

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

705



FROM: Auditor-Controller

SUBMITTAL DATE:
March 26, 2015

SUBJECT: Internal Audit Report 2014-019: Riverside County Office on Aging, Change of Department Head, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-019: Riverside County Office on Aging, Change of Department Head

BACKGROUND:

Summary

We have completed an audit of the Riverside County Office on Aging. 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 of December 27, 2012 through March 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 4/20/15*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-4

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we determined the capital assets and revolving fund were transferred to the new Riverside County Office on Aging Director in a timely manner. However, management's internal controls over the revolving fund do not provide reasonable assurance the revolving fund monies are adequately safeguarded.

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 2014-019: Riverside County Office on Aging, Change of Department Head



**COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER**

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**ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER**

March 26, 2015

Michele Haddock, Director
Riverside County Office on Aging
6296 River Crest Drive, Suite K
Riverside, CA 92507-0738

**Subject: Internal Audit Report 2014-019: Riverside County Office on Aging, Change of
Department Head**

Dear Ms. Haddock,

We have completed an audit of the Riverside County Office on Aging. 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. We performed the audit for operations for the period December 27, 2012 through March 30, 2014.

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 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 operational efficiency, compliance with laws and regulations, reliability of financial and non-financial information, and to safeguard county assets. 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 Riverside County Office on Aging Director in a timely manner. However, management's internal controls over the revolving fund do not provide reasonable assurance the revolving fund monies are adequately safeguarded.

Internal Audit Report 2014-019: Riverside County Office on Aging, Change of Department Head

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.

We thank the Office on Aging 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



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

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

Riverside County Office on Aging (Office on Aging) provides leadership in developing a system of care services for older persons and adults with disabilities in Riverside County. The department's vision is to hope for today with expanded possibilities and choices for tomorrow. Their core value is the right to age with dignity. The Office on Aging's purpose is to enhance the quality of life across generations through innovation and partnerships. The department promises to listen with respect, to foster trust, and to serve with compassion and commitment in a timely manner.

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 Riverside County Office on Aging Director in a timely manner. However, Management's internal controls over the revolving fund do not provide reasonable assurance the revolving fund monies are adequately safeguarded.

Revolving Fund

Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board Resolution 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 Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

The Office on Aging has one revolving fund, #54 for \$5,600. Of the \$5,600 in revolving funds, the department maintains \$5,000 in a checking account and \$600 as petty cash. The petty cash is currently split between 2 department locations; \$575 is located at the main office and \$25 is at the Blythe satellite location. The funds can be used to pay for reimbursement for travel expenses, training classes, office supplies and other department and program business purposes 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 Office on Aging has an established process in place for the use of revolving funds. Access to the revolving fund (petty cash) is limited to the fund custodian and one back-up individual. We physically observed the petty cash is kept in a locked box in a locked safe at all times and access is limited to the two individuals who have access to the locked safe. A sample of revolving fund replenishment transactions and the supporting documentation were reviewed to ensure the transactions were for official County business use. Best business practices would require the fund custodian perform cash counts and reconciliations on a monthly basis.

Based upon the results of our review, we determined that the appropriate forms were completed and properly filed for the transfer of the revolving funds. However, management's internal controls over the revolving fund do not provide reasonable assurance the revolving fund monies are adequately safeguarded.

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. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish our objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual Form AR-1, *Revolving Fund Request Order & Change Form* for the establishment and transfer of the revolving funds.
- Reviewed Riverside County Auditor-Controller Standard Practice Manual 104, *Internal Control* which defines internal controls and requires the establishment and maintenance of an effective system of internal controls.
- Gained an understanding of the procedures over the revolving fund through interviews with key Office on Aging personnel.
- Verified revolving fund reconciliations are performed.
- Reviewed the supporting documentation for a sample of transactions that were replenished.
- Verified adequate segregation of duties exists.

Finding 1: Reconciliation of Revolving Fund

The revolving fund was not reconciled on a monthly basis from January 2011 through November 2013. Further, the revolving fund had an accumulated fund shortage of \$738.76. This shortage went unnoticed as a result of the lack of revolving fund reconciliations. Office on Aging indicated the duties related to the revolving fund had been assigned to various individuals and documentation supporting reconciliations completed prior to November 2013 was not available. Standard Practice Manual 104 requires Riverside County departments to establish, document, and maintain an effective system of internal controls. This includes the need to review and reconcile routinely respective records such as revolving funds. Timely performance of cash reconciliation is a critical internal control to ensure errors or fraudulent activities do not go undetected.

Recommendation 1

Establish a documented monitoring process to ensure reconciliations are performed.

Management position concerning recommendation: Concur

Comments:

Office on Aging concurs and immediately took action effective November 2013 to document the monitoring process to ensure reconciliations are performed monthly by the Accounting Technician I and reviewed and approved by the Senior Accountant.

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In addition, Office on Aging obtained direction from the ACO General Accounting Division, Principal Accountant over Cash Management to submit SPM Form AR – 3 Cash Overage/Shortage Daily Report and SPM Form AR – 4 Cash Overage/Shortage Monthly Report for Department Heads to report the shortage, which is mainly an accumulation of bank monthly service fees for the period of January 2011 – June 2013. The forms were submitted to the ACO on May 7, 2014.

Actual/estimated Date of Corrective Action: Immediately – November 2013

Estimated cost to implement recommendation: \$0

Finding 2: Excessive Revolving Fund Amount

Current business needs indicate a smaller revolving fund balance is needed by Office on Aging. For the two year audit period under review, December 1, 2012 through March 15, 2014, the monthly replenishment average was \$955 while the single highest replenishment amount was \$2,410.44. Based on the average monthly usage, Office on Aging has a need for a revolving fund of \$3,600 versus the \$5,600 currently authorized. Maintaining unnecessary money in a non-interest bearing account outside of the Treasury reduces interest earning potential countywide and increases the risk for unauthorized purchases or theft.

Recommendation 2

Prepare SPM Form AR-1, Revolving Fund Request Order and Change Form, to reduce the revolving fund to \$3,600.

Management position concerning recommendation: Concur

Comments:

Office on Aging completed an analysis of the revolving fund usage and determined a reduction to \$3,600 would be suitable and will submit SPM Form AR – 1 Revolving Fund Request Order and Change Form to reduce the amount by October 31, 2014.

Estimated cost to implement recommendation: \$0

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 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.

As of December 27, 2012, the time the new director was appointed and acknowledged receipt of capital assets from the outgoing officer, the Office on Aging maintained 14 capital assets in the Riverside County financial system asset module consisting of computer servers, equipment, vehicles, buildings, and structures, with the combined acquisition cost of \$242,503.

Audit 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:

- Established the date of the department head change (December 27, 2012).
- 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.
- Reviewed all documentation related to any disposals during the period under audit.

Results

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capitalized assets.