

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

639



FROM: Auditor-Controller

SUBMITTAL DATE:
December 4, 2014

SUBJECT: Internal Audit Report 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator

BACKGROUND:

Summary

We have completed an audit of the Riverside County Sheriff's Office; Office of the Public Administrator to provide the Board of Supervisors with an independent assessment of internal controls over estate property management, records management, non-capital assets, information security and the Indigent Burial Program. The audit covered the period July 1, 2011 through January 31, 2014.

Based upon the results of our audit, we have identified opportunities for improvement of internal controls relating to estate property management, and records management. We determined the Office of the Public Administrator's internal controls provide reasonable assurance that its objectives will be achieved.

Paul Angulo
Paul Angulo, CPA, CGMA, MA
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: *Samuel Wong*
Samuel Wong

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:

2-11

BACKGROUND:

Summary (continued)

Reasonable assurance recognizes internal control has limitations, including cost, mistakes, and intentional efforts to bypass internal controls. We will follow-up in one year to determine if actions were taken to correct the finding noted.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

Attachments:

A: County Auditor-Controller Internal Audit Report 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator.

Internal Audit Report Audit 2014-016

**Riverside County Sheriff's Office;
Office of the Public Administrator**

Report Date: August 20, 2014



Office of Paul Angulo, CPA, CGMA, MA
County of Riverside Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACO | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

August 20, 2014

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

Subject: Internal Audit Report 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator

Dear Sheriff Sniff:

We have completed an audit of the Riverside County Sheriff's Office; Office of the Public Administrator (Public Administrator) to provide management and the Board of Supervisors with an independent assessment of internal controls over estate property management, records management, non-capital assets, information security and the Indigent Burial Program. We conducted the audit during the period of April 22, 2014 through June 30, 2014, for operations of July, 1, 2011 through January, 31, 2014.

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 information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to estate property management, and records management. We determined the Public Administrator's internal controls provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

As requested, and 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 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator

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 Public Administrator's management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Mark W. Cousineau

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

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

The Public Administrator operates as a bureau of the Riverside County Sheriff's Office. The Public Administrator is charged with investigating and administering the estates of Riverside County residents who pass away without someone available or willing to settle their affairs. The powers of the Public Administrator are mandated by the Probate Code of the State of California. The Public Administrator has the same duties and functions as a private administrator which include: protecting the decedent's property from waste, loss or theft, locating family, making appropriate funeral and burial arrangements, conducting investigations to discover all the decedents assets, ensuring all estate benefits are applied for and received, paying bills and taxes, administer the estate according to the decedent's wishes, and locating persons entitled to inherit from the estate. The Public Administrator also manages the Riverside County Indigent Burial and Cremation Program.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over information security, records management, non-capital assets, estate management and the indigent burial program.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to estate property management, and records management. We determined the Public Administrator's internal controls provide reasonable, not absolute, assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Estate Management

Background

In accordance with the California Probate Code Section 7601, the Public Administrator must take immediate charge of the property within Riverside County of all persons who have died when no executor or administrator has been appointed, and in consequence thereof, the property or any part thereof, is being wasted, uncared for, or lost; and of all estates ordered into his hands by the court. He must apply for Letters of Administration upon estates of decedents who have no known heirs, or heirs unwilling or unable to act, and where no executor named in the Will is willing to act or able to qualify, and he may apply for such Letters upon any other estate, which he is entitled to administer.

The Public Administrator maintains an office staff experienced in the investigation and administration of estates of deceased persons. Actions in estate matters are subject to the supervision of the Superior Court, and all records are subject to periodic audits by the State and County authorities. All fees received for services are paid to the County of Riverside.

Upon appointment as administrator of an estate by the Superior Court the duties of the Public Administrator are similar to those of other estate administrators. They are mainly to collect, manage and account for the estate property; to pay funeral and last illness expenses, taxes and all other debts, as far as the estate is able; and to sell property, both real and personal, as ordered by the court.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances.
- Conducted interviews and performed walk-throughs with Public Administrator personnel.
- Utilized Panoramic System to review the continuous management of the estates.
- Selected sample of open and closed estate cases to review the physical files as well as information documented within Panoramic.
- Verified the safeguarding estate assets, the management of financial activity, as well as the proper disbursement of funds.

