be documented.
- Badges need to be collected upon employee separation.
- Employees need to adhere to vacation time policies.
- Overtime needs to be supported and documented.
- Department needs to accurately estimate their overtime needs.
- Assets need to be accurately tracked and monitored.
- Revolving fund reconciliations need to be completed timely.
- Reconciliation documentation need to be accurate.
- Revolving Fund shortages need to be reported and replenished timely.
- Adhere to cash advance timeframes.

Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit

Audit Scope and Methodology

We conducted the audit from February 20, 2024, through July 23, 2024, for operations from July 1, 2022, through May 20, 2024. Our scope included the following:

- Access Control Management
- Capital Asset Management
- Overtime Monitoring
- Revolving Fund

Audit Conclusion

Based on the results of our audit, we identified improvement opportunities for internal controls over access control management, capital asset management, overtime monitoring and revolving funds that can help provide reasonable assurance that the department's objectives relating to the area will be achieved. Specifically, separated employee badges need to be deactivated timely, access rights changes need to be well documented, badges need to be collected upon employee separation. Additionally, employees need to adhere to vacation time policies, overtime needs to be supported and documented, and the department needs to accurately estimate their overtime needs. Furthermore, assets need to be accurately tracked and monitored, revolving fund reconciliations need to be completed timely, and reconciliation documentation needs to be accurate. Finally revolving fund shortages need to be reported and replenished timely, and Public Social Services needs to adhere to cash advance timeframes.

Upon addressing the condition above relating to the use of revolving fund cash advances[1] with management on April 16, 2024, Public Social Services proceeded to resolve this condition and communicated their efforts to improve the adequacy and effectiveness of their internal controls over revolving fund cash advances. We would like to extend our appreciation to the department for being receptive to our evaluation and proactive in implementing the recommendations associated with this area.

---

[1] See Finding 10 (page 32) for a description of the department's resolution efforts relating to the use of revolving fund cash advances.

Access Control Management

Background

Access Control Management is a crucial component of information security that involves the establishment, maintenance, and enforcement of policies and procedures to manage access to information systems, resources, and physical facilities within an organization. Access control management plays a vital role in safeguarding sensitive data, maintaining the integrity of systems, and protecting against unauthorized access or breaches. Access extends to physical access control, ensuring that only authorized personnel can enter secure areas or buildings. It is essential for protecting physical assets and sensitive information stored in physical locations.

Badge access controls serve as a fundamental component in establishing and maintaining a secure physical environment within the organization. Badge access controls is essential for regulating and monitoring entry and exit points, aligning with the overarching objective of fortifying the organization's security infrastructure. The utilization of identification badges or electronic access cards contributes to the establishment of robust internal controls, ensuring that access permissions are intricately configured in adherence to organizational security policies and regulatory standards. By objectively assessing the design and functionality of the badge access system, the department can identify any potential vulnerabilities or inefficiencies and determine enhancements that bolster the organization's overall physical security measures.

Below, we detail some examples of instances where lapses in security measures have occurred:

- Aurora, Illinois, Henry Pratt Company Shooting (2019): A terminated employee, returned to his former job and opened fire, killing five coworkers, and injuring several police officers. Martin had reportedly been fired for disciplinary reasons earlier that day.[2]

- NASA Johnson Space Center, Houston, Texas (2007): A terminated contractor returned with a firearm, using his old badge to enter and take a hostage, leading to a fatal standoff with law enforcement.[3]

- Multnomah County Oregon (2019): A County staff member was dismissed from employment, but briefly continued to have access to County records where they were able to obtain the names and social security numbers of 40 clients.[4]

---

[2] "Aurora, Illinois, Gunman Who Fatally Shot 5 Vowed to Kill All His Co-Workers If He Was Fired." NBCNews.Com, NBCUniversal News Group, 29 Apr. 2019.

[3] "NASA Worker Kills Hostage." The New York Times, The New York Times, 21 Apr. 2007.

[4] "Press Release: Multnomah County Reports Security Breach after Employee Termination" | Multnomah County. Multnomah County, 2 July 2019.

These incidents highlight the critical importance of rigorous access control policies. Ensuring badges are promptly deactivated and collected after separation, and continuously monitoring access permissions, is essential to prevent such tragedies and maintain security.

Objective

To verify the existence and adequacy of internal controls over physical access to facilities used by Public Social Services.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Department Policy 11-026, *Identification Badges,* County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, National Institute of Standards and Technology's (NIST) Special Publication (SP) 800-12, *An Introduction to Information Security*, Section 10.16, *Personnel Security*, Memorandum of Understanding (MOU) 2012 – 2016[5], County of Riverside Laborers' International Union of North America Local 777 (LIUNA), Article VIII, *Vacation*, Section 1.F, and MOU 2024 – 2027 County of Riverside Service Employees International Union, Local 721 (SEIU), Article 9, *Vacation*, Section 1.E.

- Conducted interviews and performed walk-throughs with department personnel responsible for access control management.

- Obtained a listing of separated employees from the department to review.

- Verified whether a separated employee had their badge deactivated.

- Verified whether separated employees had their badge access rights disabled within 24 hours of the departure from the department.

- Verified whether separated employees had proper documentation and approval for access right changes.

- Obtained a listing of all scanned badges throughout all Public Social Services facilities.

- Verified whether separated employees had their badge scanned after their separation date.

---

[5] There is a current tentative agreement that is active from October 2020, through October 19, 2024. However, with the current tentative agreement, the terms relating to vacation remain the same.

- Verified whether reported vacation time with the records of badge access scans during the same period.

Finding 1: Timely Termination of Badge Access	Priority Level: 1[6]

County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, states, "County Departments and IT Administrators shall upon termination of individual employment: disable system access; terminate or revoke any authenticators and credentials associated with the individual; and notify personnel as appropriate." Additionally, National Institute of Standards and Technology's[7] (NIST) Special Publication (SP) 800-12, *An Introduction to Information Security*, Section 10.16, *Personnel Security (PS)*, states, "Organizations ensure that organizational information and systems are protected during and after personnel actions such as terminations or transfers."

Out of a total of 1,187 employees separated from Public Social Services tested, 1,001 (84%) did not have their badge access deactivated timely. For the 1,001 employees not deactivated timely, the average days elapsed between employee separation and badge access deactivation was 26 days, with the longest taking 233 days and shortest taking two days. Of the 1,001 badges not deactivated timely, 28, were still active as of the date of our review (March 7, 2024). Public Social Services has a department memorandum on revoking software licenses for departing staff within 24 hours but does not specifically address badge access deactivation. While the ServiceNow ticket process for revoking software licenses includes a task to deactivate badges, the policy needs to be strengthened to explicitly mandate badge access termination within the same 24-hour window. Not promptly deactivating an employee's badge upon separation can lead to risks to the department's security, including unauthorized access to assets, exposure of sensitive information, and the safety of staff.

Recommendation 1.1

Ensure compliance with County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, by disabling badges within 24 hours of an employee's departure from the department.

