

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

970



FROM: Auditor-Controller

SUBMITTAL DATE:
June 18, 2014

SUBJECT: Internal Audit Report 2014-013: Riverside County Department of Child Support Services, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-013: Riverside County Department of Child Support Services

BACKGROUND:

Summary

We have completed an audit of Riverside County Department of Child Support Services. Our audit was limited to reviewing capital asset processes. We conducted the audit during the period September 26, 2013 through January 31, 2014, for operations of July 1, 2011, through February 4, 2014.

(Continued on page 2)

Paul Angulo

Paul Angulo, CPA, 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* 7/18/14
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Storie, Benoit and Ashley
Nays: None
Absent: None
Date: July 15, 2014
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board

By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District: ALL

Agenda Number:

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

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-013: Riverside
County Department of Child Support Services, [District: All]; [\$0]

DATE: June 18, 2014

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement in Child Support Services oversight of capital assets.

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 2014-013

Internal Audit Report 2014-013

**Riverside County Department of Child
Support Services**

Report Date: June 18, 2014



**Office of Paul Angulo, CPA, 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**

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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

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

June 18, 2014

John Replogle, Director
Riverside County Department of Child Support Services
2041 Iowa Avenue
Riverside, CA 92507

Subject: Internal Audit Report 2014-013: Riverside County Department of Child Support Services

Dear Mr. Replogle:

The Internal Audit Division of the Auditor-Controller's Office has completed an audit of the Riverside County Department of Child Support Services. The audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the department's capital asset processes. We conducted the audit during the period September 26, 2013 through January 31, 2014, for operations of July 1, 2011, through February 4, 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.

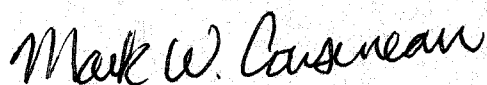
Based upon the results of our audit, we identified opportunities for improvement in Child Support Services oversight of capital assets.

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 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 2014-013: Riverside County Department of Child Support Services

We thank the Riverside County Department of Child Support Services management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller



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

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

The Riverside County Department of Child Support Services (Child Support Services) is responsible for assisting the public in applying for child support. Child Support Services has a mission to “enhance the well-being of children and the self-sufficiency of families by providing professional services to locate parents, establish paternity and establish/enforce orders for financial and medical support” in accordance with Federal and State guidelines. These tasks include but are not limited to locating parents, ensuring paternity and child support orders are established, collecting and processing payments and coordinating with other states to enforce support orders.

Child Support Services received funding of \$70,606,069 in Fiscal Years 2011-12 and 2012-13 from the State of California to provide professional services to residents of Riverside County. Five Federal performance measures must be met each year to ensure continued funding for the program.

Audit Objective

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

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement in Child Support Services oversight of capital assets.

Capital Assets

Background

The Auditor-Controller's Standard Practice Manual 913 *Capitalization Thresholds*, (SPM 913), 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 buildings, land, and land improvements, costing \$1 or more, as well as vehicles, machineries, and all equipment with a cost of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service.

SPM 913 requires all real property with a value of \$1 (one dollar) and all capital assets with a value of \$5,000 or more to be recorded in the PeopleSoft Asset Management Module (Asset Module). In addition, all entities are strongly encouraged to use the Asset Module to manage and maintain all non-capitalized assets. Auditor-Controller's Standard Practice Manual 903 *Capital Asset Tags*, (SPM 903), requires that capital assets be tagged or marked as County property. If the County property tag will not adhere to an item because of size, shape or use of the item, the department or agency should affix the assigned number in some other manner, i.e., engraving, inscribing, stenciling, etching, or painting the number on the item itself, or labeling the box in which it is kept. The number must be affixed in some way that will ensure identification for accountability. Auditor-Controller's Standard Practice Manual 922, *Asset Retirements*, (SPM 922), requires the Auditor-Controller's Asset Management Section be notified in writing, using Form AM-7, within 30 days of an asset retirement.

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the Department. The management for the department also has a role 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 Asset Module.

As of June 30, 2013, Child Support Services had a total of 62 capital assets listed in the Asset Module, consisting of computer servers, copiers, scanners, projectors, interview booths, etc. with a combined cost of \$661,340.

During our fieldwork we identified capital assets purchased during our audit period. We selected invoices which captured the purchases and met with Child Support Services personnel to confirm the existence of each item. There were 23 capital assets which included 1 conference table, 18 chairs, 2 scanners, and a filing system.

Audit Objective

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

Internal Audit Report 2014-013: Riverside County Department of Child Support Services

Audit Methodology

To accomplish our objective, we:

- Identified and reviewed departmental policies, government accounting standards for counties, Board Policies and Auditor-Controller's Standard practice Manuals.
- Conducted interviews and performed walk-throughs with Child Support Services personnel.
- Queried information using PeopleSoft Financials for existing capital assets and recorded retirement of assets.
- Communicated with Auditor-Controller's Office capital asset personnel and obtained background information on processes followed to classify, add and delete assets in the Asset Module.
- Reviewed expense accounts which are not normally used to record purchases of capital assets to verify if any expenses should have been capitalized.
- Physically verified a sample of capital and non-capital assets.
- Reviewed department documents submitted to the ACO ensuring capital assets were properly inventoried and certified.

Finding 1: Inadequate reporting of capital assets

Child Support Services did not delete two capital assets in a timely manner. We found a letter inserter and file server which were sent to County Purchasing on March 20, 2013 and October 11, 2006, respectively, but have not been removed from the Asset Module. Although a Surplus Property Transfer Form was completed for each of these assets the department did not complete the SPM 922 Form AM-7, Capital Asset Disposition as required. This occurred because Child Support Services did not have a process to ensure a Form AM-7 was prepared for each Property Transfer Form. SPM 922 states, "The Auditor-Controller (ACO) must be notified within 30 days of any asset retirement." As a result, the department's capital assets have been overstated.

Recommendation 1

Establish a procedure to ensure that a SPM Form AM-7 is prepared and submitted to the ACO for capital assets transferred to surplus in accordance with SPM 922.

Internal Audit Report 2014-013: Riverside County Department of Child Support Services

Management Response

“Concur. The department will create a separate asset disposal policy and procedure section pursuant to SPM 922 requiring completion and submission by DCSS supply services to the ACO of form AM-7 within 72 hours of preparation of a property transfer form.”

Actual/estimated Date of Correction Action: **6/24/14**

Finding 2: Unrecorded Capital Assets

During our review of Child Support Service’s expenses incurred from July 1, 2010 through June 30, 2012, we discovered one asset (filing system), with a total value of \$22,608, that was not capitalized. The Aurora file system was purchased in June 07, 2013 however, as of February 4, 2014, had not been entered into the Asset Module or tagged. We observed the file system was still in the original boxes. As a result, the capital assets held by Child Support Services and the County as a whole were understated and not identified in the Asset Module for accountability and control.

Recommendation 2.1

Ensure capital assets are entered into the Asset Module in a timely manner.

Management Response

“Concur. The department will require that capital assets be tracked by the DCSS supply services section to ensure set-up, and then process through the ACO a request for an asset tag as well as enter the item into the Asset Management Module within 30 days of receipt of the asset.”

Actual/estimated Date of Correction Action: **6/27/14**

Recommendation 2.2

Request an asset tag from the ACO in accordance with SPM 903.

Management Response

“Concur. Asset tags for all capital assets will be requested by supply services through the ACO and affixed by staff to the equipment within 30 days of receipt of the asset.”

Actual/estimated Date of Correction Action: **6/27/14**



County of Riverside
DEPARTMENT OF CHILD SUPPORT SERVICES



John Replogle, Director

2041 Iowa Avenue, Riverside, CA 92507

DATE: June 10, 2014
TO: Auditor-Controller's Office
Internal Audit Division
FROM: John Replogle, Director
Department of Child Support Services
SUBJECT: Reply to Draft Audit Report 2014-013

Recommendation 1:

Establish a procedure to ensure that a SPM Form Am-7 is prepared and submitted to the ACO for capital assets transferred to surplus in accordance with SPM 922.

Management position concerning the recommendation: Concur

Comments: The department will create a separate asset disposal policy and procedure section pursuant to SPM 922 requiring completion and submission by DCSS supply services to the ACO of form AM-7 within 72 hours of preparation of a property transfer form.

Actual/estimated Date of Corrective Action: 6/24/14

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

Recommendation 2.1:

Ensure Capital assets are entered into the Asset Module in a timely manner.

Management position concerning the recommendation: Concur

Comments: The department will require that capital assets be tracked by the DCSS supply services section to ensure set-up, and then process through the ACO a request for an asset tag as well as enter the item into the Asset Management Module within 30 days of receipt of the asset.

Actual/estimated Date of Corrective Action: 6/27/14

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

Recommendation 2.2:

Request an asset tag from the ACO in accordance with SPM 903.

Management position concerning the recommendation: Concur

Comments: Asset tags for all capital assets will be requested by supply services through the ACO and affixed by staff to the equipment within 30 days of receipt of the asset.

Actual/estimated Date of Corrective Action: 6/27/14

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