

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



ITEM: 2.16
(ID # 28203)

MEETING DATE:
Tuesday, June 24, 2025

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 6/17/2025

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**

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

We completed a follow-up audit of the Riverside County Department of Waste Resources. Our audit was limited to reviewing actions taken as of February 20, 2025, to correct findings noted in our original audit report 2024-008 dated June 11, 2024. The original audit report contained six recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the six recommendations:

- Five of the recommendations were implemented.
- One of the recommendations was partially implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2024-008 included as an attachment to this follow-up audit report or it can also be found at <https://auditorcontroller.org/divisions/internal-audit/reports>.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit



Office of Ben J. Benoit

Riverside County Auditor-Controller

Internal Audit Report

2025-311

Follow-up

6 Recommendations

- ✓ 5 Implemented
- ▶ 1 Partially Implemented
- ✗ 0 Not Implemented



Riverside County
Department of Waste Resources,
Follow-up 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

4080 Lemon Street, 6th Floor
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



June 24, 2025

Andrew Cortez
General Manager – Chief Engineer
Riverside County Department of Waste Resources
14310 Fredrick Street
Moreno Valley, 92553

**Subject: Internal Audit Report 2025-311: Riverside County Department of Waste Resources,
Follow-up Audit**

Dear Mr. Cortez:

We completed the follow-up audit of the Department of Waste Resources. Our audit was limited to reviewing actions taken as of February 20, 2025, to help correct the findings noted in our original audit report 2024-008 dated June 11, 2024.

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

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

- Five of the recommendations were implemented.
- One of the recommendations was partially implemented.

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

understanding of the original audit, please refer to Internal Audit Report 2024-008 included as "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.

Ben J. Benoit
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Juan Perez, Chief Operating Officer
Grand Jury



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

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- A. Internal Audit Report 2024-008
- B. Status of Findings as Reported by the Department of Waste Resources on February 20, 2025



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

Contract and Supplier Monitoring

Finding 1: Contract Compliance

“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.

We identified 23 of 60 (38%) randomly selected invoices did not comply with their respective contract’s terms and conditions. Specifically, invoices contained discrepancies in the pricing of contracted goods. While the department has policies and procedures in place to review invoices for compliance with contract payment provisions, these procedures require strengthening, specific to the review process, to prevent departmental oversight and ensure compliance. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. Lack of thorough review of invoices increases the risk of financial loss, contract non-compliance, and inefficient use of public funds.

On April 11, 2024, Waste Resources management updated their policy titled *Purchasing Policy*. The new policy specifically assigns Project Managers the responsibility of confirming the receipt of goods or services and ensuring that charges align with payment provisions outlined in the applicable agreements or quotes. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures.”

Recommendation 1

“Ensure invoice payments accurately reflect contract payment provisions.”

Current Status 1: Implemented

Finding 2: Timely Invoice Processing

“Riverside County Purchasing 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.’

Of the 70 randomly selected invoices, we found 26 (37%) instances of untimely invoice payment. The average time elapsed between invoice receipt and invoice payment was 78 days, with the



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

longest taking 31 days and the shortest taking 210 days. Waste Resources has established internal policies and procedures to ensure the timely payment of vendor invoices. Despite these policies being in place, there remains room for improvements to strengthen the policy and enhance the efficiency and effectiveness of the process. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. Persistent late payments risk damaging vendor relationships and can lead to late payment fees, difficulties in securing favorable contracts, and interruptions to goods of services received.

On April 11, 2024, Waste Resources management revised their policy titled *Purchasing Policy*. The revised policy mandates that Project Managers confirm the receipt of goods or services and verify charges in accordance with the payment provisions stipulated in the relevant agreements or quotes. It also sets specific timelines for the review process by Project Managers, ensuring that invoice approvals are completed early enough to capture payment discounts or within a maximum of thirty days from receipt. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures.”

Recommendation 2

“Ensure vendor invoices are processed in a timely manner.”

Current Status 2: Implemented

Finding 3: Contract Monitoring

“Standard Practice Manual 1001, *Internal Controls*, states, ‘safeguarding of assets’ and ‘ensuring accuracy, reliability, and timeliness of financial records and reports’ are internal controls used to, ‘provide reasonable assurance regarding the achievement of objectives.’

We identified 5 out of 10 (50%) vouchers sampled that were not linked to a county contract. Payments to vendors with existing contracts were not properly linked to those specific contracts in the Riverside County financial system. Contracts are established between Riverside County and vendors to procure goods/services and typically include pricing agreements, terms and conditions, and limits on expenditures. Expenditures were not closely monitored to assure they were linked to their respective contracts. Linking expenditures to contracts is a control designed to ensure contract limitations are monitored, reduce the risk of expenditures exceeding the contract limit, and ensure that departments are within the contract’s terms and conditions. Additionally, by not linking expenditures to contracts, management is unable to closely monitor contract expenditures, impacting their ability to negotiate future contract pricing.”



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

Recommendation 3.1

“Develop policies and procedures to ensure expenditures are linked to existing county contracts.”

Current Status 3.1: Implemented

Recommendation 3.2

“Ensure expenditures are linked to existing county contracts.”

Current Status 3.2: Implemented



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

Procurement Cards

Finding 4: Untimely Termination of Procurement Cards

“Riverside County Procurement Card Program, *Procedure Handbook*, states, ‘any changes in Cardholder information should be immediately reported to the procurement Card Program Coordinator through the Department’s Approver, (includes any transfers).’ Additionally, the policy further instructs county departments to ‘Contact the Procurement Card Program Coordinator to request that the current card be cancelled.’

A procurement card holder, upon transferring to a different department, retained an active procurement card for 237 days before cancellation was requested. The delay occurred due to Waste Resources needing a procurement card with the authority to purchase annual subscriptions and maintain uninterrupted departmental operations. The procurement card was kept active until a replacement cardholder could be onboarded. Prolonging the period before requesting the procurement card’s cancellation after an employee has separated from a county department risks misuse and unauthorized purchases.”

Recommendation 4

“Ensure procurement cards are immediately cancelled for employees no longer with the department.”

Current Status 4: Implemented



Internal Audit Report 2025-311: Riverside County Department of Waste Resources, Follow-up Audit

Capital Asset Management

Finding 5: Capital Asset Compliance

“Standard Practice Manual 513, *Asset Tags*, states, ‘In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed. Once the asset has been moved, the location changes must be noted in the PeopleSoft Asset Management module.’

Of the 53 capital assets randomly selected for testing, we identified the following:

- Three capital assets (8%) were not at the location indicated in the Riverside County financial system. The variance in asset location was attributed to the absence of designated location codes within the financial system. Waste Resources has initiated the establishment of location codes to accurately reflect the current location of the assets.
- One capital asset (2%) could not be located at the time fieldwork was conducted. Waste resources provided documentation post-fieldwork to confirm the status of the asset.

Not adequately tracking and monitoring capital assets may lead to mismanagement of financial resources, hinder accurate financial reporting, and potentially enable unauthorized access, utilization, or disposal of assets.”

Recommendation 5

“Ensure capital asset locations in the county financial system accurately reflect the current location of the assets.”

Current Status 5: Partially Implemented

Of the 21 capital assets randomly selected for testing, we identified the following:

- Two capital assets (10%) were not at the location indicated in the Riverside County financial system. Although the assets were observed in storage, none were labeled with any identifying information. As a result, it was not possible to verify the specific capital assets from other similar, unidentifiable items.



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Management's Response

“As observed by ACO staff during the site visit on April 2, 2025, the two (2) capital assets mentioned above were at the location indicated in the Riverside County financial system; however, asset tags were not included on these items because they are brand new tarps, still wrapped in the manufacturer packaging.

To increase visibility/identification of new assets still in original packaging, not yet in service, we will update our process to include placing a temporary tag on assets upon delivery until they are placed into service, at which time we will affix a permanent asset tag.”

Attachment A



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Recommendations

5 Priority Level 1
High Risk

0 Priority Level 2
Medium Risk

1 Priority Level 3
Low Risk

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

Internal Audit Report

2024-008

Riverside County
Department of Waste Resources Audit

June 11, 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



June 11, 2024

Hans Kernkamp
General Manager-Chief Engineer
Riverside County Department of Waste Resources
14310 Frederick Street
Moreno Valley, CA 92553

**Subject: Internal Audit Report 2024-008: Riverside County Department of Waste Resources
Audit**

Dear Mr. Kernkamp:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Department of Waste Resources to provide management and the Board of Supervisors with an independent assessment of internal controls over contract and supplier management, procurement cards, capital asset management, and vehicle maintenance.

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 2024-008: Riverside County Department of Waste Resources Audit

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.

