

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



ITEM: 2.6  
(ID # 26375)

**MEETING DATE:**  
Tuesday, November 05, 2024

**FROM :** AUDITOR CONTROLLER

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2024-011 Riverside University Health System, Medical Center Audit, [District: All]; [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

**ACTION:Consent**

  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 10/31/2024

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez  
Nays: None  
Absent: None  
Date: November 5, 2024  
xc: Auditor Controller

Kimberly A. Rector  
Clerk of the Board

By:   
Deputy

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

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

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

**BACKGROUND:**

**Summary**

**BACKGROUND:**

**Summary (continued)**

Based on the results of our audit, internal controls over grant compliance are functioning as designed to help Medical Center achieve its business process objectives. However, we identified improvement opportunities for internal controls over contract monitoring that can help provide reasonable assurance that the department’s objectives relating to this area will be achieved. Specifically, the improvement opportunities are as follows: Request, review, and verify backup documentation that substantiates supplier invoice amounts; process and pay supplier invoices timely.

Due to the sensitivity of the information, all network security conclusions have been included in a separate, confidential report presented in a closed session.

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 2024-011: Riverside University Health System, Medical Center Audit



Office of Ben J. Benoit  
Riverside County Auditor-Controller

### Number of Findings & Recommendations

#### High Risk

**2** Findings  
• 3 Recommendations

#### Medium Risk

**0** Findings

#### Low Risk

**0** Findings

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

# Internal Audit Report

2024-011

Riverside University Health System,  
Medical Center Audit

November 5, 2024



**COUNTY OF RIVERSIDE  
OFFICE OF THE AUDITOR-CONTROLLER**

**Ben J. Benoit, Auditor-Controller**  
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
951-955-3800



November 5, 2024

Jennifer Cruikshank  
Chief Executive Officer  
Riverside University Health System, Medical Center  
26520 Cactus Avenue  
Moreno Valley, CA 92555

**Subject: Internal Audit Report 2024-011: Riverside University Health System, Medical Center  
Audit**

Dear Ms. Cruikshank:

In accordance with Board of Supervisors Resolution 83-338, we audited Riverside University Health System, Medical Center to provide management and the Board of Supervisors with an independent assessment of internal controls over network security, contract monitoring, and grant compliance.

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 2024-011: Riverside University Health System, Medical Center 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



Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

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## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

### Executive Summary

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#### Overview

Riverside University Health System, Medical Center (Medical Center) is comprised of the Medical Center, hospital-based clinics, and the Medical and Surgical Center with over 7,000 healthcare professionals and support staff. The 26-clinic, 439-bed Medical Center trains 1,000 medical residents and students and 2,500 nursing students annually. Medical Center also operates an emergency psychiatric hospital. In FY 2022-23, Medical Center oversaw 89,410 clinic visits, 141,128 inpatient days, 23,842 discharges, 1,729 births, 106,947 emergency room visits, and 198,086 outpatient diagnostic visits.

Medical Center has an adopted budget of \$1.44 billion for FY 2024-25 and 5,324 adopted positions. *County of Riverside, Fiscal Year 2024-25 Adopted Budget Volume 1, 370.*

#### 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 network security, contract monitoring, and grant compliance. 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

- Backup documentation to substantiate supplier invoices need to be reviewed and verified.
- Supplier invoices need to be paid timely.
- All network security audit highlights is included in a separate, confidential report presented in a closed session.



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

### Audit Scope and Methodology

We conducted the audit from November 9, 2023, through July 3, 2024, for operations from July 1, 2021, through June 26, 2024.

Following a risk-based approach, our scope included the following:

- Network Security
- Contract Monitoring
- Grant Compliance

### Audit Conclusion

Based on the results of our audit, internal controls over grant compliance are functioning as designed to help Medical Center achieve its business process objectives. However, we identified improvement opportunities for internal controls over contract monitoring that can help provide reasonable assurance that the department's objectives relating to this area will be achieved. Specifically, the improvement opportunities are as follows: Request, review, and verify backup documentation that substantiates supplier invoice amounts; process and pay supplier invoices timely.

