

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

334



FROM: Auditor-Controller

SUBMITTAL DATE:
October 22, 2013

SUBJECT: County of Riverside Auditor-Controller's Office – Internal Audit Report 2013-019: Probation Department, Change of Department Head [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2013-019: Probation Department, Change of Department Head.

BACKGROUND:

Summary

We have completed a Change of Department Head audit of the Probation Department. This audit is conducted to ensure compliance with the Auditor-Controller's Standard Practice Manual (SPM) 912 and the 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. The audit covered the period of May 7, 2013 through July 25, 2013.

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new Chief Probation Officer in a timely manner. However, we have identified opportunities for improvement over the revolving funds.

Paul Angulo

Paul Angulo, CPA, 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:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Tavaglione and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Stone and Ashley
Nays: None
Absent: Benoit
Date: November 5, 2013
xc: Auditor, Probation

Kecia Harper-Ihem
Clerk of the Board

By: *Kecia Harper-Ihem*
Deputy

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

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-8

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office – Internal Audit Report 2013-019 Probation
Department, Change of Department Head

DATE: October 22, 2013

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

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 Auditor-Controller Internal Audit Report 2013-019: Probation Department, Change of Department Head

Change of Department Head Audit: Probation Department

Transfer of Capital Assets and Revolving Fund
Accountability

Audit 2013-019

Report Date: September 24, 2013

INTERNAL AUDIT REPORT 2013-019

**Office of Paul Angulo, CPA, MA
County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92502
(951) 955-3800**

September 24, 2013



**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, MA
AUDITOR-CONTROLLER**

September 24, 2013

Mark A. Hake
Chief Probation Officer
3960 Orange Street, Suite 600
Riverside, CA 92501

Subject: Draft Internal Audit Report 2013-019: Probation Department, Change of Department Head

Dear Mr. Hake:

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. This audit is conducted to ensure compliance with the Auditor-Controller's Standard Practice Manual (SPM) 912 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. The audit covered the period of May 7, 2013 through July 25, 2013.

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 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, 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 the results of our audit, we determined the capital assets and revolving funds were transferred to the new Chief Probation Officer in a timely manner. However, we have identified opportunities for improvement over the revolving funds.

Change of Department Head Audit: Probation

Audit 2013-019, Dated 9/24/13

We thank the management and staff of the Probation Department for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller

A handwritten signature in black ink that reads "Marla L. Pendleton, CPA." The signature is written in a cursive style.

By: Marla L. Pendleton, CPA
Interim Chief Internal Auditor

cc: Elizabeth Olson, Executive Office

Executive Summary

Overview

The Probation Department's Mission is serving courts, protecting our community, and changing lives which they plan to accomplish by providing client services, developing new programs to address changing needs, working collaboratively with other agencies to assess and maximize resources to address community needs, and being actively committed to public safety. The department's core values are: accountability, commitment, compassion, positive image, integrity, creativity, honesty, excellence, respect, and ethics. They recognize the value of a qualified, professional, high energy and diverse workforce and building an organization that reflects the progressive community they serve.

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 funds were transferred to the new Chief Probation Officer in a timely manner. However, we have identified opportunities for improvement over the revolving funds.

Capital Assets

Background

The Auditor-Controller's Standard Practice Manual (SPM) 913, *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure (or, long-lived assets), buildings and improvements, equipment, livestock, and intangible assets.

Capital assets include real property such as building (structures), land, and land improvements, regardless of value, as well as vehicles, machineries, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 912, *Transfer of Accountability on Capital Assets*, requires that 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.

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the department. Department management also have roles related to capital assets, including following the proper procedures when purchasing capital assets and annually verifying that all assets assigned to their locations are properly recorded in the PeopleSoft Financial System Asset Management Module.

The Probation Department's capital assets consist of vehicles, copiers, servers, and other miscellaneous equipment. Capital assets are located throughout their eighteen office locations. Currently, the department manages 140 capital assets worth \$2,005,995.

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; and
- √ identified and verified existence of capital assets that were transferred to the new department head.

Results

At the time the new Chief Probation Officer took office on April 25, 2013, the department had a total of 141 capitalized assets with a recorded cost of \$2,015,641. During the period between the appointment of the Interim Chief Probation Officer and the time the new Chief Probation Officer took office (December 26, 2012 through April 24, 2013), the department had several additions and deletions to the capital asset inventory. SPM Form AM-1, *The Inventory of County Property for Capital Assets*, was completed and submitted to the Auditor-Controller's Office on December 27, 2012.

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

Revolving Funds

Background

Revolving Funds are established by the County department under the custodianship of a County officer for the use of official County business. The Probation Department has one revolving fund, #37 for \$10,000. The department maintains \$5,850 in checking accounts and \$4,150 as petty cash funds. The funds can be used to pay for reimbursement for travel expenses, training classes, and office supplies, 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 department has a system in place for review, reconciliation, and replenishment of the Revolving Fund on a consistent basis.

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 and assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish our objectives, we:

- ✓ reviewed Revolving Fund Request Order & Change Form (SPM Form AR-1) for the establishment and transfer of the revolving fund;
- ✓ 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 for a sample of transactions that were replenished; and
- ✓ verified adequate segregation of duties exists.

Finding 1

During review of revolving fund transactions we noted several transactions that did not have a Revolving Fund Advance Request SPM Form AR-2 completed as required by Department policy. The forms were not used as the department saw it easier to indicate approval on the actual receipts or supporting documentation. However, having a formal request form provides for a better audit trail. By not completing the required Revolving Fund Advance Request Form AR-2 disbursements could be made without proper authorization.