Ben J. Benoit
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury



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Executive Summary

Overview

Riverside County Department of Waste Resources (Waste Resources) is tasked with the protection of the general public's health and welfare by landfilling non-hazardous waste. The department manages five landfills and has a contract agreement for an additional private landfill. In addition to landfill management, the department provides different services that include recycling, illegal dumping clean-up, hazardous waste collection, and graffiti abatement.

Waste Resources has an adopted budget of \$158.2 million for FY 2023-24 and 317 authorized positions. *County of Riverside, Fiscal Year 2023-24 Adopted Budget Volume 1, 353.*

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 contract and supplier management, procurement cards, capital asset management, and vehicle maintenance. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Audit Scope and Methodology

We conducted the audit from August 30, 2023, through February 21, 2024, for operations from July 1, 2021, through February 15, 2024. Following a risk-based approach, our scope included the following:

- Contract and supplier management
- Procurement cards
- Capital asset management
- Vehicle maintenance

AUDIT HIGHLIGHTS

- Invoices need to be reviewed to ensure compliance with contract payment provisions.
- Invoices need to be linked to existing contracts and processed in a timely manner.
- Procurement cards need to be cancelled immediately after an employee's departure from a department.
- Capital asset information needs to be updated to reflect the current location of the asset.



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Audit Conclusion

Based on the results of our audit, internal controls over vehicle maintenance are functioning as designed to help Waste Resources achieve its business process objectives. However, we have identified improvement opportunities for internal controls over contract and supplier management, procurement cards, and capital asset management that can help provide reasonable assurance that its objectives relating to this area will be achieved. Specifically, the department's process for managing contracts, procurement cards, and capital assets faces challenges with contract compliance, timely invoice payments, linkage of expenditures to contracts, the oversight of procurement card cancellation, and asset location accuracy.



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Contract and Supplier Management

Background

The Riverside County, Purchasing Policy Manual (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 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.

Objective

To verify the existence and adequacy of internal controls over Waste Resources’ contract and supplier management.

Audit Methodology

To accomplish these objectives, we:

- Obtained and reviewed the Riverside County Purchasing Manual as it relates to purchasing authority limitations.
- Conducted interviews with department management and staff to gain an understanding of the process to monitor service contractors.
- Obtained and reviewed a listing of all supplier/contracts/MOU’s associated with Waste Resources during the audit period.



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

- Selected a sample of two contractors to determine if adequate controls exist over contract monitoring.
- Examined contract agreements to ensure compliance with terms.
- Verified completeness, accuracy, and adequate managerial review of documentation.
- Recalculated invoice amounts against contract rates.
- Reviewed invoices from contractor and supporting documentation for adequacy.

Finding 1: Contract Compliance

Priority Level: 1¹

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.

We identified 23 of 60 (38%) randomly selected invoices did not comply with their respective contract's terms and conditions. Specifically, invoices contained discrepancies in the pricing of contracted goods. While the department has policies and procedures in place to review invoices for compliance with contract payment provisions, these procedures require strengthening, specific to the review process, to prevent departmental oversight and ensure compliance. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. Lack of thorough review of invoices increases the risk of financial loss, contract non-compliance, and inefficient use of public funds.

On April 11, 2024, Waste Resources management updated their policy titled *Purchasing Policy*. The new policy specifically assigns Project Managers the responsibility of confirming the receipt of goods or services and ensuring that charges align with payment provisions outlined in the applicable agreements or quotes. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures.

Recommendation 1

Ensure invoice payments accurately reflect contract payment provisions.

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



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Management's Response

"Concur. Waste Resources has updated our internal Purchasing Policy and created a Standard Operating Procedure to define expectations and provide comprehensive direction related to invoice review and processing to ensure compliance with contract payment provisions."

Actual/Estimated Date of Corrective Action: April 11, 2024

Finding 2: Timely Invoice Processing

Priority Level: 1²

Riverside County Purchasing 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."

Of the 70 randomly selected invoices, we found 26 (37%) instances of untimely invoice payment. The average time elapsed between invoice receipt and invoice payment was 78 days, with the longest taking 31 days and the shortest taking 210 days. Waste Resources has established internal policies and procedures to ensure the timely payment of vendor invoices. Despite these policies being in place, there remains room for improvements to strengthen the policy and enhance the efficiency and effectiveness of the process. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. 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.

On April 11, 2024, Waste Resources management revised their policy titled Purchasing Policy. The revised policy mandates that Project Managers confirm the receipt of goods or services and verify charges in accordance with the payment provisions stipulated in the relevant agreements or quotes. It also sets specific timelines for the review process by Project Managers, ensuring that invoice approvals are completed early enough to capture payment discounts or within a maximum of thirty days from receipt. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures.

