



# County of Riverside

## INTERNAL AUDITOR'S REPORT

### Riverside County Information Technology (RCIT) Department First Follow-up Audit

**August 23, 2006**

Office of  
**Robert E. Byrd, CGFM**  
County Auditor-Controller

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August 23, 2006

Matthew Frymire, Chief Information Officer  
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Subject: Internal Auditor's Report #2007-301 – Riverside County Information Technology First Follow-up Audit

Dear Mr. Frymire:

We have completed the First Follow-up Audit of the Riverside County Information Technology (RCIT) Department. Our audit was limited to reviewing actions taken, as of August 8, 2006, to implement the recommendations made in our original audit report dated June 6, 2006.

We conducted our audit in accordance with auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the review provides a reasonable basis for our conclusions.

The original audit report contained nine recommendations, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Auditor's Report #2005-020.

This follow-up audit found that of the nine recommendations:

- Six recommendations were fully implemented.
- Two recommendations were partially implemented.
- One recommendation was not implemented.

We will follow-up on the two partially implemented and one not implemented recommendation in our Second Follow-up Audit of the Riverside County Information Technology Department within one year.

Details of the current status of the findings and recommendations identified in the original audit are provided in the body of our report.

We appreciate the cooperation and assistance extended to us by RCIT staff during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

ROBERT E. BYRD, CGFM  
Auditor-Controller

A handwritten signature in black ink, appearing to read "Michael G. Alexander", with a long horizontal flourish extending to the right.

By: Michael G. Alexander, MBA, CIA  
Chief Internal Auditor

cc: Board of Supervisors  
County Counsel  
Executive Office  
Grand Jury

## **Capital Assets**

**Finding 1:** The Information Technology Department does not maintain an adequate system of internal controls to safeguard and monitor capitalized assets.

**Recommendation 1.1:** Utilize PeopleSoft Asset Management Module to achieve a more comprehensive tracking and monitoring system for the department's capitalized assets, including asset detailed description, serial number, county tag number, location and the individual accountable for the asset.

### **Current Status 1.1: Fully Implemented.**

Based upon our review, RCIT has utilized the Asset Management Module to achieve a more comprehensive tracking and monitoring system. The Asset Management Module is used in conjunction with a RCIT standard form that requires the following information: asset's detailed description, request number, purchase order number, individual accountable for the asset, location, in-service date, classification, serial number and cost. In addition, the Warehouse Division has implemented new procedures involving asset salvage and asset tag management, including the use of temporary asset tags.

**Recommendation 1.2:** Conduct an inventory of all the department's capitalized assets and request write-off of dislocated and disposed assets.

### **Current Status 1.2: Partially Implemented.**

RCIT consulted with the Auditor-Controller's Office staff to define an adequate process to conduct the year-end inventory and discharge of accountability of their capitalized assets. RCIT began to implement the process by meeting with all division officers/managers to discuss the new procedures and then assigned each division officer/manager a listing of capitalized assets. The division officers/managers were instructed to go through the list and identify assets belonging to their division as in use, no longer in use, disposed or dislocated. Once that step was complete, they needed to provide any supporting documentation and indicate the net book value of the asset. This process has been useful in identifying the assets; however, not all division officers/managers have completed this task. Management anticipates completion of the physical inventory of capital assets by October 2006, with the exception of the communication sites, which are expected to be completed by December 2006.

**Finding 2:** The Information Technology Department has not been consistent in recording nor capitalizing assets valued over \$5,000 in the PeopleSoft Asset Management Module.

**Recommendation 2.1:** Ensure all acquisitions of capital assets are properly recorded in the PeopleSoft Asset Management Module within 30 days of acquisition.

### **Current Status 2.1: Partially Implemented.**

During our review period of December 1, 2005 through June 30, 2006, we reviewed 100% of the appropriation four expenditures for timeliness of recording assets. Appropriation four is the appropriation used by County departments to purchase capital assets. The recording of assets in the Asset Management Module ranged in time from two to fifty-three days. The range in reporting time results from the delay of the completion of the asset form that is to be completed by the individual responsible for the asset. The form includes the following information: asset's detailed description, request number, purchase order number, individual accountable for the

asset, location, in-service date, classification, serial number and cost. We recommend that RCIT continue to stress the importance of the forms to be completed and submitted in a timely manner and ensure all acquisitions are recorded in the Asset Management Module within 30 days.

**Recommendation 2.2:** As part of the inventory process, review and identify all acquired assets with a minimum cost of \$5,000 to ensure proper categorization.

