

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

6876



FROM: County Auditor-Controller

SUBMITTAL DATE:
July 18, 2012

SUBJECT: Internal Audit Report 2012-013: Riverside County Registrar of Voters

RECOMMENDED MOTION: Receive and file Internal Audit Report 2012-013: Riverside County Registrar of Voters

BACKGROUND: We have completed a Change of Department Head audit of Riverside County Registrar of Voters. Change of Department Head audits are conducted to ensure compliance with the Auditor-Controller's (SPM) Standard Practice Manual 912 and Board of Supervisor's resolution 74-156 ensuring accountability over the transfer of capital assets and revolving funds upon retirement or termination of a department head to the new appointed or elected department head.

(Continued on page 2)

Paul Angulo

Paul Angulo, CPA, MA-Mgmt.
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
Karen L. Johnson

County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

Dept Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.:

District: 4LL

Agenda Number:

2.11

BACKROUNG continued:

The audit found the capital assets and revolving fund were transferred to the Registrar of Voters in a timely manner. However, we noted areas for improvement over the revolving fund processes.



County of Riverside

INTERNAL AUDIT REPORT

2012-013

Riverside County Registrar of Voters

July 18, 2012

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

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



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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4080 Lemon Street, 11th Floor
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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA-Mgmt.
AUDITOR-CONTROLLER

July 18, 2012

Kari Verjil, Registrar of Voters
Riverside County Registrar of Voters
2724 Gateway Drive
Riverside, CA 92507

Subject: Internal Audit Report 2012-013: Riverside County Registrar of Voters

Dear Ms. Verjil:

In an effort to provide independent, objective, and reliable assessments of internal controls to the Board of Supervisors and management in accordance with Board of Supervisors Resolution 83-338, the Internal Audit Division of the Auditor-Controller's Office conducted a Change of Department Head audit. Change of Department Head audits are conducted to ensure compliance with the Auditor-Controller's (SPM) Standard Practice Manual 912 and Board of Supervisor's Resolution 74-156 ensuring accountability over the transfer of capital assets and revolving funds upon retirement or termination of a department head to the new appointed or elected department head. We performed the audit between January 12, 2012, and March 5, 2012, covering the period July 1, 2010, through February 9, 2012.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain reasonable assurance 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 consider necessary. We believe the audit provides a reasonable basis for our conclusion.

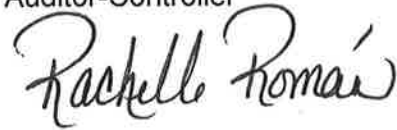
Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we determined the capital assets and revolving fund were transferred to the new Registrar of Voters in a timely manner. However, we noted areas for improvement over the revolving fund processes.

We discussed the results contained in this report with the appropriate level of management in the course of the audit.

We thank the Riverside County Registrar of Voters for their cooperation and assistance during the audit.

Paul Angulo, CPA, MA-Mgmt.
Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive style with a prominent flourish at the end of the name.

By: Rachelle Román, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Registrar of Voters (ROV) has a mission to “ensure the electoral process will be conducted professionally, consistently demonstrating neutrality and non-partisan decision-making, based upon thorough knowledge of and compliance with all election laws by administering them timely, responsively and with integrity on behalf of those we serve.” The ROV staff performs a myriad of tasks to ensure election poll workers are properly trained, voters meet the California requirements to vote, and election polling locations are adequately selected and staffed.

In addition to the customary elections, the department provides election services for: Special Mail Ballot Elections, General District Elections, General Municipal Mail Ballot Elections, General Municipal Elections, Governing Board Member Elections, General Municipal Elections under Uniform District Election Law, College Districts, Judicial Offices, and County Offices.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer of capital assets and revolving funds when there is a change in department head.

Audit Conclusion

Based upon the results of our audit, we determined the capital assets and revolving fund were transferred to the new Registrar of Voters in a timely manner. However, we noted areas for improvement over the revolving fund processes.

Capital Assets

Background

Per the Auditor-Controller's (SPM) Standard Practice Manual Policy Number 912, upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Auditor-Controller's Office. Additionally, revolving funds are also required to be transferred to the new department head utilizing the Revolving Fund Request Order & Change Form (SPM Form AR-1).

Objective

To determine if the required forms for the transfer of accountability of capital assets from the former to the new department head were completed and properly filed with the Auditor-Controller's Office.

