

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



ITEM: 2.10
(ID # 12204)

MEETING DATE:
Tuesday, April 07, 2020

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2020-007: Riverside County
Department of Child Support Services, Change of Department Director Audit,
Districts: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

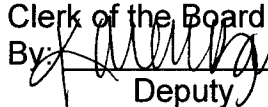
ACTION: Consent


Paul A. Angulo, County Auditor-Controller 3/20/2020

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: April 7, 2020
xc: Auditor

Kecia R. Harper
Clerk of the Board
By 
Deputy

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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Department of Child Support Services, Change of Department Director. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over accountability over the transfer of revolving funds and capital assets when there is a change in department director.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
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

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we determined:

- 1) Internal controls are not in place to ensure the safeguarding and timely transfer of the revolving funds to the newly appointed director.

- 2) Internal controls are not in place to ensure the safeguarding and timely transfer of capital assets

We will follow-up to determine if actions were taken to correct the findings noted.

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 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

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


Stephanie Pardo, Principal Management Analyst 3/31/2020

Internal Audit Report 2020-007

**Riverside County
Department of Child Support Services,
Change of Department Director Audit**

Report Date: March 12, 2020



**Office of Paul Angulo, CPA, MA
Riverside County 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, MA
Riverside County Auditor-Controller

Oscar Valdez
Assistant Auditor-Controller

March 12, 2020

Kimberly Britt
Director
Riverside County Department of Child Support Services
2041 Iowa Avenue
Riverside, CA 92507

Subject: Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

Dear Ms. Britt:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Department of Child Support Services (Director). This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

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:

- 1) Internal controls are not in place to ensure the safeguarding and timely transfer of the revolving funds to the newly appointed director. Specifically, the internal controls to ensure the safeguarding and transfer of revolving funds were not in place. Additionally, revolving fund reconciliations were not performed timely for the three out of the five months reviewed.
- 2) Internal controls are not in place to ensure the safeguarding and timely transfer of capital assets. Specifically, internal controls to ensure the transfer, disposal and tagging of capital

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assets are not in place. Two assets could not be located, four assets were not tagged and two assets were not surplus.

As requested, in accordance with paragraph III. C 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 to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

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Executive Summary

Overview

The Riverside County Department of Child Support Services (Child Support Services) is statutorily responsible for establishing paternity, as well as determining and enforcing child and spousal support obligations, including orders for medical support for the minor children. Federal and state laws govern the local agencies with oversight by the California Department of Child Support Services. Child Support Services has 299 authorized positions with a total budget of approximately \$42 million. *County of Riverside, Fiscal Year 2019/20 Adopted Budget, June 2019, 144.*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding 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:

- 1) Internal controls are not in place to ensure the safeguarding and timely transfer of the revolving funds to the newly appointed director. Specifically, the internal controls to secure the safeguard transfer of revolving funds were not in place. Additionally, reconciliations were not performed timely for the three out of the five months reviewed.
- 2) Internal controls are not in place to ensure the safeguarding and timely transfer of capital assets. Specifically, internal controls to ensure the transfer, disposal and tagging of capital assets are not in place. Two assets could not be located, four assets were not tagged, and two assets were not surplus.

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 Supervisor's adopted Board Resolution 83-338 on November 1, 1983, 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 Riverside County Department of Child Support Services has one revolving fund, with an authorized balance of \$15,000 maintained in the form of a bank account totaling \$14,150 and petty cash totaling \$850. The revolving fund is primarily used to pay interstate record lien fees, service fees, and release of judgment liens. However, petty cash has been used for conferences and supplies for events. Access to the revolving fund/petty cash is limited to the fund custodian and three back-up individuals. We physically observed the petty cash funds are kept in locked boxes in a safe with access limited.

Objective

Our objective is to determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department director were 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 these objectives, we:

- Reviewed 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 over the revolving funds
- Verified revolving fund reconciliations were prepared
- Performed cash counts and reconciled to the fund assignment amounts
- Verified adequate segregation of duties exists
- Reviewed supporting documentation for transactions

Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

Finding 1: Revolving Fund Transfer of Accountability

Child Support Services did not timely complete or file Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change*, when the new director was appointed. *Riverside County Board of Supervisors Board Resolution 74-156, Section 7*, states, "In the event that the officer having a revolving fund is succeeded by another person of whom a like fund is established, the fund may be transferred by said officer to his successor, if the successor consents upon taking the successor's receipts and filing the same with the Auditor-Controller." To ensure accountability for public funds, an SPM Form AR-1 should be completed and submitted to the Riverside County Auditor-Controller's Office as soon as the change occurs.

Recommendation 1

Ensure the SPM Form AR-1 requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, within 30 days after a change in department head.

Management's Response:

"Concur. Action has been corrected and AR-1 form submitted to the Riverside County Auditor-Controller's Office. This process will be updated and included to the department's desk aid for Fiscal forms that are prepared on a yearly basis but to include when change to Department personnel."

