

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



ITEM: 2.4
(ID # 15001)

MEETING DATE:
Tuesday, April 20, 2021

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2021-014 Riverside County Treasurer-Tax Collector, Change of Department Head A, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

ACTION:Consent


Tanya Harris, Assistant Auditor Controller 4/8/2021

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt
Nays: None
Absent: None
Date: April 20, 2021
xc: Auditor

Kecia R. Harper
Clerk of the Board

By: 
Deputy

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

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

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Treasurer-Tax Collector, Change of Department Head Audit. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets and revolving funds.

Please see report for audit results

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SCHEDULE A.

Riverside County Auditor-Controller's Office - Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit


Stephanie Perez, Principal Management Analyst 4/12/2021

Internal Audit Report 2021-014

**Riverside County
Treasurer-Tax Collector,
Change of Department Head Audit**

Report Date: April 20, 2021



**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



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

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

April 20, 2021

Mr. Matt Jennings
Treasurer-Tax Collector
Riverside County Treasurer-Tax Collector
4080 Lemon Street, 4th Floor
P.O. Box 12005
Riverside, CA 92501-3660

**Subject: Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector,
Change of Department Head Audit**

Dear Mr. Jennings:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Treasurer – Tax Collector. This audit is conducted to ensure accountability over the transfer of revolving funds and capital assets from the predecessor to the newly appointed department head.

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.

Our conclusion and details of our audit are documented in the body of this audit report.



Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

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
Jeffrey A. Van Wagenen, Jr., County Executive Officer
Grand Jury



Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

Table of Contents

	Page
Executive Summary	4
Audit Results:	
Revolving Funds	5
Capital Assets	7

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

Executive Summary

Overview

Riverside County Treasurer-Tax Collector mission is to provide “sound investment of public funds, fair, efficient tax collection and exceptional public service.” As mandated by the state of California, the Treasurer has the responsibility for “billing and collecting property taxes and for the receiving, processing, investing and safeguarding of public funds.” The treasury receives and invests all public funds into a \$8.4 billion pooled investment fund, and processes nearly \$4.07 billion of taxes through their office each year. *County of Riverside, Fiscal Year 2020-21 Adopted Budget, 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 timely transfer of revolving funds to the newly appointed Treasurer-Tax Collector.
- 2) Internal controls are not in place to ensure the timely transfer of capital assets to the newly appointed Treasurer-Tax Collector. In addition, the internal controls to ensure the safeguarding of capital assets need to be strengthened. Specifically, the internal controls that will help ensure accurate tracking and timely disposal of capital assets.

**Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of
Department Head Audit**

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 Treasurer-Tax Collector has one revolving fund, with an authorized balance of \$5,000, maintained in the form of petty cash totaling \$200 and bank account totaling \$4,800. The revolving fund/petty cash is primarily used for emergency expenditures such as training registration, office supplies and daily operation. The department holds petty cash in a lockbox, and bank checks in a locked drawer with one person having access, with one back-up staff. Replenishments requested are reviewed and approved by the fund custodian. Checks are processed by an accounting technician and signed by two authorized check signers. The fund is reconciled monthly, signed, and dated by the preparer and reviewer.

Objective

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

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

- Verified revolving fund reconciliations were prepared.
- Performed a surprise cash count and reconciled to the fund assignment amounts without exception.
- Verified adequate segregation of duties existed.

Finding 1: Revolving Fund Transfer of Accountability

The Treasurer-Tax Collector did not complete and file SPM Form AR-1, *Revolving Fund Request Order & Change Form*, after September 24, 2020, when the new director was appointed. A completed form should be submitted to the Riverside County Auditor-Controller's Office soon after appointment of the new department director. *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..." Additionally, Standard Practice Manual 603, *Revolving Fund*, states, "a change in Department Head requires a new AR-1 Form to be completed acknowledging the amount of the Department's Revolving Fund and the departments designated custodian." The submission of an updated Form AR-1 to the Auditor Controller's Office, ensures and documents transfer of accountability for public funds by new department director.

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, as soon as there is a change in department head.