Due to the sensitivity of the information, all network security conclusions have been included in a separate, confidential report presented in a closed session.





## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

### Contract Monitoring

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#### Background

The Riverside County *Purchasing Policy Manual* (December 31, 2021) defines a contract as “an agreement or purchase order for the purchase or disposal of commodities or services.” The *Purchasing Policy Manual* further states, “purchase contracts shall be entered into only after it has been determined that prices to be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration” which includes “price reasonableness [which] can be established through [competitive bidding and] supported [through a] ... cost analysis.” The terms and conditions of county contracts identify the rights and responsibilities of the parties involved. Terms and conditions include, but are not limited to the following: payment, penalties, record retention, confidentiality, scope of services, and inspection of services.

Contract monitoring is a key process in ensuring compliance with a contract’s established terms and conditions. This process is crucial in maintaining effective partnerships, ensuring quality services, and achieving optimal value from supplier relationships. Contract monitoring consists of understanding the terms and conditions and the scope of work. Departments can promote contract compliance through validation of satisfactory work performance, ensuring timely performance of contracted work, maintaining adequate documentation, and proper review and approval of invoices prior to payment to a contractor.

#### Objective

To verify the existence and adequacy of internal controls over Medical Center’s contract monitoring processes.

#### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over contract monitoring.
- Conducted interviews with key personnel to gain an understanding of the department’s contract monitoring process.
- Obtained and reviewed a listing of all suppliers associated with Medical Center during the audit review period. Randomly selected a sample of suppliers to determine if adequate controls exist over contract monitoring.



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

- Examined contract agreements to ensure compliance with terms.
- Reviewed vouchers for completeness, accuracy, payment timeliness, adequate managerial approval, and adequate supporting documentation.

### Finding 1: Supplier Performance Verification

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

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

For one of the suppliers randomly selected for testing (Supplier A), Medical Center needs to review and verify supporting documentation prior to approving and paying for services rendered. We randomly selected twelve invoices associated with Supplier A totaling \$8.7 million, all of which were approved and paid without verifying the hours worked by supplier personnel and agreeing them to the related invoice amounts. The corresponding professional services agreement states, "Contractor shall provide monthly reports identifying the services performed in the prior month, including the Physicians who rendered services, the types of services provided, the date services were rendered, the hours worked, and patient encounter information." The department does not request supporting documentation from Supplier A to substantiate amounts listed on the invoices provided. Not verifying the accuracy and reasonableness of supplier invoices increases the risk of overbilling or underbilling for services rendered, payment for services not performed or hours not worked, and difficulty in tracking and managing budgeted costs effectively.

#### Recommendation 1

Develop a process to regularly request, review, and verify supporting documentation prior to approving and paying for services rendered from suppliers.

#### Management's Response

"Partially Concur. RUHS will work to clarify contract language with appropriate supporting documentation and ensure those documents are received to support the payment of invoices. The problem was identified in physician agreements that contained contract language that is outdated as patient encounter information is now tracked fully in the department's electronic health record and preferred not to be included in invoices that will be routinely routed for processing. The department does agree that there are opportunities to improve internal controls

<sup>1</sup> Please see Appendix A (page 12) for a description of the finding priority level classifications.



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

as referenced in the Standard Practice Manual and is working with the contractors to strengthen those internal controls while working on contract language revisions.”

**Actual/Estimated Date of Corrective Action:** July 1, 2025

### Finding 2: Timely Invoice Processing

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

Riverside County *Purchasing Policy Manual*, Section 12, *Vendor Relations*, states, “A history of poor payment may result in a vendor placing a department on C.O.D. or refusing to ship a commodity or provide a service.” Furthermore, “The County standard default terms are net 30, i.e., payable within 30 days.”

One hundred fifty-eight of 277 supplier invoices (57%) randomly selected for testing were not paid timely. The average time elapsed between the invoice date and the payment date was 85 days, with the longest taking 540 days for payment and the shortest taking 31 days. The department’s current accounts payable processes do not address the complexity and volume of invoices that need to be processed and paid. Persistent late payments risk damaging vendor relationships and can lead to late payment fees, difficulties in securing favorable contracts, and interruptions to goods or services received.

