

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

328



FROM: County Auditor-Controller

SUBMITTAL DATE:
April 16, 2013

SUBJECT: Internal Audit Report 2013-014: Department of Veterans' Services

RECOMMENDED MOTION: Receive and file Internal Audit Report: 2013-014: Department of Veterans' Services.

BACKGROUND: The Internal Audit Division of the Auditor-Controller's Office has completed an audit of the Department of Veterans' Services to provide management and the Board of Supervisors with an independent assessment of the department's internal controls over service efficiency, expenditures, and information security.

Based upon the results of our audit, we determined the Department of Veterans' Services has adequate internal controls over service efficiency, expenditures, and information security. However, in our opinion, any additional reduction in staff or critical resources may compromise the level of service Veterans' Services provides to the Veterans residing in the County of Riverside.

No exceptions were noted.

Paul Angulo

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
APPROVE	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

Poli cy Poli cy

Consent Consent

Dept's Recomm.: Per Exec. Ofc.:

5010 0615 50 6W15: 50
RECEIVED BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, CALIFORNIA

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

2-3



County of Riverside

INTERNAL AUDIT REPORT

2013-014

Department of Veterans' Services
Service Efficiency, Expenditures, and Information Security

April 16, 2013

Office of
Paul Angulo, CPA, MA
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE
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AUDITOR-CONTROLLER**

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**ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA
AUDITOR-CONTROLLER**

April 16, 2013

William J. Earl, Director
Department of Veterans' Services
4360 Orange Street
Riverside, CA 92501

Subject: Internal Audit Report 2013-014: Department of Veterans' Services

Dear Mr. Earl:

We have completed an audit of the Department of Veterans' Services to provide management and the Board of Supervisors with an independent assessment of the department's internal controls over service efficiency, expenditures, and information security. The audit covered the period July 1, 2010 through June 30, 2012.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain sufficient, reliable, relevant, and useful information to provide reasonable assurance 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 operational efficiency, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we determined the Department of Veterans' Services has adequate internal controls over service efficiency, expenditures, and information security. However, in our opinion, any additional reduction in staff or critical resources may compromise the level of service Veterans' Services provides to the Veterans residing in the County of Riverside.

We thank the Department of Veterans' Services management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive, flowing style.

By: Rachelle Román, CRMA, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

The Riverside County Department of Veterans' Services strives "to promote and honor all Veterans, and enhance their quality of life and that of their dependents and survivors through counseling, claims assistance, and education, advocacy and special projects." The department has three main offices located in Riverside, Indio, and Hemet. Additionally, there are six other locations, Banning, Blythe, Corona, Sun City, Palm Springs, and Palms Springs VA Clinic, which have limited days and hours of operation throughout the month. The department employs five Veterans' Services Representatives, who are thoroughly trained and accredited by the United States Department of Veterans Affairs to assist Veterans in applying for, obtaining, and maintaining all available benefits and entitlements eligible to them. The department provides their clients with information and referral services relating to: compensation and pension benefits, health benefits and services, education benefits, burial and memorial benefits, vocational rehab and employment services, appeals services, life insurance programs, and home loans.

Since the department is service based, department expenditures are mainly comprised of salaries. Other expenditures incurred by the department are administrative in nature, such as the printing of client material, office supplies, communication expenses, and transportation costs. The department's total expenditures for FY2011 and 2012 were \$966,226 and \$959,429 respectively.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the department's internal controls over service efficiency, expenditures, and information security.

Audit Highlights

- The department has reduced expenditures in most areas, including personnel.
- The level of service approval rating dropped 0.55% between 2011 and 2012, due to the longer waiting time Veterans had to wait to see a Veteran Representative.
- The department has implemented preventive measures to secure sensitive data.

Audit Conclusion

Based upon the results of our audit, we determined the Department of Veterans' Services has adequate internal controls over service efficiency, expenditures, and information security. However, in our opinion, any additional reduction in staff or critical resources may compromise the level of service Veterans' Services provides to the Veterans residing in the County of Riverside.

Service Levels

Background

The department is staffed with 12 employees encompassing nine locations: three employees in Indio, one in Hemet, and eight at the main office in Riverside. Five of the 12 employees are (VSRs) Veteran Service Representatives. The department also receives staffing assistance from Veterans in the Department of Veterans Affairs' work study program.

