

**SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS DIVISION**



**PROJECT AND FACILITIES MANAGEMENT DEPARTMENT:
BILLING FOLLOW-UP AUDIT**

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Project and Facilities Management Department: Billing Follow-Up Audit

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San Bernardino County

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May 18, 2023

Donald Day, Director
Project and Facilities Management Department
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RE: Project and Facilities Management Billing Follow-up Audit

We have completed a follow-up audit of the Project and Facilities Management Department (Department) billing process for the period of March 1, 2021, through August 31, 2021. The objective of the audit was to determine if the recommendations for the findings in the Real Estate Services Department – Facilities Management Billing Audit, dated February 23, 2021, have been implemented. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We have provided a status of the audit findings identified in the original audit report issued on February 23, 2021. Of the two recommendations from the original audit report, two have been partially implemented.

We sent a draft report to the Department on December 21, 2022. The Department's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



Denise Mejico, CFE
Chief Deputy Auditor

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San Bernardino County Audit Committee

Date Report Distributed: May 18, 2023

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Scope and Objective

Our audit examined the internal controls over the Department's billing process for the period of March 1, 2021, through August 31, 2021.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Real Estate Services Department – Facilities Management Billing Audit*, issued on February 23, 2021.

Methodology

In achieving the audit objective, the following audit procedures were performed, including but not limited to:

- Review of the Department's internal policies and procedures related to the billing process
- Interviews of Department staff on policies, procedures, and processes relevant to the areas being reviewed
- Examination of original source documents and system-generated reports related to the Department's costs and services



Prior Finding 1: Services performed were not properly reviewed.

The Internal Controls and Cash Manual (ICCM) Chapter 2-3 "Authorization" states that all transactions should be properly authorized and approved, which establishes responsibility. In addition, the ICCM Chapter 2-3 "Recording" states that all transactions and pertinent events should be accurately and properly recorded on documents and records.

The following conditions were identified during our audit:

- 14 of 106 work requisitions tested did not contain supervisory review for services performed.
- 60 of 106 work requisitions were reviewed by supervisory personnel after the Department was invoiced for services performed.
- 2 of 106 work requisitions had vendor names incorrectly entered into the Archibus system which was invoiced to the Departments.

Although Department procedures require all work requisitions to have supervisory review and approval, a review is not required within the Archibus system; therefore, invoicing can be completed without evidence of supervisory review. The FM Billing system will invoice work requisitions that have been categorized as a billable transaction, even if it has not been reviewed by upper management.

When proper authorization and approvals are not obtained from upper management, the risk that transactions are not executed in accordance with ICCM policies and procedures increases. Further, when relevant information is not accurately recorded, the reliability of the data decreases, and billing errors may occur.

Recommendation:

We recommended the Department improve the functionality of Archibus to require supervisory review for services performed prior to invoicing in accordance with the ICCM. We also recommended the FM Billing System restrict the invoice generation process to Departments until supervisory review has been completed and adequately documented. We further recommended information entered into Archibus is verified for accuracy before it is sent to the Finance Division of the Real Estate Services Department for billing.



Current Status: Partially Implemented

While the Department did not change the functionality of Archibus related to supervisory reviews, they implemented a department policy requiring supervisors to review services performed prior to invoicing in accordance with the ICCM.

The following conditions were identified during our audit:

- 13 out of 50 work requisitions, or 26%, tested did not contain supervisory review for services performed.
- 21 out of 50 work requisitions, or 42%, tested were not reviewed by a supervisor prior to invoicing for services performed.

We determined all 50 work requisitions tested had the correct vendor names entered in the Archibus system.

Management's Response:

The Department agrees and will continue to improve on supervisory review for services performed as well as timeliness of supervisory review regarding the Facilities billing practice.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.

Prior Finding 2: Procedures over billing could be improved.

On April 3, 2018, the Board of Supervisors approved the 2018-2019 Hourly Charge Rates for Departments. The Hourly Charge Rates state that the requisitions for additional services and charges to the Court and Judicial Council of California (JCC) should be billed at proposed labor rates or vendor costs plus material costs by the departments for services rendered.



The following table summarizes the number of conditions identified during our audit:

Classification	Department Costs Invoiced to Departments (in dollars)	Recalculated Actual Cost to Departments (in dollars)	Total Cost overbilled/ Under billed (in dollars)	Number of Requisitions with Discrepancy
General Maintenance Worker	2,720	2,496	224	8
Sprinkler System Worker	912	968	(56)	2
General Service Worker II	468	402	66	4

14 of 106 work requisitions tested were invoiced at rates that did not agree with the board-approved Hourly Charge Rates.

The incorrectly billed rates identified in this audit resulted in departments being under billed by \$56 and overbilled by \$290 for services rendered. The Department stated the Hourly Charge Rates are programmed into Archibus and were not updated to reflect currently approved rates. When correct rates are not used to invoice departments, the risk that revenue amounts are not accurately reported increases.

Recommendation:

We recommended the Department update Hourly Charge Rates in Archibus when rate changes are enacted. We further recommended the Department conduct and document periodic reviews to ensure Hourly Charge Rates have been properly updated in Archibus.

Current Status: Partially Implemented

The Department updated its process to ensure board-approved Hourly Charge Rates are updated in Archibus at the time of hiring and promotion of employees. However, we identified 1 out of 50 work requisitions, or 2%, tested that were invoiced at rates that did not agree with the board-approved Hourly Charge Rates. The Department did not conduct and document periodic reviews to ensure Hourly Charge Rates were properly updated in Archibus.



Management's Response:

The Department agrees and will continue to improve on its periodic review process to ensure that the hourly charge rate data in the Archibus system is updated/monitored in a more systematic manner as well as on an as-needed basis.

Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.