

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

833



FROM: Auditor-Controller

SUBMITTAL DATE:
September 16, 2014

SUBJECT: Internal Audit Report 2014-011: Clerk of the Board, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-011: Clerk of the Board

BACKGROUND:

Summary

We have completed an audit of the Clerk of the Board to provide the Board of Supervisors with an independent assessment of internal controls over the assessment appeals board, disbursement of contributions to non-county agencies, franchise fees, information security, non-capital assets, records management, and the revolving fund. The audit covered the period July 1, 2011 through August 31, 2013.

Based upon the results of our audit, we have identified opportunities for improvement over the assessment appeals board. We determined the Clerk of the Board's management controls over disbursement of contributions to non-county agencies, franchise fees, information security, non-

(Continue on page 2)

Paul Angulo

Paul Angulo, CPA/CGMA, MA
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
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

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-5

BACKGROUND:

Summary (continued)

capital assets, records management, and the revolving fund, provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has limitations, including cost, mistakes, and intentional efforts to bypass internal controls. We will follow-up in one year to determine if actions were taken to correct the finding noted.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

Attachments:

A: County Auditor-Controller Internal Audit Report 2014-011: Clerk of the Board

Internal Audit Report

Audit 2014-011

Clerk of the Board

Report Date: September 10, 2014



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CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

September 10, 2014

Kecia Harper-Ihem, Clerk of the Board
Clerk of the Board
4080 Lemon Street, 1st Floor
Riverside, CA 92501

Subject: Internal Audit Report 2014-011: Clerk of the Board

Dear Ms. Harper-Ihem:

We have completed an audit of the Clerk of the Board to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the internal controls over the assessment appeals board, disbursement of contributions to non-county agencies, franchise fees, information security, non-capital assets, records management, and the revolving fund. The audit covered the period of July 1, 2011 to August 31, 2013.

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 have identified opportunities for improvement over the assessment appeals board. We determined the Clerk of the Board's management controls over disbursement of contributions to non-county agencies, franchise fees, information security, non-capital assets, records management, and the revolving fund, provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2014-011: Clerk of the Board

As requested, and in accordance with paragraph IIC 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 in one year to verify that management implemented the corrective actions.

We thank the Clerk of the Board management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller



By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

The Clerk of the Board performs numerous duties in fulfilling its charge to provide support to the Board of Supervisors and information to the public. The Clerk of the Board serves as the clearing house for all matters requiring the review or executive action of the governing authorities of the County of Riverside. The Clerk of the Board provides processing and dissemination of all board directives, policies and laws of the County's legislative branch. The Clerk of the Board provides members of the public with agendas, notices of public hearings, access to public records and the opportunity to attend the open meetings of the Board of Supervisors, certain special districts, boards and authorities. By State statute the Clerk of the Board accepts claims and demands against the county, issues licenses and franchises, administers property tax appeals and manages the conflict of interest code for numerous governmental agencies.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the assessment appeals board, contributions to non-county agencies, franchise fees, information security, non-capital assets, records management, and the revolving fund.

Audit Conclusion

Based upon the results of our audit, we have identified opportunities for improvement over the assessment appeals board. We determined the Clerk of the Board's management controls over disbursement of contributions to non-county agencies, franchise fees, information security, non-capital assets, records management, and the revolving fund, provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Assessment Appeals Board

Background

The function of the Assessment Appeals Board (AAB) is to determine the full value of property or to determine other matters of property tax assessment over which the appeals board has jurisdiction.

The Assessment Appeals Board is a quasi-judicial body. It has some of the characteristics of a court of law as it adjudicates disputes between taxpayers and the assessor, and its decisions are legally binding and enforceable. However, rules of evidence and other matters of procedure are less formal than in a court of law. Nevertheless, due process requires that an appeals board must give each side a reasonable notice of hearing and an opportunity to present its case and to question the other side's evidence and witnesses.

Section 1624.01 of the Revenue and Taxation Code requires that all new members of assessment appeals boards must complete a training course.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over assessment appeals board.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with Clerk of the Board personnel.
- Verified AAB members had completed the required training as required by revenue and taxation code.

Finding 1: Incomplete Training Files

The Clerk of the Board did not maintain complete Assessment Appeal Board members training files. Two of the 16 AAB members training files did not contain a certificate of completion from the State Board of Equalization. This occurred because the Clerk of the Board did not ensure the integrity of the files upon transfer from one individual to another.

Internal Audit Report 2014-011: Clerk of the Board

Per the Board of Equalization Assessment Appeals Manual, the Clerk of the Board is responsible for "...monitoring training for assessment appeals board members.' Section 1624.02 of the Revenue and Taxation Code requires that every person newly selected for membership on or newly appointed to be a member of, an assessment appeals board shall successfully complete a course of training conducted by either the State Board of Equalization or by the county at county option. Section 1624.01 of the Revenue and Taxation Code, states that failure to complete the training constitutes resignation by operation of law. By ensuring the training has been completed and retaining documentation of that training, the County may avoid challenges to Assessment Appeals Board rulings on the basis of due process.

Recommendation 1

Management should actively monitor the AAB members to ensure that they have all completed the required training and ensure that adequate records are maintained.

Management's Response

Concur. 14 of the 16 certificates were located in the appropriate files. I believe this indicates oversight and monitoring. In addition the State Board of Equalization (SBOE) has taken over the responsibility of testing, while completed certificates will continue to be filed with the Clerk of the Board office for a period of 7 years. The Clerk of the Board will annually conduct an audit of the files to ensure that all certificates are filed as required by R&T Code.

Auditor's Comment

Internal controls assist Clerk of the Board staff and management to prevent, detect, and correct errors, caused in the normal course of operations. The absence of 2 (12.5%) of 16 member certificates indicates that ongoing and periodic monitoring by the department was not operating as designed or the design was inadequate.

We further recommend that management conduct an audit of the training files upon a change of custody.

Disbursement Contributions to Non-County Agencies

Background

The Community Improvement Designation (CID) funds are funds set aside to help improve the communities of Riverside County. The funds are held in a separate fund account and require Board of Supervisors approval before they are released to the general fund for payments. All items require a 4/5th approval to release payments. Interested organizations must fill out a grant application. Every application is considered individually and on its own merit. Disbursement contributions to non-county agencies amounted to \$4,192,663 for the period of July 1, 2011 to August 31, 2013.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment whether CID grant payments complied with the required 4/5th voting requirements.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with Clerk of the Board personnel.
- Performed testing to ensure procedures for requesting, approving and disbursement were adequate over contributions to non-county agencies.

Audit Results

Based upon the results of our audit, internal controls over contributions to non-county agencies appear to be adequate and effective.