---

[6] Please see Appendix A (page 35) for a description of the finding priority level classifications.

[7] NIST is a federal agency within the US Department of Commerce whose standards and guidelines on security and privacy are considered authoritative references in designing and implementing security measures, including access control policies. Their standards are critical for ensuring the integrity, confidentiality, and availability of information systems, making them a reputable source for guiding security practices.

Management's Response

"**Concur**. DPSS concurs with the recommendation. Whenever there is a separation, DPSS Employee Success Center sends a standardized email to the relevant supervisor, which instructs them to submit a ServiceNow/RIVCOHelp request to terminate the employee. Among other things, this request will send a task to our Facilities Safety and Security team to deactivate the employee's badge. This email also instructs the supervisor to return the employee badge. Additionally, Department Memorandum 2021-033 instructs supervisors to submit the aforementioned ServiceNow/RIVCOHelp request within 24 hours of employee separation. To help ensure compliance with this established process, DPSS will send a reminder to DPSS staff regarding this requirement."

Actual/estimated Date of Corrective Action: August 31, 2024

Recommendation 1.2

Develop a process to conduct regular reviews of badge access rights to identify inactive or separated employee accounts that still have active access.

Management's Response

"**Partially Concur**. The 28 badges that were noted as still active as of March 7, 2024, have been disabled. DPSS currently reviews a bi-weekly report of terminations and ensures that badge access is removed for any terminated employees. Additionally, DPSS recently implemented a process where badge access is reviewed, by building, to ensure that those who have access are appropriate. Badge access will be updated for any individuals who no longer need access to that particular building or have separated from the department."

Actual/estimated Date of Corrective Action: March 11, 2024

Auditor's Comment

We acknowledge the department's efforts to disable the active badges and the implementation of bi-weekly review and building-specific access reviews, these measures have proven insufficient. As noted in our finding, 84% of the tested separated employees (1,001 out of 1,187) did not have their badge access deactivated in a timely manner. The average delay was 26 days, with instances ranging from 2 days to as long as 233 days. The fact that separated employees' badges remain active indicates that the current process in not effective enough. Enhancing this process is crucial to ensure employee safety and protect departmental assets from unauthorized access.

Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit

Recommendation 1.3

Establish written policies and procedures to ensure regular reviews of badge access rights are performed and to require badge access deactivations to be completed within 24 hours of an employee's separation from the department.

Management's Response

"**Concur**. The DPSS building access desk guide will be updated to include the review process noted in the response to Recommendation 1.2. As noted above, Department Memorandum 2021-033 instructs supervisors to submit a ServiceNow/RIVCOHelp request to terminate the employee within 24 hours of employee separation. However, our badge access policy will be modified to make this more clear."

Actual/estimated Date of Corrective Action: September 30, 2024

Finding 2: Documentation for Badge Access Right Changes	Priority Level: 1[8]

County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, states, "County Departments and IT Administrators shall upon termination of individual employment: disable system access; terminate or revoke any authenticators and credentials associated with the individual; and notify personnel as appropriate..." Additionally, National Institute of Standards and Technology's (NIST) Special Publication (SP) 800-12, *An Introduction to Information Security*, Section 10.16, *Personnel Security (PS)*, states, "Organizations ensure that organizational information and systems are protected during and after personnel actions such as terminations or transfers."

As of the date of our review (March 12, 2024) 264 out of 326[9] (81%) separated employees did not have a ticket[10] created for badge access right deactivation. Public Social Services has a department memorandum on revoking software licenses for departing staff within 24 hours but does not specifically address badge access deactivation. While the ServiceNow ticket process for revoking software licenses includes a task to deactivate badges, the policy needs to be strengthened to specifically address badge access right terminations. Any non-compliance increases the risk of operational inconsistencies and regulatory violations.

---

[8] Please see Appendix A (page 35) for a description of the finding priority level classifications.
[9] The process of disabling badge access rights changed in October 2023. Therefore, we identified that out of the 1,187 separated employees, 861 separated employees are not subject to the verification of documentation review as they separated from the department prior to October 2023 leaving 326 separated employees for our sample.
[10] A ticket is a task, issue or unit of work that is typically tracked within a workflow process.

Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit

Recommendation 2.1

Establish a process to require all badge deactivation requests via ServiceNow tickets to be documented.

Management's Response

"**Partially Concur**. The current process is for supervisors to submit a ServiceNow/RIVCOHelp request upon employee separation. However, instances may arise where badges are deactivated before the request is submitted (e.g. when there is a safety concern). Additionally, if badge access is modified as a result of the regular reviews noted in Recommendation 1.2, a ServiceNow/RIVCOHelp request will not be necessary. In these instances, DPSS will document the reason for deactivation in the ProWatch application."

Actual/estimated Date of Corrective Action: August 31, 2024

Auditor's Comment

The department's point about the instances of not requiring a ServiceNow ticket for badge deactivation during regular reviews is noted. While some deactivations occur before a ticket is submitted due to safety concerns, this does not account for all instances of non-compliance. As noted in the finding, 81% of separated employees (264 out of 326) did not have a ticket created for badge access deactivation, as such, this remains a concern. Ensuring documentation for all badge deactivations is essential, particularly when safety is a concern. Proper documentation in these cases is critical to maintain a clear audit trail and uphold employee safety. We recommend documenting all badge deactivations, regardless of the situation, to ensure accountability, consistency, and enhance security measures.

Recommendation 2.2

Enhance current policies and procedures to ensure standardized documentation for recording badge access terminations and access right changes.

Management's Response

"**Concur**. As noted above, Department Memorandum 2021-033 instructs supervisors to submit a ServiceNow/ RIVCOHelp request to terminate the employee within 24 hours of employee separation. However, our badge access policy will be modified to make this more clear. Additionally, the DPSS building access desk guide will be modified to outline how to document instances when there is no ServiceNow/ RIVCOHelp request."

Actual/estimated Date of Corrective Action: September 30, 2024

| Finding 3: Badge Scan Attempts Post-Separation	Priority Level: 1[11]

County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, states, "County Departments and IT Administrators shall upon termination of individual employment: disable system access; terminate or revoke any authenticators and credentials associated with the individual; conduct exit interviews; retrieve all security-related organizational system-related property; retain access to organizational information and systems formerly controlled by terminated individual; and notify personnel as appropriate." Additionally, Public Social Services Department Policy 11-026, 2. *Wearing ID Badges*, states, "DPSS employee ID badges are the property of DPSS and must be returned upon termination or promotion to another Department. For internal promotions, badges must be returned to DPSS upon issuance of a replacement badge for the new classification. Failure to adhere to this policy may result in disciplinary action."

We identified 76 instances of badge scan attempts after an employee's separation from the department, based on the Public Social Services badge scan activity during the audit period of July 1, 2023, to April 9, 2024. The instances are categorized as follows:

- 33 out of 76 (43%) separated employees had a *deactivated card* attempt.[12]
- 2 out of 76 (3%) separated employee had an *expired card* attempt.[13]
- 34 out of 76 (45%) separated employees had a *valid card at an unauthorized reader* attempt.[14]
- 7 out of 76 (9%) separated employees had *local access granted* to a facility by scanning their badge after separation.[15]

See Chart A below for an illustration of the of the access card attempts for separated employees.

