

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



**ITEM: 2.10  
(ID # 28073)**

**MEETING DATE:**  
Tuesday, June 24, 2025

**FROM :** AUDITOR CONTROLLER

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2025-005: Riverside County Children and Families Commission's Audit, [District: All]; [\$0]

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

1. Receive and file Internal Audit Report 2025-005: Riverside County Children and Families Commission's Audit

**ACTION: Consent**


  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 6/4/2025

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Medina, Spiegel, Washington, Perez and Gutierrez  
Nays: None  
Absent: None  
Date: June 24, 2025  
xc: Auditor

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:</b>	No
			<b>For Fiscal Year:</b>	N/A

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

**BACKGROUND:**

**Summary**

In accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, we audited the Riverside County Children and Families Commission. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over contract and supplier management, grant management, and purchasing policies.

Based on the results of our audit, internal controls over grant management and purchasing policies are functioning as designed to help First 5 Riverside achieve its business process objectives. However, we identified opportunities to strengthen contract and supplier management. Specifically, records were not consistently completed to support payments, contract oversight did not ensure proper segregation of duties or verification of service delivery. Additionally, there were gaps in required insurance coverage for contractors and insurance coverage was not always aligned with the nature of services provided.

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2025-005: Riverside County Children and Families Commission's Audit



Office of Ben J. Benoit  
Riverside County Auditor-Controller

### Number of Findings & Recommendations

#### High Risk

**3** Findings  
• **10 Recommendations**

#### Medium Risk

**0** Findings

#### Low Risk

**0** Findings

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

# Internal Audit Report

2025-005

Riverside County  
Children and Families Commission Audit

June 24, 2025



COUNTY OF RIVERSIDE  
OFFICE OF THE AUDITOR-CONTROLLER

BEN J. BENOIT, AUDITOR-CONTROLLER  
TANYA S. HARRIS, DPA, CPA,  
ASSISTANT AUDITOR-CONTROLLER



June 24, 2025

Tammi Graham  
Executive Director  
Riverside County Children and Families Commission  
585 Technology Court  
Riverside, CA 92507

Subject: **Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit**

Dear Ms. Graham:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Children and Families Commission to provide management and the Board of Supervisors with an independent assessment of internal controls over contract and supplier management, grant management, and purchasing policies.

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 2025-005: Riverside County Children and Families Commission 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  
Juan Perez, Chief Operating Officer  
Grand Jury



**Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit**

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## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

### Executive Summary

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#### Overview

Riverside County Children and Families Commission (First 5 Riverside) provides support to children from prenatal through age five. First 5 Riverside receives funding from the California Children and Families Act (Proposition 10), which placed a statewide tax on cigarettes and other tobacco products to support and promote early childhood development programs.

The First 5 Riverside Commission (Commission) is tasked with implementing the goals and objectives of the California Children and Families Act of 1998 and Riverside County Ordinance No. 784. It carries out the strategic plan and exercises the powers, duties, and functions assigned by the statute, the Board, and the First 5 Commission.

First 5 Riverside has an adopted budget of \$39.9 Million for FY 2024-25 and 65 adopted positions. *County of Riverside, Fiscal Year 2024-25 Adopted Budget Volume I, 142-143.*

#### Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of internal controls over contract and supplier management, grant management, and purchasing policies. 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

- Contractor oversight should be strengthened to ensure complete documentation, proper segregation of duties, and delivery verification before payments are processed.
- Personal credit card use for contract-related expenses should be restricted to improve oversight, transparency, and strengthen accountability.
- Vendor insurance requirements should be aligned with the nature of services provided, verified prior to the initiation of the contract, and reviewed periodically for continued compliance.
- Certificates of insurance should consistently name Riverside County as an additional insured to reduce legal exposure and support contractual compliance.



## **Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit**

### **Audit Scope and Methodology**

We conducted the audit from October 9, 2024, through March 14, 2025, for operations from July 1, 2022, through January 15, 2025.

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

- Contract and Supplier Management
- Grant Management
- Purchasing Policies

### **Audit Conclusion**

Based on the results of our audit, internal controls over grant management and purchasing policies are functioning as designed to help First 5 Riverside achieve its business process objectives. However, we identified opportunities to strengthen contract and supplier management. Specifically, records were not consistently completed to support payments, contract oversight did not ensure proper segregation of duties or verification of service delivery. Additionally, there were gaps in required insurance coverage for contractors and insurance coverage was not always aligned with the nature of services provided.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

### Contract and Supplier Management

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#### Background

The Riverside County, *Purchasing Policy Manual* (February 14, 2025), 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 be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration.” Price reasonableness is established through competitive bidding and supported 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 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.