Recommendation 1

Document each revolving fund transaction utilizing the "Revolving Fund Advance Request," SPM Form AR-2, or a similar form.

Management Response

"Concur. All Revolving Fund transactions within the Probation Department are pre-approved by a manager/fund custodian. Historically, the form of pre-approval has been via email, signature on the actual document authorizing the use of revolving funds, verbal authorization, and/or utilizing the department internal Purchase Authorization Form (PAF). At the request of the Auditor's Office, the Probation Department has amended the Revolving Fund procedures to include the use of the department's Purchase Authorization Form (PAF) as an alternate form to Auditor Controller's Officer Form AR-2. The PAF will further strengthen the Probation Department's internal pre-approval controls and ensure proper pre-authorization has been given for all revolving fund transactions."

Actual/estimated Date of Corrective Action: October 2013

Finding 2

Revolving Fund bank reconciliations were not adequately prepared or reviewed. One out of three monthly bank reconciliations audited was not prepared or reviewed in a timely manner and did not add accurately or reconcile to the impress balance. We also noted two reimbursement vouchers (total \$516) that were issued in March 2013 but were not deposited into the bank until May 2013.

Recommendation 2.1

Accurately prepare bank reconciliations timely with someone other than the preparer reviewing. The Department has already begun implementing procedures to correct this issue by developing a template for monthly bank reconciliation.

Management Response

“Concur. As stated, the Probation Department has already implemented a revised monthly bank reconciliation checklist to facilitate the process of bank reconciliations being completed and submitted to Fiscal Services Division within an appropriate timeframe.”

Actual/estimated Date of Corrective Action: October 2013

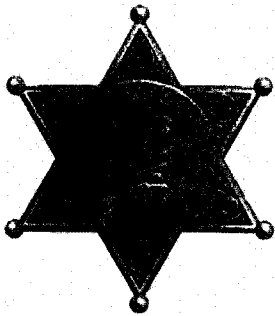
Recommendation 2.2

Deposit reimbursements into the bank revolving fund account promptly after being received.

Management Response

“Concur. As previously stated, the Probation Department has already implemented a monthly bank reconciliation checklist that will help in identifying minor instances where deposits of revolving fund reimbursements are not performed in a timely manner. The department has amended the Revolving Fund procedures to implement the requirement of depositing any reimbursements into the bank revolving fund account promptly after being received.”

Actual/estimated Date of Corrective Action: October 2013



MEMORANDUM

RIVERSIDE COUNTY PROBATION DEPARTMENT

MARK A. HAKE
CHIEF PROBATION OFFICER

TO: Paul Angulo, CPA, MA
County Auditor-Controller


FROM: Mark A. Hake, Chief Probation Officer
Probation Department

DATE: October 15, 2013

RE: Internal Audit Report 2013-019 – Riverside County Probation Department

As requested, attached is the Riverside County Probation Department response to the Internal Audit 2013-019, dated September 24, 2013, including corrective actions stated in the management reply.

Please feel free to contact Douglas Moreno, Chief Deputy Probation Administrator at micro 5-3486 if there are any questions or if additional information is required.



Mark A. Hake
Chief Probation Officer

Cc: Rosario R. Rull, Assistant Chief Probation Officer
Douglas Moreno, Chief Deputy Probation Administrator
Elizabeth J. Olson, County Executive Office
Marla L. Pendleton, Office of the Auditor-Controller

Riverside County Probation Department
Response to Internal Audit Report 2013-019

Recommendation 1:

Document each revolving fund transaction utilizing the "Revolving Fund Advance Request," SPM Form AR-2, or a similar form.

Management position concerning the recommendation: Concur

Comments:

All Revolving Fund transactions within the Probation Department are pre-approved by a manager/fund custodian. Historically, the form of pre-approval has been via e mail, signature on the actual document authorizing the use of revolving funds, verbal authorization, and/or utilizing the department internal Purchase Authorization Form (PAF). At the request of the Auditor's Office, the Probation Department has amended the Revolving Fund procedures to include the use of the department's Purchase Authorization Form (PAF) as an alternate form to Auditor Controller's Officer Form AR-2. The PAF will further strengthen the Probation Department's internal pre-approval controls and ensure proper pre-authorization has been given for all revolving fund transactions.

Actual/estimated Date of Corrective Action: October 2013

Estimated cost to implement recommendation (if material):\$0.00

Recommendation 2.1:

Accurately prepare bank reconciliations timely with someone other than the preparer reviewing. The Department has already begun implementing procedures to correct this issue by developing a revised template for monthly bank reconciliation.

Management position concerning the recommendation: Concur

Comments:

As stated, the Probation Department has already implemented a revised monthly bank reconciliation checklist to facilitate the process of bank reconciliations being completed and submitted to Fiscal Services Division within an appropriate timeframe.

Actual/estimated Date of Corrective Action: October 2013

Estimated cost to implement recommendation (if material):\$0.00

Recommendation 2.2:

Deposit reimbursements into the bank revolving fund account promptly after being received.

Management position concerning the recommendation: Concur

Comments:

As previously stated, the Probation Department has already implemented a monthly bank reconciliation checklist that will help in identifying minor instances where deposits of revolving fund reimbursements are not performed in a timely manner. The department has amended the Revolving Fund procedures to implement the requirement of depositing any reimbursements into the bank revolving fund account promptly after being received.

Actual/estimated Date of Corrective Action: October 2013

Estimated cost to implement recommendation (if material):\$0.00