Finding 1: Calculation of Interest

The Public Administrator currently calculates the interest to be applied to each estate by averaging the interest rates from four financial institutions at the end of each month. All estate funds are pooled into four bank accounts at the same banking institution, which consist of a checking, savings and two certificate of deposit accounts. The interest rate for one of the accounts is .355% while the other three accounts have an interest rate of .150%. California Probate Code Section 7642 indicates "the public administrator shall credit each estate with the highest rate of interest or dividends that the estate would have received if the funds available for deposit had been individually and separately deposited." The California Court of Appeal ruled that the phrase "highest rate of interest," as used in Probate Code Section 7642, referred to the highest rate in the institution where the funds are actually invested.

Probate Code Section 7642 also notes that interest or dividends credited to the account of the public administrator in excess of the amount credited to the estates shall be deposited in the county general fund. An incorrect calculation of the interest to be applied to each estate could result in possible loss of revenue to the general fund.

Recommendation 1

We recommend that the Public Administrator credit each estate with the highest rate of interest or dividends that the estate would have received if the funds available for deposit had been individually and separately deposited.

Management Response

Concur. As of the August 2014 estate interest distribution, the PA only used the interest tiers provided by the banking institution where all estate funds are deposited. The market interest averaging of four banking institutions is no longer exercised to distribute interest among the estates.

Actual/estimated Date of Corrective Action: 09/24/2014

Records Management

Background

Board of Supervisors Policy A-43, *County Records Management and Archives Policy, Section D.5 Records Retention Schedules – Standard – Retention Period*, (Policy A-43), indicates "retention periods on Board approved records retention schedules are mandatory, and records shall be disposed of in accordance with those approved retention periods." All County departments must adhere to the Countywide General Records Retention Schedule (rev. 2012) if they do not have approved department records retention schedule by the Board of Supervisors.

The Public Administrator currently has a department records retention schedule (DRRS) developed with the assistance of Records Management and Archives Program (RMAP). This retention schedule will reflect a retention requirement for specific documents the Public Administrator utilizes to conduct business. In addition, the Public Administrator adheres to the (GRRS) for commonly found records that are standard in most departments.

On April 15, 2014 the County Sheriff issued Department Directive Number 14-034, *Records and Information Management*. The Sheriff's Directive states that "The purpose of this directive is to introduce the County and Department Records Retention Schedules, and provide employees with the necessary information and procedures necessary to become familiar with and carry out their responsibilities under Board Policy A-43." The directive also makes mention that record maintenance and retention is applicable to both paper and electronic records.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of Board of Supervisors' Policy A-43, and other applicable policies and procedures.
- Determined if the Public Administrator has a written records management policy and who is responsible for records management.
- Determined if the Public Administrator has a Board approved DRRS.
- Determined if the Public Administrator is following the Countywide GRRS
- Reviewed the most recent requests for deletion or destruction of records.

Finding 2: Destruction of Records

The Public Administrator did not submit a Records Management and Archives Policy *Authorized Signature List* (Form 691) designating an individual or individual's responsibility for implementing County retention procedures. In addition, the Public Administrator did not obtain proper approval for records destruction by submitting a *Records Disposition Certificate - RMAP* (Form 652) or a *Records Disposition Certificate - County Depts. SHRED ONLY* (Form 784) to Records Management and Archives Program. The Public Administrator could not provide documentation to support the destruction of case files prior to April 2014. This was the result of Public Administrator's unfamiliarity with the requirement to complete a Form 691, authorizing an individual for approving destruction requests with RMAP or the requirement to submit RMAP Forms 652 or 784 for destruction of documents requests.

The Public Administrator partially filled out Form 784, part II for the FY2004/05 case records, but did not indicate the start and end dates, or complete part I. For the records that were destroyed, there was no one present to witness the destruction of the records or maintain records to show proof of destruction. The records were placed in locked bins for vendor pick up; however, no Public Administrator personnel witnessed the destruction.

Destroying documentation without the proper approvals and oversight may hinder the availability and accessibility of documents in accordance with applicable law and subject the records to possible theft or exposure of sensitive information.

Recommendation 2

The Public Administrator submit the required RMAP Form 691 and obtain approval for records destruction via a properly completed RMAP Form 784.

Management Response

Concur. As of this audit, the PA has submitted Form 691 and obtained approval for records destruction via RMAP Form 784. In addition, personnel received records retention policy training and designated a records coordinator. In January 2015 the records retention document schedule will be amended to include PA specific records.

Actual/estimated Date of Corrective Action: 10/09/2014

Recommendation 2.1

The Public Administrator assign the Records Manager to observe and document the destruction of records.

Internal Audit Report 2014-016: Riverside County Sheriff's Office; Office of the Public Administrator

Management Response

Concur. The PA appointed a Records Coordinator to observe and document destruction of records.

Actual/estimated Date of Corrective Action: 10/06/2014