Chart A: Post Separation Badge Scan Attempts
(Based on 76 Instances)

---
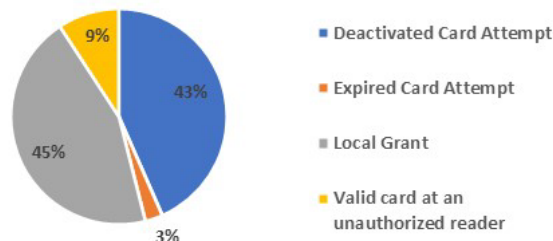
[11] Please see Appendix A (page 35) for a description of the finding priority level classifications.

[12] Deactivated card: This indicates that the badge has been deactivated and no longer holds access privileges.

[13] Expired card: This appears when the badge has surpassed its valid usage period and requires renewal.

[14] Valid card at an unauthorized reader: This indicates a badge, though active, is swiped at a reader where it does not have access permissions.

[15] This indicates that a badge was scanned at a facility with a card reader and access was granted.

For the 76 instances reviewed, the longest time between a separated employee's badge scan and separation was 524 days, with the shortest being two days. The cause of these instances was either due to the employee's badges not being collected after separation, separated employees attempting to access the building after separation, or another employee using the former employees' badge. Not promptly collecting or destroying badges, from separated employees can have serious consequences for a department's security and operations. Prompt deactivation and retrieval of badges upon employee separation is crucial to prevent unauthorized access to sensitive information, ensure employee safety, and maintain departmental security.

Recommendation 3.1

Establish a process to ensure compliance with County of Riverside Information Security Standard v2.0, Section 4.16.4, *Personnel Termination*, by retrieving all security-related organizational system-related property, including badges and key cards.

Management's Response

"**Concur**. Department Policy 11-026 instructs supervisors to secure and turn in badges when an employee leaves the department. DPSS will send a reminder to all staff of the protocol for returning badges when an employee leaves the department."

Actual/estimated Date of Corrective Action: August 31, 2024

Recommendation 3.2

Conduct training to relevant Public Social Services staff on promptly deactivating badge access rights, collecting badges upon separation to include documenting the receipt and acknowledgement of the training completed.

Management's Response

"**Partially Concur**. Department Policy 11-026 instructs supervisors to secure and turn in badges when an employee leaves the department. DPSS will send a reminder to all staff of the protocol for returning badges when an employee leaves the department."

Actual/estimated Date of Corrective Action: August 31, 2024

Auditor's Comment

While the department's existing policy instructs supervisors to secure and turn in badges upon an employee's department, our testing revealed that this protocol is not being effectively implemented. The instances of badge scan attempts after employee separation highlight gaps in

compliance. To enhance security and safety of staff, it is critical that the department takes additional steps to enforce this policy.

We recommend that the department either conduct comprehensive training or ensure constant communication of the protocol to all relevant staff, based on what they deem most appropriate. Additionally, implementing a mandatory documentation process for badge collection and deactivation, which includes supervisor verification, further strengthens internal controls and mitigate risks associated with unauthorized access.

Finding 4: Badge Use During Employee Time Off	Priority Level: 1[16]

Memorandum of Understanding (MOU) 2012 – 2016[17], County of Riverside Laborers' International Union of North America Local 777 (LIUNA), Article VIII, *Vacation*, Section 1.F, and MOU 2024 – 2027 County of Riverside Service Employees International Union, Local 721 (SEIU), Article 9, *Vacation*, Section 1.E, states, "No person shall be permitted to work for compensation for the County during vacation, except with prior approval of the Board of Supervisors and the Department Head."

We identified thirteen instances in which employees reported eight hours of vacation on timesheet and badge activity occurred throughout the workday. Public Social Services was unable to provide an explanation as to why this was occurring. As such, we were unable to determine if employees were working on their scheduled days off, using vacation time to cover regular working hours, sharing badges to gain access to buildings, or if there were inaccuracies in time reporting. Using vacation time to cover regular working hours without appropriate compensation can result in labor rights violations. This not only impacts the integrity of the records but also exposes the county to potential legal risks, including the possibility of lawsuits for improper wage practices.

Recommendation 4.1

Conduct training for employees on accurate time reporting and proper use of vacation time and prohibit the sharing of badges. Document the receipt and acknowledgement of training completed by applicable employee.

Management's Response

"**Partially Concur**. It is difficult to determine the root cause of these instances as it could have been a timesheet error (e.g. vacation recorded on the wrong date), an instance where a badge

---

[16] Please see Appendix A (page 35) for a description of the finding priority level classifications.

[17] There is a current tentative agreement that is active from October 2020, through October 19, 2024. However, with the current tentative agreement, the terms relating to vacation remain the same.

was shared, or the employee came in for a non-work function. Due to the very low exception rate (less than 1%), a department-wide training is not warranted. Rather, time reporting guides will continue to be distributed every pay period and a reminder will be sent for staff to not share access badges."

Actual/estimated Date of Corrective Action: August 31, 2024

Auditor's Comment

The department's response acknowledges the potential causes of discrepancies in time reporting and badge activity. While the exception rate is low, these instances highlight the need for improved controls to ensure accurate time reporting and the proper use of vacation time.

It should be noted that the exception rate mentioned is based on a sample and does not represent the exception rate for the entire population. In total, 124 instances were identified where employees worked 8 hours or more and reported badge activity; however, only a sample of 13 instances was selected for further analysis and explanation. Public Social Services must determine the most effective approach to address these issues, whether through targeted training, enhanced communication of time reporting guidelines, or other measure they deem appropriate. Ensuring that employees understand the importance of accurate time reporting and the avoiding badge sharing is essential to maintain the integrity of records and mitigate the risk we identified in the finding.

Recommendation 4.2

Develop a process to flag discrepancies between reported vacation time and badge activity, ensuring immediate review and corrective actions by supervisors.

Management's Response

"**Do Not Concur**. The exception rate for this finding is less than 1% as there were thirteen instances for 4,500 employees across one year of activity. Due to this very low exception rate and minimal risk, the cost of developing and performing such a procedure will likely outweigh the benefit gained."

Actual/estimated Date of Corrective Action: N/A

Auditor's Comment

The discrepancies identified suggest that either vacation time was used incorrectly, or employees were working through their vacation. Since the department is unable to determine the exact cause, it leads to the possible conclusion of the instances identified in our **sample** during our

testing to be HR policy & employee contract violations. This increases the risk of future legal action against the county should the issue not be remedied.

Public Social Services must consider re-evaluating the potential long-term risks and considering cost-effective measures to flag and review such discrepancies, ensuring both compliance and protection for the county and its employees.

