

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



**ITEM: 2.13
(ID # 26572)**

MEETING DATE:
Tuesday, December 03, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

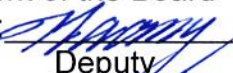
ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 11/20/2024

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: December 3, 2024
xc: Auditor

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 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 completed a Change of Department Head audit for the Riverside County Human Resources Department. This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital asset management when there is a change in department head.

Based on the results of our audit, we have identified improvement opportunities for internal controls over revolving funds and capital asset management that can help provide reasonable assurance that the department’s objectives relating to these areas will be achieved. Specifically, the improvement opportunities are as follows: Review the need, size, and use of fund authorized balances and ensure replenishments are performed timely, improve revolving fund reconciliation processes and procedures, and improve the tracking and monitoring of capital assets.

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 2024-026: Riverside County Human Resources Department, Change of Department Head Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

3 Findings
• 12 Recommendations

Medium Risk

0 Findings

Low Risk

0 Findings

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

Internal Audit Report

2024-026

Riverside County
Human Resources Department,
Change of Department Head Audit

December 3, 2024



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

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

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



December 3, 2024

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

**Subject: Internal Audit Report 2024-026: Riverside County Human Resources Department,
Change of Department Head Audit**

Dear Ms. Douglas-Schatz:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for the Riverside County Human Resources Department. This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital asset management when there is a change in department head.

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 2024-026: Riverside County Human Resources Department, Change of Department Head 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.

A handwritten signature in blue ink, appearing to read "Ben J. Benoit".

Ben J. Benoit
Riverside County Auditor-Controller

A handwritten signature in blue ink, appearing to read "René Casillas".

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 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Table of Contents

	Page
Executive Summary	4
Results:	
Revolving Funds	5
Capital Asset Management	11
Appendix A: Finding Priority Level Classification	15



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Executive Summary

Overview

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

Human Resources has an adopted budget of \$366.9 million for FY 2024-25 and 5,714 adopted positions. *County of Riverside, Fiscal Year 2024-25 Adopted Budget Volume 1, 196.*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

Audit Conclusion

Based on the results of our audit, we have identified improvement opportunities for internal controls over revolving funds and capital asset management that can help provide reasonable assurance that the department's objectives relating to these areas will be achieved. Specifically, the improvement opportunities are as follows: Review the need, size, and use of fund authorized balances and ensure replenishments are performed timely, improve revolving fund reconciliation processes and procedures, and improve the tracking and monitoring of capital assets.

AUDIT HIGHLIGHTS

- Revolving fund authorized balances need to be reviewed for need, size, and use, and replenishments need to be performed timely.
- Revolving fund reconciliation processes and procedures can be improved.
- The tracking and monitoring of capital assets can be improved.



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Revolving Funds

Background

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 to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

Human Resources has two revolving funds, "revolving fund A" and "revolving fund B." Revolving fund A has an authorized balance of \$3,300 which is maintained in the form of a bank account. Revolving fund B has an authorized balance of \$50,000, of which \$5,000 is maintained in the form of petty cash and \$45,000 is maintained in the form of a bank account. Revolving fund A was established for Exclusive Care (healthcare) related costs. Revolving fund B and petty cash was established for risk management-related payouts.

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 Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*, for the establishment and transfer of the revolving funds.
- Interviewed key personnel and reviewed department procedures over the revolving funds.
- Verified whether revolving fund reconciliations were prepared.
- Performed a surprise cash count and reconciled to the fund assignment amounts without exception.



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

- Verified whether adequate segregation of duties existed.

Finding 1: Revolving Fund Utilization and Replenishments **Priority Level: 1¹**

Standard Practice Manual 603, *Revolving Funds*, states, "Revolving Fund purchases must be submitted for reimbursement within sixty (60) days from the date on the receipt and must be summarized on the AP-9 Form (Revolving Fund Request for Replenishment)." Additionally, "Departments should regularly review, at least annually, the need, size, and use of their Revolving Funds and change fund(s). It is recommended that departments close or reduce the amount of Revolving Fund or change funds that have had little or no activity within a reasonable period of time."

