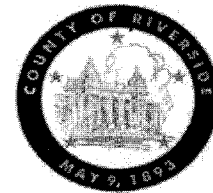


**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



2735

SUBMITTAL DATE:
October 18, 2016

FROM : AUDITOR CONTROLLER:

SUBJECT: Internal Audit Report 2016-027: 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 2016-027: Riverside County Office on Aging,
Change of Department Head

Consent

Paul Angulo
Paul Angulo, Director of Auditor Controller 10/19/2016

BACKGROUND:

Summary

We have completed an audit of Riverside County Office on Aging, Change of Department Head 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 audit was conducted to ensure accountability over the transfer of capital assets and revolving funds from the predecessor to the newly appointed department head.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: n/a			Budget Adjustment:	No
			For Fiscal Year:	n/a

C.E.O. RECOMMENDATION: APPROVE

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Washington and Ashley
Nays: None
Absent: Benoit
Date: November 1, 2016
xc: Auditor

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

2-8

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

BACKGROUND:

Summary (continued)

The audit covered the period January 7 through May 31, 2016. Based upon the results of our audit, we determined capital assets and revolving funds were transferred to the new director of Riverside County Office on Aging in a timely manner. However, we identified opportunities for improvement of internal controls relating to revolving funds.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not Applicable

ATTACHMENT A.

Riverside County Auditor-Controller's Office - Internal Audit Report 2016-027: 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, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

September 7, 2016

Anna Martinez, Director
Riverside County Office on Aging
6996 River Crest Drive, Suite K
Riverside, CA 92507-0738

Subject: Internal Audit Report 2016-027: Riverside County Office on Aging, Change of Department Head

Dear Ms. Martinez:

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 revolving funds and capital assets from the predecessor to the newly appointed department head. The audit covered the period of January 7 through May 31, 2016.

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 capital assets and revolving funds were transferred to the new director of Riverside County Office of Aging in a timely manner. However, we identified opportunities for improvement of internal controls relating to revolving funds.

Internal Audit Report 2016-027: 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 the reported conditions and recommendations contained in our report. Management's responses are included in the report. We will follow up to verify management implemented corrective actions.

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

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



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

cc: Board of Supervisors
Executive Office
Grand Jury

Table of Contents

	Page
Executive Summary	4
 Audit Results:	
Revolving Funds	5
Capital Assets	9

Executive Summary

Overview

Riverside County Office on Aging (Office on Aging) serves to promote and support a life of dignity, well-being and independence for older adults and persons with disabilities. The Office on Aging's core value is every person has "*the right to age with dignity.*"

The Office on Aging is located within the city boundary of Riverside (West County Office), with satellite offices in Coachella Valley (La Quinta Office) and Hemet (Hemet Senior Service Center). The Office on Aging is funded by public and private funds from federal, state, county, and local sources, including voluntary contributions.

The outgoing Director for Riverside County Office on Aging separated on December 28, 2015 and the new Director was appointed on January 7, 2016.

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 revolving funds and capital assets when there is a change in department head.

Audit Conclusion

Based upon the results of our audit, we determined capital assets and revolving funds were transferred to the new director of Riverside County Office of Aging in a timely manner. However, we identified opportunities for improvement of internal controls relating to revolving funds.

Revolving Funds

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 a revolving fund with an authorized amount of \$5,600. Of the \$5,600, the department maintains \$5,000 in a checking account and \$600 as petty cash. The petty cash is currently split between two department locations - \$575 is assigned at the main office and \$25 at its 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, refreshments for meetings and any incidentals.

The Office on Aging has an established process in place for the use of revolving funds. Access to petty cash and checkbook is limited to the fund custodian and one back-up individual. We physically observed the petty cash and checkbook are kept in a locked safe and access is limited to the two individuals who have access to the locked safe. A sample of the revolving fund replenishment transactions and the supporting documentation were reviewed to ensure the transactions were for office county business use.

We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual Form AR-1; *Revolving Fund Request Order & Change Form* was completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving fund. However, we identified opportunities for improvement in internal controls relating to revolving fund reconciliations and segregation of duties.

Riverside County Auditor-Controller Revolving Fund Guidelines provided at the Monthly Accounting Meeting on September 15, 2011 requires monthly preparation of the checking account reconciliations by an independent person with no revolving fund duties, and initialed and dated by preparer and reviewer.

Riverside County Auditor-Controller Standard Practice Manual 605, *Reporting Cash Overages and Shortages* require department heads ensure that Standard Practice Manual Form AR-4, *Cash Overage/Shortage Monthly Report for Department Heads* is prepared on a monthly basis for all cash overages and shortages.