All First 5 Riverside contracts and amendments must be approved by the Commission before implementation. While the Commission has designated approval authority to the Executive Director, any approval beyond this authority must be obtained from the First 5 Commission through a formal action item for its approval.

#### Objective

To verify the existence and adequacy of internal controls over First 5 Riverside’s contract and supplier management.

#### Audit Methodology

To accomplish these objectives, we:

- Obtained and reviewed Riverside County Purchasing Policy Manual as it relates to rights and responsibilities over procurement.
- Conducted interviews with key personnel to obtain an understanding of department processes and procedures over contract and supplier management.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

- Obtained a listing of all contracts utilized during the audit review period and judgmentally selected suppliers for review and testing.
- Obtained and reviewed First 5 Riverside’s contract agreements with selected suppliers to understand the requirements and deliverables of the contract.
- Verified whether there was adequate segregation of duties in place relating to the contract and supplier management process.
- Verified whether the contract and supplier agreements were approved, appropriate, had adequate supporting documentation, processed in a timely manner, rates agreed to the contract requirements, and services performed are adequately monitored.
- Reviewed contractual insurance requirements for the selected suppliers during the audit period and verified compliance with these requirements.
- Reviewed and analyzed selected supplier invoices to confirm accurate billing and potential duplicate charges.

### Finding 1: Contract Monitoring

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

Standard Practice Manual 1001, *Internal Control*, 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.

Based on our review of 40 randomly selected invoices, we identified opportunities to strengthen contractor monitoring, specifically in the areas of documentation, payment processing, and oversight. Of the 40 invoices reviewed, 19 (48%) showed gaps that indicate a need for more consistent contract monitoring over payment processing or documentation. We noted the following:

- Three invoices involved multiple purchases, where supplies were delivered to a contracted employee’s personal address rather than the intended family’s verified location, indicating a need for improved contractor oversight to ensure deliveries aligned with intended recipients and that appropriate controls and accountability measures are in place.
- Three invoices included multiple purchases, where a contracted employee acted as both the payment requestor and approver, indicating a need to reinforce contractor monitoring through

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<sup>1</sup> Please see Appendix A (page 19) for a description of the finding priority level classifications.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

clearer segregations of duties to prevent potential conflicts of interest. Additionally, First 5 Riverside can improve their oversight of third-party billing processes by enforcing role separation to prevent similar issues.

- Ten invoices involved recurring reimbursements to a contracted employee for business expenses charged to a personal credit card, highlighting an opportunity to improve contractor procurement oversight and reduce reliance on personal cards to enhance expense tracking and accountability.
- Three invoices involved multiple purchases, did not include an encounter form to confirm the delivery of materials and goods to the family. This highlights an opportunity to standardize and enhance contractor documentation procedures to maintain clear accountability for services and verify that services are properly delivered.

Current department protocols did not have a structured guidance for smaller agencies on best practices for documentation, procurement, and delivery procedures. Strengthening oversight and contractor monitoring can improve resource management, ensure program compliance, and support effective delivery to the intended recipients.

### Recommendation 1.1

Ensure all contractor payments are supported by complete documentation, including encounter forms, proof of service delivery, and confirmation that goods and services were received by intended recipients.

### Management's Response:

**“Concur.** First 5 Riverside County acknowledges the importance of ensuring complete documentation to support contractor payments and agrees with the need for stronger oversight in this area. We are committed to requiring that all partner agencies (contractors) providing services to families submit full and consistent documentation, including proof of delivery for all purchased material goods.

In the context of the Home Visiting Program (HVP), material goods are essential items, such as diapers, car seats, cribs, and educational toys, intended to support the health, safety, and developmental needs of pregnant and parenting families. To ensure accountability, First 5 Riverside County will require documentation such as encounter forms, delivery confirmations, and other supporting records that verify that goods and services reached their intended recipients.



## **Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit**

The Department has already begun coordinating with partner agencies to implement these requirements, and full adoption of these enhanced documentation standards will be effective beginning FY 2025-2026.”

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

### **Recommendation 1.2**

Establish and communicate clear contract monitoring guidelines for smaller contractors, covering documentation requirements, segregation of duties, and management review to ensure effective control over billing practices.

#### **Management’s Response:**

“**Concur.** First 5 Riverside County concurs with the recommendation and recognizes that some partner agencies are smaller in size and may require additional support to establish effective internal controls. The Department will develop and communicate clear contract monitoring guidelines tailored to these agencies, focusing on documentation standards, segregation of duties, and appropriate management review processes.