After review of the department’s revolving funds, we identified the following in Table A below:

Table A: Results Summary – Revolving Fund Utilization and Replenishments

Revolving Fund	Observations
A	Revolving fund A has not been used since November 2022.
	Revolving fund A has outstanding transactions awaiting replenishment that occurred from January 2020 to June 2024.
B	Revolving fund B has been used once since its inception in May 2021.
	Revolving fund B has outstanding transactions awaiting replenishment that occurred from November 2021 to June 2024.

The department has expressed it may no longer need revolving fund A, and its business processes over its replenishments is not enforced. For revolving fund B, the authorized balance was initially overestimated, and the department was not following the Standard Practice Manuals governing its replenishments. Not reviewing and adjusting revolving fund balances, as well as not processing revolving fund replenishments within the required timeframe, leads to inefficient resource allocation, potential misuse of funds, and non-compliance with established policies.

¹ Please see Appendix A (page 15) for a description of the finding priority level classifications



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Recommendation 1.1

Conduct a review of revolving fund A and B and determine whether changes should be made based on the reason for the establishment of the revolving fund, the authorized amount originally requested, or the nature of the fund assignment used on Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form*.

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR scheduled meetings with HR Executives and account Custodians to discuss the Revolving Funds. This discussion will include fund management and replenishment as part of ongoing efforts to remedy findings."

Actual/Estimated Date of Corrective Action: January 1, 2025

Recommendation 1.2

Promptly address and resolve outstanding replenishments in revolving fund A and B.

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR scheduled meetings to discuss the Revolving Funds with HR Executives and account Custodians. This discussion will include fund management and replenishment as part of ongoing efforts to remedy findings."

Actual/Estimated Date of Corrective Action: January 1, 2025

Recommendation 1.3

Develop policies and procedures to ensure revolving fund replenishments are processed timely to ensure compliance with Standard Practice Manual 603, *Revolving Funds*.

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR scheduled meetings HR Executives and account Custodians to discuss the Revolving Funds. This discussion will include fund management and replenishment as part of ongoing efforts to remedy findings."



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Actual/Estimated Date of Corrective Action: January 1, 2025

Finding 2: Revolving Fund Reconciliations

Priority Level: 1²

Standard Practice Manual 603, *Revolving Funds*, states, "The Custodian must reconcile the Revolving Fund on a monthly basis. Reconciliation ensures that the sum of outstanding reimbursements, cash, and compiled receipts is equal to the original amount of the Fund." Additionally, "Reconciliations must be properly reviewed and approved by a supervisor, with sufficient segregation of duties expected. For auditing purposes, retain complete reconciliation, reimbursement, and replenishment records for your departmental files."

After reviewing the department's revolving fund reconciliations, we identified the following:

- Reconciliation packets for the monthly review of revolving fund A were not signed by the preparer and did not indicate the date they were completed.
- Reconciliations were only completed on a yearly basis for revolving fund B. Additionally, they were not signed by the preparer and did not indicate the date they were completed.
- Reconciliation packets for revolving fund A and B were not reviewed and approved by department management.
- The daily bank balance for revolving fund A was not readily available as of the fieldwork date. As such, we were not able to reconcile the fund balance during our site visit.
- The department does not maintain an internal daily check register or ledger to track the balance of revolving fund A and B.

Adequate supporting documentation over revolving fund reconciliations is not maintained by the department. Additionally, the department's current policies and procedures over maintaining revolving funds can include additional details to ensure reconciliations are performed in compliance with Standard Practice Manual 603, *Revolving Funds*. Performing revolving fund reconciliations monthly and maintaining adequate supporting documentation decreases the risk of errors and unauthorized transactions, improves the integrity of the department's financial reporting, and provides an accurate measurement of revolving fund balances.

² Please see Appendix A (page 15) for a description of the finding priority level classifications



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Recommendation 2.1

Ensure compliance with Standard Practice Manual 603, *Revolving Funds*, by documenting the preparation date, review, and approval of revolving fund reconciliations.

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR implemented an ongoing operational change to ensure all revolving funds are documenting the preparation date, review and approval of revolving fund reconciliations. This operational change is being implemented by the HR Finance Division. The Division is now including fund management and reconciliation as a standard practice of day-to-day operations, as part of ongoing efforts to address audit findings in updated policies and procedures."

Actual/Estimated Date of Corrective Action: Initial implementation October 1, 2024, and will be ongoing.

Recommendation 2.2

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

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR implemented an ongoing operational change by ensuring all revolving funds are documenting the preparation date, review and approval of revolving fund reconciliations. HR Finance Division has included fund management and reconciliation as part of ongoing efforts to address audit findings in updated policies and procedures."

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

Recommendation 2.3

Ensure compliance with Standard Practice Manual 603, *Revolving Funds*, by performing reconciliations monthly and maintaining adequate documentation that supports the reconciling line items.



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Management's Response

"Concur. Human Resources concurs with the recommendation of the Auditor Controller. On October 1, 2024, HR implemented an ongoing operational change by ensuring all revolving funds are documenting the preparation date, review and approval of revolving fund reconciliations. HR Finance Division has included fund management and reconciliation as part of ongoing efforts to address audit findings in updated policies and procedures."

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

Recommendation 2.4

Ensure the revolving fund custodian is authorized and has access to manage the revolving fund bank account.

Management's Response

"Do not concur. At the time of Audit custodians had access to revolving fund bank account."

Actual/Estimated Date of Corrective Action: N/A

Auditor's Comment

When performing fieldwork at the department's main office on July 16, 2024, the revolving fund custodian was unable to provide revolving fund A's daily bank balance. As such, we were not able to reconcile the fund balance during our site visit. In the follow-up audit, we will perform the same audit procedure to reconcile the fund balance during our site visit.



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

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).

Per the Riverside County Auditor-Controller's Standard Practice Manual, Policy Number 512, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Riverside County Auditor-Controller's Office.

As of April 22, 2024, the time the new department head was appointed and acknowledged receipt of capital assets from the outgoing officer, Human Resources maintained 24 capital assets in the Riverside County Financial System's asset management module, consisting of 22 pieces of equipment and 2 software licenses, with the combined acquisition cost of \$967,276.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards over capital asset management.
- Conducted interviews with department management to gain an understanding of the capital asset management processes.
- Established the date of the department head change.
- Verified whether proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

- Obtained a listing of current capital assets tracked in the asset management module.
- Selected a sample of capital assets to verify existence and whether adequate internal controls exist over the safeguarding of assets.
- Identified additional capital assets during field review and traced the capital assets to the asset management module to verify accurate reporting.

Finding 3: Capital Asset Management

Priority Level: 1³

Standard Practice Manual 505, *Accounting for: Equipment*, states, "In the event an asset is to be moved from one location to another or from one department to another, Form AM-6 must be completed. Once the asset has been moved, the location change must be noted in the PeopleSoft Asset Management Module." Additionally, Standard Practice Manual 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."

Six out of six capital assets randomly selected for testing were not in the locations reported in the asset management module. Additionally, four out of the six capital assets (67%) tested did not have affixed county asset tags. The discrepancies were due to the department not using separate location IDs for the different floors being occupied, not tracking the movement of traveling assets, and not enforcing procedures relating to capital assets management. Properly accounting for capital assets, maintaining accurate location records, and updating asset information ensures reliable asset tracking, prevents overstatements or understatements, and guarantees assets are readily available.

Recommendation 3.1

Ensure asset tags are affixed to the assigned assets in accordance with the Standard Practice Manual 513, *Capital Asset Tag*.

Management's Response

"Concur. Human Resources concurs with the Auditor Controller's Recommendation. The Department will verify capital asset tags on current assets and ensure they stay in place until the asset is retired. Missing capital asset tags will be reported to the HR Finance Division. In instances of missing capital asset tags, HR Finance will request a replacement and note the missing tag in

³ Please see Appendix A (page 15) for a description of the finding priority level classifications



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

the PeopleSoft Capital Asset Management module. This standardized process will be implemented in November and will proceed going forward."

Actual/Estimated Date of Corrective Action: November 28, 2024

Recommendation 3.2

Ensure all capital assets, including those routinely moved to support business operations, are properly tracked.