Riverside County Auditor-Controller Standard Practice Manual Number 1001 (formerly 104), *Internal Controls, Procedure B (Control Principles)*, states the following:

Internal Audit Report 2016-027: Riverside County Office on Aging, Change of Department Head

- Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or activity.
- Review and reconciliation: Records are routinely examined and reconciled to determine that transactions were properly processed.

Objective

To determine if the required form for the transfer of accountability of revolving funds from the predecessor to the new appointed department head was 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 funds.

Audit Methodology

To accomplish our objectives, we:

- Obtained the 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.
- Interviewed key personnel and reviewed department procedures for revolving funds.
- Verified revolving fund reconciliations were prepared.
- Performed a surprise cash count and reconciled to the fund assignment amount.
- Verified adequate segregation of duties existed.

Finding 1: Bank Reconciliations

The department did not perform bank reconciliations for the period January through April 2016. As a result, overages and shortages ranging from \$48 to \$160 were not reported to the Auditor-Controller's Office. This may be in part due to the fact that the department did not use the department's reconciliation form indicated in their Revolving Fund Procedures. Performance of monthly revolving fund reconciliation is a critical internal control to ensure errors or fraudulent activities do not go undetected.

Recommendation 1.1

Ensure monthly bank reconciliations are prepared, documented in a revolving fund form, signed and dated by the preparer and reviewer.

Management's Reponse:

"Concur. Office on Aging concurs and will ensure all existing and new fiscal staff adheres to the Revolving Fund Procedures for the preparation of the revolving fund reconciliations.

Internal Audit Report 2016-027: Riverside County Office on Aging, Change of Department Head

Revolving Fund Procedures will be introduced at Fiscal Team Meetings on an annual basis, or as needed.”

Actual/estimated Date of Corrective Action: Immediately.

Recommendation 1.2

Investigate reconciliation discrepancies immediately and report any overages or shortages to the Auditor Controller’s Office on a monthly basis.

Management’s Reponse:

“**Concur.** Office on Aging investigated the reconciliation discrepancy and reported an overage of \$68.76 on Standard Practice Manual (SPM) Form AR-4 to the Auditor-Controller’s Office on August 2, 2016. Any future overages or shortages will be reported on a monthly basis.”

Actual/estimated Date of Corrective Action: Immediately.

Finding 2: Petty Cash Reconciliations

The department performs monthly petty cash reconciliations, but the preparer and reviewer do not sign and date the reconciliations. The petty cash custodian indicated she had recently been assigned to handle revolving fund duties.

Recommendation 2

Ensure monthly petty cash reconciliations are signed and dated by the preparer and reviewer.

Management’s Reponse:

“**Concur.** Office on Aging concurs and will ensure monthly petty cash reconciliations are signed and dated by the Accountant II (Preparer) and the Senior Accountant (Reviewer) through a periodic cursory review conducted by the Deputy Director for Administration.”

Actual/estimated Date of Corrective Action: Immediately.

Finding 3: Segregation of Duties

There was no segregation of duties over the accounting and record keeping functions for the revolving fund. Our review disclosed the petty cash and checkbook custodian, prepares checks, deposits checks to the revolving fund bank account, and reconciles the petty cash fund. If one individual has responsibility for more than one of these duties, assets might be misappropriated and concealed without discovery during the normal course of business.

Recommendation 3

Ensure the person reconciling the revolving fund is independent of the cash handling and record keeping function of the fund.

Management's Reponse:

"Concur. Office on Aging concurs and has implemented a change over the accounting and record keeping functions for the revolving fund to ensure segregation of duties. Effective August 15, 2016, the Accountant I will be over the cash handling and record keeping function of the fund, with the Accountant II preparing the monthly reconciliation and the Senior Accountant will be the reviewer of the monthly reconciliation."

Actual/estimated Date of Corrective Action: August 15, 2016.

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, *Transfer of Accountability on Capital Assets*, 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 January 7, 2016, the time the new director was appointed/elected and acknowledged receipt of capital assets from the outgoing officer, the Riverside County Office on Aging maintained 13 capital assets in the Riverside County financial system asset module, consisting of vehicles and copiers, with the combined acquisition cost of \$185,886.

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 for the transfer of accountability of capital assets were completed and submitted to the Riverside County Auditor-Controller's Office.

Based upon the results of our testing, we verified Riverside County Auditor-Controller Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets* was completed and properly filed with the Riverside County Auditor-Controller's Office.