

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

410



FROM: Auditor-Controller

SUBMITTAL DATE:
August 5, 2014

SUBJECT: Internal Audit Report 2014-009: Code Enforcement, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-009: Code Enforcement

BACKGROUND:

Summary

We have completed an audit of the Transportation and Land Management Agency's Code Enforcement Division to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets, cash handling, liabilities, records management, and revenues. The audit covered the period July 1, 2011 through June 30, 2013.

(Continued on page 2)

Paul Angulo, CPA, M.A.
County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	
SOURCE OF FUNDS: N/A				Budget Adjustment: No	
				For Fiscal Year: n/a	

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

Departmental Concurrence

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-5

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-009: Code Enforcement, [District: All]: [\$0]

DATE: August 5, 2014

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to cash handling. We determined Code Enforcement Division's internal controls provide reasonable, not absolute, assurance that management's objectives will be achieved regarding capital and non-capital assets, liabilities, records management, and revenues.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-009: Code Enforcement.

Internal Audit Report Audit 2014-009

**Transportation and Land Management
Agency—Code Enforcement**

Report Date: July 16, 2014



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OFFICE OF THE
AUDITOR-CONTROLLER**

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ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, M.A.
AUDITOR-CONTROLLER

August 5, 2014

Mr. Juan C. Perez, Director
Transportation and Land Management Agency
4080 Lemon St., 14th Floor
Riverside, CA 92504

Subject: Internal Audit Report 2014-009: Code Enforcement

Dear Mr. Perez:

We have completed an audit of the Transportation and Land Management Agency's Code Enforcement Division to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets, cash handling, liabilities, records management, and revenues. The audit covered the period July 1, 2011 through June 30, 2013.

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 sufficient, reliable, relevant and useful information to provide reasonable assurance that 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 efficiency of operations, compliance with laws and regulations, and reliability of financial and non-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 identified opportunities for improvement of internal controls relating to cash handling. We determined Code Enforcement Division's internal controls over non-capital and capital assets, liabilities, records management, and revenues provide reasonable, not absolute, assurance that it will obtain its objectives.

As requested, in accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our

Internal Audit Report 2014-009: Code Enforcement

report. Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective actions.

We thank the Riverside County Transportation and Land Management Agency's Code Enforcement Division management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, M.A.
County Auditor-Controller

Mark W. Cousineau

By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

Code Enforcement is a division within the Transportation and Land Management Agency. The stated mission of Code Enforcement is to enhance public safety and the quality of life in partnership with communities through fair enforcement of laws and codes. The department utilizes County of Riverside Ordinances as the basis for verifying compliance and issuing citations. The Code Enforcement Department maintains seven (7) district offices located in Mead Valley, Riverside, Perris, French Valley, Palm Desert, San Jacinto and an administrative office in Riverside.

Code Enforcement is responsible for enforcing State laws and over fifteen Riverside County ordinances in the unincorporated areas of Riverside County. Common code issues include dangerous or substandard buildings, open excavations, unpermitted businesses, zoning violations, construction or grading without permits, inoperative or abandoned vehicles, and excessive outside storage. Code Enforcement effectively meets the ever changing needs of Riverside County communities by educating the public, encouraging voluntary compliance, assisting low/moderate income areas with grants, conducting community cleanups/public service projects, and pursuing legal remedies when necessary.

Code Enforcement works hand in hand with other County departments and agencies including Animal Services, Environmental Health, Fire, Sheriff, and the District Attorney.

Voluntary compliance is the main focus and goal in Code Enforcement. Should that fail to occur, a Code Enforcement officer may issue citations, or seek other administrative fines as well as criminal penalties in some cases. Code Enforcement strives for compliance within 15 to 60 days. However, time frames will vary on a case by case basis due to the violation type, owner response, due legal processes and other variables.

Code Enforcement is a public protection function partially supported through general fund support. In Fiscal Year 2011/12, the department reported \$14,061,631 in expenditures, which was supported by \$4,730,518 of revenues from code violation collections and \$9,331,113 from General Fund support. In Fiscal Year 2012/13, the department experienced a reduction in expenditures due to personnel reductions, and reported \$11,608,391 in expenditures, which was supported by \$4,283,190 of revenues from code enforcement collections and \$7,325,201 from General Fund support.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets, cash handling, liabilities, records management, and revenues.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to cash handling. We determine the Code Enforcement Division's internal controls over non-capital and capital assets, liabilities, records management, and revenues provide reasonable, not absolute, assurance that it will obtain its objectives.

Cash Handling

Background

Code Enforcement receives checks from property owners for cost recovery for abatement of code violations. Checks should be restrictively endorsed when received and recorded on a check log with other negotiable instruments. The check log should be maintained and reconciled to the bank deposit and amount recorded in PeopleSoft.

Cash deposits should be secured in office safes with limited access until delivered to the Treasurer by office personnel.

The Auditor-Controller's Standard Practice Manual 705 *Receiving Payments Deposits of Monies and Applying Payments*, (SPM 705), indicates "at the close of each business day, monies collected must be reconciled to the receipts issued and then deposited in the Treasury, or an authorized ZBA, or secured per an authorized daily deposit exemption. If the business day ends after the deadline for making Treasury deposits, the cash collected must be secured in a locked facility and deposited the next business day."

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances.
- Conducted interviews and performed walkthroughs with Code Enforcement personnel.
- Utilized PeopleSoft queries to identify the volume, locations, and frequency of cash receipts.
- Verified appropriate levels of management review and approval.
- Selected samples of deposits to perform detailed testing.
- Verified safeguarding of cash.

Finding 1: Adherence to Daily Deposit Requirement

The office did not always deposit checks on a timely basis or obtain an exemption from daily deposits as required by SPM 705. Of the 226 deposits examined, thirty-three (or 15%) were made, on average, 2 business days after being received. This resulted from Management not having a plan to provide adequate coverage for the deposit function. The cash processor responsible for processing daily deposits, took days off and management did not ensure the daily deposit responsibilities were completed by an alternate cash processor. Cash and checks are adequately secured when received; however, not depositing cash and checks in a timely manner increases the risk of theft due to accumulated funds or deposits.

Management's Response

Concur. Staffing levels in Code Enforcement have been directly impacted by a reduction in General Funds. General Fund support has fallen by 58% from FY 08-09. The subsequent departmental reorganization resulted in the elimination of a separate accounting function for Code Enforcement. TLMA has been working to integrate those functions at the Agency level. TLMA has already made the adjustments suggested."

Recommendation 1

Ensure deposits are made daily or obtain an exemption from daily depositing from the ACO.

Management's Response

Concur. The department has new process in place subsequent to completion of this audit. As soon as the checks are ready to be picked up from the receptionist, email is sent out to the primary person along with the backup and Supervisor. In case the primary staff is out of office, there are two more individuals ensuring that the checks are deposited within one business day."

Finding 2: Restrictive Endorsement of Checks

Our review of internal controls revealed that cash handling staff did not restrictively endorse checks upon receipt. This occurred because Management did not reassign staff responsibilities. Management moved the individual previously opening mail and restrictively endorsing checks to another floor of the building but, the individual retained responsibility for restrictively endorsing checks. However, Management assigned mail opening responsibilities to the receptionist on the original floor. As such, the department's accounting personnel restrictively endorse checks when received from the receptionist. Restrictively endorsing checks later in the cash processing process may result in fraudulent activity with unauthorized cashing of a check.

Subsequent to our completion of fieldwork, the receptionist responsible for opening mail, obtained an endorsement stamp and is currently restrictively endorsing checks upon receipt. Since the department made immediate changes, no recommendation is required.

Management's Response

"Concur."