Recommendation 2

Ensure vendor invoices are processed in a timely manner.

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



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Management's Response

"Concur. Waste Resources has updated our internal Purchasing Policy and documented process via a Standard Operating Procedure to define expectations and provide comprehensive direction related to invoice review and processing to ensure compliance with contract payment provisions. Purchasing staff is responsible to reaching out to program managers if invoices are out for approval longer than 5 business days. Program managers and/or purchasing staff will reach out to vendor to address any discrepancies. Invoices that are approved for payment are returned to accounts payable, where internal policies state invoices are to be processed within 5 business days of receiving and departmental approval within 5 business days of processed invoice."

Actual/Estimated Date of Corrective Action: April 11, 2024

Finding 3: Contract Monitoring

Priority Level: 1³

Standard Practice Manual 1001, *Internal Controls*, states, "safeguarding of assets" and "ensuring accuracy, reliability, and timeliness of financial records and reports" are internal controls used to, "provide reasonable assurance regarding the achievement of objectives."

We identified 5 out of 10 (50%) vouchers sampled that were not linked to a county contract. Payments to vendors with existing contracts were not properly linked to those specific contracts in the Riverside County financial system. Contracts are established between Riverside County and vendors to procure goods/services and typically include pricing agreements, terms and conditions, and limits on expenditures. Expenditures were not closely monitored to assure they were linked to their respective contracts. Linking expenditures to contracts is a control designed to ensure contract limitations are monitored, reduce the risk of expenditures exceeding the contract limit, and ensure that departments are within the contract's terms and conditions. Additionally, by not linking expenditures to contracts, management is unable to closely monitor contract expenditures, impacting their ability to negotiate future contract pricing.

Recommendation 3.1

Develop policies and procedures to ensure expenditures are linked to existing county contracts.

Management's Response

"Concur. Waste Resources has documented processes via a Standard Operating Procedure detailing the requirement for the Requisitioner to link the contract ID to the requisition/PO at time an order is initiated in the County's financial system. This step helps to ensure that the expenditure is linked to the contract throughout the procurement/payables process. Newly

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



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

developed Standard Operating Procedures have been reviewed with the Department's Purchasing team members and procedures will be assessed periodically to address any needed updates. Team members will be held responsible to review material at least annually to maintain awareness of protocols."

Actual/Estimated Date of Corrective Action: April 11, 2024

Recommendation 3.2

Ensure expenditures are linked to existing county contracts.

Management's Response

"Concur. Waste Resources has documented processes via a Standard Operating Procedure detailing the requirement for the Requisitioner to link the contract ID to the requisition/PO at time an order is initiated in the County's financial system. This step helps to ensure that the expenditure is linked to the contract throughout the procurement/payables process. Newly developed Standard Operating Procedures have been reviewed with the Department's Purchasing team members and procedures will be assessed periodically to address any needed updates. Team members will be held responsible to review material at least annually to maintain awareness of protocols."

Actual/Estimated Date of Corrective Action: April 11, 2024



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Procurement Cards

Background

The County's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the costs associated with making purchases and processing supplier payments. The program requires compliance with current statutes and county procurement procedures and is intended to improve the timely delivery of products and services.

The Riverside County Purchasing & Fleet Services Department (Purchasing) is responsible for managing and monitoring the overall program. Additionally, Purchasing administers the training required for all program participants, establishes, and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between U. S. Bank and the county. Cardholders are required to comply with the Procurement Card Manual as written by Purchasing. Additionally, cardholders must complete the training prior to being provided with a procurement card.

The procurement card policy has controls developed and implemented that are different than traditional credit cards. The controls ensure the cards can be used only for specific types of purchases with established dollar limits. Additionally, approving officials assigned to each cardholder are required to provide prior approval on the purchases. The cardholder is responsible to verify all purchases once card statement is obtained.

As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

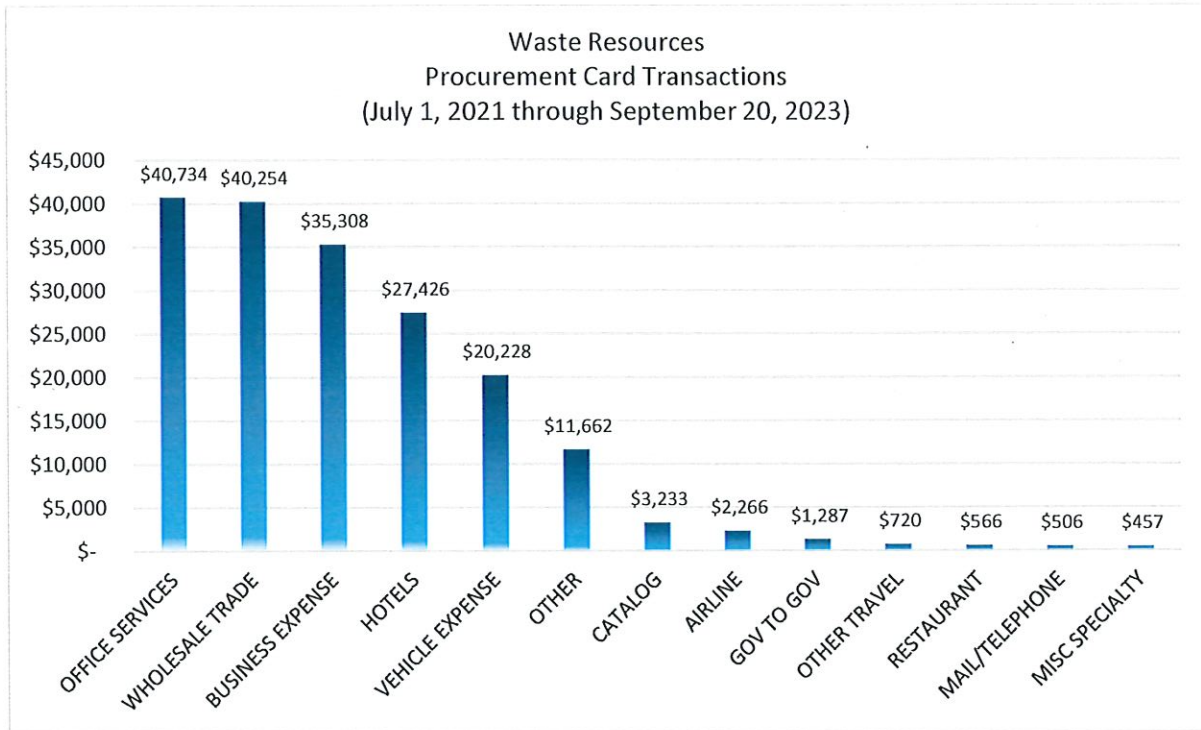
Waste Resources has four procurement cardholders, as of September 20, 2023. Procurement card expenditures for the period July 1, 2021, through September 20, 2023, included 236 transactions totaling \$184,646.

The chart below illustrates Waste Resources' procurement card expenditures for the period July 1, 2021, through September 20, 2023, categorized in the following: office services, wholesale trade, business expense, vehicle expense, other, catalog, airline, government to government, other travel, restaurant/catering, mail/telephone, and misc. specialty. Expenditures for the top three merchant groups include office services at \$40,734, wholesale trade at \$40,254, and business expense at \$35,308.



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These transactions make up 63% of the total procurement card transactions, for a total of \$116,296.



Objective

To verify the existence and adequacy of internal controls over Waste Resources' procurement cards.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over procurement cards.
- Interviewed key personnel regarding the department's procurement cards process.
- Reviewed County policies and procedures, specifically:
 - Riverside County Procurement Card Program, Procedure Handbook
 - Board Policy A-62, Credit Card Use



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

- Obtained and reviewed department policies and other documents to determine compliance with Riverside County's procurement card policies and procedures.
- Obtained a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- Analyzed procurement card data pulled from County of Riverside financial systems and U.S. Bank for the audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Verified for appropriate levels of management review and approval.
- Reviewed supporting documentation for procurement card expenditures.

Finding 4: Untimely Termination of Procurement Card

Priority Level: 1⁴

Riverside County Procurement Card Program, *Procedure Handbook*, states, "any changes in Cardholder information should be immediately reported to the procurement Card Program Coordinator through the Department's Approver, (includes any transfers)." Additionally, the policy further instructs county departments to "Contact the Procurement Card Program Coordinator to request that the current card be cancelled."

A procurement card holder, upon transferring to a different department, retained an active procurement card for 237 days before cancellation was requested. The delay occurred due to Waste Resources needing a procurement card with the authority to purchase annual subscriptions and maintain uninterrupted departmental operations. The procurement card was kept active until a replacement cardholder could be onboarded. Prolonging the period before requesting the procurement card's cancellation after an employee has separated from a county department risks misuse and unauthorized purchases.

Recommendation 4

Ensure procurement cards are immediately cancelled for employees no longer with the department.

