

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

128



FROM: Auditor-Controller

SUBMITTAL DATE:
August 27, 2015

SUBJECT: Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department [All Districts]:[\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department.

BACKGROUND:

Summary

We have completed a Countywide Revolving Fund audit which included Riverside County Sheriff's Department to provide the Board of Supervisors with an independent assessment of internal controls over revolving funds. The audit covered the period July 1, 2011 through June 30, 2015.

We found the Riverside County Sheriff's Department displays a strong interest to implement adequate internal controls over its revolving fund. However, based upon our audit, we identified opportunities for improvement in internal controls over the revolving fund. Specifically, the internal

(Continued on page 2)

Paul Angulo
Paul Angulo, CPA, CGMA, MA
Riverside 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 9/8/15*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Washington, Benoit and Ashley
Nays: None
Absent: Tavaglione
Date: September 15, 2015
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

2-3

Prev. Agn. Ref.:

District: ALL

Agenda Number:

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

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2014-002 Countywide Revolving Funds – Riverside County Sheriff's
Department [All Districts]: [\$0]

DATE: August 27, 2015

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

controls relating to bank deposits, accounts payable procedures, and revolving fund balance. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department

Internal Audit Report Audit 2014-002

**COUNTYWIDE REVOLVING FUNDS -
RIVERSIDE COUNTY
SHERIFF'S DEPARTMENT**

Report Date: August 27, 2015



**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

ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

August 27, 2015

Honorable Stanley Sniff, Sheriff
Riverside County Sheriff's Department
4095 Lemon Street
P.O. Box 512
Riverside, CA 92502

Subject: Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department

Dear Sheriff Sniff:

We have completed a countywide audit of the revolving fund process to provide management and the Board of Supervisors with an independent assessment of internal controls over the revolving fund process. The Riverside County Sheriff's Department was one of the county departments selected for this audit. The audit covered the period July 1, 2011 through June 30, 2015.

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 conclusions.

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.

We found the Riverside County Sheriff's Department displays a strong interest to implement adequate internal controls over its revolving fund. However, based upon our audit, we identified opportunities for improvement in internal controls over the revolving fund. Specifically, the internal controls relating to bank deposits, accounts payable procedures, and revolving fund balance. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported condition and recommendation contained in our report. Management's responses are included in the report.

We thank the Riverside County Sheriff's Department 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
District Attorney
Grand Jury

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Executive Summary

Overview

Pursuant to California Government Code Section 29321.1, the Board of Supervisors adopted Board Resolution 82-75 on January 12, 1982, authorizing the Auditor-Controller to perform the functions of the Board of Supervisors in establishing, increasing, reducing, or discontinuing revolving funds. California Government Code Section 29321 limits revolving funds to \$250,000.

As of June 30, 2015, there were 71 revolving funds totaling \$776,616 held by county departments, agencies, and service areas. Our audit scope included two revolving funds totaling \$90,000 held by the Riverside County Sheriff's Department (Sheriff) and covered the period of July 1, 2011 through June 30, 2015.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the Sheriff's internal controls over revolving fund processes.

Audit Conclusion

We found the Sheriff displays a strong interest to implement adequate internal controls over its revolving fund. However, based upon our audit, we identified opportunities for improvement in internal controls over the revolving fund. Specifically, the internal controls relating to bank deposits, accounts payable procedures, and revolving fund balance. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Revolving Funds

Background

Revolving funds are established by the Auditor-Controller's Office under the custodianship of a county officer for the use of official county business. The Sheriff was authorized the following two revolving funds:

Account	Name	Amount
41	Sheriff/Accounting and Finance	\$85,000
56	Sheriff/Corrections	<u>5,000</u>
Total		<u>\$90,000</u>

Sheriff's Accounting and Finance unit maintained account 41. Account 41 consisted of 46 petty cash subaccounts totaling \$11,600, 19 cash drawer subaccounts totaling \$4,475 and a checking account totaling \$68,925. Sheriff utilized the petty cash for time-sensitive needs requiring immediate payment and cash drawers provided change to customers throughout the County of Riverside. Sheriff utilizes the checking account to pay for travel advances and training expenses of Sheriff's personnel.

Sheriff's Corrections Division utilized revolving fund account 56 to pay trustees for work performed while in custody. Trustees are inmates who volunteer to be part of a work detail. Jail facilities forward the trustees' hours worked to the Sheriff's Corrections Division business office every Tuesday to enter into the Jail Information Management System (JIMS). Corrections Division maintains two bank accounts, one for the revolving fund and one for inmate welfare trust fund. Money is transferred from the revolving fund to the inmate welfare trust fund. Inmates use the money to purchase snacks, hygiene items, phone cards, writing material and for co-payments if they request medical non-emergency services. They also use money for medical visits, medications, jail stay fees, and restitution. Currency and coins are considered contraband in the detention facility; therefore, inmate accounts are credited for their trustee work. Inmates make purchases by completing commissary slips, which are located in the dayroom. Commissary slips are prepared and placed in a designated area and guards deliver the slips to commissary staff. Commissary staff charges the respective inmates accounts and deliver the items to them in the dayroom through the cell bars. Commissary staff reviews the inmates' wristbands to ensure they are delivered to the correct inmate. The wristbands include a picture of the inmate, their name, and booking number. Due to the transfer of inmates from state correction facilities to county correctional facilities, more serious crime inmates are housed in the Riverside County Correctional Facilities. Therefore, fewer inmates are eligible to be part of a work detail. This resulted in less fund transfers to the inmate welfare trust fund. As such, the Sheriff determined account 56 was no longer required and the account was terminated on May 29, 2015. The inmate welfare trust fund is now funded through the normal accounts payable process.

Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department

Riverside County Sheriff's Department Directive 13-032, *Sheriff's Travel Regulation*, was established to provide guidance on department travel and associated cost. Sheriff's Accounting and Finance unit utilizes a directive for administering transactions associated with revolving fund account 41, a checking account, and the Corrections Division utilized their written inmate processing procedures and inmate payroll procedures for administering their revolving fund account 56, an interest-bearing checking account.

Audit Objective

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

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of office personnel.
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Obtained and reviewed policy and procedures regarding revolving fund management.
- Verify safeguarding of cash.
- Performed testing to ensure internal controls were adequate over revolving funds.

Finding 1: Timely Deposits

The Sheriff did not deposit checks in a timely manner nor obtain a daily deposit exemption from the Auditor-Controller's Office. Auditor-Controller's Standard Practice Manual 303, *Receiving Payments Deposits of Monies and Applying Payments* (previously known as subsection 705), indicates, at the close of each business day, monies collected must be deposited in the Treasurer-Tax Collector, an authorized zero balance account, or secured per an authorized daily deposit exemption. Our review of 79 deposits between July 1, 2011 and June 30, 2013, disclosed 29 were not deposited in a timely manner. These late submissions averaged over three business days and resulted from the department holding checks until there were more than one rather than depositing checks when received. We expanded our review to include 19 deposits between July 1, 2013 and June 30, 2015, which disclosed seven deposits averaged over three business days. The percentage of cash receipts deposited within the required time-frame decreased from 68 percent to 63 percent between the two audit periods of deposits. Depositing checks in an untimely manner may result in lost interest and/or lost or stolen checks.

Management's Response

“Concur. Checks that come in during the end of the business day are placed in a safe and deposited the next business day. Also, if there is one deposit for that day, staff would place the check in the safe. The check would be taken to the bank the next business day. We have proper procedures in place for daily deposits and we strongly believe the department exhibits a strong commitment to internal controls and there has been no evidence of fraudulent activity.”

Actual/estimated Date of Corrective Action: **June 30, 2014**

Estimated cost to implement recommendation: \$0

Recommendation 1

Deposit checks on a daily basis or obtain an exemption from daily depositing from the Auditor-Controller's Office.

Management's Response

“Concur. Deposits are being made on a daily basis regardless of quantity or amounts.”

Actual/estimated Date of Corrective Action: **November 3, 2014**

Estimated cost to implement recommendation: \$0

Finding 2: Bypassing PeopleSoft Accounts Payable Procedures

Payments to vendors that should have been processed in the Riverside County's Financial System (Financial System) were paid by the revolving fund. Our review of 42 revolving fund payments to vendors from July 1, 2011 to June 30, 2013, disclosed 22 were for vendors with established vendor records in the Financial System. Management stated this resulted from vendors requiring payment to hold training slots and without immediate payment, employees could lose those training slots. However, employees were reported to hand-carry 11 of the 22 payments to the training class. As such, immediate payment was not required on at least 11 of the 22 payments. Management also stated this resulted from the amount of time required to obtain approvals for training. We expanded our review to include 24 revolving fund payments to vendors from July 1, 2013 to June 30, 2015, which included 13 vendors with established vendor records in the Financial System. The percentage of using the revolving fund to pay vendor with established vendor records increased from 52 percent to 54 percent between the two audit periods of revolving fund payments. Paying vendors with the revolving fund instead of processing payments through the financial system affects the processing and reporting of earned income to the Internal Revenue Service (IRS) via Internal Revenue Service Form 1099.

Management's Response

"Partially Concur. The Sheriff's Department is a 24/7 operation with over 4,100 employees. We do use the PeopleSoft Accounts Payable Module to pay established vendors for training. There are occasions when specialized training classes, for sworn officers, are booked at the last minute because another law enforcement agency may have cancelled their reservation. Also, prisoner extraditions occur at the last minute and a check must be cut immediately. The 11 of the 22 payments had to be hand carried. The checks would not have arrived through the mail prior to the training class. Most all training vendors require payment before the class start date. The additional 11 payments were due to delayed or last minute training orders from a station or bureau. There are times when last minute training opportunities become available and we need to seize the opportunity."

Actual/estimated Date of Corrective Action: **June 30, 2014**

Estimated cost to implement recommendation: **\$0**

Recommendation 2.1

Ensure all future training requests with county established vendors are processed through Riverside County's Financial System.

Management's Response

"Partially Concur. When reasonably possible the department will process training requests, with County established vendors, through the PeopleSoft Accounts Payable Module. Revolving fund checks will still be necessary due to prisoner extraditions, last minute class openings or unforeseen circumstances. In order to establish a Vendor as a County Vendor the process takes 1-2 weeks and most all training vendors require payment before the class start date."

Actual/estimated Date of Corrective Action: **June 30, 2014**

Estimated cost to implement recommendation: **\$0**

Recommendation 2.2

Streamline the approval process of training to ensure that training payments can be processed in the Financial System.

Management's Response

"Partially Concur. Training must be approved by a station or bureau Commander and Chief Deputy. The approvals could be delayed due to unexpected call outs, unforeseen emergencies,

Internal Audit Report 2014-002: Countywide Revolving Funds – Riverside County Sheriff's Department

vacations, etc. When reasonably possible the department will process training requests, with County established vendors, through the PeopleSoft Accounts Payable Module. Revolving fund checks will still be necessary due to prisoner extraditions, last minute class openings or unforeseen circumstances. In order to establish a Vendor as a County Vendor the process takes 1-2 weeks and most all training vendors require payment before the class start date.”

Actual/estimated Date of Corrective Action: **June 30, 2014**

Estimated cost to implement recommendation: **\$0**

Auditor's Comments

The Sheriff's response does not address the use of a county procurement card. The use of the county procurement card along with proper usage of the Riverside County's Financial System (Financial System) could offset most of the training cost of new personnel. The Sheriff mentions their approval system, unexpected call outs, unforeseen emergencies, vacations taken by staff, and time required to establish a new vendor as reasons why the Financial System is not used. However, with proper forecasting of required training, most training cost could be processed through the Financial System and many of the remaining training cost by a county procurement card.

Finding 3: Revolving Fund Balance

Current business needs indicate a smaller revolving fund balance for revolving fund account 41. The revolving fund consists of \$11,600 in petty cash subaccounts, \$4,475 in cash drawer subaccounts and \$68,925 in a checking account, for a total of \$85,000. We analyzed all checks written from July 1, 2011 to June 30, 2015 and calculated an average of \$31,787 expensed from the account per month with the highest dollar amount spent for one month of \$56,305. The checking account could be safely reduced to \$58,925. As such, the revolving fund could safely operate with a balance of \$75,000. Storing more cash than is necessary in a revolving fund account ties up money that can be used elsewhere.

Management's Response

“Do not Concur. The Sheriff Department does not concur with this finding. The Sheriff's Department is a 24/7 operation with over 4,100 employees. During the audit period, of June 2011- July 2013, the funds lowest daily cash balance was \$760. Also, the Sheriff Department is in the mist of hiring for the East County Detention Center. The Department is anticipated to fill 406 additional positions over the next few years. The new employees will require training.”

Actual/estimated Date of Corrective Action: **Not provided.**

Estimated cost to implement recommendation: **\$0**

Recommendation 3

Address the total revolving fund balance required to support their travel advances and training courses cost for revolving fund account 41. The review of revolving fund account 41 authorized balance should consider that correcting findings 1 and 3 could reduce the amount required to support training and travel programs. The review should also consider whether travel advances and/or training cost could be eliminated by use of a county-issued procurement card.

Management's Response

"Do Not Concur. The Sheriff Department will continue to monitor the cash balance for the revolving fund. The audit results demonstrate that internal controls over the revolving fund are working well, but minor improvements are required in some areas. An action plan has been developed to strengthen the few areas that need improvement. We feel the revolving fund balance is appropriate for an agency our size."

Actual/estimated Date of Corrective Action: **Not provided.**

Estimated cost to implement recommendation: **\$0**

Auditor's Comments

The Sheriff response does state the lowest daily cash balance for the revolving fund was \$760. However, from July 1, 2011 through June 30, 2015, the utmost expenditures spent for one month was \$56,305 and no other month spent over \$50,000. The revolving fund checking account authorized balance is \$68,925 or \$12,620 greater than the utmost expenditures in one month during the four year period. Therefore, by properly processing revolving fund replenishment requests along with properly utilizing the Financial System and/or the use of a county procurement card to pay vendors, the revolving fund could safely operate with possibly less than the reduction we are recommending. Another cash saving step could be evaluating whether cash advances given to staff could be reduced.

**Riverside County Board of Supervisors
Request to Speak**

Submit request to Clerk of Board (right of podium),
Speakers are entitled to three (3) minutes, subject
to Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: Holmstrom, Britt

Address: Mead Valley
(only if follow-up mail response requested)

City: _____ **Zip:** _____

Phone #: _____

Date: _____ **Agenda #** 2-3

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:
 Support **Oppose** **Neutral**

Note: If you are here for an agenda item that is filed
for "Appeal", please state separately your position on
the appeal below:

_____ **Support** _____ **Oppose** _____ **Neutral**

I give my 3 minutes to: _____

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. **Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.**

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chairman:

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.