Management's Response

"Concur. Human Resources concurs with the Auditor Controller's Recommendation. The Department now maintains and tracks capital assets in Service Now Asset Management. For traveling assets used in the field, e.g. such as in our Safety Division, which supports Departments Countywide and travels to other locations, HR Administrative Services will implement a log to track the movement of the fitness testers as they move from one testing site to another. The department will educate and work with the Safety Division and other similarly situated divisions managing capital assets to ensure policies and procedures are enforced. HR will perform quarterly reviews of its assets to monitor any changes. HR intends to announce new procedures and tracking log in the upcoming All Managers Meeting scheduled for the month of November."

Actual/Estimated Date of Corrective Action: November 28, 2024

Recommendation 3.3

Update policies and procedures to establish a clear process for tracking assets and updating their locations within specified timeframes.

Management's Response

"Concur. Human Resources Concur with the Auditor Controller's Recommendation. In November of 2024, the Department intends to update the procedures surrounding this and will implement a tracking mechanism to ensure managers and staff managing capital assets, including traveling assets are properly tracked when assets are moved from one location to another. HR Administrative Services will track these assets in Service Now and notify HR Finance when non traveling assets have been moved to a new location on a quarterly basis. HR Administrative Services has created a log template for divisions to document the whereabouts of traveling assets in line with their fitness testing schedules."



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Actual/Estimated Date of Corrective Action: November 28, 2024

Recommendation 3.4

Develop a process to reconcile capital assets recorded in the Riverside County Financial System's asset management module with any internal asset tracking systems to ensure accurate reporting of all capital assets.

Management's Response

"Concur. Human Resources concurs with Auditor Controller's Recommendations. During year-end asset certification HR Finance and HR Asset Management team will be sure to reconcile asset transactions. Request a report from Service Now from the Administrative Services Officer for internal tracking and compare to people soft for accurate reporting of all capital assets. HR Finance Division has asset management systems and County asset management systems reconciliation as part of ongoing efforts to address audit findings in updated policies and procedures."

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

Recommendation 3.5

Update policies and procedures to include a process for reconciling capital assets recorded in the Riverside County Financial System's asset management module with any internal asset tracking systems.

Management's Response

"Concur. Human Resources concurs with Auditor Controller's Recommendations. During year-end asset certification HR Finance and HR Asset Management team will be sure to reconcile asset transactions. Procedures have been updated to annually request a report from Service Now from the Administrative Services Officer for internal tracking and compare to people soft for accurate reporting of all capital assets. HR Finance Division has asset management systems and County asset management systems reconciliation as part of ongoing efforts to address audit findings in updated policies and procedures."

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



Internal Audit Report 2024-026: Riverside County Human Resources Department, Change of Department Head Audit

Appendix A: Finding Priority Level Classification

Priority Level 1	Priority Level 2	Priority Level 3
<p>These are audit findings that represent the most critical issues that require immediate attention and pose a significant risk to the department’s objectives, compliance, security, financial health, or reputation. They may indicate serious control failures, non-compliance with laws or regulations, significant financial errors, or vulnerabilities with severe potential impact. Immediate corrective measures are necessary to mitigate the risks associated with these findings.</p>	<p>These are audit findings that are important and require timely resolution, but their impact is not as severe as Priority Level 1. They may highlight moderate control weaknesses, areas of non-compliance with internal policies and procedures, or financial discrepancies that are significant but are not critical. While they might not pose an immediate threat, they should be addressed promptly to prevent further escalation or potential negative consequences.</p>	<p>These are audit findings that are less critical and generally have a lower impact on the department’s objectives, compliance, or operations. They may include minor control deficiencies, procedural deviations with minimal impact, or non-critical administrative errors. While they may not require immediate attention, they should still be acknowledged and addressed within a reasonable timeframe to ensure ongoing improvement and prevent potential accumulation of minor issues.</p>
<p><u>Expected Implementation Date of Recommendation*</u> One to three months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Three to six months</p>	<p><u>Expected Implementation Date of Recommendation *</u> Six to twelve months</p>

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