We are committed to working collaboratively with our smaller partner agencies to strengthen their billing practices, enhance accountability, and ensure compliance with contractual and fiscal requirements.”

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

### **Recommendation 1.3**

Strengthen oversight of contracted supplier’s billing processes by ensuring clear segregation of duties. First 5 Riverside should require suppliers to separate the roles of payment requestor and approver, and address conflicts identified during invoice reviews.

#### **Management’s Response:**

“**Concur.** First 5 Riverside County concurs with the recommendation and will require all contracted partner agencies to provide documentation that clearly demonstrates segregation of duties between the payment requestor and approver. This requirement will apply to all agencies, including one organization, where previous staffing constraints resulted in the same individual fulfilling both roles.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

While acknowledge the agency’s dedication to serving families in need, First 5 Riverside County will ensure that appropriate internal controls are established to prevent conflicts of interest and strengthen oversight of supplier billing processes.”

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

### Recommendation 1.4

Implement controls to restrict reimbursements for contract-related expenses charged to personal credit cards. Explore alternative procurement methods, such as department procurement cards, to improve tracking and accountability of expenditures.

#### Management’s Response:

“**Concur.** First 5 Riverside County concurs with the recommendation and will implement controls to eliminate the use of personal credit cards for contract-related expenses. The Department will work directly with the one identified agency currently using personal credit cards due to organizational constraints and require the transition to an appropriate procurement method, such as the use of a business credit card, to improve accountability and expense tracking.”

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

### Recommendation 1.5

Ensure that goods and materials purchased under contracts are delivered to verified program locations, rather than contracted employees’ personal addresses, to enhance accountability and ensure resources reach the intended recipients.

#### Management’s Response:

“**Concur.** First 5 Riverside County concurs with the recommendation and recognizes the importance of ensuring that goods and materials purchased under contracts are delivered to verified program locations to maintain accountability and confirm resources reach intended recipients.

In certain circumstances, direct delivery to client homes is not feasible due to the lack of a secure or reliable delivery location. In such cases, deliveries may be made to program staff to facilitate safe and timely distribution during scheduled home visits, where items can be directly provided to the family and incorporated into program services.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

To strengthen accountability:

- A material goods cover sheet will be implemented, requiring client signatures to confirm receipt of items.
- Staff will receive guidance reinforcing approved delivery procedures and documentation standards.

These measures will enhance oversight while supporting effective delivery service to families with unique logistical needs.”

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

### Finding 2: Insurance Compliance

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

All contracts selected for testing included a clause stating, “CONTRACTOR shall not commence operations until the COUNTY has been furnished original Certificate (s) of Insurance and certified original copies of endorsements and if requested, certified original policies of insurance including all endorsements and any and all other attachments as required in this Section.” Additionally, Riverside County Purchasing & Fleet Services Department’s Purchasing Policy Manual, Insurance Coverage, Section 7.13 (February 14, 2025), states, “A Contractor who performs work on County property must possess liability, automobile and workers compensation insurance coverage as applicable to the project and as required by statute. Risk Management determines the amount of coverage based on the scope of the project. Endorsed certificates of insurance MUST be provided prior to project start.”

In the contract agreements selected for testing, each included a requirement that, “Without limiting or diminishing the CONTRACTOR’s obligation to indemnify or hold the COUNTY harmless, CONTRACTOR shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverages such as workers’ compensation, commercial general liability, vehicle liability, and professional liability during the term of the contract. Pertinent to the insurance, the COUNTY herein refers to the County of Riverside, its Agencies, Districts, Special Districts, and Departments, respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional Insureds.”

Based on our review of 4 randomly selected suppliers, we identified opportunities to effectively oversee insurance compliance requirements, including maintaining sufficient and specific coverage for the type and nature of the services performed by the suppliers.

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<sup>2</sup> Please see Appendix A (page 19) for a description of the finding priority level classifications.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

We determined the following:

- One out of 4 (25%) suppliers did not have commercial general liability insurance which provides coverage for legal costs, settlements, and judgements if the county is sued for injuries or damages resulting from services provided by contractor.
- One out of 4 (25%) suppliers did not have vehicle liability insurance which helps cover the costs associated with accidents involving vehicles. This includes bodily injury and property damage.
- Four out of 4 suppliers (100%) did not endorse Riverside county as additional insured.

A process to monitor contractor insurance, including a centralized process to collect, retain, and track certificates of insurance is not in place, leading to gaps in required coverage and not endorsing Riverside County as additional insured. Gaps in insurance coverage or missing endorsements can expose the county to liabilities and costs that should otherwise be covered by the contractor.