In addition to the main office locations, the department makes their services available at different venues, such as clinics and County administration buildings. Locations are determined by the demand for Veterans' assistance, host site's hours of operations, and staff availability. The department also participates in outreach events to provide service to their clients. Services provided for the past three years are summarized in Table 1 below.

Table 1

	2009	2010	2011
# of Veterans Assisted	15,016	15,000	15,530
Calls Received	38,782	40,235	41,298
Veteran Population in Riverside County*	133,000	130,000	127,000
Number of VSRs	5	5	5
Number of Retiring Age Veterans in California*	207,000	214,000	236,000

*California Department of Veterans' Affairs

An average of 460 claims per month were opened in 2011. The number of claims determines the amount of subvention funds the County receives from the State of California. Subvention funds reduce the amount of expenditures paid by the County. Furthermore, statistics indicate the number of Veterans reaching retirement age is increasing throughout California. The outpour of retiring age Veterans may create a higher demand for services, resulting in an increase to the department's workload.

In fiscal year 2011-12, Veterans' Services operated with a budget of just over \$1 million, while counties in adjacent areas allocated slightly higher budgets. San Bernardino County had a budget of approximately \$1.7 million and Orange County operated with a budget of \$1.4 million for the same fiscal year. These counties also have a greater number of employees and provide services in more locations with similar or larger Veteran population, as summarized in Table 2 below:

Table 2

	Riverside County	San Bernardino County+	Orange County+
Operating Budget	\$1,040,731	\$1,696,566	\$1,409,012
Number of Employees	12	18	14
Number of Locations	9	13	8
Veteran Population	124,000	112,000	133,000

+ Data from County Website

When a client arrives at any of the office locations, they are interviewed by a Veteran Service Representative. The Veteran Service Representative assists the client in determining what benefits they are eligible for based on criteria such as age, service period, service activity, and medical condition. A claim for benefits will then be submitted to the regional office for processing and approval. Information collected by the Veteran Service Representative from the client is maintained in a network database for future reference and follow-up.

Objective

To evaluate if the department's staff resources and operational hours are providing optimal service to help achieve the department's objectives.

Audit Methodology

To accomplish our objectives, we:

- Reviewed the annual customer service report;
- Analyzed the distribution of staff and clients served;
- Reviewed client intake sheets; and
- Reviewed personnel availability projections.

Results

We analyzed the ratio of staff to clients served per location and determined the department's services provided at the current operating locations are adequate; however, are maintained at minimal service levels.

Over the past two years, the department has reduced costs in several areas of operations. For example, the department converted to a paperless system, resulting in improved process efficiencies and reducing associated costs. The paperless system was purchased and is maintained by the California Department of Veterans' Affairs. With the implementation of the new paperless system and other cost saving measures, the department has decreased their operating expenditures considerably. Any further budget cuts may result in the reduction of staff.

Although the department received excellent customer satisfaction ratings of 99.35% and 98.8% for calendar years 2011 and 2012, there was a decline of 0.55% in 2012. One of the main reasons noted for the decline was the extended waiting time period to be serviced. The waiting time period appears to have increased since the department was operating with two less Veteran Service Representatives. As a cost savings measure, these two positions were not filled.

Furthermore, two Veteran Service Representatives retired on December 27, 2012, and the Director is scheduled to retire in August 2013. The reduction in personnel may have further and greater negative impact on the level of service provided to Veterans in the County of Riverside. The department is currently seeking replacement for the two retired VSRs; however, the implication of the personnel changes will have the following immediate consequences:

- Services will no longer be provided at the Mizell Senior Center location;
- Less service hours and fewer days servicing at other locations;

- Increase workload for VSRs, with an overall decrease in filed cases. The decrease in filed cases will result in a reduction of subvention funds received from the State of California and higher costs to the County (\$338,821 Subvention funds received in 2012);
- Longer waiting time periods for Veterans to obtain services; and
- Lower Customer satisfaction ratings.

In addition, according to the California Department of Veterans' Affairs, Veterans reaching retirement age has increased by 22% since 2008 and is estimated to continue to increase in 2013. Statistics indicate Veterans in retirement age have a greater need for services. Along with the continuing recession and high employment rates, the department has experienced an increase of 30% for walk-in clients over the past four years. The Indio and Hemet offices, where population growth has increased dramatically over the last few years, has been affected remarkably and has seen a greater demand for their services.