Audit Methodology

To accomplish our objectives, we:

- established the date of the department head change;
- verified proper forms were completed for transfer of accountability of capital assets and submitted to the Auditor-Controller's Office; and
- identified and verified existence of capital assets that were transferred to the new department head.

Results

At the time the new Registrar of Voters took office on February 24, 2011, the department had a total of 53 capitalized assets with a recorded cost of \$1,560,537, which included vehicles, scanners, card readers, ballot readers, optical scan counters, copiers, and servers. These assets were transferred to the new department head per the Inventory of County Property for Capital Assets (SPM Form AM-1). Since the change in department head went into effect, two capital assets were added with a total cost of \$56,189.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed with the Auditor-Controller's Office for the transfer of capitalized assets.

Revolving Fund

Background

Revolving Funds are established by the county department under the custodianship of a county officer for the use of official county business. Registrar of Voters has one revolving fund in the amount of \$500, which is located in an office safe and disbursed as petty cash. There are no other external bank accounts associated with this revolving fund. This fund is principally used to purchase refreshments for inspector workshops, election poll worker training, and other miscellaneous meetings sponsored by the department.

Objective

To determine if the required forms for the transfer of accountability of revolving funds from the former to the new department head were completed and properly filed with the Auditor-Controller's Office and assess the adequacy of internal controls over the safeguarding of the revolving fund.

Audit Methodology

To accomplish our objectives, we:

- reviewed Revolving Fund Request Order & Change Form (SPM Form AR-1) for the establishment and transfer of the revolving fund;
- gained an understanding of the procedures over the revolving fund through interviews with key personnel of the department;
- verified revolving fund reconciliations are performed;
- reviewed the supporting documentation for a sample of transactions that were replenished; and
- verified adequate segregation of duties exists.

Results

We verified the Revolving Fund Request Order & Change Form (SPM Form AR-1) was completed and filed with the Auditor-Controller's Office for the transfer of custodianship of the revolving fund to the new department head. ROV has an established process and procedures in place for the use of the revolving fund (petty cash). We physically observed the petty cash, which is kept in a combination safe. The combination of the safe is currently known by at least four ROV employees who are no longer required to access the safe in their current position. Employees submit receipts for reimbursements, for approved purchases and must obtain approval from two ROV fiscal staff members before monies are disbursed from the petty cash fund. Upon approval, monies are disbursed from the petty cash fund and the County of Riverside Paid Out Voucher is issued to the employee. Replenishments to the revolving fund

are requested every 6 months. The department submits copies of receipts and vouchers, along with the Revolving Fund ledger to the Auditor-Controller's Office.

A sample of revolving fund transactions was selected, based upon the most recent replenishment dates, to review the supporting documentation and ensure the transactions were for official county business use. We reviewed the revolving fund transactions processed in the replenishment and determined controls were adequate. When we reviewed the reconciliation of the revolving fund for the period August 1, 2011 through January 31, 2012, we found only three (August 2011, September 2011, and January 2012) of six reconciliations were performed. Reconciliations should be performed at least monthly and reviewed by an appropriate level of management. We verified adequate segregation of duties exist over key revolving fund tasks performed. As a result of our testing, we noted areas for improvement over the safeguarding and use of the revolving fund.

Finding 1

The contents of the revolving fund are located in a secured safe; however, the safe and the combination are accessible to at least four ROV staff, including a (TAP) Temporary Assignment Program employee. The department has not changed the combination to the safe at the departure of each employee with safe access. Internal Control Handbook, Chapter 2, Section 2(c) states "adequate physical security must be maintained at all times over locations where cash is stored and processed." Additionally, California Government Code, Section 13401 a (3) states, "effective systems of internal accounting and administrative control are necessary to assure that state assets and funds are adequately safeguarded, as well as to produce reliable financial information for the agency." Although the balance in the revolving fund is \$500 or less at any given time, the potential for loss of county assets exists.

Management position concerning this finding: Concur

Comments:

Registrar of Voters concurs with Finding 1 and has since implemented additional security measures.

Recommendation 1

The department should limit the number of employees who have access to the safe combination and should change the safe combination upon termination or retirement of these employees.

Management position concerning this recommendation: Concur

Comments:

Additional security measures have been implemented which included moving the safe and administrative supervisor to an office in close proximity to the department head and assistant department head. The combination is restricted to the accounting technician, executive assistant, administrative supervisor, department head and assistant department head. The

combination has been changed and will be changed again in the event of a termination or retirement of any employees listed above.