### Recommendation 2.1

Create a centralized process to collect, verify, and maintain certificates of insurance for all contracted suppliers. This process should clearly outline the required coverage and ensure that Riverside County is listed as an additional insured on all policies.

### Management's Response:

**“Concur.** First 5 Riverside County concurs with the recommendation and has already implemented a centralized process using its Customer Relationship Management (CRM) platform, Salesforce, to collect, verify, and maintain certificates of insurance for all contracted partner agencies. This system also allows the Department to generate reports to monitor compliance.

In alignment with the County's LEAN process improvement efforts, standard work is currently being drafted to formalize this process. This standard work will ensure that all required insurance coverages are in place and that Riverside County is properly listed as an additional insured on all applicable policies.”

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



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

### Recommendation 2.2

Conduct periodic reviews of insurance documentation to ensure ongoing compliance throughout each contract term. Retain evidence of review to verify that coverage remains valid.

#### Management's Response:

**“Concur.** As noted in the response to Recommendation 2.1, First 5 Riverside County utilizes Salesforce to manage and track contractor insurance documentation. The Department’s Contracts Unit will conduct monthly reviews of insurance coverage to ensure ongoing compliance throughout the contract term. All insurance documents and records of review will be uploaded and retained in Salesforce as evidence of compliance.”

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

### Recommendation 2.3

Develop a policy to enforce contract terms by requiring all suppliers to provide proof of the necessary insurance coverage and endorsements before beginning services.

#### Management's Response:

**“Concur.** First 5 Riverside County concurs with the recommendation and will develop a policy to enforce contract terms related to insurance requirements. This policy will require all contracted partner agencies to submit proof of the necessary insurance coverage and endorsements, specifically including listing Riverside County as an additional insured, prior to the start of any services. The policy will be aligned with existing contract provisions and integrated into the Department’s centralized tracking process in Salesforce to ensure consistent enforcement and documentation.”

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

<b>Finding 3: Insurance Coverage Based on Scope and Nature of Services Performed</b>	<b>Priority Level: 1<sup>3</sup></b>
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Riverside County Purchasing & Fleet Services Department’s Purchasing Policy Manual, *Insurance and Indemnification Requirements*, Section 4.3 (February 14, 2025), states, “Insurance requirements must be addressed for professional services engagements. The county’s insurance

<sup>3</sup> Please see Appendix A (page 19) for a description of the finding priority level classifications.



## **Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit**

requirements are intended to protect the assets of the County when entering into contracts. Any time a consultant travels to a county facility and conducts onsite services the County is at risk.”

Insurance requirements are not aligned with the nature of contracted services, leaving potential coverage gaps. During our review, we identified suppliers providing home visits to families with children from birth to age five whose contracts did not include Sexual Abuse and Molestation Insurance. Similarly, we found IT suppliers handling sensitive Riverside County data without Cyber Liability Insurance. Without these insurance provisions, Riverside County may be liable for incidents normally addressed by vendor policies, such as abuse allegations or data breaches. Not matching insurance requirements to actual contracts risks can lead to heightened financial exposure.

### **Recommendation 3.1**

Develop a process to ensure that each awarded contract includes insurance coverage appropriate to the supplier’s specific services. This should be verified during vendor selection and contract negotiation to address unique risks before finalizing the agreement.

#### **Management’s Response:**

“**Partially Concur.** First 5 Riverside County partially concurs with this finding. The Department currently works closely with County Counsel prior to executing any contract and utilizes the County’s standardized contract templates, which include general insurance requirements.

To address the need for more risk-specific coverage, the Department will develop a process to assess and tailor insurance requirements based on the nature and scope of each supplier’s services. This process will be implemented in collaboration with County Counsel and Risk Management to ensure appropriate coverage, such as Child Molestation Liability or Cyber Liability Insurance, is identified and addressed during vendor selection and contract negotiation.”

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

### **Recommendation 3.2**

Coordinate with County Risk Management and County Counsel to retroactively review and tailor insurance requirements for all existing contracts, ensuring that the insurance provisions align with the specific nature and scope of each contracted service. This will ensure that vendors are contractually obligated to manage risks appropriately.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

### Management's Response:

**“Concur.** First 5 Riverside County concurs with the recommendation and acknowledges the importance of ensuring that insurance provisions are appropriate to the specific nature and scope of services provided under existing contracts. As noted in the response to Recommendation 3.1, the Department will coordinate with County Risk Management and County Counsel to tailor insurance coverage requirements based on service-specific risks.