Veterans contribute substantively to the local economy where they reside. In 2012, Riverside County Veterans received over \$374 million in benefits from the State of California and Federal government through various agencies throughout Riverside County. When compared to our neighboring counties, the benefits received by Riverside County Veterans equates to 28% and 41% greater than both San Bernardino County and Orange County, respectively.

Based on our review, the current staff resources and operational hours are providing optimal service to achieve the department's objectives and the internal controls over service efficiency appears to be adequate. However, in our opinion, any additional reduction in staff or critical resources may compromise the level of service Veterans' Services provides to the Veterans residing in the County of Riverside.

No exceptions were noted.

Expenditures

Background

The department's expenditures are primarily comprised of salaries and benefits. Additional expenditures for the department are leasing, communication expenses, and office supply costs. Other service and supplies include printing and transportation costs. The department prints various types of literature for distribution to promote their services to their clients and in-house forms and business cards. Transportation costs are incurred when an employee utilizes their personal vehicle for business use and when motor pool rentals from County Fleet Services are utilized by personnel. Table 3 below provides a summary of expenditures for FY2011 and FY2012:

Table 3

Expenditure Category	FY2011 Actuals	FY2012 Actuals
Salaries and Benefits	\$792,272	\$789,894
Lease and Rental	71,101	42,564
Communications	31,965	26,837
Office Supplies	28,572	31,547
Travel	16,038	12,967
Other Service and Supplies	26,279	55,620
Total Expenditures	\$966,227	\$959,429

The increase in Other Service and Supplies expenditures were due primarily to the department relocating and the expenditures associated with this change. The department vacated a leased building and relocated to a County owned building.

Audit Objective

To determine whether expenditures incurred were reasonable and allowable and identify cost-savings opportunities.

Audit Methodology

To accomplish our objectives, we:

- Interviewed staff to obtain an understanding of the current process and internal controls with regards to purchases and assets;
- Performed an analytical review of financial and operational data; and
- Analyzed various expenditures to determine their appropriateness.

Results

We analyzed expenditure transactions in the following accounts: computer equipment, office supplies, communications, printing, carpool, and private mileage. Based upon our review, the department's expenditures are reasonable with respect to service requirements. Although the department has identified and implemented cost savings solutions since 2010, the department should continue to proactively identify cost savings measures and utilize existing County resources whenever possible.

No exceptions were noted.

Information Security

Background

In the course of conducting business, Veteran Service Representatives collect various types of sensitive and personal data to determine eligibility and file benefit claims. Sensitive and personal data collected includes social security numbers, name of applicant, date of birth, military number, address of residence, and medical information. This data is collected and entered into the State of California computer system, VETPRO. Once inputted, a case file is opened and becomes active in the system. The new computer software system utilized by the department is a paperless system that was recently installed and was purchased and is maintained by the State of California. Hard copies of sensitive or personal information collected are not retained and are destroyed upon submission to the computer system.

Objective

To evaluate the effectiveness and efficiency of internal controls over information security.

Audit methodology

To accomplish our objectives, we:

- Researched pertinent county, state and federal regulations, including HIPAA with regard to record retention and client confidentiality;
- Observed the method of storage for client case files and the process for accessing the online system; and
- Inquired with the County Security Information Office, database vendor, and department staff to obtain additional information.

Results

All staff members of the department have access to input data into the network database, VETPRO. Generally, the Veteran Service Representative will collect information from the client, which is then given to Office Assistants for data entry into the database. In order for staff to access the network database, a password must be entered. Passwords are issued and deleted in accordance with County policy. The department's network database is maintained by the State of California and is accessible through their website. The network database is backed-up on a daily basis and is hosted offsite. Prior to implementation of VETPRO, the network database was reviewed and approved by the Riverside County Information Security Officer.

Desktop hard drives do not contain sensitive or personal data since all data is inputted and stored directly on the network database. As an additional preventive measure to secure sensitive and personal data, all hard drives of computers are purged prior to being sent to surplus. The purging of the hard drive removes residual data that may be left over after a hard drive undergoes standard formatting. A log of the purge is kept indicating the matter, date, and the individual performing the purge.

Based upon the results of our audit, the department has adequate internal controls over the security of sensitive and personal data. No exceptions were noted.