⁴ Please see Appendix A (page 19) for a description of the finding priority level classifications.



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Management's Response

"Concur. Upon termination from Department/County employment, the Department has measures in place to immediately cancel purchasing card authority for separating employees and will endeavor to transfer subscription service accounts to other Department purchasing card holders when employees who hold Department purchasing cards transfer to other County agencies and coordinate for cancellation of transferring employee's purchasing card authorization as soon as practicable."

Actual/Estimated Date of Corrective Action: April 11, 2024



Internal Audit Report 2024-008: Riverside County Department of Waste Resources 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).

As of September 25, 2023, Waste Resources maintained 507 capital assets in the Riverside County financial system asset management module, consisting of field equipment, office equipment, shop equipment, and vehicles, with the combined acquisition cost of \$50.3 million.

Objective

To assess the adequacy of internal controls over the safeguarding and recording of Waste Resources' capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and Auditor-Controller Standard Practice Manual.
- Conducted interviews with department management and staff to gain an understanding of capital asset management processes.
- Obtained a listing of current and retired capital assets tracked in the asset management module.
- Selected a sample of capital assets to verify 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.



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Finding 5: Capital Assets Compliance

Priority Level: 3⁵

Standard Practice Manual 513, *Asset Tags*, states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed. Once the asset has been moved, the location changes must be noted in the PeopleSoft Asset Management module."

Of the 53 capital assets randomly selected for testing, we identified the following:

- Three capital assets (8%) were not at the location indicated in the Riverside County financial system. The variance in asset location was attributed to the absence of designated location codes within the financial system. Waste Resources has initiated the establishment of location codes to accurately reflect the current location of the assets.
- One capital asset (2%) could not be located at the time fieldwork was conducted. Waste resources provided documentation post-fieldwork to confirm the status of the asset.

Not adequately tracking and monitoring capital assets may lead to mismanagement of financial resources, hinder accurate financial reporting, and potentially enable unauthorized access, utilization, or disposal of assets.

Recommendation 5

Ensure capital asset locations in the county financial system accurately reflect the current location of the assets.

Management's Response

"Concur. Waste Resources has established a new class/location code to properly record assets."

Actual/Estimated Date of Corrective Action: February 6, 2024

⁵ Please see Appendix A (page 19) for a description of the finding priority level classifications.



Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit

Vehicle Maintenance

Background

The goals and objectives of a vehicle maintenance program are to maintain vehicles to ensure the safety of passengers, operators, and the public. Preventive maintenance and repair activities enhance the reliability of county vehicles by minimizing service interruptions caused by vehicle or equipment failure. Adequate maintenance of vehicles and equipment promotes cost-efficiency of operations and helps departments maintain compliance with applicable local, state, and federal regulations as they relate to vehicle operations, repairs, and cleaning. Waste Resources utilizes the AssetWorks system to aid in its vehicle maintenance process.

In compliance with California Code of Regulations, Title 13, Section 1232, Waste Resources has established a Preventative Maintenance (PM) program to ensure that all department owned vehicles are regularly and systematically inspected, maintained, and lubricated to ensure they are in safe and proper operating condition.

Objective

To verify the existence and adequacy of controls over the vehicle maintenance for Waste Resources' vehicles and heavy equipment.

Audit Methodology

To accomplish these objectives, we:

- Reviewed Waste Resources' relevant vehicle maintenance policies and procedures.
- Conducted interviews with Waste Resources management and personnel to gain an overview of vehicle maintenance processes within the department.
- Obtained and analyzed a listing of all vehicle work orders during the audit period.
- Selected a sample of work orders and verified work order approvals, segregation of duties, timeliness of work order execution, and sufficiency of supporting documentation.
- Review a current listing of all department vehicles and heavy equipment and reconciled to ensure assets were accounted for in the department maintenance system.



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Finding: None noted

Based upon the results of our audit, we determined Waste Resources internal controls over vehicle maintenance provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.



Appendix A: Finding Priority Level Classification

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

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

Attachment B

[Department Letterhead]

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2024-008: Riverside County Department of Waste Resources Audit.



Authorized Signature

2/28/2025

Date

Finding 1: Contract Compliance

"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.

We identified 23 of 60 (38%) randomly selected invoices did not comply with their respective contract's terms and conditions. Specifically, invoices contained discrepancies in the pricing of contracted goods. While the department has policies and procedures in place to review invoices for compliance with contract payment provisions, these procedures require strengthening, specific to the review process, to prevent departmental oversight and ensure compliance. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. Lack of thorough review of invoices increases the risk of financial loss, contract non-compliance, and inefficient use of public funds.

