

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

172



FROM: County Auditor-Controller

SUBMITTAL DATE:
September 10, 2012

SUBJECT: Internal Audit Report 2012-016: Riverside County Executive Office

RECOMMENDED MOTION: Receive and file Internal Audit Report 2012-016: Riverside County Executive Office

BACKGROUND: We have completed a Change of Department Head audit of the Riverside County Executive Office. 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	☐
Requires 4/5 Vote	☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: September 25, 2012
xc: Auditor, E.O.

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District:

Agenda Number:

2.7

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

Departmental Concurrence

Dep't Recomm.: ☒ Consent ☐ Policy
Per Exec. Ofc.: ☒ Consent ☐ Policy

BACKROUNG continued:

The audit found the capital assets and revolving fund were transferred to the new County Executive Officer in a timely manner and adequate internal controls are in place over the revolving fund.



County of Riverside

INTERNAL AUDIT REPORT

2012-016

Riverside County Executive Office

September 10, 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
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**ACC AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

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

September 10, 2012

Jay Orr, County Executive Officer
Executive Office
4080 Lemon Street
Riverside, CA 92501

Subject: Internal Audit Report 2012-016: Riverside County Executive Office

Dear Mr. Orr:

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 May 10, 2012, and July 11, 2012, covering the period July 1, 2011, through May 31, 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 sufficient, reliable, relevant, and useful information to provide reasonable assurance our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this 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 County Executive Officer in a timely manner and adequate internal controls are in place over the revolving fund.

We thank the Riverside County Executive Office management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

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

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive, flowing style.

By: Rachelle Román, MPA
Chief Internal Auditor

cc: Board of Supervisors
District Attorney
Grand Jury

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Executive Summary

Overview

The (RCEO) Riverside County Executive Office, under the direction of the (CEO) County Executive Officer, has the responsibility and authority to manage and administrate the affairs of the County; to provide long-range planning which integrates all County activities; and, to serve the Board of Supervisors as the Chief of Staff in both internal and inter-governmental affairs. The CEO reports directly to and is responsible to the Board of Supervisors for the proper and efficient administration of all County departments, agencies, and special districts under the jurisdiction of the Board of Supervisors. The CEO is employed under contract for a two year term, unless terminated earlier by a majority vote of the Board of Supervisors.

The RCEO is comprised of the CEO, Assistant CEO, Public information Officer, Chief Deputy CEO, County Finance Director, and Deputy CEO's. The Chief Deputy CEO and Deputy CEO's oversee eight divisions aligning the various County departments under the headings of; Finance, Budget Management & General Government, Governmental Relations, Governmental Support, Public Safety, Land Use, Health & Human Services, and Executive Office Support.

The responsibilities of the CEO are comprehensive and include General Administration, Budgetary Matters, and Departmental Supervision. Specific tasks include, but are not limited to: administering and enforcing policies established by the Board of Supervisors; promulgating rules and regulations necessary to implement Board policies; preparing multi-year plans addressing the major responsibilities of County government; proposing necessary revisions of the Board of Supervisors' Policy Manual and Code of Administrative Regulations; preparing budget and operational recommendations to the Board of Supervisors; reviewing County programs to identify greater economy and efficiency, monitoring budget execution and expenditures; managing the County's legislative program; recommending employee relations policies and positions; and, administering and ensuring compliance with County policies and procedures.

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 County Executive Officer in a timely manner and adequate internal controls are in place over the revolving fund.

Capital Assets

Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land, buildings and improvements, infrastructure, and equipment with an acquisition cost of \$5,000 or greater. 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.

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 County Executive Officer took office on April 10, 2012, the department had a total of three capitalized assets with a recorded cost of \$42,272 consisting of two copiers and a digital imaging system. Two of these assets were transferred to the new department head in a timely manner per the Inventory of County Property for Capital Assets (SPM Form AM-1). The remaining asset, identified as a copier has been transferred to surplus. The Capital Asset Disposition Form, SPM Form AM-7, for Asset Number 108 was properly filed with the Auditor-Controller's Office. Since the change in department head went into effect, no capital assets were added.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed 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. The Executive Office has one revolving fund totaling \$1,000. The department maintains \$900 in a checking account and \$100 as petty cash. The revolving fund in the checking account can be used to pay for reimbursement for travel expenses, training classes, and office supplies, when normal requisition procedures are not possible. Petty cash is primarily used to pay for general office expenses including postage for certified mail, refreshments for meetings, and any incidentals. The department has a system in place for review, reconciliation, and replenishment of the Revolving Fund on a consistent basis.

Audit 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. The Executive Office has an established process in place for the use of the revolving fund. Access to the revolving fund (petty cash) is limited to the fund custodian and a one back-up individual. We physically observed the petty cash is kept in a locked box in a locked drawer at all times and access is limited to the two individuals who have keys and access to the drawer. A sample of revolving fund replenishment transactions and the supporting documentation were reviewed to ensure the transactions were for official County

business use. As a result of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving fund.