

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



**ITEM: 2.5  
(ID # 14087)**

**MEETING DATE:**  
Tuesday, December 15, 2020

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2021-207: Riverside County Office of the District Attorney, Follow-up Audit, All Districts. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2021-207: Riverside County Office of the District Attorney, Follow-up Audit

**ACTION:**Consent

  
Paul A. Angulo, County Auditor-Controller 12/7/2020

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Spiegel, seconded by Supervisor Jeffries 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: December 15, 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**

We completed a follow-up audit of Riverside County Office of the District Attorney. Our audit was limited to reviewing actions taken as of June 30, 2020 to correct findings noted in our original audit report 2015-028 dated January 29, 2016. The original audit report contained ten recommendations, eight of which required implementation to help correct the reported findings.

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

**BACKGROUND:**

**Summary (continued)**

Based on the results of our audit, we found that of the eight recommendations:

- Five of the recommendations were implemented.
- Three of the recommendations were partially implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2015-028 at

[www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports).

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENT A.**

Internal Audit Report 2021-207: Riverside County Office of the District Attorney, Follow-up Audit.

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



Stephanie Perez, Principal Management Analyst 12/8/2020

**Internal Audit Report 2021-207**

**Riverside County Office of the District Attorney  
Follow-Up Audit**

**Report Date: December 8, 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](http://www.auditorcontroller.org)**



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**ACC** AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA  
Assistant Auditor-Controller

December 8, 2020

Michael Hestrin  
District Attorney  
Riverside County Office of the District Attorney  
3960 Orange Street  
Riverside, CA 92501

**Subject: Internal Audit Report 2021-207: Riverside County District Attorney, Follow-up Audit**

Dear Mr. Hestrin:

We completed the follow-up audit of District Attorney (DA). Our audit was limited to reviewing actions taken as of June 30, 2020, to help correct the findings noted in our original Internal Audit Report 2015-028 dated January 29, 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 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 ten recommendations, of which two recommendations required no further actions and eight required implementation to correct the reported findings. Based on the results of our review, we found that of the eight recommendations:

- Five of the recommendations were fully implemented
- Three of the recommendations were partially implemented

**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit and your response to the audit report, please refer to the attached Internal Audit Report 2015-028. You can also find the audit report on the Auditor-Controller's website located at [www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports).

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

**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

**Table of Contents**

	<b>Page</b>
<b>Results:</b>	
Revolving Fund.....	4
Capital Assets.....	7
<b>Attachments:</b>	
A. Internal Audit Report 2015-028	
B. Status of Findings as Reported by the Office of the District Attorney on July 6, 2020	

**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

**Revolving Funds**

**Finding 1: Transfer of Accountability**

The Office of the District Attorney did not complete and file Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, for change of revolving fund custodians with the Auditor-Controller's Office in a timely manner.

**Recommendation 1**

Ensure the proper form is promptly completed and filed with the Auditor-Controller's Office whenever there is a change in custodian.

**Current Status 1: Implemented**

**Finding 2: Segregation of Duties**

There were no segregation of duties over the preparation and review of bank reconciliations for all revolving fund checking accounts and the accounting and record keeping functions for revolving fund numbers 82 and 95.

**Recommendation 2.1**

Ensure the supervisory review of bank reconciliations is performed independently of the completed reconciliation by a person of equal or higher position.

**Current Status 2.1: Implemented**

**Recommendation 2.2**

Ensure the person reconciling petty cash is independent of cash handling and record keeping functions of the fund.

**Current Status 2.2: Partially Implemented**

Adequate segregation of duties have not been implemented for two of the four petty cash funds. Executive assistants who are designated petty cash custodians in Indio (#82) and



**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

Southwest (#112) revolving funds continue to perform multiple responsibilities including preparing checks, depositing cash to checking accounts, updating replenishment log, and reconciling the petty cash funds.

**Finding 3: Revolving Fund Reconciliations and Replenishments**

Based on our review, inadequate reconciliation processes were noted which resulted in the various deficiencies as follows:

- Shortages and overages from three different revolving funds were not immediately investigated and reported to the Auditor-Controller's Office.
- Stale dated checks were not removed from the "List of Outstanding Checks."
- The department did not replenish their revolving funds on a quarterly basis.
- The department did not perform monthly petty cash fund reconciliations for one of their revolving funds.

**Recommendation 3.1**

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

**Current Status 3.1: Partially Implemented**

Overages or shortages were not reported immediately to department authorized designee and to the Auditor-Controller's Office as it is required in the Standard Practice Manual 605, *Reporting Procedures for Cash Overages and Shortages*.

**Recommendation 3.2**

When reconciling the checking account, subtract outstanding checks and add back stale-dated warrants to the bank balance of the checking account.

**Current Status 3.2: Implemented**

**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

**Recommendation 3.3**

Submit a voucher to the Auditor-Controller's Office for replenishment on a monthly or quarterly basis depending on volume.

**Current Status 3.3: Implemented**

**Recommendation 3.4**

Reconcile the petty cash against the fund assignment.

**Current Status 3.4: Partially Implemented**

Out of the five monthly reconciliations selected for review, one monthly reconciliation for each petty cash fund in #82, #95, and #112 was not performed. The department stated that since they were experiencing staff shortages, reconciliations were not completed.

**Finding 4: Excessive Revolving Fund Amount**

The Office of the District Attorney has authorized revolving fund balances beyond their operating needs.

**Recommendation 4**

Prepare Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, to reduce authorized amount for revolving fund numbers 81, 95, and 112 to \$25,500, \$300, and \$2,250, respectively.

**Current Status 4: No action required**

Department communicated in their response to the original audit the need to maintain compliance with legal mandates. As such, we accepted their response as an operational need for them to maintain the balances in their revolving fund and did not perform any follow-up audit steps.

**Internal Audit Report 2021-207: Riverside County Office of the District Attorney,  
Follow-up Audit**

**Finding 5: Secured Processing of Checks**

The department did not properly and securely process a check for \$7,500.

