

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

493



FROM: County Auditor-Controller

SUBMITTAL DATE:
July 11, 2011

SUBJECT: Internal Auditor's Report #2010-019: Veterans' Services

RECOMMENDED MOTION: Receive and file Internal Auditor's Report #2010-019: Veterans' Services.

BACKGROUND: The Internal Audit Division of Auditor-Controller's Office completed an audit of the Riverside County Department of Veterans' Services to provide management and the Board of Supervisors with an independent assessment of internal controls over information security, service efficiency, and expenditures. We performed the audit between May 10, 2010, and June 30, 2010, covering the period July 1, 2008, through June 30, 2010.

Based upon the results of our audit, we determined the controls over the department's service efficiency and expenditures are adequate; however there are some opportunities for improvement regarding information security. We will follow-up within one year to verify to determine whether corrective actions have been implemented to address the audited findings.

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"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:
Karen L. Johnson

County Executive Office Signature

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

2.6



County of Riverside

INTERNAL AUDIT REPORT

2010-019

Riverside County Department of Veterans' Services

March 14, 2011

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

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



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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Paul Angulo, CPA, MA
AUDITOR-CONTROLLER**

March 14, 2011

William J. Earl, Director
Department of Veterans' Services
1153A Spruce Street
Riverside, CA 92507

Subject: Internal Audit Report 2010-019: Riverside County Department of Veterans' Services

Dear Mr. Earl:

We have completed an audit of the Riverside County Department of Veterans' Services to provide management and the Board of Supervisors with an independent assessment of internal controls over information security, service efficiency, and expenditures. We performed the audit between May 10, 2010, and June 30, 2010, covering the period July 1, 2008, through June 30, 2010.

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. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, and performing other procedures we considered necessary. We believe the 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.

The controls over the department's service efficiency and expenditures are adequate; however there are some opportunities for improvement regarding information security.

We discussed the results contained in this report, as well as comments and suggestion of lesser significance, with the appropriate level of management during the course of the audit.

We thank the Department of Veterans' Services management and staff for their cooperation and assistance during the audit.

Paul Angulo, CPA, MA
County Auditor-Controller

A handwritten signature in black ink that reads "Melissa S. Bender". The signature is written in a cursive style with a large initial "M".

By: Melissa S. Bender, CIA
Audit Manager

cc: Board of Supervisors

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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 seven other locations 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, home loans and more.

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, offices supplies, communications, and transportation costs. The department's total expenditures for FY 2010 were \$ 914,083.

Audit Objective

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

Audit Highlights

The department's network architecture has not been approved by the Riverside County Information Security Office (ISO). The approval process requires ISO staff to review the architecture for compliance with county information security standards.

Audit Conclusion

The controls over the department's service efficiency and expenditures are adequate; however there are some opportunities for improvement regarding information security.

Service Level

Background

The department is staffed by a total of 12 employees, three located in Indio, one in Hemet and eight located at the main office in Riverside. The department also receives staffing assistance from veterans in the Department of Veterans Affairs' work study program. In 2009, the department received an average of 1,200 clients and 3,200 phone calls a month. About 480 claims were opened or reopened.

In addition to the main office locations, the department provides service during specific times of the month at other locations such as clinics and county administration buildings. Locations may be determined by the number of veterans served, host site's hours of operations, and staff available. The department participates in outreach events to also serve clients.

When a client comes to a Veterans' Services office, they are interviewed by a veteran service representative. The 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 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; and
- Reviewed client intake sheets.

Results

For calendar year 2009, the department received a favorable customer satisfaction rating of 98.9%. We analyzed the ratio of staff to clients served per location and determined the department's current locations had adequate service levels. The department previously provided service at a location which received few clients, but service was discontinued at this location in order to free up staff to serve at locations with higher client volume.

The department documents all visitors through the use of a client intake sheet. The individual's name is recorded, along with the date, city of residence, and initials of the representative they met with. This sheet is used to calculate and summarize the number of clients serviced at a particular location in a given month.

Although the client intake sheet provides a means of tracking visitors, the actual time the visitor arrived and left is not documented on the intake sheet. In the event of an onsite emergency or incident, the intake sheet could provide a means of determining who was at location during a particular time. Furthermore, documenting actual time spent with the client could be used for analyzing time spent with each client to identify efficiencies or areas for improvement. The department plans to utilize a new case management system beginning in April 2011 that has the means to track the actual time the visitor arrived and departed.