Finding 2

In a six month period, ROV did not perform monthly reconciliations of the revolving fund for 3 of the 6 months, which increases the potential for mismanagement and/or fraud of the fund. Internal controls are strengthened when reconciliations are performed at least monthly. Auditor-Controller's SPM 301 and accounting best practice recommends that funds held in an entities safe keeping should be reconciled timely (monthly, quarterly, and yearly).

Management position concerning the finding: Concur

Comments:

Registrar of Voters concurs with Finding 2 and has since implemented a monthly reconciliation process to include review and approval by the Registrar of Voters and the Assistant Registrar of Voters.

Recommendation 2

Perform monthly reconciliations of the authorized revolving fund and reviewed by an appropriate level of management.

Management position concerning this recommendation: Concur

Comments:

Monthly reconciliations of the department revolving fund will be performed by the accounting technician and the executive assistant following department procedures set forth in Section No. ACCTG 7-1-1. In the event the accounting technician and/or executive assistant are not available, the administrative supervisor will perform the monthly reconciliation. The Registrar of Voters and Assistant Registrar of Voters will review and approve the monthly reconciliation. As an added precaution, a reoccurring reminder notification has been place on the Outlook calendars of all staff performed and review the reconciliation process.

Kari Verjil
Registrar of Voters



Rebecca Spencer
Assistant Registrar of Voters

REGISTRAR OF VOTERS
COUNTY OF RIVERSIDE

July 16, 2012

DATE: July 16, 2012

TO: Auditor-Controller's Office
Internal Audits Division

FROM: Kari Verjil, Registrar of Voters
Registrar of Voters

SUBJECT: Reply to Draft Audit Report 2012-013: Registrar of Voters

Finding 1:

The contents of the revolving fund are located in a secured safe; however, the safe and the combination are accessible to at least four ROV staff, including a (TAP) Temporary Assignment Program employee. The department has not changed the combination to the safe at the departure of each employee with safe access. Internal Control Handbook, Chapter 2, Section 2(c) states "adequate physical security must be maintained at all times over locations where cash is stored and processed." Additionally, California Government Code, Section 13401 a (3) states, "effective systems of internal accounting and administrative control are necessary to assure that state assets and funds are adequately safeguarded, as well as to produce reliable financial information for the agency." Although the balance in the revolving fund is \$500 or less at any given time, the potential for loss of county assets exists.

Management position concerning the finding: Concur

Comments:

Registrar of Voters concurs with Finding 1 and has since implemented additional security measures.

Recommendation 1:

The department should limit the number of employees who have access to the safe combination and should change the safe combination upon termination or retirement of these employees.

Management position concerning the recommendation: Concur

Comments: Additional security measures have been implemented which included moving the safe and administrative supervisor to an office in close proximity to the department head and assistant department head. The combination is restricted to the accounting technician, executive assistant, administrative supervisor, department head and assistant department head. The combination has been changed and will be changed again in the event of a termination or retirement of any employees listed above.

Finding 2:

In a six month period, ROV did not perform monthly reconciliations of the revolving fund for 3 of the 6 months, which increases the potential for mismanagement and/or fraud of the fund. Internal controls are strengthened when reconciliations are performed at least monthly. Auditor-Controller's SPM 301 and accounting best practice recommends that funds held in an entities safe keeping should be reconciled timely (monthly, quarterly, and yearly).

Management position concerning the finding: Concur

Comments:

Registrar of Voters concurs with Finding 2 and has since implemented a monthly reconciliation process to include review and approval by the Registrar of Voters and the Assistant Registrar of Voters.

Recommendation 2:

Perform monthly reconciliations of the authorized revolving fund and reviewed by an appropriate level of management.

Management position concerning the recommendation: Concur

Comments:

Monthly reconciliations of the department revolving fund will be performed by the accounting technician and the executive assistant following department procedures set forth in Section No. ACCTG 7-1-1. In the event the accounting technician and/or executive assistant are not available, the administrative supervisor will perform the monthly reconciliation. The Registrar of Voters and Assistant Registrar of Voters will review and approve the monthly reconciliation. As an added precaution, a reoccurring reminder notification has been placed on the Outlook calendars of all staff performing and reviewing the reconciliation process.