**Recommendation 5**

Make checks payable to a specific person or entity to establish accountability for amounts disbursed.

**Current Status 5: No action required**

Department communicated in their response to the original audit the need to maintain their operating processes due to their undercover work. As such, we accepted their response as an operational need and did not perform any follow-up audit steps.

## **Capital Assets**

**Finding 6: Transfer of Accountability**

There was no transfer of capital assets from the outgoing District Attorney to the newly-elected District Attorney.

**Recommendation 6**

Ensure the transfer of capital assets from the outgoing officer to the incoming officer or acting department head is documented using Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, and submitted to the Auditor-Controller's Office in a timely manner.

**Current Status 6: Implemented**

# Attachment A

**Internal Audit Report 2015-028**

**Riverside County  
Office of the District Attorney  
Change of Department Head**

**Report Date: January 29, 2016**



**Office of Paul Angulo, CPA, MA  
County of Riverside Auditor-Controller  
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**AO** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

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

**Frankie Ezzat, MPA**  
Assistant Auditor-Controller

January 29, 2016

Michael Hestrin, District Attorney  
Riverside County Office of the District Attorney  
3960 Orange Street, Suite 500  
Riverside, CA 92501

**Subject: Internal Audit Report 2015-028: Riverside County Office of the District Attorney,  
Change of Department Head**

Dear Mr. Hestrin:

We have completed an audit of the Riverside County Office of the District Attorney. 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 capital assets and revolving funds from the predecessor to the newly-elected department head. The audit covered the period of January 5 through April 30, 2015.

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 not transferred to the newly-elected District Attorney and custodians designees, respectively, in a timely manner. Also, we identified opportunities for improvement of internal controls relating to revolving funds.



**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, 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 thank the Riverside County Office of the District Attorney 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

	<b>Page</b>
<b>Executive Summary</b> .....	<b>4</b>
<b>Results:</b>	
Revolving Funds .....	<b>6</b>
Capital Assets .....	<b>16</b>

## Executive Summary

### Overview

The Riverside County Office of the District Attorney (Office of the District Attorney) is dedicated to protecting the public and serving the community through the ethical prosecution of criminal and civil offenses while safeguarding the rights of victims and witnesses.

The Office of the District Attorney's goals are:

- To advise, assist, and review criminal investigations completed by law enforcement and other state and local agencies.
- To make reasoned and ethical decisions in seeking criminal and civil prosecutions.
- To marshal talents and resources to effectively prosecute those charged with illegal conduct.
- To augment investigations in serious felony cases and conduct independent investigative and enforcement duties mandated by law.
- To minimize the impact of the criminal justice system upon the lives of victims, witnesses, and their families by helping them to overcome the effects of crime, to help them as they participate in the criminal justice system, and to help them support successful prosecutions.
- To maintain excellence in prosecution through superior recruitment and training.
- To maximize efficiency by providing necessary support personnel, facilities, supplies, and equipment.

The Office of the District Attorney is comprised of more than 700 attorneys serving 2.3 million Riverside County residents across the vast 7,200 square miles that make up Riverside County. It is one of the largest District Attorney offices in California, filing on average, more than 40,000 criminal cases annually.

The outgoing District Attorney for Riverside County separated on December 30, 2014, and the newly-elected District Attorney was sworn in on January 5, 2015.



**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

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

**Audit Conclusion**

Based upon the results of our audit, we determined capital assets and revolving funds were not transferred to the newly-elected District Attorney and custodians, respectively, in a timely manner. Also, 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 Supervisors adopted Board Resolution Number 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 to a new officer.

The Office of the District Attorney has four revolving funds totaling \$71,300, maintained in the form of currency and bank checking accounts as follows:

Treasurer Revolving Fund Number	Petty Cash Amount	Checking Account Amount	Total Authorized Revolving Fund Amount
81	\$500	\$50,000	\$50,500
82	250	5,000	5,250
95	300	10,000	10,300
112	250	5,000	5,250
<b>Total</b>	<b>\$1,300</b>	<b>\$70,000</b>	<b>\$71,300</b>

The above revolving funds were used for reimbursing witnesses for travel expenses, meals, lodging and mileage, California Witness Protection Program initial relocation and program support, and emergency payments for supplies and/or services where normal requisition procedures are not possible.

The Office of the District Attorney has an established process in place for the use of revolving funds. We physically observed the checkbook for one of four accounts was kept inside a locked drawer and access was limited to the checkbook custodian.

There were 17 revolving fund replenishment transactions during the period December 2014 through March 2015. We reviewed the supporting documentation for 9 of 17 revolving fund transactions totaling \$9,978 of \$16,534 (or 61% of total), and determined these transactions were for authorized county business.

Standard Practice Manual Number 104, *Internal Controls, Procedure B (Control Principles)*, states the following:

- Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or activity.

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

- **Review and reconciliation:** Records are routinely examined and reconciled to determine that transactions were properly processed.
- **Physical Controls:** Equipment, inventories, cash and other property are secured physically, counted periodically and compared with control records.

Riverside County Auditor-Controller Revolving Fund Guidelines provided at the Monthly Accounting Meeting on September 15, 2011 requires:

- An AR-1 Form (*Revolving Fund Request Order & Change Form*) is submitted to the Riverside County Auditor-Controller's Office (Auditor-Controller's Office) for approval; an officer from the department has to state the need or reason for the request, the amount and the name of the custodian.
- At least once on a quarterly basis, preferably monthly if there is a lot of activity, the department submits a voucher to Auditor-Controller's Office for replenishment.
- Checking account reconciliation should be prepared monthly by an independent person with no revolving fund duties, and initialed and dated by preparer and reviewer.
- If a department is missing a receipt or has an overage or shortage in their revolving fund they are to notify the Auditor-Controller's Office by using Standard Practice Manual (SPM) Form AR-3 (*Daily Cash Overage and Shortage*) and SPM Form AR-4 (*Monthly Cash Overage and Shortage*).