On April 11, 2024, Waste Resources management updated their policy titled *Purchasing Policy*. The new policy specifically assigns Project Managers the responsibility of confirming the receipt of goods or services and ensuring that charges align with payment provisions outlined in the applicable agreements or quotes. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures."

Current Status

Reported Finding Corrected? Yes No

Yes, Project Managers are required to confirm pricing in accordance with agreements, quotes, and/or contracts.

Recommendation 1

"Ensure invoice payments accurately reflect contract payment provisions."

Management's Response

"Concur. Waste Resources has updated our internal Purchasing Policy and created a Standard Operating Procedure to define expectations and provide comprehensive direction related to invoice review and processing to ensure compliance with contract payment provisions."

Actual/Estimated Date of Corrective Action: April 11, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Waste Resources has updated our internal Purchasing Policy and created a Standard Operating Procedure to define expectations and provide comprehensive direction related to invoice review and processing to ensure compliance with contract payment provisions.

Finding 2: Timely Invoice Processing

“Riverside County Purchasing 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.’

Of the 70 randomly selected invoices, we found 26 (37%) instances of untimely invoice payment. The average time elapsed between invoice receipt and invoice payment was 78 days, with the longest taking 31 days and the shortest taking 210 days. Waste Resources has established internal policies and procedures to ensure the timely payment of vendor invoices. Despite these policies being in place, there remains room for improvements to strengthen the policy and enhance the efficiency and effectiveness of the process. Additionally, part of the compliance issue stems from a supplier invoicing practice with whom the department has been resolving ongoing billing and pricing discrepancies. 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.

On April 11, 2024, Waste Resources management revised their policy titled *Purchasing Policy*. The revised policy mandates that Project Managers confirm the receipt of goods or services and verify charges in accordance with the payment provisions stipulated in the relevant agreements or quotes. It also sets specific timelines for the review process by Project Managers, ensuring that invoice approvals are completed early enough to capture payment discounts or within a maximum of thirty days from receipt. In the follow-up audit, we will verify whether the department performs a review of invoices in accordance with their updated policies and procedures.”

Current Status

Reported Finding Corrected? Yes No

Project Managers are to review invoices within 5 business days and notify vendor if pricing is incorrect and to request an updated invoice.

Recommendation 2

“Ensure vendor invoices are processed in a timely manner.”

Management Reply

“Concur. Waste Resources has updated our internal Purchasing Policy and documented process via a Standard Operating Procedure to define expectations and provide comprehensive direction related to invoice review and processing to ensure compliance with contract payment provisions. Purchasing staff is responsible for reaching out to program managers if invoices are out for approval longer than 5 business days. Program managers and/or purchasing staff will reach out to vendor to address any discrepancies. Invoices that are approved for payment are returned to accounts payable, where internal policies state invoices are to be processed within 5 business days of receiving and departmental approval within 5 business days of processed invoice.”

Actual/Estimated Date of Corrective Action: April 11, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Procedures were updated to review all invoices within 5 business days, so that our Accounts Payable section can process for payment within the payment terms of vendors.

Finding 3: Contract Monitoring

“Standard Practice Manual 1001, *Internal Controls*, states, ‘safeguarding of assets’ and ‘ensuring accuracy, reliability, and timeliness of financial records and reports’ are internal controls used to, ‘provide reasonable assurance regarding the achievement of objectives.’

We identified 5 out of 10 (50%) vouchers sampled that were not linked to a county contract. Payments to vendors with existing contracts were not properly linked to those specific contracts in the Riverside County financial system. Contracts are established between Riverside County and vendors to procure goods/services and typically include pricing agreements, terms and conditions, and limits on expenditures. Expenditures were not closely monitored to assure they were linked to their respective contracts. Linking expenditures to contracts is a control designed to ensure contract limitations are monitored, reduce the risk of expenditures exceeding the contract limit, and ensure that departments are within the contract’s terms and conditions. Additionally, by not linking expenditures to contracts, management is unable to closely monitor contract expenditures, impacting their ability to negotiate future contract pricing.”

Current Status

Reported Finding Corrected? Yes No

Invoices that are tied to a contract have been linked in the AP module of PeopleSoft.

Recommendation 3.1

“Develop policies and procedures to ensure expenditures are linked to existing county contracts.”

