

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



ITEM: 2.8
(ID # 30348)

MEETING DATE:
Tuesday, April 28, 2026

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2026-008: Riverside County Office of Economic Development Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2026-008: Riverside County Office of Economic Development Audit

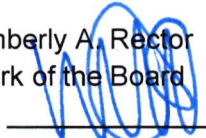
ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 4/16/2026

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Washington, seconded by Supervisor Perez 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: April 28, 2026
xc: Auditor

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

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

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

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of Economic Development to provide management and the Board of Supervisors with an independent assessment of internal controls over contract management and service delivery.

Based upon the results of our audit, we have identified improvement opportunities for internal controls over contract management and service delivery that can help provide reasonable assurance that the department's objectives relating to the area will be achieved. Specifically, the improvement opportunities are as follows: collect and maintain vehicle liability and professional liability insurance from suppliers, ensure suppliers insurance certificates include required endorsements, collect and review loan package and performance reports for Revolving Loan Fund Program to determine supplier compliance with program requirements.

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

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller's Office - Internal Audit Report 2026-008: Riverside County Office of Economic Development Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

1 Findings
• 2 Recommendations

Medium Risk

1 Findings
• 2 Recommendations

Low Risk

0 Findings
• # Recommendations

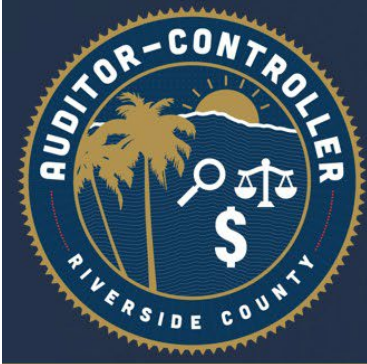
* Please refer to Appendix A for a classification of the priority levels.

Internal Audit Report

2026-008

Riverside County
Office of Economic Development

April 28, 2026



COUNTY OF RIVERSIDE
OFFICE OF THE AUDITOR-CONTROLLER

BEN J. BENOIT
AUDITOR-CONTROLLER

TANYA S. HARRIS, DPA, CPA | JON JENSEN, CPP
ASSISTANT AUDITOR-CONTROLLER



April 28, 2026

Suzanne Holland
Director of Office of Economic Development
Riverside County Office of Economic Development
3403 Tenth St., Ste. 400
Riverside, CA 92501

Subject: **Internal Audit Report 2026-008: Riverside County Office of Economic Development Audit**

Dear Ms. Holland:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of Economic Development to provide management and the Board of Supervisors with an independent assessment of internal controls over contract management and service delivery.

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 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 internal controls.

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



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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 conduct follow-up reviews to confirm that management has implemented corrective actions according to the timeframes assigned to each improvement area's priority level. The highest priority ranking will determine the schedule for verifying corrective actions across all identified areas in this report.

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



Ben J. Benoit

Ben J. Benoit
Riverside County Auditor-Controller



René Casillas

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
Don Kent, Chief Finance Officer
Charissa Leach, Assistant County Executive Officer
Grand Jury



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Executive Summary

Overview

The Office of Economic Development (Economic Development) has several units that promote Riverside County and its business opportunities, including Economic Development, Special Districts, and Libraries. The overarching goal of the department is to facilitate regional economic development efforts that promote job growth, investment, entrepreneurship, and innovation; the office also creates a business-friendly climate that supports the efforts of the private sector.

Economic Development has an adopted budget of \$118.7 million for FY 2025-2026 and 76 adopted positions. *County of Riverside, Fiscal Year 2025-26 Adopted Budget Volume 1, 282-285.*

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 management and service delivery. 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

- Insurance certificates need to be collected and retained from suppliers contracted with the department.
- Insurance policies should include endorsements that name Riverside County as additional insured.
- The monitoring of the supplier's work performed managing revolving loan program fund needs to be improved.



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Audit Scope and Methodology

We conducted the audit from July 14, 2025, through December 29, 2025, for operations from July 1, 2023, through December 11, 2025. Using a risk-based approach, our scope included the following:

- Contract Management
- Service Delivery

Audit Conclusion

Based upon the results of our audit, we have identified improvement opportunities for internal controls over contract management and service delivery that can help provide reasonable assurance that the department's objectives relating to the area will be achieved. Specifically, the improvement opportunities are as follows: collect and maintain vehicle liability and professional liability insurance from suppliers, ensure suppliers insurance certificates include required endorsements, collect and review loan package and performance reports for Revolving Loan Fund Program to determine supplier compliance with program requirements.



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Contract Management

Background

The Riverside County *Purchasing Policy Manual* (Revised 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." Additionally, "price reasonableness can be established through competition sufficient to ensure an adequate market test or supported by an appropriate 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 management 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.

Verifying that required liability insurance coverage and certificates are in place supports risk management by helping safeguard the organization against potential liabilities and providing financial protection throughout the contract term.

Objective

To verify the existence and adequacy of internal controls over Economic Development's contract 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 departmental processes and procedures over contract and supplier management.



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- Obtained and reviewed Economic Development contract agreements with selected suppliers to understand the requirements and deliverables of the contract.
- Selected a sample of suppliers to determine if adequate internal contracts exist over contract management.
- Obtained and examined contract agreements to ensure the bidding process was conducted in accordance with the Riverside County *Purchasing Policy Manual*.
- Obtained and examined insurance documents to ensure the insurance requirements were met.
- Reviewed contractual insurance requirements for the selected suppliers during the audit period and verified compliance with these requirements.
- Reviewed vouchers for completeness, accuracy, payment timeliness, adequate managerial approval, contract compliance, and adequate supporting documentation.