**Objective**

To determine if the required revolving fund accountability transfer forms from the predecessor to the newly-elected department head or custodian were completed and properly filed with the Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of revolving funds.

**Audit Methodology**

To accomplish our objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Interviewed key personnel on department procedures over the revolving fund.
- Performed a surprise cash count for one of four petty cash funds.
- Reviewed Revolving Fund Request Order & Change Forms (SPM Form AR-1) for the change of custodians.

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

- Verified revolving fund bank reconciliations were prepared.
- Verified adequate segregation of duties existed.

**Finding 1: Transfer of Accountability**

The Office of the District Attorney did not complete and file Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, for change of revolving fund custodians with the Auditor-Controller's Office in a timely manner. Records reviewed as of February 17, 2015, disclosed the custodians on record for revolving fund numbers 82 and 112 left the department since January 3, 2015 and November 27, 2014, respectively. It was indicated by staff they were not aware of the timeframe to complete and file Standard Practice Manual Form AR-1 for change of revolving fund custodians with the Auditor-Controller's Office. By not completing and properly filing the form requesting the change in custodian, transfer of responsibility of the previous custodian to the new one is not documented.

As of March 27, 2015, we verified that the department did complete and file Standard Practice Manual Form AR-1 with the Auditor-Controller's Office.

**Recommendation 1**

Ensure the proper form is promptly completed and filed with the Auditor-Controller's Office whenever there is a change in custodian.

**Management's Response:**

**"Partially Concur.** During the aforementioned timeframes, the District Attorney's Office was undergoing significant personnel changes and a countywide structural reorganization due to the election of a new District Attorney at the June 2014 election. Additionally during 2014, two key executive managers of the former administration's financial division left the office – the longstanding Deputy Director of Administration and the Assistant District Attorney of Administration. The newly elected District Attorney was sworn into office on January 5, 2015, and thereafter began to appoint and/or promote his management team.

In response to 1) the lack of continuity in personnel resulting in a failure to provide for a change in custodians in anticipation of the January 5, 2015 transition of power; 2) a subsequent countywide office and administrative reorganization under a new administration in January/February of 2015, 3) the progressive appointment of a new at-will executive team, and 4) the post-recruitment hiring of new managers and staff during this critical transition period, the decision was purposely made to prepare and file the Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order and Change Form* at one point in time rather than after each successive change in personnel.

The support for this decision was two-fold: First, it preserved the efficacy of limited existing staff resources. Secondly, it was consistent with past ACO approved practices and was not inconsistent with existing county policy. The SPM did not and does not now provide an

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

acceptable window during which these forms are to be filed. As such, it is up to the individual departments to discern what an appropriate timeline should be in light of their individual circumstance.

In light of the instant audit finding, the District Attorney recommends that the County modify its Policy to provide timing guidelines for all departments so that this issue does not recur. Until such a time that the County policy is appropriately revised, the DA management will update its internal Revolving Fund policy to provide a standardized timeline for the completion of the AR-1 form in order to address potential future transitions of this magnitude. Our suggested timeline is within 30-days of a change of custodian or 45-days after the official swearing-in date of the elected official, as applicable.

Implementation Status: Fully Implemented"

**Actual/estimated Date of Corrective Action:** Written Policy in accordance with newly implemented practice has an estimated completion date of 3/31/2016.

**Auditor's Comments:**

Best practices require immediate documentation of transfer of accountability over revolving funds. This can be authorized by the interim department head without waiting for the newly-elected District Attorney to be sworn into office.

**Finding 2: Segregation of Duties**

There was no segregation of duties over the preparation and review of bank reconciliations for all revolving fund checking accounts and the accounting and record keeping functions of two petty cash funds. The department's "Segregation of Duties" grid indicated a lack of awareness of internal control principles over such functions. Our review disclosed the Senior Accountant prepares and approves monthly bank reconciliations for all four revolving fund checking accounts. Furthermore, secretaries who are designated as petty cash custodians for revolving fund numbers 82 and 95, prepare checks, deposit cash to checking accounts, and reconcile the petty cash funds. If one individual has responsibility for more than one of these duties, assets might be misappropriated and concealed without discovering during the normal course of business.

**Recommendation 2.1**

Ensure the supervisory review of bank reconciliations is performed independently of the completed reconciliation by a person of equal or higher position.

**Management's Response:**

"Concur. New management reformed this prior practice and implemented a new policy that requires a supervisory review of all the revolving fund reconciliations on a monthly basis. The

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

Senior Accountant will continue to prepare the reconciliation and the Principal Accountant will review the work.

DA management will update the existing Revolving fund policy which will provide for supervisory review of all reconciliations as well as timely follow up for all questioned and or unreconciled items.

Implementation Status: Fully Implemented. All Revolving fund reconciliations are now reviewed and approved by the Principal Accountant, effective 10/31/2015."

**Actual/estimated Date of Corrective Action:** Written Policy in accordance with newly implemented practice has an estimated completion date of 3/31/2016.

**Recommendation 2.2**

Ensure the person reconciling petty cash is independent of cash handling and record keeping functions of the fund.

**Management's Response:**

"Concur. For clarification, all Revolving fund reconciliations for all the locations are performed by the Senior Accountant.

With regard to the petty cash, executive staff DA secretaries in Indio (#82) and SouthWest (#95) are primarily responsible for tasks which include preparing and depositing checks. The reconciliation of the petty cash funds in these locations will now be done by a party completely independent of these primary duties. The current administration has identified the executive level sworn Bureau of Investigation Commander or sworn designee, as the primary staff member responsible for the petty cash reconciliation.

DA management will update the existing Petty Cash policy which will provide for completion of all petty cash reconciliation as well as supervisory review to be completed by a party completely separate from daily duties. The preparer and reviewer will both sign off on all reconciliations and a copy will be sent to the Senior Accountant for filing.

Implementation Status: Not yet implemented in #82, #95. Once the appropriate staff is formally identified and trained, official implementation will occur."

**Actual/estimated Date of Corrective Action:** Written Policy and implementation of new procedure completion date of 3/31/2016.

**Finding 3: Revolving Fund Reconciliations and Replenishments**

Based on our review of the December 2014 through February 2015 monthly revolving fund reconciliations, we noted inadequate reconciliation processes which resulted in the following deficiencies:

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

- Shortages and overages ranging from \$87 to \$574 for three revolving funds (revolving fund numbers 81, 82 and 112), were not immediately investigated and/or reported to the Auditor-Controller's Office. According to the department, they were starting to investigate the cause(s) of the discrepancies. As a result, the amounts held in the revolving fund accounts either exceeded or were below the authorized limits.

On May 8, 2015, the department advised us the shortage of \$574 for revolving fund number 81 was caused by not replenishing bank check fees from November 12, 2009 to September 17, 2014.

- Twenty-six checks totaling \$724 issued from revolving fund numbers 81 and 112, outstanding for more than six months, were not removed from the "List of Outstanding Checks" as of February 28, 2015. These checks are considered stale and banks will not cash or accept them for deposit.
- The department did not replenish their revolving funds on a quarterly basis. According to department personnel, the checks were not reimbursed because they had not cleared the bank. However, we noted 13 cleared checks totaling \$2,001 issued from revolving fund numbers 82 and 112, from August 30, 2011 through October 20, 2014, were not replenished as of February 28, 2015. Also, revolving fund number 81 had outstanding checks totaling \$31,344 that had not been replenished as of April 30, 2015.
- The department did not perform monthly petty cash fund reconciliations for revolving fund number 81.

**Recommendation 3.1**

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

**Management's Response:**

"Concur. Upon the completion of the monthly revolving fund/petty cash reconciliation, the preparer will notify the reviewer/approver of any discrepancies which arise. Action will be initiated immediately at the direction of the DA Deputy Director of Administration in order to resolve those differences. Overages or Shortages shall be investigated and resolved thereby minimizing the necessity to report to the Auditor-Controller's Office. In the event that overages or shortages are found to exist, necessary and timely reports will be filed and brought to the immediate attention of the Administrative Assistant District Attorney for any follow-up investigatory or disciplinary action deemed warranted.

Implementation Status: Fully Implemented"

**Actual/estimated Date of Corrective Action:** Written Policy in accordance with newly implemented practice has an estimated update date of 3/31/2016.

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

**Recommendation 3.2**

Add back to the checking account balance checks that are outstanding for six months or more.

**Management's Response:**

"Concur. Due to observed inconsistency in banking practices regarding the cashing of checks, the District Attorney's new Deputy Director of Administration has implemented a proactive procedure to ensure that a stop payment is requested on checks outstanding for over 180-days. After the stop payment request is complete, the balance is added back to the available balance. In conjunction with the implementation of this new practice, the Deputy Director of Administration will draft a corresponding written policy to be reviewed and finalized by the Administrative Assistant District Attorney, vetted through the DA policy committee, and implemented upon final approval of the executive management team of the District Attorney's Office.

Implementation Status: Fully Implemented"

**Actual/estimated Date of Corrective Action:** Written Policy in accordance with the newly implemented practice has an estimated completion date of 3/31/2016.

**Recommendation 3.3**

Submit a voucher to the Auditor-Controller's Office for replenishment on a monthly or quarterly basis depending on volume.

**Management's Response:**

"Concur. In accordance with the SPM, the DA's office will ensure that replenishment requests are completed at least quarterly. During the reconciliation process a verification of cleared checks will be complete and therefore replenishment action items will be identified."

Implementation Status: Fully Implemented as part of the reconciliation process. The preparer and reviewer will ensure that replenishment of each account is made at least once during the quarter."

**Actual/estimated Date of Corrective Action:** 10/31/15

**Recommendation 3.4**

Reconcile the petty cash against the fund assignment.

**Management's Response:**



**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

“Concur. DA’s office has implemented the reconciliation of the petty cash funds in Fund #81. The Senior Accountant now reconciles this fund and that reconciliation is currently reviewed by the Principal Accountant.

Implementation Status: Fully Implemented”

Actual/estimated Date of Corrective Action: 10/31/15

**Finding 4: Excessive Revolving Fund Amount**

The Office of the District Attorney has authorized revolving fund balances beyond their operating needs. The below table reflects the fund usage of its checking accounts from December 2014 through April 2015. Our recommendation is based on this data.

For the period December 2014 through April 2015, the average monthly checks issued for each of the four revolving funds, and the monthly and single highest check amount issued, was as follows:

Revolving Fund (RF) Number	Average Monthly Expenditure Dollar Amounts	Total Expenditure Highest Dollar Amount	Single Highest Check Issued Amount	Petty Cash Fund	Current Authorized Balance	Auditors Recommended Balance
81	\$9,171	\$16,920	\$7,500	\$500	\$50,500	\$25,500
82	719	2,661	750	250	5,250	5,250
95	3	16	16	300	10,300	300
112	870	1,179	450	250	5,250	2,250
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$1,300</b>	<b>\$71,300</b>	<b>\$33,300</b>

By maintaining excess cash outside the County Treasury in a non-interest bearing account, potential interest earnings are reduced countywide and ties up funds that can be used elsewhere.

**Recommendation 4**

Prepare Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, to reduce authorized amount for revolving fund numbers 81, 95, and 112 to \$25,500, \$300, and \$2,250, respectively.

**Management’s Response:**

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

**“Partially Concur.** All District Attorney revolving funds were set up by controlling legal mandates to fulfil public safety responsibilities within the County of Riverside. The District Attorney authorizes these disbursements during the course of a criminal investigation, trial, sentencing hearing and/or post-judgment motion or habeas corpus evidentiary proceeding.

Custodian Fund #81, #95 and #112 will remain at their current levels due to the unpredictable and often times emergent nature of subpoenaing, retention of investigative, trial or post-judgment prosecution experts, victim/witness meals, lodging, transportation, housing, relocation, burial and crime scene clean-up costs. A significant number of disbursements also go toward providing protection for witnesses and their families, friends or associates who are endangered due to ongoing or anticipated testimony in gang, organized crime, or narcotic trafficking cases.

Over the past year, the DA's office has seen an uptick in major and violent crimes. Having funds readily available to handle such emergencies is critical to carry out our public safety mandate. Since these funds do not qualify for rush processing, (Standard Practice Manual Policy 209) it can take up to four business days for a replenishment check to be disbursed. The DA currently replenishes the revolving fund accounts on a monthly basis. The DA's office (and the victims) cannot afford to wait that long. Thus, the DA's office believes it is necessary to keep the authorized dollar values at the current levels.

Although we will keep the authorized dollar values of the revolving funds at the current levels, we have decided to conduct a further review the end of one year to determine whether that decision is still appropriate based on existing crime levels and historical trends. At that time, an internal departmental decision will be made on whether those balances can be reduced or not.”

**Actual/estimated Date of Corrective Action:** none necessary

**Auditor's Comments:**

The department's new change in procedures from quarterly to monthly replenishments to revolving funds will help the department analyze the amount needed to maintain the fund at appropriate levels. We will follow-up on our recommendation to determine whether the department's decision to keep the authorized dollar values of the revolving fund at current levels is still appropriate based on existing crime levels and actual fund disbursements.

**Finding 5: Secured Processing of Checks**

The department did not properly and securely process a check for \$7,500. During our review of revolving fund checkbooks for the period December 2014 to April 2015, we noted a check for \$7,500 issued from revolving fund number 81 checking account on February 19, 2015, was made payable to “Cash.” Because the check was issued for an undercover investigation, the department felt “Cash” was an appropriate payee. Also, the department indicated expenditures were being tracked by the Investigator and the Fiscal Division. Making checks payable to “Cash” instead to a named payee could potentially result in fraud or abuse of county funds.

### Recommendation 5

Make checks payable to a specific person or entity to establish accountability for amounts disbursed.

### Management's Response:

**"Do not Concur.** Due to the extreme nature of working undercover on cartel, terrorist, organized crime, human trafficking and drug related stings and/or operations, the Riverside County District Attorney's Bureau of Investigations has determined that it is in the best interest of the safety of involved officers, informants, and/or witnesses to NOT write a check in the name of an individual payee. This acceptable law enforcement best practice ensures that all available safeguards are implemented to protect the identity and ultimate safety of the undercover officer, informant, and/or witness(es), or their families, while minimizing attendant fiscal risks, which ultimately serve to mitigate potential future county liability.

Established protocols are in place to safeguard our public funds. Specifically, the check signer accompanies our sworn investigator to the issuing bank. The check is then cashed and counted at the issuing bank. The parties then return together to the District Attorney's Office where the proceeds are then re-counted by independent staff in the Administration Division. Once the amount is verified, an internal cash receipt is issued to the sworn investigator, who then signs and dates the written receipt, thereby preserving the chain of custody for prosecution purposes in a court of law, while concomitantly acknowledging receipt of the proceeds for auditing purposes. The sworn Bureau Investigator's Commander is responsible to maintain and send contemporaneous updates of expended funds and remaining balance reports as part of the internal reconciliation process. Many of these undercover funds are already subject to independent state and federal audits and are thus dual tracked internally for periodic and annual reporting to outside source agencies."

**Actual/estimated Date of Corrective Action:** n/a

### Auditor's Comments:

The Office of the District Attorney's response indicates they are willing to take the operational risk (theft or misappropriation) of making checks payable to "Cash" instead of a named payee. This is due to the nature of their undercover operations and have implemented compensating controls to help reduce the operational risk. As such, we will not be following up on the recommendation.

## 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 Auditor-Controller's Standard Practice Manual (SPM), Policy Number 912, *Transfer of 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 Auditor-Controller's Office.

The outgoing District Attorney left office on December 30, 2014, and the newly-elected District Attorney was sworn in on January 5, 2015. However, the outgoing officer was not able to acknowledge transfer of inventory to the acting department head.

During our review, the incoming officer acknowledged receipt of capital assets. We verified the appropriate form was completed and properly filed with the Auditor-Controller's Office.

### 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 newly appointed department head was completed and properly filed with the 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 were completed for transfer of accountability and submitted to the Auditor-Controller's Office.

### Finding 6: Transfer of Accountability

There was no transfer of capital assets from the outgoing District Attorney to the newly-elected District Attorney. According to the department, the outgoing officer did not have time to transfer the capital assets to the incoming officer. The outgoing District Attorney left office on December 30, 2014, and the newly-elected District Attorney was sworn in on January 5, 2015. By not transferring capital assets to the incoming officer in a timely manner, the department did not

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

comply with Standard Practice Manual, Policy Number 912, *Transfer of Capital Assets*, which requires acknowledgment of transfer of accountability on capital assets from the outgoing officer.

During our fieldwork, the newly-elected District Attorney acknowledged receipt of the department's capital assets and the department submitted the required form to the Auditor-Controller's Office on March 10, 2015.

**Recommendation 6**

Ensure the transfer of capital assets from the outgoing officer to the incoming officer or acting department head is documented using Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, and submitted to the Auditor-Controller's Office in a timely manner.

**Management's Response:**

**"Partially Concur.** Following the election of a new District Attorney at the June 2014 election, two key executive managers of the former administration's financial division left the office – the longstanding Deputy Director of Administration and the Assistant District Attorney of Administration. No provision was made to ensure the timely transfer of assets in anticipation of the January 2015 transition of power. At the time the newly elected District Attorney assumed office on January 5, 2015, there was no outgoing officer to transfer the capital assets to the incoming elected District Attorney or his team.

Due to 1) the lack of continuity in personnel resulting in a failure to provide for or effectuate an early transfer of assets to the District Attorney-elect in anticipation of the January 5, 2015 transition of power; 2) a subsequent countywide office and administrative reorganization under a new administration in January/February of 2015, 3) the progressive appointment of a new at-will executive team, and 4) the post-recruitment hiring of new managers and staff during this critical transition period, the newly-elected District Attorney acknowledged receipt of the department's capital assets to the ACO and the department submitted the Standard Practice Manual (SPM) Form AM-1, *Inventory of County Property for Capital Assets Form* on March 10, 2015.

Additionally, the SPM did not and does not now provide an acceptable window during which these forms are to be filed. As such, it is up to the individual departments to discern what an appropriate timeline should be in light of their individual circumstance. In light of the instant audit finding, the District Attorney recommends that the County modify its Policy to provide timing guidelines for all departments so that this issue does not recur. Until such a time that the County policy is appropriately revised, the DA management will update its internal Capital Assets policy to provide a standardized timeline for the completion of the AM-1 form in order to address potential future transitions of this magnitude. Our suggested timeline is within 30-days of a change of custodian or 45-days after the official swearing-in date of the elected official, as applicable. The current District Attorney Administration has updated the list of custodians for this fund so that it does not include at-will personnel. This will ensure that there will always be

**Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head**

individuals available to verify the capital assets in the event of a future change of elected officer or at-will executive.

Implementation Status: Fully Implemented"

**Actual/estimated Date of Corrective Action:** "Written Policy in accordance with newly implemented practice has an estimated completion date of 3/31/2016."

**Auditor's Comments:**

We recommend the department's updated written policy include procedures for fiscal personnel to ensure capital assets are inventoried and listing reconciled prior to the submission of Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets Form*, to the Auditor-Controller's Office.

# Attachment B



OFFICE OF  
THE DISTRICT ATTORNEY  
COUNTY OF RIVERSIDE  
3960 ORANGE STREET  
RIVERSIDE, CALIFORNIA 92501-3643

MICHAEL A. HESTRIN  
DISTRICT ATTORNEY

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2015-028: Riverside County Office of the District Attorney, Change of Department Head.



Authorized Signature



Date

## Finding 1: Transfer of Accountability

The Office of the District Attorney did not complete and file Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, for change of revolving fund custodians with the Auditor-Controller's Office in a timely manner. Records reviewed as of February 17, 2015, disclosed the custodians on record for revolving fund numbers 82 and 112 left the department since January 3, 2015 and November 27, 2014, respectively. It was indicated by staff they were not aware of the timeframe to complete and file Standard Practice Manual Form AR-1 for change of revolving fund custodians with the Auditor-Controller's Office. By not completing and properly filing the form requesting the change in custodian, transfer of responsibility of the previous custodian to the new one is not documented.

As of March 27, 2015, we verified that the department did complete and file Standard Practice Manual Form AR-1 with the Auditor-Controller's Office.

### Current Status

Reported Finding Corrected?

Yes

No

The AR-1 Form on file with the Auditor Controllers Office is current.

### Recommendation 1

Ensure the proper form is promptly completed and filed with the Auditor-Controller's Office whenever there is a change in custodian.

### Management Reply

**"Partially Concur.** During the aforementioned timeframes, the District Attorney's Office was undergoing significant personnel changes and a countywide structural reorganization due to the election of a new District Attorney at the June 2014 election. Additionally, during 2014, two key

executive managers of the former administration's financial division left the office – the longstanding Deputy Director of Administration and the Assistant District Attorney of Administration. The newly elected District Attorney was sworn into office on January 5, 2015, and thereafter began to appoint and/or promote his management team.

In response to 1) the lack of continuity in personnel resulting in a failure to provide for a change in custodians in anticipation of the January 5, 2015 transition of power; 2) a subsequent countywide office and administrative reorganization under a new administration in January/February of 2015, 3) the progressive appointment of a new at-will executive team, and 4) the post-recruitment hiring of new managers and staff during this critical transition period, the decision was purposely made to prepare and file the Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order and Change Form* at one point in time rather than after each successive change in personnel.

The support for this decision was two-fold: First, it preserved the efficacy of limited existing staff resources. Secondly, it was consistent with past ACO approved practices and was not inconsistent with existing county policy. The SPM did not and does not now provide an acceptable window during which these forms are to be filed. As such, it is up to the individual departments to discern what an appropriate timeline should be in light of their individual circumstance.

In light of the instant audit finding, the District Attorney recommends that the County modify its Policy to provide timing guidelines for all departments so that this issue does not recur. Until such a time that the County policy is appropriately revised, the DA management will update its internal Revolving Fund policy to provide a standardized timeline for the completion of the AR-1 form in order to address potential future transitions of this magnitude. Our suggested timeline is within 30-days of a change of custodian or 45-days after the official swearing-in date of the elected official, as applicable.

#### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Fully Implemented. The internal policy addresses the change in custodian protocol. The AR-1 Form on file with the Auditor Controllers Office is current.

#### Finding 2: Segregation of Duties

There was no segregation of duties over the preparation and review of bank reconciliations for all revolving fund checking accounts and the accounting and record keeping functions of two petty cash funds. The department's "Segregation of Duties" grid indicated a lack of awareness of internal control principles over such functions. Our review disclosed the Senior Accountant prepares and approves monthly bank reconciliations for all four revolving fund checking accounts. Furthermore, secretaries who are designated as petty cash custodians for revolving fund numbers 82 and 95, prepare checks, deposit cash to checking accounts, and reconcile the petty cash funds. If one individual has responsibility for more than one of these duties, assets might be misappropriated and concealed without discovering during the normal course of business.

#### Current Status

Reported Finding Corrected?  Yes  No



All Bank reconciliations are prepared and reviewed by separate person of higher position.

#### Recommendation 2.1

Ensure the supervisory review of bank reconciliations is performed independently of the completed reconciliation by a person of equal or higher position.

#### Management Reply

"Concur. New management reformed this prior practice and implemented a new policy that requires a supervisory review of all the revolving fund reconciliations on a monthly basis. The Senior Accountant will continue to prepare the reconciliation and the Principal Accountant will review the work.

DA management will update the existing Revolving fund policy which will provide for supervisory review of all reconciliations as well as timely follow up for all questioned and or unreconciled items."

#### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Pursuant to the updated internal Revolving Fund policy, all reconciliations are now reviewed by the Principal Accountant or the Deputy Director of Administration to allow for proper segregation of duty to occur.

#### Recommendation 2.2

Ensure the person reconciling petty cash is independent of cash handling and record keeping functions of the fund.

#### Management Reply

"Concur. For clarification, all Revolving fund reconciliations for all the locations are performed by the Senior Accountant.

With regard to the petty cash, executive staff DA secretaries in Indio (#82) and SouthWest (#95) are primarily responsible for tasks which include preparing and depositing checks. The reconciliation of the petty cash funds in these locations will now be done by a party completely independent of these primary duties. The current administration has identified the executive level sworn Bureau of Investigation Commander or sworn designee, as the primary staff member responsible for the petty cash reconciliation.

DA management will update the existing Petty Cash policy which will provide for completion of all petty cash reconciliation as well as supervisory review to be completed by a party completely separate from daily duties. The preparer and reviewer will both sign off on all reconciliations and a copy will be sent to the Senior Accountant for filing.

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Petty Cash Reconciliations are prepared on a monthly basis and cash counts are approved by a District Attorney Investigator or Supervisor before submitting to DA Admin.

**Finding 3: Revolving Fund Reconciliations and Replenishments**

Based on our review of the December 2014 through February 2015 monthly revolving fund reconciliations, we noted inadequate reconciliation processes which resulted in the following deficiencies:

- Shortages and overages ranging from \$87 to \$574 for three revolving funds (revolving fund numbers 81, 82 and 112), were not immediately investigated and/or reported to the Auditor-Controller's Office. According to the department, they were starting to investigate the cause(s) of the discrepancies. As a result, the amounts held in the revolving fund accounts either exceeded or were below the authorized limits.

On May 8, 2015, the department advised us the shortage of \$574 for revolving fund number 81 was caused by not replenishing bank check fees from November 12, 2009 to September 17, 2014.

- Twenty-six checks totaling \$724 issued from revolving fund numbers 81 and 112, outstanding for more than six months, were not removed from the "List of Outstanding Checks" as of February 28, 2015. These checks are considered stale and banks will not cash or accept them for deposit.
- The department did not replenish their revolving funds on a quarterly basis. According to department personnel, the checks were not reimbursed because they had not cleared the bank. However, we noted 13 cleared checks totaling \$2,001 issued from revolving fund numbers 82 and 112, from August 30, 2011 through October 20, 2014, were not replenished as of February 28, 2015. Also, revolving fund number 81 had outstanding checks totaling \$31,344 that had not been replenished as of April 30, 2015.
- The department did not perform monthly petty cash fund reconciliations for revolving fund number 81.

**Current Status**

Reported Finding Corrected?  Yes  No

Discrepancies/Reconciliations and Replenishments are now occurring on a consistent basis

**Recommendation 3.1**

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

### Management Reply

"Concur. Upon the completion of the monthly revolving fund/petty cash reconciliation, the preparer will notify the reviewer/approver of any discrepancies which arise. Action will be initiated immediately at the direction of the DA Deputy Director of Administration in order to resolve those differences. Overages or Shortages shall be investigated and resolved thereby minimizing the necessity to report to the Auditor-Controller's Office. In the event that overages or shortages are found to exist, necessary and timely reports will be filed and brought to the immediate attention of the Administrative Assistant District Attorney for any follow-up investigatory or disciplinary action deemed warranted.

### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

All discrepancies encountered during the monthly reconciliation are investigated immediately and resolved. In the event of any overages or shortages, remedies are made which are typically in the form of an adjusted replenishment as necessary.

### Recommendation 3.2

Add back to the checking account balance checks that are outstanding for six months or more.

### Management Reply

"Concur. Due to observed inconsistency in banking practices regarding the cashing of checks, the District Attorney's new Deputy Director of Administration has implemented a proactive procedure to ensure that a stop payment is requested on checks outstanding for over 180-days. After the stop payment request is complete, the balance is added back to the available balance. In conjunction with the implementation of this new practice, the Deputy Director of Administration will draft a corresponding written policy to be reviewed and finalized by the Administrative Assistant District Attorney, vetted through the DA policy committee, and implemented upon final approval of the executive management team of the District Attorney's Office.

### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

A stop payment will be placed on all checks that remain uncleared for over 180 days. We should also note that the criteria on the check itself prevents the cashing of the check if over 180-days post issuance.

### Recommendation 3.3

Submit a voucher to the Auditor-Controller's Office for replenishment on a monthly or quarterly basis depending on volume.

**Management Reply**

"Concur. In accordance with the SPM, the DA's office will ensure that replenishment requests are completed at least quarterly. During the reconciliation process a verification of cleared checks will be complete and therefore replenishment action items will be identified."

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Replenishments of our revolving funds occur at least quarterly.

**Recommendation 3.4**

Reconcile the petty cash against the fund assignment.

**Management Reply**

"Concur. DA's office has implemented the reconciliation of the petty cash funds in Fund #81. The Senior Accountant now reconciles this fund and that reconciliation is currently reviewed by the Principal Accountant.

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The Petty Cash fund is currently being prepared by the Senior Accountant and reviewed by either the Principal Accountant or the Deputy Director of Administration.

**Finding 4: Excessive Revolving Fund Amount**

The Office of the District Attorney has authorized revolving fund balances beyond their operating needs. The below table reflects the fund usage of its checking accounts from December 2014 through April 2015. Our recommendation is based on this data.

For the period December 2014 through April 2015, the average monthly checks issued for each of the four revolving funds, and the monthly and single highest check amount issued, was as follows:

Revolving Fund (RF) Number	Average Monthly Expenditure Dollar Amounts	Total Expenditure Highest Dollar Amount	Single Highest Check Issued Amount	Petty Cash Fund	Current Authorized Balance	Auditors' Recommended Balance
81	\$9,171	\$16,920	\$7,500	\$500	\$50,500	\$25,500
82	719	2,661	750	250	5,250	5,250
95	3	16	16	300	10,300	300
112	870	1,179	450	250	5,250	2,250
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$1,300</b>	<b>\$71,300</b>	<b>\$33,300</b>

By maintaining excess cash outside the County Treasury in a non-interest bearing account, potential interest earnings are reduced countywide and ties up funds that can be used elsewhere.

#### Current Status

Reported Finding Corrected?  Yes  No

DAO will continue to maintain current revolving fund balances as unanticipated emergencies tend to arise where the need to immediately cover these expenses arise.

#### Recommendation 4

Prepare Standard Practice Manual Form AR-1, *Revolving Fund Request Order and Change Form*, to reduce authorized amount for revolving fund numbers 81, 95, and 112 to \$25,500, \$300, and \$2,250, respectively.

#### Management Reply

**"Partially Concur.** All District Attorney revolving funds were set up by controlling legal mandates to fulfil public safety responsibilities within the County of Riverside. The District Attorney authorizes these disbursements during the course of a criminal investigation, trial, sentencing hearing and/or post-judgment motion or habeas corpus evidentiary proceeding.

Custodian Fund #81, #95 and #112 will remain at their current levels due to the unpredictable and often times emergent nature of subpoenaing, retention of investigative, trial or post-judgment prosecution experts, victim/witness meals, lodging, transportation, housing, relocation, burial and crime scene clean-up costs. A significant number of disbursements also go toward providing protection for witnesses and their families, friends or associates who are endangered due to ongoing or anticipated testimony in gang, organized crime, or narcotic trafficking cases.

Over the past year, the DA's office has seen an uptick in major and violent crimes. Having funds readily available to handle such emergencies is critical to carry out our public safety mandate. Since these funds do not qualify for rush processing, (Standard Practice Manual Policy 209) it can take up to four business days for a replenishment check to be disbursed. The DA currently replenishes the revolving fund accounts on a monthly basis. The DA's office (and the victims) cannot afford to wait that long. Thus, the DA's office believes it is necessary to keep the authorized dollar values at the current levels.

Although we will keep the authorized dollar values of the revolving funds at the current levels, we have decided to conduct a further review the end of one year to determine whether that decision is still appropriate based on existing crime levels and historical trends. At that time, an internal departmental decision will be made on whether those balances can be reduced or not."

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

DAO determined that all revolving fund balances should remain at originally authorized levels and therefore no further action is necessary.

**Finding 5: Secured Processing of Checks**

Based on the response from the department, no follow up will be necessary.

**Finding 6: Transfer of Accountability**

There was no transfer of capital assets from the outgoing District Attorney to the newly-elected District Attorney. According to the department, the outgoing officer did not have time to transfer the capital assets to the incoming officer. The outgoing District Attorney left office on December 30, 2014, and the newly-elected District Attorney was sworn in on January 5, 2015. By not transferring capital assets to the incoming officer in a timely manner, the department did not comply with Standard Practice Manual, Policy Number 912, *Transfer of Capital Assets*, which requires acknowledgment of transfer of accountability on capital assets from the outgoing officer.

During our fieldwork, the newly-elected District Attorney acknowledged receipt of the department's capital assets and the department submitted the required form to the Auditor-Controller's Office on March 10, 2015.

**Current Status**

Reported Finding Corrected?  Yes  No

The AM-1 Form on file with the Auditor Controllers Office is current.

**Recommendation 6**

Ensure the transfer of capital assets from the outgoing officer to the incoming officer or acting department head is documented using Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, and submitted to the Auditor-Controller's Office in a timely manner.

**Management Reply**

"Partially Concur. Following the election of a new District Attorney at the June 2014 election, two key executive managers of the former administration's financial division left the office – the longstanding Deputy Director of Administration and the Assistant District Attorney of Administration. No provision was made to ensure the timely transfer of assets in anticipation of

the January 2015 transition of power. At the time the newly elected District Attorney assumed office on January 5, 2015, there was no outgoing officer to transfer the capital assets to the incoming elected District Attorney or his team.

Due to 1) the lack of continuity in personnel resulting in a failure to provide for or effectuate an early transfer of assets to the District Attorney-elect in anticipation of the January 5, 2015 transition of power; 2) a subsequent countywide office and administrative reorganization under a new administration in January/February of 2015, 3) the progressive appointment of a new at-will executive team, and 4) the post-recruitment hiring of new managers and staff during this critical transition period, the newly-elected District Attorney acknowledged receipt of the department's capital assets to the ACO and the department submitted the Standard Practice Manual (SPM) Form AM-1, *Inventory of County Property for Capital Assets Form* on March 10, 2015.

Additionally, the SPM did not and does not now provide an acceptable window during which these forms are to be filed. As such, it is up to the individual departments to discern what an appropriate timeline should be in light of their individual circumstance. In light of the instant audit finding, the District Attorney recommends that the County modify its Policy to provide timing guidelines for all departments so that this issue does not recur. Until such a time that the County policy is appropriately revised, the DA management will update its internal Capital Assets policy to provide a standardized timeline for the completion of the AM-1 form in order to address potential future transitions of this magnitude. Our suggested timeline is within 30-days of a change of custodian or 45-days after the official swearing-in date of the elected official, as applicable. The current District Attorney Administration has updated the list of custodians for this fund so that it does not include at-will personnel. This will ensure that there will always be individuals available to verify the capital assets in the event of a future change of elected officer or at-will executive.

#### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Fully Implemented. The internal policy addresses the change in custodian protocol. The AM-1 Form on file with the Auditor Controllers Office is current.