Capital Asset Management

Background

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

Public Social Services utilizes the Riverside County financial system asset management module for tracking all capital assets. To manage the large number of assets, both capital and non-capital, the department has also integrated ServiceNow into their asset management system. The ServiceNow system helps the department track key asset information, including location, department tag number, cost, and expenditure type.

Objective

To assess the adequacy of internal controls over the safeguarding and recording of Public Social Services' capital assets.

Audit Methodology

To accomplish these objectives, we:

• Obtained an understanding of the Auditor-Controller Standard Practice Manual Policy 501 – *Cost Basis for Capital Assets and Capitalization Thresholds,* Policy 502 - *Guidelines for Useful Lives*, Policy 505 - *Equipment*, Policy 513 - *Capital Asset Tags*, Policy 514 - *Capital Asset Disposal*, Policy 515 - *Capital Asset Certification* and Policy 1001 - *Internal Controls*.
• Conducted interviews with key personnel to gain an understanding of capital asset management processes.

• Obtained a listing of current and retired capital assets tracked in the asset management module.

- Selected a sample of capital assets to verify their existence and the adequacy of controls over the department's capital assets.

- Identified additional capital assets during field review and traced the capital assets to the asset management module to verify accurate reporting.

Finding 5: Capital Asset Compliance	Priority Level: 2[18]

Based on our review of 90 capital assets tested, we identified the following:

- Eleven assets, acquired between 2014 and 2019, are no longer in use and should have been surplused per Standard Practice Manual 514, *Disposal of Capital Asset*. Standard Practice Manual (SPM) 514, *Disposal of Capital Asset*, states, "All Capital Assets that are being physically disposed of or are not being used, are obsolete and/or beyond repair, are to be disposed of… Completed AM-7 Form must be submitted to the ACO with all supporting documentation, as soon as possible."

- Seven capital assets did not have an affixed county asset tag, or the asset tags were unreadable. Standard Practice Manual (SPM) 513, *Capital Asset Tag*, states, " An asset tag will be distributed once the Auditor-Controller's Office (ACO) receives the completed Form AM-5…Tags should stay with the capital asset until it is retired."

- Four assets were not at their reported location at the time fieldwork was conducted (March and April 2024). Public Social Services reported that the assets had been moved the week of the fieldwork; however, the department was unable to provide documentation to verify the actual date of relocation, only the date when the records were updated. Standard Practice Manual (SPM), Policy 1001 – *Internal Controls*, states "…Internal Controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: …Ensuring accuracy, reliability and timeliness of financial records and reports."

- One asset could not be located during fieldwork as it had already been physically disposed. Standard Practice Manual (SPM) 514, *Disposal of Capital Asset*, states, "All Capital Assets that are being physically disposed of or are not being used, are obsolete and/or beyond repair, are to be disposed of… Completed AM-7 Form must be submitted to the ACO with all supporting documentation, as soon as possible."

- One asset was broken and unusable per conversations with line staff and as such, department should consider surplus or disposal. Standard Practice Manual (SPM) 514, *Disposal of Capital Asset*, states, "All Capital Assets that are being physically disposed of or are not being used, are

---

[18] Please see Appendix A (page 35) for a description of the finding priority level classifications.

obsolete and/or beyond repair, are to be disposed of... Completed AM-7 Form must be submitted to the ACO with all supporting documentation, as soon as possible."

- One asset was not tracked in the Riverside County financial system but was recorded in ServiceNow. Standard Practice Manual (SPM) 513, Capital Asset Tag, states, "All purchased capital equipment for use by the County shall be assigned a county property asset tag number…An asset tag will be distributed once the Auditor-Controller's Office (ACO) receives the completed Form AM-5…Tags should stay with the capital asset until it is retired."

- One capital asset was misclassified as a non-capital asset in ServiceNow. Standard Practice Manual (SPM), Policy 1001 – *Internal Controls,* states "…Internal Controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: …Ensuring accuracy, reliability and timeliness of financial records and reports."

- One asset was added to the Riverside County financial system ten months after it was placed in service. Standard Practice Manual (SPM) 505, *Accounting for: Equipment*, states, "…a. Asset documentation should be submitted within 30 days of acquisition. At year-end documentation should be submitted immediately."

The findings were attributed to delays in recording assets, incomplete documentation for location transfers, missing submittal of paperwork for replacing county tags, unrecorded assets in the Riverside County financial system, and the presence of unused or broken assets necessitating prompt disposal or repurposing. Properly accounting for capital assets, maintaining accurate location records, and updating information ensures reliable asset tracking, prevents overstatements or understatements, and guarantees assets are readily available.

Recommendation 5.1

Ensure all capital assets are consistently capitalized in accordance with Standard Practice Manual (SPM) 505, *Accounting for: Equipment.*

Management's Response

"**Concur**. DPSS will continue ensuring capital assets are accounted for appropriately. The one asset that was misclassified as a non-capital asset in ServiceNow was an isolated incident has since been disposed of and the applicable AM-7 form submitted to the ACO. Furthermore, DPSS will ensure that all capital assets are correctly assessed to ensure compliance with ACO Policy 505. Going forward, invoices will be maintained in ServiceNow to ensure that valuation can be easily substantiated for future capitalization determinations."

Actual/estimated Date of Corrective Action: August 31, 2024

Recommendation 5.2

Ensure that management periodically reviews and approves asset additions in ServiceNow to maintain accurate classification of capital assets.

Management's Response

"**Concur**. As noted above, the one asset that was misclassified as a non-capital asset in ServiceNow has been disposed of. Additionally, as noted in the response to Recommendation 5.4, ServiceNow records will be validated/updated through an annual reconciliation."

Actual/estimated Date of Corrective Action: December 31, 2024

Recommendation 5.3

Ensure Standard Practice Manual (SPM) Form AM-5's is thoroughly reviewed and submitted to the Auditor-Controller's Office within 30 days of acquisition which is in accordance with Standard Practice Manual (SPM) 505, *Accounting for: Equipment.*

Management's Response

"**Concur**. The one asset that was added to the Riverside County financial system ten months after it was placed in service was an isolated incident due to oversight and the AM-5 form has now been submitted. DPSS' current processes include ensuring AM-5 forms are submitted within 30 days of capital asset acquisition. DPSS defines acquisition as the point in which both the following have occurred: asset has been received and payment has been made. DPSS will continue ensuring AM-5 forms are submitted in accordance with ACO Policy 505."

Actual/estimated Date of Corrective Action: April 10, 2024

Recommendation 5.4

Ensure that management reconciles the PeopleSoft and ServiceNow systems monthly for accurate reporting of all capital assets.

Management's Response

"**Partially Concur**. DPSS concurs with the reconciliation recommendation; however, does not agree with performing this validation on a monthly basis. Capital assets do not move frequently and are typically affixed to a location (e.g. servers bolted to a server rack). Additionally, asset information in ServiceNow is updated throughout the year and validated annually through a physical inventory. Therefore, monthly reconciliations would be an ineffective use of resources.

Rather, DPSS will include a reconciliation of the ServiceNow and PeopleSoft asset information in our annual inventory process, which occurs immediately before the annual AM-1 Form (Inventory of County Property for Capital Assets) is submitted to the ACO."

Actual/estimated Date of Corrective Action: December 31, 2024

Auditor's Comment

Acknowledgement of the need for reconciliation between PeopleSoft and ServiceNow is noted. However, it is important to emphasize that this reconciliation process is to verify the accuracy of data routinely, not to conduct physical verification monthly. Our testing was based on a sample and it revealed that assets are moved, and discrepancies between the recorded and actual locations do occur.

Ensuring accurate and timely reconciliation between these systems is crucial for maintaining reliable asset records and making informed decisions. While monthly reconciliations might seem resource-intensive, a more frequent review than annually could provide better assurance of data accuracy without necessarily requiring a full physical inventory each time. If monthly reconciliations are deemed too frequent, management should determine a feasible timeframe for these reviews, balancing the need for accurate and reliable data with available resources. Establishing a consistent and practical reconciliation schedule will help prevent discrepancies from accumulating over time.

Recommendation 5.5

Ensure the capital asset listing in ServiceNow is immediately updated, and detailed records, including the date of physical relocation and responsible personnel, are retained.

Management's Response

"**Do Not Concur**. The four assets that were stated to not be at their reported location at the time fieldwork had recently been moved. Therefore, there was a timing discrepancy from when the report was prepared for the audit and when the fieldwork was conducted. ServiceNow is the asset management system in use by DPSS. When any assets move, ServiceNow is updated at the time of the move and details all asset record updates accordingly. Furthermore, the detailed records include the date of relocation and responsible parties, among other information. This information is maintained in the historical asset trail, which was provided to the auditor for these four assets during fieldwork."

Actual/estimated Date of Corrective Action: N/A

Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit

Auditor's Comment

Ensuring reliability and accuracy of the asset tracking system is crucial, particularly for the location of assets. While many assets are affixed, our sample reveled that assets do move, creating timing discrepancies. Safeguarding assets through accurate and timely updates is essential to prevent discrepancies and ensure reliable information for decision-making. It is also important to note that while ServiceNow may be used for asset management, PeopleSoft is ultimately the Riverside County system of record for capital assets. Therefore, ensuring consistency between ServiceNow and PeopleSoft is critical to maintaining accurate records.

Recommendation 5.6

Ensure asset tags are affixed to the assigned assets in accordance with the Standard Practice Manual (SPM) 513, *Asset Tags*.

Management's Response

"**Concur**. Many of the seven assets that did not have an affixed county asset tag or had unreadable tags were older (dating back to 2006); therefore, the tags likely have fallen off or were damaged due to the age. However, all assets did have a DPSS asset tag and were accounted for and tracked in ServiceNow. DPSS has now added county asset tag numbers to ServiceNow to assist with tracking. Furthermore, DPSS will request replacement county asset tags for any capital assets that do not have them."

Actual/estimated Date of Corrective Action: December 31, 2024

Recommendation 5.7

Ensure capital assets are disposed/surplused consistently in accordance with Standard Practice Manual (SPM) 514, *Disposal of Capital Asset,* by developing a process to monitor capital asset usage to aid in determining assets that need to be retired or repurposed.

Management's Response

"**Partially Concur**. DPSS does not concur that the eleven assets that are not in use need to be surplused/disposed of as these assets could be redeployed in the future. For the asset that could not be located during fieldwork, DPSS concurs that the AM-7 form was not submitted timely. This was an isolated incident DPSS will continue to submit the AM-7 forms upon asset disposal. For the asset noted as broken, DPSS will investigate and determine if it can be repaired or if it needs replacing."

Actual/estimated Date of Corrective Action: August 31, 2024

Auditor's Comment

Our observations and discussions with line staff indicated that assets were not in use, with one asset not being operated or known how to be operated by staff. During site visits, it was evident that assets were visibly unutilized, suggesting a lack of use and oversight. It is important to note that these findings occurred in a sample of capital assets owned by the department, indicating that the issue may be more widespread. Developing a process to monitor capital asset usage is essential to determine when assets should be retired or repurposed, ensuring they do not sit idle, and resources are utilized efficiently.

Overtime Monitoring

Background

Overtime may be required due to vacancies, emergencies, special events, staffing shortages, and workload fluctuations. Riverside County pays overtime to employees to address delivery of essential services and other business needs as required. Overtime can be more cost-effective than hiring additional staff and allows county departments to meet fluctuating workloads without requiring employee layoffs as workload declines.

Monitoring of overtime is imperative for maintaining operational efficiency, controlling costs, and ensuring compliance with regulatory requirements. By closely monitoring overtime usage, organizations can identify trends, patterns, and potential areas of concern, enabling informed decision-making and resource allocation. Moreover, proactive monitoring helps mitigate risks associated with unauthorized or excessive overtime, safeguarding against potential financial losses and legal liabilities. Beyond financial considerations, diligent overtime monitoring also promotes employee well-being by preventing burnout, ensuring equitable workload distribution, and fostering a healthy work-life balance.

Objective

To verify the existence and adequacy of controls over overtime monitoring for Public Social Services.

Audit Methodology

To accomplish these objectives, we:

• Obtained an understanding of California Government Code Section § 29130, Memorandum of Understanding, 2012 – 2016[19], County of Riverside Laborers' International Union of North America Local 777 (LIUNA), Article IV, *Workweek, Overtime and Premium Pay*, Section 2.C and 2. D., and MOU 2024 – 2027 County of Riverside Service Employees International Union, Local 721 (SEIU), Article 5, *Workweek, Overtime and Premium Pay*, Section 2.C and 2.D.

• Conducted interviews and performed walk-throughs with department personnel responsible for overtime monitoring.

• Obtained a listing of all employees who worked overtime for Public Social Services during our audit period.

• Assessed original overtime budget estimation accuracy in comparison to actual spending.

• Verified whether records indicate erroneous overtime reporting.

• Identified facilities, positions, and employees with the most overtime reported.

• Verified whether duties for approving and recording overtime are appropriately segregated.

• Reviewed timesheets to verify it reflected overtime reported.