Finding 1: Insurance Compliance

Priority Level: 1¹

Riverside County *Purchasing Policy Manual*, Section 4.3, *Insurance and Indemnification Requirements*, states, “Insurance and indemnification requirements – must be addressed for professional services engagements. The county’s insurance requirements are intended to protect the assets of the County when entering into contracts.” Additionally, *Professional Service Agreement, Insurance*, states, “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 coverage’s (such as workers’ compensation, commercial general liability, vehicle liability, and professional liability) during the term of the contract.”

Based on our review of five 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.

- Three out of five (60%) suppliers did not maintain vehicle liability insurance, which helps cover the costs associated with accidents involving vehicles. This includes bodily injury and property damage.

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



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- One out of five suppliers (20%) did not maintain professional liability coverage, which helps cover the costs associated with professional errors, mistakes, omissions, and/or negligence claims.
- One out of five suppliers (20%) did not endorse Riverside County as additional insured on the commercial general policy, and the Workers' Compensation policy was not endorsed to waive subrogation in favor of Riverside County.

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 1.1

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 in all policies.

Management's Response:

“Concur. Staff include insurance confirmation as a step in the contract management procedure.”

Actual/Estimated Date of Corrective Action: April 1, 2026

Recommendation 1.2

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. Staff will require insurance certificates annually”

Actual/Estimated Date of Corrective Action: April 1, 2026



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Service Delivery

Background

The overarching goal of Economic Development is to facilitate regional economic development efforts that promote job growth, investment, entrepreneurship, and innovation. Programs such as the Revolving Loan Program for business lending, Small Business Development Centers, and Film Commission assist in the achievement of these goals.

The County of Riverside was awarded financial assistance from the U.S Department of Commerce to establish a Revolving Loan Fund in the County. The Revolving Loan Fund program was established in Resolution No. 2016-026 and on May 5, 2020, the Board of Supervisors approved entering an agreement with AmPac Tri-State CDC, Inc. (AmPac) to administer the program. The purpose of the Revolving Loan Fund program is to support economic development and provide a source of business capital.

Economic Development is responsible for overseeing contract performance related to the Revolving Loan Program, including administration of loan packages and monitoring the supplier's compliance with program requirements. This oversight includes ensuring that required reports are collected and reviewed to support program objectives and compliance with applicable agreements and funding requirements.

Objective

To verify the existence and adequacy of internal controls over Economic Development's service delivery.

Audit Methodology

To accomplish these objectives, we:

- Conducted interviews with key personnel to gain an understanding of the department's monitoring of service delivery processes.
- Requested and reviewed a list of services Economic Development provided and a list of suppliers that performed services on behalf of the department.
- Inquired with department personnel regarding processes used to monitor suppliers' performance, review loan packages, and track receipt of required reports.



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- Reviewed applicable federal regulations, including U.S. EDA Standard Revolving Loan Fund Terms and Conditions and relevant sections of 2 CFR Part 200, to identify subrecipient monitoring and reporting requirements.
- Reviewed the agreement with AmPac Tri-State CDC, Inc. to identify contractual performance monitoring and reporting obligations.
- Obtained and reviewed documentation to support the fact that the department monitors the services provided.

Finding 2: Compliance with the Revolving Loan Fund Program

Priority Level: 2²

U.S. EDA *Standard Revolving Loan Fund Terms and Conditions*, Part II Section K(4)(b) states, “Recipient shall require any subrecipients under the Revolving Loan Fund Award, including lower tier subrecipients, to comply with the provisions of the Revolving Loan Fund Award, including applicable provisions of the OMB Uniform Guidance, and all associated terms and conditions. See 2 CFR §200.101(b)(1), which describes the applicability of the OMB Uniform Guidance to various types of Federal awards and 2 CFR § 200.330 through 200.332, which describes subrecipient monitoring and management.”

Additionally, Code of Federal Regulation 2 CFR §200.332(e)(1) states, “The pass-through-entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward are achieved.” Lastly, Subrecipient Agreement Section 8, *Performance Monitoring*, states “SUBRECIPIENT” shall submit program performance reporting requirements to the USEDA, in the USEDA’s prescribed format...”

Based on the review of five selected suppliers, opportunities were identified for one supplier to improve oversight of performance monitoring requirements. Specifically, loan packages and required performance reports were not received or reviewed to support compliance with the subrecipient agreement. The department does not request loan packages and performance reports from the supplier. Non-compliance with the respective Loan Program requirements can negatively impact the department’s ability to receive future funding from the Federal agency.

Recommendation 2.1

Develop and implement a formal monitoring process to ensure loan packages and performance reports are requested, received, and reviewed so that all required documentation is collected in a timely manner and properly reviewed.

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



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Management's Response:

“Concur. New management for the ED team overseeing the RLF program is working with the third-party vendor to implement these requirements.”

Actual/Estimated Date of Corrective Action: July 1, 2026

Recommendation 2.2

Establish written procedures and standardized checklists that define required loan documentation, review criteria, and approval authorities to promote consistent, complete, and well-documented loan package reviews.

Management's Response:

“Concur. Staff is coordinating with third-party vendor to develop these procedures”

Actual/Estimated Date of Corrective Action: July 1, 2026



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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.