**Current Status 2.2: Fully Implemented.**

Although the capital asset year-end inventory process had not been fully completed, we selected a sample of purchases over \$5,000 for the audit period to ensure proper categorization of assets. In addition, we identified seven new assets through observation of the RCIT Alessandro facility that appeared to have a value over the \$5,000 threshold minimum. Based upon our testing and observation, the assets were appropriately categorized and recorded in the Asset Management Module.

**Finding 3:** Internal controls in place are not adequate to effectively monitor non-capitalized assets valued under \$5,000, including such items as personal computers, printers and hand-held radios.

**Recommendation 3:** Establish a comprehensive method of monitoring non-capitalized assets in accordance with Auditor-Controller's Office Standard Practice Manual issued on December 12, 2005.

**Current Status 3: Not Implemented.**

RCIT has not implemented a comprehensive tracking method to monitor non-capitalized assets. RCIT currently monitors personal computers utilizing Zenworks Asset Management and hand-held radios in an excel spreadsheet. RCIT management has indicated they will utilize the Asset Management Module in PeopleSoft to consolidate their non-capitalized asset monitoring systems.

**Inventory**

**Finding 4:** Access to the department's storerooms, where various parts and supplies were stored, was not limited. We noted:

- The Rivercrest facility storeroom was accessible by several department managers and supervisors, the storeroom staff and the telephone, data communication and radio technicians by utilizing their County badge.
- The Alessandro facility storeroom was accessible by one of two keys; one maintained by the Storekeeper and the other placed in an unlocked box located outside the storeroom accessible by anyone with access to the building.

**Recommendation 4:** Implement, maintain, and document a departmental policy to limit the access to all Information Technology storerooms to authorized personnel only.

**Current Status 4: Fully Implemented.**

RCIT has documented and implemented a policy to limit access to the storerooms to authorized personnel (storeroom staff) during normal business hours. The policy was distributed to all RCIT employees and the storeroom employees were required to sign the policy acknowledging they had read and will abide by the policy. In addition, signs are posted outside the storerooms notifying technicians of the hours of operation for the storerooms and a reminder to ask for assistance before entering the storeroom.

To mitigate the risks associated with the after-hours and weekend entrance to the Rivercrest storeroom, RCIT is going to install a camera to monitor the after-hour and weekend activity. The camera was received and RCIT is awaiting approval from the Sheriff's Department to install the camera.

The locks to the Alessandro storeroom have been changed and there are now only two keys; one is kept with the Storekeeper and the backup key is kept by the Office Assistant II. If the Storekeeper is absent, the Office Assistant II will let the requestor in to the caged storeroom to get the items requested and will ensure the requestor fills-in a log posted on the gate with the following information: date, time, name and part(s) taken. This log is reviewed and verified daily by the Storekeeper, to ensure the correct information was entered and all parts were appropriately recorded.

**Finding 5:** Adequate controls and procedures did not exist over the physical annual inventory process.

**Recommendation 5:** Establish and maintain an adequate system of internal control over the inventory count process, specifically:

- Ensure that all inventory items are included in the count; and
- Ensure individuals performing the count are independent of the storekeeping functions.

**Current Status 5: Fully Implemented.**

Internal Auditors provided assistance to RCIT during their year-end inventory counts which began on June 20, 2006. Prior to the start of the inventory counts, the storerooms had been cleaned and organized. The bench stock items were organized and ready to be counted. Since the cost of the bench stock items had already been expensed, the quantities will be tracked in an excel spreadsheet and any new purchases (cost and quantity) will be added to the inventory database beginning July 1, 2006. Four separate count teams were used to conduct the counts; each team consisting of one temporary assistant personnel and one RCIT accounting employee. We observed the inventory count procedures and conducted our own counts to ensure the accuracy of the year-end inventory.

**Pass-Through Transactions**

**Finding 6:** The Information Technology Department does not have an adequate system of internal controls in place to ensure pass-through transactions were properly authorized, documented and charged to other county departments.

**Recommendation 6.1:** Adhere to Auditor-Controller's Office Standard Practice Manual 802 by obtaining appropriate supporting documentation for all pass-through transactions.

**Recommendation 6.2:** Adhere to Auditor-Controller's Office Standard Practice Manual 702 by acquiring approval of the billing department for interdepartmental charges for pass-through transactions.

**Current Status 6.1 & 6.2: Fully Implemented.**

To mitigate the control weaknesses, RCIT has established a new fund and Departmental ID number to be used strictly for pass-through transactions beginning July 1, 2006. This fund is used in conjunction with an approved rate structure (for inter-departmental charges) and new process to ensure appropriate steps are followed. The new fund and Departmental ID will also enhance the monitoring of the pass-through transactions. A review of pass-through transactions for the month of July 2006 found that the new fund and Departmental ID were properly utilized and appropriate supporting documentation and billing department approval had been obtained.