Expenditures

Background

The department's expenditures are primarily comprised of salaries and benefits. Additional expenditures for the department are leasing, communications and office supply costs. Other supplies and services include printing and transportation. The department prints various client literature, forms, and business cards. Transportation costs are incurred from the usage of the department's own vehicle and motor pool rentals from county Fleet Services. Table 1 provides a summary of expenditures:

Category	FY 09/10 (Actual)	FY 08/09 (Actual)
Salaries & Benefits	\$ 745,363	\$ 789,919
Leasing/Rental	59,390	56,521
Communications	33,920	37,793
Office Supplies	27,407	26,724
Other Services & Supplies	48,003	79,764
Total	\$ 914,083	\$ 990,721

Objective

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

Audit methodology

To accomplish our objectives, we:

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

Results

We analyzed the 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 given the current economic situation and service requirements. The department should continue to identify savings and use existing county resources whenever possible.

Information Security

Background

In order to determine and file a benefits claim, various personal data is collected by the service representative during the evaluation process. Personal data collected may include social security number, date of birth, name, military number, address and medical information. This data is entered into the Veterans' Information Database (VID) by Veteran Services' staff and a case file is generated. A hard copy of the case file and documents submitted to the regional office are stored in file cabinets.

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 process for accessing the online system; and
- Inquired with county security office, database vendor and department staff to obtain additional information.

Results

All department staff have the ability to input data into the client database. Generally, the service representatives will collect information from the client which is then given to office assistants for entry into the database. In order for staff to access the network, a password must be entered. The department's network database is maintained by a third party vendor. The database is backed up on a daily basis and is hosted offsite. In April 2011, the hosting of the network database will be migrated to a state centralized vendor.

Department staff indicated desktop hard drives do not contain personal information because the information is stored on the network database. As an additional preventive measure, before a computer is sent to surplus, staff will purge desktop hard drives using software provided by a vendor. The purging of the hard drive removes residual data that may be left over after a hard drive undergoes standard formatting.

Hard copy information is retained in file cabinets which are locked at the end of the business day. All staff have access to the files, including work study students. The work study students are employed by the Department of Veterans Affairs and must be a recently honorably

discharged veteran in order to be allowed to work at the county offices. Upon hiring, work study students are briefed on file handling and privacy concerns by Veterans' Services staff.

Finding 1: Network security has not been reviewed by the Riverside County Information Security Office.

The department will be switching network third party providers in 2011 and a review of the new network security has not occurred yet as required by ISO's Information Technology System Standard and Network Security Standard. The review will allow ISO to determine if the new network meets county security requirements. If the new network does not meet the county's security requirements, there is an increased risk of a potential security breach and theft of personal data stored on the network.

Management's Response

"Concur."

Recommendation 1

Coordinate with the new network provider to submit network architecture security documentation to the County of Riverside ISO for review and approval.

Management's Response

"Concur."

Finding 2: Purging of hard drive data is not documented.

Although department staff completes the county surplus forms before sending a computer to surplus, the purging of the hard drive data is not documented. Documentation of the purging should include the name of the individual who performed the purging, the method used, and the date. Documentation of data purging will provide support that preventive action was taken in the event of an incident.

Management's Response

"Concur."

Recommendation 2

Document the purging of hard drives and other electronic data storage media before disposal. The documentation should include name and signature of the individual performing the purging, date of the purge and method used for purging of data.

Management's Response

"Concur."

Auditor's Comment

As of December 15, 2010, the department began documenting the name, signature of the individual performing the purging, date of the purge and method used for purging of data.



COUNTY OF RIVERSIDE
DEPARTMENT OF VETERANS' SERVICES
WILLIAM J. EARL, DIRECTOR

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DATE: March 10, 2011

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: 
William J. Earl, Director
Riverside County Department of Veterans' Services

SUBJECT: Reply to Draft Audit Report 2010-019: Riverside County Department of Veterans' Services

Finding 1:

The department will be switching network third party providers in 2011 and a review of the new network security has not occurred yet as required by ISO's Information Technology System Standard and Network Security Standard. The review will allow ISO to determine if the new network meets county security requirements. If the new network does not meet the county's security requirements, there is an increased risk of a potential security breach and theft of personal data stored on the network.

Management position concerning the finding:  Concur

Comments:

N/A

Recommendation 1:

Coordinate with the new network provider to submit network architecture security documentation to the County of Riverside ISO for review and approval.

Management position concerning the recommendation:  Concur

Comments:

N/A

Finding 2:

Although department staff completes the county surplus forms before sending a computer to surplus, the purging of the hard drive data is not documented. Documentation of the purging

should include the name of the individual who performed the purging, the method used, and the date. Documentation of data purging will provide support that preventive action was taken in the event of an incident.

Management position concerning the finding:  Concur

Comments:

N/A

Recommendation 2:

Document the purging of hard drives and other electronic data storage media before disposal. The documentation should include name and signature of the individual performing the purging, date of the purge and method used for purging of data.

Management position concerning the recommendation:  Concur

Comments:

N/A