

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

511



FROM: Auditor-Controller

SUBMITTAL DATE:
March 17, 2015

SUBJECT: Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head

BACKGROUND:

Summary

We have completed an audit of Riverside County Office of County Counsel, Change of Department Head, 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 of department head. We conducted the audit from October 16 through November 19, 2014 for operations from July 1 through September 30, 2014.

(Continued on page 2)

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

Departmental Concurrence

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 3/20/15*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

2-4

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head [District: All]; [\$0]

DATE: March 17, 2015

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we determined the capital assets were transferred to the new County Counsel in a timely manner and adequate internal controls are in place over the revolving fund, except relating to revolving fund reconciliations. We will follow-up in one year to determine if actions were taken to correct the findings noted.

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 2015-023: Riverside County Office of County Counsel, Change of Department Head



COUNTY OF RIVERSIDE
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AUDITOR-CONTROLLER

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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

March 17, 2015

Gregory P. Priamos, County Counsel
Riverside County Office of County Counsel
3960 Orange Street, Suite 500
Riverside, CA 92501

**Subject: Internal Audit Report 2015-023: Riverside County Office of County Counsel,
Change of Department Head**

Dear Mr. Priamos:

We have completed an audit of the Riverside County Office of County Counsel. 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, we conducted a Change of Department Head audit. This audit is conducted to ensure accountability over the transfer of capital assets and revolving funds from the predecessor to the new appointed department head. The audit covered the period July 1 through September 30, 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 and non-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 determined the capital assets were transferred to the new County Counsel in a timely manner and adequate internal controls are in place over the revolving fund, except relating to revolving fund monthly reconciliations.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective actions.

Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head

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

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



By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury
District Attorney's Office

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Executive Summary

Overview

The Riverside County Office of County Counsel is a full-service law office that handles civil matters for the County of Riverside. Office attorneys provide advisory and litigation support on issues of vital concern to the County and its residents such as health care, public safety, child welfare, land development, environmental protection, public finance, taxation, and elections.

The office's primary clients are the Board of Supervisors and County agencies, departments, commissions and officers. Under certain circumstances, legal services may be provided to other public entities within the County, including special and school districts. The office does not provide legal services to private citizens.

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 of department head.

Audit Conclusion

Based upon the results of our audit, we determined that the capital assets were transferred to the new County Counsel in a timely manner and adequate internal controls are in place over the revolving fund, except relating to revolving fund monthly reconciliations.

After fieldwork was completed, a new revolving fund custodian was assigned. We verified the appropriate form was completed and properly filed for the change of custodian.

Revolving Fund

Background

Under the authority of Government Code Section 29320-29334, the Board of Supervisors adopted Board Resolution number 74-156 on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The Board of Supervisors adopted Board Resolution 83-338, authorizing the Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

The Office of County Counsel has one revolving fund for \$10,000, maintained in a checking account. The fund was used to pay for miscellaneous expenses, such as, court documents, court transfers, and expert witness fees.

The Office of County Counsel has an established process in place for the use of the revolving fund. We physically observed the checkbook was kept inside a locked drawer and access was limited to the checkbook custodian. The department performs bank reconciliations on a monthly basis.

There were no revolving fund replenishment transactions during the audit period. However, we reviewed the supporting documentation of four revolving fund transactions totaling \$909 of \$1,780 (or 51% of total outstanding reimbursements as of October 31, 2014), and determined these transactions were for official County business.

After fieldwork was completed, the revolving fund custodian was changed. We reviewed the latest copy of the Revolving Fund Request Order and Change Form (Standard Practice Manual Form AR-1) dated November 19, 2014, and determined that the revolving fund was transferred to the new custodian in a timely manner.

Objective

To determine if the required revolving fund accountability transfer forms from the predecessor to the new appointed department head were completed and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving fund.

Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Interviewed key personnel on department procedures over the revolving fund.

Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head

- Reviewed Revolving Fund Request Order & Change Form (Standard Practice Manual Form AR-1) for the increase in amount, from \$5,000 to \$10,000.
- Reviewed Revolving Fund Request Order & Change Form (Standard Practice Manual Form AR-1) for the change of custodian from Administrative Services Manager to Administrative Assistant.
- Verified revolving fund bank reconciliations were prepared.
- Verified adequate segregation of duties existed.

Finding 1: Revolving Fund Reconciliations

Based on our review of the July through September 2014 monthly revolving fund reconciliations, we noted the following deficiencies in the reconciliation process:

- (a) The department reconciled the authorized revolving fund amount to the beginning bank statement balance, instead of the month-end balance. We were informed, and verified these were isolated cases, and the ending balance was properly used for the next reconciliation prepared for October 2014.
- (b) Adequate detail was not provided for the reconciliations prepared. For instance, a \$90.58 fee on the bank statement was not included in the department's checkbook, nor was it identified as a reconciling item. Furthermore, outstanding checks did not have dates to indicate the length of time they were outstanding, and overages ranging from \$110.45 to \$602.42 were included on each of the July through September 2014 reconciliations prepared. The department researched and identified additional outstanding checks, the \$90.58 fee and reduced the overage to \$3.67 on the reconciliation prepared for October 2014.
- (c) Although the department reconciled the bank statement to the authorized balance, a reconciliation to its checkbook balance was not prepared. Each reconciliation has a control purpose; the first to identify outstanding transactions that need to flow into the General Ledger to maintain the authorized balance; the second, to identify differences including errors and/or irregularities between the bank and the checkbook and resolve in a timely basis. During our audit, we provided written procedures on both reconciliation processes for guidance.

Recommendation 1.1

Ensure the ending bank statement balance is used for monthly revolving fund reconciliation purposes.

Internal Audit Report 2015-023: Riverside County Office of County Counsel, Change of Department Head

Management's Response

"Concur."

Actual/estimated Date of Corrective Action: **The action was corrected as stated in Finding 1, in the reconciliation prepared for October 2014. We will insure revolving fund reconciliations are completed on a monthly basis.**

Recommendation 1.2

Monitor monthly revolving fund reconciliations to ensure adequate detail exists to clearly identify all reconciliation differences and timely resolution.

Management's Response

"Concur."

Actual/estimated Date of Corrective Action: **2/25/2015**

Recommendation 1.3

Reconcile the revolving fund checkbook monthly to the bank statement and the authorized balance.

Management's Response

"Concur."

Actual/estimated Date of Corrective Action: **2/25/2015; when current statement is received.**

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 (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's 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 Riverside County Auditor-Controller's Office.

As of July 29, 2014 (the time the new County Counsel took office, and acknowledged receipt of capital assets from the outgoing officer), the Riverside County Office of County Counsel maintained eight capital assets in the PeopleSoft Asset Module, consisting of a laptop, printers, and copiers, with the combined acquisition cost of \$59,820. There were no additions, deletions, or other changes/corrections to the capital asset inventory during the audit period.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was completed and properly filed with the Riverside County Auditor-Controller's Office.

Audit Methodology

To accomplish our objectives, we:

- Obtained an understanding of board policies, and applicable standards.
- Established the date of the department head change.
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.

Results

Based upon the results of our testing, we verified Standard Practice Manual Form AM-1 was completed and properly filed with the Riverside County Auditor-Controller's Office on August 7, 2014.