#### Recommendation 2.1

Ensure vendor invoices are processed in a timely manner.

#### Management’s Response

“**Concur.** RUHS is a complex operation and thus has vendors that deliver complex services/products which can lead to slower invoice processing times. RUHS recognizes the need to pay vendors timely and has begun implementing processes to improve accounts payable processing times.”

**Actual/Estimated Date of Corrective Action:** August 15, 2024

#### Recommendation 2.2

Develop a process to mitigate the complexity and manage the volume of invoices that need to be processed to ensure timely payments to suppliers.

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<sup>2</sup> Please see Appendix A (page 12) for a description of the finding priority level classifications.



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

### Management's Response

**“Concur.** RUHS is working to develop and improve processes to ensure timely payments to suppliers. Among these processes implemented include new accounts payable leadership, utilization of lean tier huddle system including weekly system wide accounts payable huddles and individual/collective AP supervisor-processor huddles. RUHS has also implemented dashboards to improve monitoring of key performance indicators and metrics allowing for more analytical data and collaboration with departments/vendors to streamline complex individual vendor processing. These efforts have already led to improvements as of the end of FY 23/24 showing a reduction in the average days to process invoices and a reduction in both the number and percentage of invoices paid beyond 30 days. RUHS will also be implementing a 21–30-day aging bucket to highlight invoices getting near the 30-day point and track the percentage of invoices paid timely. RUHS is committed to improving the accounts payable processing times and will use this audit feedback to implement further improvement opportunities.”

**Actual/Estimated Date of Corrective Action:** August 15, 2024



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

### Grant Compliance

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#### Background

In FY 2021-22 and 2022-23, Medical Center received over \$288.97 million and \$383.39 million, respectively, in grant funding from federal and state agencies for the purpose of improving the health and well-being of patients and communities. Grant funding was also used to ensure patients and employees have access to necessary services and coordinated care, and that employees have the tools to support patient needs. Medical Center assigns project IDs to each grant program and records expenditures based on the respective program. The department is required to submit claims to state and local agencies for reimbursement. Requirements for grant funding include maintaining allowable expenditure documentation, accurate financial records, and providing supportable claims to reimbursement requests.

Grant compliance is an essential process in adhering to established terms and conditions within the framework of awarded grants. This process plays a critical role in fostering effective partnerships, ensuring the delivery of quality services, and maximizing the value derived from grant-funded initiatives. Grant compliance involves an understanding of the stipulated terms and conditions, encompassing project scope, budgetary constraints, and reporting requirements. Departments can enhance compliance by validating satisfactory project performance, ensuring timely execution of grant-related activities, maintaining comprehensive documentation, and conducting thorough reviews and approvals of financial disbursements associated with the grant. The adherence to grant compliance procedures assists with sustaining positive relationships with funding entities, promoting efficient utilization of grant resources, and achieving the intended outcomes of the grant-funded initiatives.

#### Objective

To verify the existence and adequacy of internal controls over Medical Center's grant compliance processes.

#### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over grant compliance.
- Interviewed key personnel regarding the department's grant compliance process.



## Internal Audit Report 2024-011: Riverside University Health System, Medical Center Audit

- Obtained a listing of all active and inactive grants awarded to the department during the audit review period. Randomly selected a sample of grants awarded to the department and obtained all relevant grant agreements.
- Obtained a listing of all expenditures claimed for the selected grants. Randomly selected a sample of grant expenditures for review and verified whether expenditures or services provided were allowed, reported timely, reviewed, accurate, and had sufficient supporting documentation.

### Finding: None Noted

Based on the results of our audit, we determined that internal controls over grant compliance 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><b><u>Expected Implementation Date of Recommendation*</u></b> One to three months</p>	<p><b><u>Expected Implementation Date of Recommendation *</u></b> Three to six months</p>	<p><b><u>Expected Implementation Date of Recommendation *</u></b> Six to twelve months</p>

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