Management Response

“Concur. Waste Resources has documented processes via a Standard Operating Procedure detailing the requirement for the Requisitioner to link the contract ID to the requisition/PO at time an order is initiated in the County’s financial system. This step helps to ensure that the expenditure is linked to the contract throughout the procurement/payables process. Newly developed Standard Operating Procedures have been reviewed with the Department’s Purchasing team members and procedures will be assessed periodically to address any needed updates. Team members will be held responsible for reviewing materials at least annually to maintain awareness of protocols.”

Actual/Estimated Date of Corrective Action: April 11, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Waste Resources has documented the requirement that all invoices that are tied to a contract or agreement must be linked to that particular contract or agreement in the AP module.

Recommendation 3.2

“Ensure expenditures are linked to existing county contracts.”

Management’s Response

“Concur. Waste Resources has documented processes via a Standard Operating Procedure detailing the requirement for the Requisitioner to link the contract ID to the requisition/PO at time an order is initiated in the County’s financial system. This step helps to ensure that the expenditure is linked to the contract throughout the procurement/payables process. Newly developed Standard Operating Procedures have been reviewed with the Department’s Purchasing team members and procedures will be assessed periodically to address any needed updates. Team members will be held responsible for reviewing materials at least annually to maintain awareness of protocols.”

Actual/Estimated Date of Corrective Action: April 11, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Waste Resources has documented the requirement that all invoices that are tied to a contract or agreement must be linked to that particular contract or agreement in the AP module.

Finding 4: Untimely Termination of Procurement Card

“Riverside County Procurement Card Program, *Procedure Handbook*, states, ‘any changes in Cardholder information should be immediately reported to the procurement Card Program Coordinator through the Department’s Approver, (includes any transfers).’ Additionally, the policy further instructs county departments to “Contact the Procurement Card Program Coordinator to request that the current card be cancelled.”

A procurement card holder, upon transferring to a different department, retained an active procurement card for 237 days before cancellation was requested. The delay occurred due to Waste Resources needing a procurement card with the authority to purchase annual subscriptions and maintain uninterrupted departmental operations. The procurement card was kept active until a replacement cardholder could be onboarded. Prolonging the period before requesting the procurement card’s cancellation after an employee has separated from a county department risks misuse and unauthorized purchases.”

Current Status

Reported Finding Corrected? Yes No

An email is sent to Central Purchasing to deactivate procurement card on the last day of employment of the employee.

Recommendation 4

“Ensure procurement cards are immediately cancelled for employees no longer with the department.”

Management Response

“Concur. Upon termination from Department/County employment, the Department has measures in place to immediately cancel purchasing card authority for separating employees and will endeavor to transfer subscription service accounts to other Department purchasing card holders when employees who hold Department purchasing cards transfer to other County agencies and coordinate for cancellation of transferring employee’s purchasing card authorization as soon as practicable.”

Actual/Estimated Date of Corrective Action: April 11, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

An email is sent to Central Purchasing to deactivate procurement card on the last day of employment of the employee.

Finding 5: Capital Asset Compliance

“Standard Practice Manual 513, *Asset Tags*, states, “In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6 must be completed. Once the asset has been moved, the location changes must be noted in the PeopleSoft Asset Management module.”

Of the 53 capital assets randomly selected for testing, we identified the following:

- Three capital assets (8%) were not at the location indicated in the Riverside County financial system. The variance in asset location was attributed to the absence of designated location codes within the financial system. Waste Resources has initiated the establishment of location codes to accurately reflect the current location of the assets.
- One capital asset (2%) could not be located at the time fieldwork was conducted. Waste resources provided documentation post-fieldwork to confirm the status of the asset.

Not adequately tracking and monitoring capital assets may lead to mismanagement of financial resources, hinder accurate financial reporting, and potentially enable unauthorized access, utilization, or disposal of assets.”

Current Status

Reported Finding Corrected? Yes No

Waste Resources is aware of all assets and their location. The nature of our business may require us to temporarily shift assets in order to not disrupt daily activity. If asset is going to be permanently relocated, we will fill out proper documentation to the ACO reflecting change.

Recommendation 5

“Ensure capital asset locations in the county financial system accurately reflect the current location of the assets.”

Management’s Response

“Concur. Waste Resources has established a new class/location code to properly record assets.”

Actual/Estimated Date of Corrective Action: February 6, 2024

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Waste Resources is aware of all assets and their location. The nature of our business may require us to temporarily shift assets in order to not disrupt daily activity. If asset is going to be permanently relocated, we will fill out proper documentation to the ACO reflecting change.