Management's Response:

"Partially Concur. Our office has been working under an emergency environment and upon the department head change our focus was employee safety and crisis management. Upon being informed of the required AR-1 form, and prior to it being identified via audit, our office did file the change in custodian form with the Auditor-Controller on January 7, 2021. As we move forward, the Treasurer-Tax Collector's Office will ensure the SPM Form AR-1 is completed within the time specified in

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

accordance with Board of Supervisors Resolution No. 74-156 and Standard Practice Manual 603."

Actual/estimated Date of Corrective Action: January 7, 2021

Auditor's Comment:

The change of department head was effective September 24, 2020, and the AR-1 was not completed until January 7, 2021. The incoming department head's acknowledgment of both the existence and accountability of public funds is completed and documented by filing Standard Practice Manual Form AR-1. It is important for this to be done in a timely manner.

Capital Assets

Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual, Policy Number 512, *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.

On September 24, 2020, the Treasurer-Tax Collector was appointed; however, there has yet to be an acknowledgement of capital assets from the outgoing officer. The Riverside County Treasurer-Tax Collector maintains 37 capital assets in the Riverside County financial system asset management module, consisting of servers, software, and copiers and fax machines, with the combined acquisition cost of \$618,285.

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

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

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.
- Verified the internal controls over the safeguarding of and existence of capital assets that were transferred to the new Treasurer-Tax Collector.

Finding 2: Capital Assets Transfer of Accountability

A transfer of accountability was not completed for the newly appointed Treasurer-Tax Collector. The outgoing officer retired, and the newly appointed Treasurer-Tax Collector was appointed September 24, 2020. 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 require acknowledgment of transfer of accountability on capital assets from the outgoing officer.

Recommendation 2

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. Our office has been working under an emergency environment and upon the department head change our focus was employee safety and crisis management. Upon being informed of the required AM-1 form, and prior to it being

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

identified via audit, our office did file the transferring of capital assets form with the Auditor-Controller on January 7, 2021. As we move forward, the Treasurer-Tax Collector's Office will ensure the SPM Form AM-1 is completed within the time specified in accordance with Standard Practice Manual, Policy Number 912."

Actual/estimated Date of Corrective Action: January 7, 2021

Auditor's Comment:

The change of department head was effective September 24, 2020, and the AM-1 was not completed until January 7, 2021. The incoming department head's acknowledgment of both the existence and accountability of capital assets is completed and documented by filing Standard Practice Manual Form AM-1. It is important for this to be done in a timely manner.

Finding 3: Capital Assets Oversight

The department is not properly tracking capital assets. Out of 22 assets tested, we identified the following:

- One asset was not at the location reported by department.
- Two assets were not disposed of timely.

Standard Practice Manual 513, *Asset Tags*, states, "In the event an asset is to be moved from one location to another, or from one department to another, a Form AM-6, *Capital Asset Transfer*, must be completed. Once the asset has been moved, the location change must be noted in the PeopleSoft Asset Management module." Further, Standard Practice Manual 514, *Disposal of Capital Assets*, states, "Completed AM-7 Form, *Capital Asset Disposition* must be submitted to the ACO with all supporting documentation, as soon as possible." When not accounted for or properly identified in the Asset Management Module, an over or understatement of county capital assets occurs.

Recommendation 3

Ensure capital assets are properly tracked and disposed of in accordance with Standard Practice Manual 513, *Capital Assets*, and Standard Practice Manual 514, *Disposal of Capital Assets*, respectively.

Internal Audit Report 2021-014: Riverside County Treasurer-Tax Collector, Change of Department Head Audit

Management's Response:

"Partially Concur. All capital assets that have been disposed by our office have an AM-7 form completed. The two assets being reported as "not being disposed of timely" are actively being used by our Systems Networking Unit. Therefore, no SPM forms are needed for disposal.

The Treasurer-Tax Collector's Office has taken the necessary steps to correct the location reported for a BizHub 501 copier, but it has always been at our Palm Desert location and was never moved. Our department completes an annual inventory of all assets at the end of the fiscal year. We will diligently continue an annual inventory verifying Capital Asset locations and modify as necessary to ensure the financial system is updated accordingly."

Actual/estimated Date of Corrective Action: April 15, 2021

Auditor's Comment:

During our audit, we observed one capital asset not installed in its regular location and were informed by department that the asset is to be disposed. The department also informed us that the second capital asset selected in our sample was to be disposed.