

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

170



FROM: County Auditor-Controller

SUBMITTAL DATE:
September 10, 2012

SUBJECT: Internal Audit Report 2012-018: Riverside County Transportation Land Management Agency

RECOMMENDED MOTION: Receive and file Internal Audit Report 2012-018: Riverside County Transportation Land Management Agency

BACKGROUND: We have completed a Change of Department Head audit of Riverside County Transportation Land Management Agency. Change of Department Head audits are conducted to ensure compliance with Government Code 24050 & 24501 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, TLMA

Kecia Harper-Ihem
Clerk of the Board

By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District:

Agenda Number:

2.9

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

Dept Recomm.: ☒ Consent ☐ Policy
Per Exec. Ofc.: ☒ Consent ☐ Policy

Departmental Concurrence

BACKROUNG continued:

The audit found the capital assets were transferred to the Transportation Land Management Agency Director in a timely manner and the internal controls for safeguarding the revolving fund under his responsibility are adequate.



County of Riverside

INTERNAL AUDIT REPORT

2012-018

Riverside County Transportation Land Management Agency

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
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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

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

September 10, 2012

Juan C. Perez, Director
Riverside County Transportation Land Management Agency
4080 Lemon Street
Riverside, CA 92507

Subject: Internal Audit Report 2012-018: Riverside County Transportation Land Management Agency

Dear Mr. Perez:

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, covering the transfer of capital assets and Revolving Funds 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 June 27, 2012 and July 26, 2012, covering the period July 1, 2011, through July 18, 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 were transferred to the new Director of TLMA in a timely manner and the internal controls over the revolving fund are adequate.

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

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

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

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

By: Rachelle Román, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Management
Grand Jury

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Executive Summary

Overview

The County of Riverside (TLMA) Transportation and Land Management Agency oversees six county departments which include the Planning Department, Building & Safety Department, Transportation Department, Code Enforcement Department, Environmental Programs Department and the Administrative Services Department. In total, TLMA employs more than 600 dedicated public servants who strive to meet the needs of the residents of Riverside County.

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 were transferred to the new TLMA Director in a timely manner and the internal controls over the revolving fund for the Transportation Department are adequate.

Capital Assets

Background

Capital assets are tangible assets of significant value that 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 Government Code 24050 & 24501, 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.
- Identified and verified existence of capital assets that were transferred to the new department head.

Results

At the time the new TLMA Director took office on May 3, 2012, the department had a total of 178 capitalized assets with a recorded cost of \$3,062,289. 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, six capital assets were added with a total cost of \$159,502 and four assets were removed or transferred with a total value of \$39,791.

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. TLMA's Transportation Department has one revolving fund in the amount of \$500, which is located in a lockbox, locked inside one of the custodian's drawers and disbursed as petty cash. There are no other external bank accounts associated with this revolving fund. This fund is principally used to mail out packages from the post office.

Objective

Since the TLMA's agency director remains as the interim director over TLMA's Transportation Department, we audited the petty cash fund of that department only to 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 of the revolving fund and the naming of the custodian.
- 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 of transactions that were replenished from July 1, 2011 through July 18, 2012.
- 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 establishment of the fund and custodian. The Transportation Department has an established process and procedures in place for the use of the revolving fund (petty cash). The fund is kept in a lockbox that is locked up in one of the petty cash custodian's drawer. We did a physical count of the funds kept in the lockbox and reconciled it against departmental records. The department has a list of staff naming the custodian and the backups, the authorized fund users and the fund reconciler that is signed by the department's director. Only the authorized users are allowed to obtain disbursements from the petty cash fund. Most transactions from the petty cash are to mail packages from the post office. Authorized users will request the disbursement from the petty cash custodian and will return the change with the transaction receipts. The petty cash custodian will request replenishment for petty cash expenditures when expenses total \$100 or

more and it is reconciled every time the replenishment is received from the Auditor Controller's Office.

Based on the results of our testing, the internal controls for safeguarding the revolving fund are adequate.