Actual/estimate Date of Corrective Action: November 4, 2019

Finding 2: Revolving Fund Reconciliations

The department did not perform revolving fund reconciliations in a timely manner for three of the five random months reviewed. When reconciliations were completed there was no date or signature provided by reviewer or approver. In addition, bank statement charges are not appropriately reflected on reconciliation form. The department's revolving fund desk aid procedures does not include steps on how to report interest accrued or fees that the bank charges. As such, none were included in the reconciliation. Standard Practice Manual 104, *Internal Controls*, states, "Review and reconciliations: Records are routinely examined and reconciled to determine that transactions were properly processed." Performance of monthly revolving fund reconciliation is a critical internal control to ensure errors or unauthorized activities do not go undetected.

Recommendation 2.1

Ensure monthly fund reconciliations are completed timely and preparation and review of reconciliations is evidenced with dates and signatures.

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Management's Response:

"Concur. Reconciliations preparations will be done within a 30-day timeframe from receiving monthly bank statements. Updating the reconciliation form to include date with signature from supervisor/management of approval for replenishment submission."

Actual/estimated Date of Corrective Action: February 10, 2020

Recommendation 2.2

Reconcile discrepancies immediately and report any overages or shortages to the Auditor Controller's Office on a monthly basis. In addition, ensure that reconciliations are accurately reporting any fees or interest.

Management's Response:

"Concur. With the yearly reporting spreadsheet of fees and interest the department will request reimbursement of fees on a monthly basis and no longer at a yearly request."

Actual/estimated Date of Corrective Action: February 10, 2020

Finding 3: Segregation of Duties

There is no segregation of duties over the accounting functions for the revolving fund. Our review disclosed the cash custodian, endorses checks, writes checks, has access to revolving fund bank account and approves vouchers. Standard Practice Manual 1001, *Internal Controls*, states, "Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or authority." Child Support Services did not have adequate segregation of duties for the custodian of the revolving fund. If one individual has responsibility for more than one of these duties, there is the risk for misappropriation, theft or loss of county funds.

Recommendation 3

Ensure the person reconciling the revolving fund is independent of the cash handling and record keeping function of the fund. Limit the access for individual who has access to many areas of the revolving fund in order to strengthen internal controls for separation of duties.

Management's Response:

"Concur. The department has begun to strengthen the internal controls for duties within the administration unit. One person for each step/level is to be taken and a supervisor to oversee this process."

Actual/estimated Date of Corrective Action: February 10, 2020

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 one dollar 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 515, *Transfer of Accountability on Capital Assets*, it states 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 Riverside County Auditor-Controller's Office.

As of September 27, 2018, Child Support Services maintained 30 capital assets in the Riverside County financial system asset management module consisting of servers, office workstations, and a projector with the combined acquisition cost of \$415,921.

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. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards
- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Obtained a listing of capital assets tracked in the Asset Management Module
- Selected a random sample and verified the existence of capital assets that were transferred to the new department head

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Finding 4: Capital Assets Transfer of Accountability

The newly appointed department head did not complete a transfer of accountability with signatures in a timely manner. The Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was submitted July 2019, eleven months after the departure of the outgoing officer without appropriate signatures. By not transferring capital assets to the incoming officer in a timely manner, the department did not comply with Standard Practice Manual 912, *Transfer of Capital Assets*, which required acknowledgement of capital assets from outgoing officer to the incoming officer.

Recommendation 4

Ensure the transfer of capital assets from outgoing officer to incoming officer occurs 30 days after a change in department head.

Management's Response:

"Concur. Is being added to the Departments Policy for future personnel change. This form is also updated as a Yearly Fiscal Form which was signed by the current Director on July 3rd, 2018."

Actual/estimated Date of Corrective Action: July 3, 2018

Auditor's Comment

The most recent Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was filed with the Auditor-Controller's Office on July 3, 2019, and has no signature from department director in the acknowledgement of receipt from incoming officer.

Finding 5: Capital Asset Oversight

Children Support Services is not properly tracking capital assets. Out of 10 capital assets tested, we identified the following:

- Two assets could not be located
- Four assets were not tagged
- Two assets were not surplus

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Capital assets were not properly tagged or tracked due to look of oversight in the department. When not accounted for or properly identified in the Riverside County financial system, an over or understatement of capital assets occurs.

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Recommendation 5.1

Ensure capital assets are properly tracked, tagged, and surplused in accordance with Standard Practice Manual 513, *Capital Asset Tags* and Standard Practice Manual 922, *Asset Retirements*.

Management's Response:

"Concur: Policy and Procedures are currently being updated to reflect and ensure that all assets are accounted and tagged properly."

Actual/estimated Date of Corrective Action: February 10, 2020

Recommendation 5.2

Develop a policy to ensure all capital assets purchased are placed into service and added to the asset management module of the financial system in a timely manner.

Management's Response:

"Concur: Policy and procedure has been updated to reflect and ensure that all areas are Meeting the County and State reporting."

Actual/estimated Date of Corrective Action: October 30, 2019