

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



ITEM  
2.4  
(ID # 3699)

MEETING DATE:

Tuesday, March 14, 2017

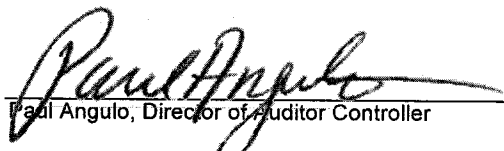
FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-310: Riverside County Sheriff's Department, Countywide Revolving Funds, Follow-up Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-310: Riverside County Sheriff's Department, Countywide Revolving Funds, Follow-up Audit.

ACTION: Consent

  
Paul Angulo, Director of Auditor Controller 3/2/2017

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MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Washington and Ashley  
Nays: None  
Absent: None  
Date: March 14, 2017  
xc: Auditor

Kecia Harper-Iham  
Clerk of the Board

By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS:</b> N/A			<b>Budget Adjustment:</b> No	
			<b>For Fiscal Year:</b> N/A	

**C.E.O. RECOMMENDATION:** [CEO use]

**BACKGROUND:**

**Summary**

We have completed the first follow-up audit of Riverside County Sheriff's Department, Countywide Revolving Funds. Our audit was limited to reviewing actions taken as of November 11, 2016, to correct the findings noted in our original audit report 2014-002 dated June 24, 2014.

The original audit report contained four recommendations all of which required implementation to correct the finding. Based on the results of our audit, we found that of the four recommendations:

- Three of the recommendations were implemented.
- One of the recommendations was not implemented.

For an understanding of the original audit, please refer to Internal Audit Report 2014-002 at [www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.aspx](http://www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.aspx).

**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 Internal Audit Report 2017-310:  
Riverside County Sheriff's Department, Countywide Revolving Funds, Follow-up Audit

**Internal Audit Report 2017-310**

**Riverside County Sheriff's Department,  
Countywide Revolving Funds, Follow-up  
Audit**

**Report Date: December 27, 2016**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

**[www.auditorcontroller.org](http://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  
Riverside County Auditor-Controller

Frankie Ezzat, MPA  
Assistant Auditor-Controller

December 27, 2016

Honorable Stanley Sniff  
Sheriff  
Riverside County Sheriff's Department  
4095 Lemon Street  
Riverside, CA 92502

**Subject: Internal Audit Report 2017-310: Riverside County Sheriff's Department,  
Countywide Revolving Funds, Follow-up Audit**

Dear Sheriff Sniff:

We have completed the first follow-up audit of Riverside County Sheriff's Department, Countywide Revolving Funds. Our audit was limited to reviewing actions taken as of November 11, 2016, to correct the findings noted in our original audit report 2014-002 dated June 24, 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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained four recommendations all of which required implementation to correct the finding. Based on the results of our audit, we found that of the four recommendations:

- Three of the recommendations were implemented.
- One of the recommendations was not implemented.

Details of the findings from the original audit report and the status of the implementation of the recommendations are provided in this report. For an understanding of the original audit, please refer to Internal Audit Report 2014-002 at [www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.aspx](http://www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.aspx).

**Internal Audit Report 2017-310: Riverside County Sheriff's Department, Countywide Revolving Funds, Follow-up Audit**

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Sheriff's Department. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

A handwritten signature in dark ink, appearing to read 'René Casillas', with a stylized flourish at the end.

By: René Casillas, CPA, CRMA  
Interim Chief Accountant

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## Revolving Fund

### Finding 1: Timely Deposit

The Riverside County Sheriff's Department (Sheriff's Department) 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.

### Recommendation 1

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

### Current Status: Implemented

The Sheriff's Department has fully implemented the recommendation to deposit checks on a daily basis. All checks that are received at the end of the business day are secured in a locked safe and deposited the next business day.

### 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

**Internal Audit Report 2017-310: Riverside County Sheriff's Department, Countywide Revolving Funds, Follow-up Audit**

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.

**Recommendation 2.1**

Ensure all future training requests with county established vendors are processed through the Financial System.

**Current Status: Implemented**

Procedures were developed requiring station level staff to properly check vendors before submitting training requests. Procedures also require station level staff to submit training requests 30 days prior to the training date. This 30 day requirement provides ample time for personnel to process established vendors through the Financial System.

**Recommendation 2.2**

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

**Current Status: Implemented**

Procedures were developed to properly forecast required training and the 30 day requirement mentioned in the current status of Recommendation 2.1 allows ample time to process training payments in the Financial System. If a request requires immediate payment, the request will be forwarded up the chain of command to be approved by executive staff.

**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.



**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.

**Current Status: Not Implemented**