Finding 6: Overtime Budget Underestimation	Priority Level: 2[20]

The Government Finance Officers Association[21] (GFOA) provides best practices on budget monitoring that includes expenditure elements such as overtime. In their guidance, they propose adopting a budget monitoring practice that "Allows a government to evaluate service level provisions, ensure any new initiatives are making expected progress towards goals/expectations, learn more about trends and other deviations that may impact future operations, and finally demonstrate transparency by sharing findings from this regular monitoring." The GFOA recommends that all "governments establish a formal set of processes for comparing budget to actual results to monitor financial performance. Budget monitoring should include analysis of a diverse set of indicators to best inform the analysis and facilitate evaluation of a government's

---

[19] There is a current tentative agreement that is active from October 2020, through October 19, 2024. However, with the current tentative agreement, the terms relating to overtime remain the same.
[20] Please see Appendix A (page 35) for a description of the finding priority level classifications.
[21] Government Finance Officers Association, Best Practices Board Approval date: Saturday, March 31, 2018.
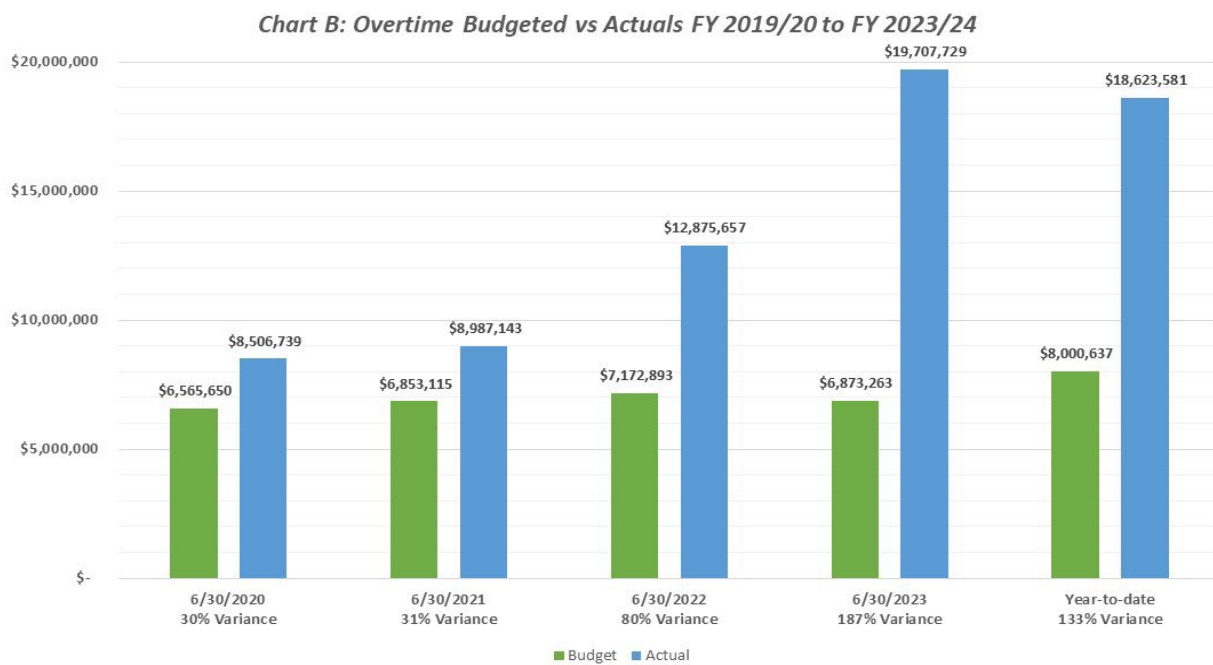
overall performance. Establishing and conducting regular budget monitoring provides organizations the opportunity to promptly adjust for any significant variances to ensure continuity of program/service delivery."

A five-year historical perspective of overtime budget and spending trends from FYs 2020-2024 indicated that the department underestimated overtime needs by 92% on average, or $33.2 million in total, and did not adequately identify and resolve overtime spending pressures.

See Chart B below for an illustration of the five-year historical overtime budget vs actual expense.

Chart B: Overtime Budgeted vs Actuals FY 2019/20 to FY 2023/24

Date	Budget	Actual	Variance
6/30/2020	$6,565,650	$8,506,739	30% Variance
6/30/2021	$6,853,115	$8,987,143	31% Variance
6/30/2022	$7,172,893	$12,875,657	80% Variance
6/30/2023	$6,873,263	$19,707,729	187% Variance
Year-to-date	$8,000,637	$18,623,581	133% Variance

We attribute differences in planning for overtime needs for Public Social Services to consistent changes in workload and the absence of a budget variance and utilization analyses during subsequent budget years to aid in budget performance analyses and a more accurate budget formulation.

An over-reliance on overtime can cause absenteeism, turnover, productivity decline, health, and safety risks. Budget overruns in overtime may necessitate alternative staffing strategies to mitigate future overspending.

Recommendation 6

Develop and implement an overtime budget formulation process that assesses needs with respect to changes in the workload to ensure a more accurate and complete estimate of overtime needs.

Management's Response

"**Do Not Concur**. DPSS does assess overtime needs when completing the budget and has been able to cover the overages with salary savings from being understaffed. Historical trends is not the only factor in building the budget. DPSS must also consider if the department's overall budget can be supported by the estimated available funding. Additionally, the department runs 24/7, fluid operations to respond to client needs which has caused a significant spike in overtime the past two years. The FY 24/25 overtime budget was increased based on anticipated need."

Actual/estimated Date of Corrective Action: N/A

Auditor's Comment

We thank the department's proactive approach to adjusting the overtime budget to better match the needs of its operations. The FY 24/25 overtime budget has been increased based on anticipated needs and is more in line with previous fiscal years, indicating alignment with operational requirements.

Developing and implementing an overtime budget formulation process that assesses needs with respect to changes in workload is essential. This process should ensure a more accurate and complete estimate of overtime needs, allowing the department to better manage financial resources and avoid potential negative impacts associated with overtime over-reliance. We encourage the department to continue this trend to enhance budget accuracy and operational efficiency.

Finding 7: Monitoring the Approval Process of Overtime	Priority Level: 1[22]

Memorandum of Understanding, 2012 – 2016[23], County of Riverside Laborers' International Union of North America Local 777 (LIUNA), Article IV, *Workweek, Overtime and Premium Pay*, Section 2.C., and MOU 2024 – 2027 County of Riverside Service Employees International Union, Local 721 (SEIU), Article 5, *Workweek, Overtime and Premium Pay*, Section 2.C, states, "Performance of overtime work may be authorized by the Board of Supervisors or by the

---

[22] Please see Appendix A (page 35) for a description of the finding priority level classifications.
[23] There is a current tentative agreement that is active from October 2020, through October 19, 2024. However, with the current tentative agreement, the terms relating to overtime remain the same.

Department Head or a designated subordinate. It shall not exceed sixteen (16) hours in any work period for any employee without prior approval of the County Executive Officer" Additionally both MOUs Section 2.D state that, "Each Department Head shall keep complete and detailed records as to the attendance and pay status of each employee. This shall include actual hours of overtime work for each employee in each work week, with justification in each case."

Thirty-seven (93%) out of 40 instances of an employee reporting overtime did not have documentation to support the overtime was pre-authorized. The Public Social Services policy is inadequate as it only addresses one division and not the department as a whole. This renders an inconsistent process of how overtime is approved. As such, Public Social Services is unable to properly control or monitor overtime to ensure that it is correctly reported. Without documented pre-authorization of overtime, the department risks financial mismanagement, legal compliance issues, and operational inefficiency, leading to budget overruns, uncontrolled costs, and difficulties in auditing and verifying overtime claims.