This coordination will extend to a retroactive review of all active contracts to identify and address any gaps in insurance coverage. Where necessary, the Department will take steps to update existing agreements to ensure vendors are contractually obligated to carry appropriate insurance and manage risks effectively.”

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

## Grant Management

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### Background

In FY 2022–23, First 5 Riverside received over \$5.7 million in federal grant funding. In FY 2023–24, that amount increased to more than \$9.1 million. These funds support children in Riverside County who are highly impacted, including infants, toddlers, children living in poverty, dual language learners, those in foster care, children experiencing homelessness, children with disabilities, and those in tribal, migrant, or rural/isolated communities.

Grant management is critical for meeting the terms and conditions of awarded grants. It fosters effective partnerships, ensures high-quality service delivery, and maximizes the benefits of grant-funded initiatives. Grant compliance involves understanding each project's scope, budget constraints, and reporting requirements. Departments can enhance compliance by verifying project performance, executing grant activities on schedule, maintaining thorough documentation, and conducting proper reviews of financial disbursements. Adhering to these procedures help maintain strong relationships with funding entities, ensures efficient use of resources, and supports the successful achievement of grant-funded objectives.

### Objective

To verify the existence and adequacy of internal controls over First 5 Riverside's grant management processes.



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

### Audit Methodology

To accomplish these objectives, we:

- Interviewed key personnel to obtain an understanding of department processes and procedures over grant management.
- Verified whether there was adequate segregation of duties in place relating to the grant compliance processes.
- Obtained a listing of all 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 grants expenditures for review and verified whether expenditures or services provided were allowed and within the scope of work, reported timely, reviewed and approved, accurate, and had sufficient supporting documentation.
- Verified that First 5 Riverside appropriately implemented the audit findings, recommendations, and corrective actions issued by its independent auditors.
- Verified whether the established cost allocation methods and periodic reconciliations were performed.
- Verified whether grant spending and funds expiration were actively monitored.
- Verified that grant expenditures were properly authorized under the applicable approval thresholds, that allocated disbursements aligned with spending guidelines, and that associated deadlines were met.
- Verified whether projected grant expenditures were in alignment with expectations and approved grant budget categories.

**Finding: None Noted**

Based on the results of our audit, we determined that internal controls over grant management provide reasonable assurance that its objectives related to this area will be achieved. Reasonable



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

### Purchasing Policies

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#### Background

First 5 Riverside follows County Ordinance No. 459 and has its own policies and procedures for purchasing, including special situations and categories exempt from competitive bidding. Under Ordinance No. 459, the Executive Director can approve purchases up to \$50,000 per vendor each year but has delegated that authority to the Assistant Director (up to \$50,000 per vendor) and Deputy Directors (up to \$5,000 per vendor). Any purchase exceeding these limits requires approval from the First 5 Riverside Commission.

Exempt categories include books, subscriptions, conference sponsorships, goods and services from other public agencies, auditing services, and specialized expertise (e.g., evaluators, interpreters). If competition is impracticable or does not add value, and the unit price is more than \$2,000 or the total purchase exceeds \$5,000, written justification must be provided to the Executive Director for using a sole-source vendor. When a competitive process offers no advantage, First 5 Riverside may use vendors already contracted by the State, County, School District, or another First 5 Commission, provided those contracts were competitively obtained and the vendors agree to the same terms.

In addition to Ordinance No. 459, First 5 Riverside adheres to the Riverside County *Purchasing Policy Manual* (February 14, 2025). This manual requires obtaining at least three written quotes for purchases of \$5,000 or more to ensure prudent use of public funds and prohibits splitting purchase orders to avoid competitive thresholds. Deliberate attempts to split orders can result in disciplinary actions or reduced purchasing authority.

#### Objective

To verify the existence and adequacy of internal controls over the Children and Families Commission's purchasing policies process.

#### Audit Methodology

To accomplish these objectives, we:



## Internal Audit Report 2025-005: Riverside County Children and Families Commission Audit

- Interviewed key personnel to obtain an understanding of department processes and procedures over purchasing policies.
- Obtained and reviewed of all purchases made by the department during the audit review period.
- Obtained a listing of all First 5 Riverside staff with delegated purchasing authority.
- Verified whether purchases were authorized, approved, and had sufficient supporting documentation.
- Analyzed department expenditure data to identify instances in which per vendor, per year purchase limitations were exceeded.

**Finding: None Noted**

Based on the results of our audit, we determined that internal controls over purchasing policies provide reasonable assurance that its objectives 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.



**Internal Audit Report 2025-005: Riverside County Children and Families Commission 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><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.