

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

265



FROM: County Auditor-Controller

SUBMITTAL DATE:
March 11, 2009

SUBJECT: Internal Audit Report 2008-005.4: Countywide Revolving Funds, Sheriff's Department

RECOMMENDED MOTION: Receive and file Internal Audit Report 2008-005.4: Countywide Revolving Funds, Sheriff's Department.

BACKGROUND: The Auditor-Controller completed an audit of the County of Riverside Sheriff's Department, one of five county departments selected as part of a countywide audit of revolving funds. Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

In our opinion, the department has adequate internal controls in place to ensure the proper use, accounting and safekeeping of their revolving funds. However, we noted areas for improvement relating to custodianship of revolving funds and authorized amount exceeds the department's needs.

Management concurred to implement the recommended corrective actions and has already fully implemented all recommendations.

Departmental Concurrence

Robert E. Byrd
Robert E. Byrd
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:

RECEIVE AND FILE

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

- Dep't Recomm.: Policy Policy
- Per Exec. Ofc.: Consent Consent



County of Riverside

Internal Audit Report

Countywide Revolving Funds Sheriff's Department

March 11, 2009

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

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



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COUNTY AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

March 11, 2009

Mr. Stanley Sniff, Sheriff
Sheriff's Department
4095 Lemon Street
Riverside, CA 92502

Subject: **Internal Audit Report 2008-005.4 – Countywide Revolving Funds, Sheriff's Department**

Dear Sheriff Sniff:

We have completed an audit of the revolving funds held by the Sheriff's Department, one of five County departments selected as part of a countywide audit of revolving funds. We conducted the audit during the period March 19, 2008, through June 23, 2008, for operations of July 1, 2005, through February 29, 2008.

Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

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 department's effectiveness and efficiency of operations, compliance with applicable laws, reliability of financial information, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our opinion.

In our opinion, the department has adequate internal controls in place to ensure the proper use, accounting and safekeeping of their revolving funds. However, we noted areas for improvement relating to custodianship of revolving funds and authorized amount exceeds the department's needs.

A copy of the reply from the Sheriff's Department management is attached to this report, and excerpts from the reply were presented in the appropriate sections of the report. Management concurred to implement the recommended corrective actions and has already fully implemented all recommendations.

We thank the Sheriff's Department management and staff for their cooperation. 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", written over a horizontal line.

By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Audit Objective

Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

Overview

Pursuant to California Government Code (Title 3, Division 3, Chapter 2, Section 29320 et seq.), the Board of Supervisors adopted Resolution (74-156) on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The resolution authorizes the establishment of only one revolving fund, not exceeding \$10,000, for a single officer. On January 12, 1982, the Board of Supervisors adopted Resolution (82-75) authorizing the Auditor-Controller to perform the functions of the Board of Supervisors in establishing, increasing, reducing or discontinuing any of the revolving funds.

The officer may deposit the fund in a commercial bank account and issue checks thereon, or use any other appropriate method of safekeeping.

Board of Supervisors Policy D-1 (Reimbursement for General Travel and other Actual and Necessary Expense), requires that claims are filed promptly no later than the end of the month following when the expenditures were incurred. In addition, Auditor-Controller Standard Practice Manual 111-E-1-2.1 (Revolving Funds), calls for maintaining fund balance at an adequate level by submitting expenditures for reimbursement periodically.

Audit Methodology

To accomplish our objectives, we:

- reviewed applicable codes, regulations, Board resolutions, policies and procedures;
- gained an understanding of the policies, procedures and practices affecting revolving funds through interviews with key personnel of the Sheriff's Department, Office of the Auditor-Controller, and Office of the Treasurer-Tax Collector;
- obtained data from the PeopleSoft system and supporting documentation for transactions that were tested;
- analyzed the revolving fund balances with regard to the department's requirements; and
- established fund accountability by way of surprise cash counts and fund reconciliations.

Overall Conclusion In our opinion, the department has adequate internal controls in place to ensure the proper use, accounting and safekeeping of their revolving funds. However, we noted areas for improvement relating to custodianship of revolving funds and authorized amount exceeds the department's needs.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Results

The Sheriff's Department maintains three revolving funds totaling \$100,500. During the period July 1, 2005, through February 29, 2008, the department issued 4,317 vouchers totaling \$1,323,093.61 to replenish revolving funds disbursements. We selected a sample of 72 vouchers totaling \$25,051.85 for detailed testing. The department revolving funds are broken down as follows:

Revolving Fund 41: Current Authorized Amount—\$85,000 Authorized Custodian: Administrative Manager

The fund was established to handle County of Riverside Sheriff Department's travel requests, petty cash, and employee advances.

The fund is kept in a checking account at Provident Bank. Of the authorized amount, \$14,375 was distributed to Sheriff's stations as petty cash or change funds.

During the surprise count conducted on March 19, 2008, we established the composition of the fund as follow:

Balance Per Bank	\$15,731.29
Outstanding Replenishments	54,893.90
Petty Cash/Change Funds	14,375.00
Total	<u>\$85,000.19</u>

Revolving Fund 50: Current Authorized Amount—\$500 Authorized Custodian: Accounting Technician I

This fund was established for the Sheriff's-Coroner-Public Administration's Office. This fund was not covered by our review.

Revolving Fund 56: Current Authorized Amount—\$15,000 Authorized Custodian: Administrative Manager

This fund was established in May 1995 to provide funding for services performed by the inmates inside County of Riverside jail facilities. The funds are kept in a checking account at Provident Bank. During the surprise count conducted on March 19, 2008, we obtained the fund checking account balance, which was \$15,002.73. The \$2.73 represents interest paid by the bank.

Finding 1 Of the three revolving funds the department maintains, two are under the official custodianship of a single individual. This is contrary to Board Resolution (74-156), requiring that only one fund can be established per custodian.

Recommendation 1 Establish only one revolving fund for each custodian and obtain Auditor-Controller authorization for each fund and custodian.

Management's Reply "The Sheriff's Department concurs with this finding. Sheriff's staff is currently working with the Auditor Controller's Office to process custodian changes. We anticipate completing and filing the required paperwork with your office by January 21, 2009."

Auditor's Comment On January 6, 2009, AR-1 Form was submitted to change custodian for Revolving Fund 56.

Finding 2 Revolving Fund 56 had average monthly disbursements of \$3,408.28 from July 1, 2005, to March 31, 2008. While management anticipates that the monthly fund usage will increase with the fiscal year 2008/2009 expansion of the Smith Correctional Facility in Banning, the current authorized amount exceeds requirements.

Recommendation 2 Request a reduction of Revolving Fund 56 to \$5,000 and return excess funds to the Treasurer's Office in accordance with Auditor-Controller's Standard Practice Manual III-E-1-2.1 (Revolving Funds).

Management's Reply "The Sheriff's Department concurs with this finding. We have begun the process of reducing the revolving fund balance and returning funds to the Treasurer's Office. We anticipate completing this process by January 30, 2009."

Auditor's Comment On January 21, 2009, the department returned the excess amount of \$10,000 to the county Treasury.