Recommendation 7.1

Develop and implement a formal department-wide policy and procedure requiring written pre-authorization for all overtime work, ensuring documentation is maintained.

Management's Response

"**Partially Concur**. DPSS has various classifications which are unique and may require urgent overtime that cannot be pre- authorized in writing. For example, social workers often perform investigations that can lead to tasks that are urgent in nature, such as removing a child who is being abused or neglected. Due to the critical and fluid nature of a crisis situation, the social worker cannot always communicate with their supervisor in writing. DPSS does have policies in place to verbally approve the overtime and document it in a log for Children's Services Division employees, which make up the vast majority of overtime claimed. Additionally, DPSS has policies requiring preapproval for the Adult Services Division. Those policies will be applied to other divisions in the department, as appropriate."

Actual/estimated Date of Corrective Action: October 31, 2024

Auditor's Comment

We acknowledge the need for flexible overtime policies due to the unique and urgent nature of certain tasks, particularly within the Children's Service Division. However, our review indicated that the verbal pre-authorization policy, which requires management to document requests in a log, was inconsistently followed. Specifically, this documentation was only performed twice out of the 40 instances of overtime reviewed.

Additionally, the policy for verbal pre-authorization did not extend to the rest of Public Social Services, where pre-authorization of overtime was not required in policy. Our review also include staff whose work schedule could be more consistent, yet Public Social Services could not provide pre-authorization documentation for the overtime worked.

We recommend the department establish and enforce a formal policy requiring documented pre-authorization for all overtime, regardless of the nature of the work. For employees who are unable to obtain written pre-authorization due to the urgent nature of their duties, the department must consistently document verbal approvals as required by its policy. In all other cases of overtime, written pre-authorization should be required to provide clear oversight and accountability. Implementing a formal department-wide policy for written pre-authorization applicable to relevant staff, positions, and divisions will help mitigate risks of financial mismanagement, legal compliance issues, and operational efficiency.

Recommendation 7.2

Establish a standardized process for requesting, approving, and recording overtime, including the use of time-tracking systems, justification for overtime, and verification of overtime hours worked.

Management's Response

"**Partially Concur**. Current procedures include recording, verifying, and approving overtime on a bi-weekly basis, as part of the timesheet submission and reviewal process. DPSS also has a policy for pre-authorization and justification of overtime in our Children's Services and Adult Services Divisions. Those policies will be applied to other divisions in the department, as appropriate."

Actual/estimated Date of Corrective Action: October 31, 2024

Auditor's Comment

Public Social Services response indicates that current procedures involve bi-weekly recording, verifying, and approving overtime as part of the timesheet process, with pre-authorization policies in place for the Children's Service and Adult Services Divisions. However, our review found that these procedures were inconsistently applied. Specifically, 93% of the instances reviewed (37 out of 40) lacked the required documentation to support that overtime was pre-authorized.

Establishing a standardized process for requesting, approving, and recording overtime across all divisions is essential. This should include using time-tracking systems, providing justification for overtime, and verifying overtime hours worked to ensure consistency, control, and compliance.

Revolving Fund

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisor's adopted Board Resolution 83-338 on November 1, 1983, authorizing the Riverside County Auditor-Controller's Office to audit revolving funds of an officer accountable for such resources upon transfer of such resources to a new officer.

Public Social Services has one revolving fund, with an authorized balance of $25,000, of which $24,600 is maintained in the form of a bank account and $400 is maintained in the form of petty cash. The revolving fund is primarily used to pay for emergency administrative expenses, operating expenses, and travel advances for employees traveling on county business that presents financial hardship.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head were completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish these objectives, we:

• Reviewed Riverside County Auditor-Controller's Office Standard Practice Manual 603, *Revolving Fund*, for the establishment and transfer of revolving funds.

• Interviewed key personnel and reviewed department procedures over the revolving funds.

• Verified whether proper access to the fund checkbook was implemented.

• Verified whether revolving fund reconciliations were prepared.

• Performed a surprise cash count and reconciled to the fund assignment amounts.

• Reviewed for adequate segregation of duties.

• Reviewed supporting documentation for transactions.

Finding 8: Timeliness of Revolving Fund Reconciliations	Priority Level: 1[24]

Standard Practice Manual 603, *Revolving Funds*, states, "The Custodian must reconcile the Revolving Fund on a monthly basis. The reconciliation ensures that the sum of outstanding reimbursements, cash, and compiled receipts is equal to the original amount of the Fund." In addition, Standard Practice Manual 1001, *Internal Controls*, also states, "Records are routinely examined and reconciled to determine that transactions were properly processed."

Four (80%) out of five reconciliations were not prepared or reviewed timely. We identified the following in our review:

• The revised reconciliation for August 2023 was prepared on December 19, 2023, and subsequently reviewed and approved April 15, 2024, with 118 days elapsing between revision and final approval.

• The reconciliation for September 2023 was not completed until December 22, 2023, resulting in a total of 83 days elapsing from the end of statement period to the completion date.

• Reconciliations for January 2024 and February 2024 had not been completed as of our site visit on April 8, 2024.

The department's reconciliation procedures do not have clearly defined processes and timelines. The monthly reconciliation is essential to enhancing internal controls, improving the integrity of the department financial report, and providing a more accurate measurement of the fund balance.

Recommendation 8.1

Ensure monthly revolving fund reconciliations are prepared and reviewed in a timely manner.

Management's Response

"**Concur**. Recent bank changes to Union Bank impacted processes and increased workload for processing TCRs. Contributing to the back log is that the Social Security Wire TCRs increased from 4 lines to 80+ lines per wire. Procedures have been updated to establish a deadline that the monthly reconciliations will be completed by the 3rd week following the close of the month."

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

---

[24] Please see Appendix A (page 35) for a description of the finding priority level classifications.

Recommendation 8.2

Revise existing policies and procedures to include a timeline for the completion of preparation and review of revolving fund reconciliations.

Management's Response

"**Concur**. We concur and the revolving fund reconciliation procedure has been updated to include clear deadlines for the preparation, review and approval of the monthly reports."

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

Finding 9: Revolving Fund Reconciliation	Priority Level: 2[25]

Standard Practice Manual 1001, *Internal Controls*, states, "…the methods and procedures used to provide reasonable assurance regarding the achievement of objections in (2) ensuring accuracy, reliability, and timeliness of financial records and reports."

Three (60%) out of five reconciliations were not properly reconciled. The following discrepancies were identified:

• The reconciliation packet initially listed a cash advance check as issued and outstanding, but later registers showed the check was voided, leading to misreported ending balances.

• The pending replenishment amount listed on the reconciliations for August and September 2023 did not match the backup documentation provided.

• On the December 2022 reconciliation, both the overage and shortage amounts were inaccurately reported.

Discrepancies result from errors in data entry and the need for enhanced reconciliation procedures within the department. Discrepancies in account reconciliations can lead to misrepresentation of the fund's financial position, potential misallocation of funds, and regulatory non-compliance.

Recommendation 9.1

Ensure revolving fund reconciliations agree with bank statements and ensure alignment between book balances and the register.

---

[25] Please see Appendix A (page 35) for a description of the finding priority level classifications.

Internal Audit Report 2024-021: Riverside County Department of Public Social Services Audit

Management's Response

"**Partially Concur**. The current reconciliation process is to document amounts and balances as stated on the Bank Statement and in Quicken register at the time of the reconciliation. DPSS did notate the discrepancy which was due to a cashier's check being taken directly from the bank, which did not follow the normal process and Quicken did not get updated timely. Through the DPSS reconciliation process this was notated and corrected in the following month in Quicken. Updates are made to the subsequent months and previous month reconciliations are not resubmitted."

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

Auditor's Comment

Ensuring that the reconciliation process is completed consistently and accurately is essential for reliable financial reporting and effective monitoring. We recommend that the department implements enhanced reconciliation procedures to ensure that all reconciliations agree with bank statements and align between book balances and the register. This will help prevent discrepancies, ensure the accuracy and reliability of financial records, and maintain compliance with internal control standards.

Recommendation 9.2

Ensure back-up documentation substantiating amounts reported on revolving fund reconciliations agree with the amounts used in balancing the reconciliation.

Management's Response

"**Partially Concur.** The current reconciliation process is to document amounts and balances as stated on the Bank Statement and in Quicken register at the time of the reconciliation. If there are discrepancies, the reasons are noted on the reconciliation report and any backup documentation that will substantiate the details and reasons for the discrepancy."

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

Auditor's Comment

Ensuring that the backup documentation consistently aligns with the amounts reported on revolving fund reconciliations is crucial for accurate financial reporting. As such, we recommend that the department strengthens its reconciliation procedures to ensure that all reported amounts are fully supported by corresponding backup documentation. This will enhance the

accuracy and reliability of financial records and ensure clear audit trail for any discrepancies noted.

Recommendation 9.3

Revise existing policies and procedures to ensure back-up documentation substantiating amounts reported on revolving fund reconciliations agree with bank statements and ensure alignment between the amounts used in balancing the reconciliation.

Management's Response

"**Concur**. Procedures have been updated to document that back-up documentation substantiating amounts reported on revolving fund reconciliations agree with bank statements and ensure alignment between the amounts used in balancing the reconciliation."

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

Finding 10: Adherence to Cash Advance Timeframes	Priority Level: 2[26]

Standard Practice Manual 603, *Revolving Funds*, states, "Custodians may provide a cash advance to an employee who is going to make a purchase up to two days in advance of the anticipated purchase."

Public Social Services issues cash advances from the revolving fund to employees and allows 30 days to use the advance before requiring the submission of receipts and the return of any unspent funds. Public Social Services needs additional time to use cash advances to provide care and necessities to children brought into the department. Additionally, the department's current policies and procedures do not specify a timeframe in which cash advances are to be depleted. Allowing a 30-day period for cash advances increases the risk of financial mismanagement and misuse of funds. This extended timeframe can lead to difficulties in tracking and reconciling advances, potentially resulting in delayed reimbursements, increased administrative burden, and the risk of unaccounted or misappropriated funds. Furthermore, it undermines internal controls designed to ensure the timely and accurate use of public funds.

Given the nature of the services provided, on June 20, 2024, the Auditor-Controller's Office granted Public Social Services an exception from the two-day cash advance period, addressing the condition above and communicating their efforts to improve the adequacy and effectiveness of their internal controls. In the follow-up audit, we will verify whether the department is following their internal policies and procedures related to the use of cash advances.

---

[26] Please see Appendix A (page 35) for a description of the finding priority level classifications.

Recommendation 10.1

Revise existing policies and procedures to establish and maintain a timeframe in which cash advances are to be depleted.

Management's Response

"**Partially Concur**. DPSS partially concurs with the finding that funds should not have been disbursed for transactions that will not occur shortly after (1-2 business days) the disbursement date. DPSS contends there are extenuating circumstances that prompted extension of cash advances beyond the 2-day limitation. DPSS obtained an exemption to SPM 602 that requires cash advance funds be disbursed and reconciled within 1-2 business days.

DPSS' Children's Services Division (CSD) established a Welcome Center to provide care and supervision to dependent children awaiting placement in out-of-home care, which requires staffing 24/7. CSD has established several shifts of staff to provide the care and supervision for our dependents.

CSD is licensed as a Transitional Shelter Care Facility per Health and Safety Code 1502.3 and is required to comply with the Interim Licensing Standards (ILS) that govern Short-term Residential Therapeutic Programs. As a placement facility, staff are required to be present to provide ongoing supervision and provide for the needs of the youth.

The use of cash advances was limited to meals for children in emergency situations (e.g. removing children from the home, emergency placement change, etc.). In these situations, CSD staff must urgently address the immediate needs of children who recently faced a crisis situation.

Understanding the need for internal controls, DPSS did implement procedures that ensured cash advances were safeguarded and used for allowable expenses. The procedure will be updated and implemented by the estimated date of completion."

Actual/estimated Date of Corrective Action: October 31, 2024

Auditor's Comment

We acknowledge the unique and urgent nature of the services provided by the Children's Services Division, justifying the extension of cash advances beyond the standard 2-day limitation. It remains critical to establish and adhere to clear timeframes for depleting cash advances to maintain robust internal controls and prevent financial mismanagement. Revising existing policies and procedures to establish specific timeframes for the use of cash advances can ensure

consistent compliance with these timeframes. This will aid in safeguarding funds, ensure they are used for allowable expenses, and maintain the accuracy and reliability of financial records.

Recommendation 10.2

Ensure personnel adheres to the timeframe established by department management when depleting cash advances.

Management's Response

"**Partially Concur**. DPSS partially concurs with the finding. DPSS did implement oversight providing procedures to staff on the use of the cash advances and the timeframes for its use. The use of cash advances was limited to meals for children in emergency situations (e.g. removing children from the home, emergency placement change, etc.). In these situations, CSD staff must urgently address the immediate needs of children who recently faced a crisis situation.

DPSS will evaluate the existing procedures and make necessary changes to ensure timeframes for use of cash advances are identified. Procedures will be revised as needed by the estimated date of correction."

Actual/estimated Date of Corrective Action: October 31, 2024

Auditor's Comment

It remains essential to ensure that the timeframe for depleting these advances is clearly defined and adhered to, to maintain strong internal controls and prevent financial mismanagement. We reemphasize the recommendation that the department evaluate and revise its procedures to ensure that specific timeframes for using cash advances are clearly identified and consistently followed. This will help mitigate risks associated with extended use period and ensure the timely and acaute use of public funds.

Appendix A: Finding Priority Level Classification

Priority Level 1	Priority Level 2	Priority Level 3
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.	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.	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.
Expected Implementation Date of Recommendation* One to three months	**Expected Implementation Date of Recommendation *** Three to six months	**Expected Implementation Date of Recommendation *** Six to twelve months

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