

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

143



FROM: County Auditor-Controller

SUBMITTAL DATE:
December 14, 2006

SUBJECT: Internal Auditor's Report #2007-312 – Department of Community Action Follow-up Audit

RECOMMENDED MOTION: Receive and file Internal Auditor's Report #2007-312 – Department of Community Action Follow-up Audit.

BACKGROUND: The Auditor-Controller completed a follow-up audit of the Riverside County Department of Community Action. Our audit was limited to reviewing actions taken, as of November 29, 2006, to correct the audit findings noted in our original audit report dated April 25, 2005.

Based on our follow-up audit, management implemented our recommendations to correct the findings noted in Internal Auditor's Report #2005-022.

Departmental Concurrence

Robert E. Byrd

Robert E. Byrd
County Auditor-Controller

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|-----------------------|-------------------------------|------|-------------------------|-----|
| 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:

RECEIVE AND FILE

County Executive Office Signature *[Signature]*

- Dept's Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

RECEIVED RIVERSIDE COUNTY
MAY 10 2007



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, CPA
ASSISTANT AUDITOR-
CONTROLLER

December 14, 2006

Lois Carson, Executive Director
Department of Community Action
2038 Iowa Avenue
Riverside, CA 92507

Subject: Internal Auditor's Report #2007-312 Department of Community Action Follow-up Audit

Dear Ms. Carson,

We have completed our follow-up audit of the Department of Community Action (DCA). Our follow-up audit was limited to reviewing actions taken, as of November 29, 2006, to correct the audit findings noted in our original audit report dated April 25, 2005.

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 audit provides a reasonable basis for our conclusions.

The original audit report contained four recommendations, all of which required implementation 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 #2005-022.

Based on our follow-up audit, management implemented our recommendations to correct the findings noted in Internal Auditor's Report #2005-022. The following is a summary of the current status of the findings and recommendations identified in the original audit.

Finding 1: DCA's revolving fund #94, with an authorized balance of \$50,000, lacked documentation to support the fund's activity; specifically, disbursement and reimbursement requests. Therefore, the disposition of the fund could not be determined, nor could the fund be reconciled to the authorized balance, thereby representing a shortage of \$50,000.

Recommendation 1: Close DCA's revolving fund #94 in accordance with Standard Practice Manual (SPM) III-E-1-2.1.

Current Status 1: Fully Implemented.

As required by SPM III-E-1-2.1 to discontinue a revolving fund, DCA submitted an SPM Form AR-1 and the \$50,000 revolving fund balance to the County Treasurer on August 16, 2006. The Treasurer approved the SPM Form AR-1 and the fund was closed by the Auditor-Controller on August 25, 2006.

Finding 2: One DCA employee was responsible for maintaining the revolving fund and Individual Development Account (IDA) checkbooks, depositing reimbursement checks to the revolving fund account, and reconciling the bank accounts on a monthly basis. In addition, the bank reconciliations were not approved by management or another independent second party.

Recommendation 2: Separate the reconciliation duties from the other cash functions between at least two people. In addition, ensure bank reconciliations are reviewed by a member of DCA management.

Current Status 2: Fully Implemented.

DCA has implemented written procedures to separate reconciliation duties from other cash functions and ensure bank reconciliations are reviewed by DCA management.

Finding 3: DCA's revolving fund account #59 was not properly reconciled to the Auditor-Controller's authorized balance of \$50,000. Failure to perform proper reconciliations resulted in an undetected revolving fund overage of \$2,529.31, the majority of which occurred before 2001.

Recommendation 3.1: Properly reconcile the revolving fund in accordance with Chapter 2, paragraph 3.a of the Internal Control Handbook.

Current Status 3.1: Fully Implemented.

DCA has implemented written procedures to ensure the revolving fund is properly reconciled to the authorized balance of \$50,000. The fund is reconciled on a monthly basis.

Recommendation 3.2: Report the overage to the Auditor-Controller in accordance with SPM III-E-I-1.1.

Current Status 3.2: Fully Implemented.

The overage of \$2,529.31 was deposited into DCA's operating account on May 18, 2006.

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

ROBERT E. BYRD, CGFM
Auditor-Controller



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

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury