

County of Riverside

Internal Audit Report

Countywide Revolving Funds District Attorney's Office

November 19, 2008

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



OFFICE OF THE
COUNTY 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



COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

November 19, 2008

Mr. Rod Pacheco
Riverside County District Attorney
District Attorney's Office
4075 Main Street
Riverside, CA 92501

Subject: **Internal Audit Report 2008-005.5: Countywide Revolving Funds, District Attorney's Office.**

Dear Mr. Pacheco:

We have completed an audit of the revolving funds held by the District Attorney's Office, one of five county departments selected as part of a countywide audit of revolving funds. We conducted the audit during the period January 17, 2008, through November 19, 2008, for operations of July 1, 2005, through November 19, 2008.

Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

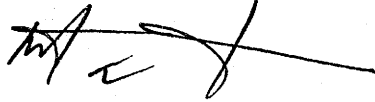
We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the department's effectiveness and efficiency of operations, compliance with applicable laws, reliability of financial information, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our opinion.

In our opinion, except for the conditions noted in our report, internal controls are adequate and effective in all material respect to ensure the proper use, accounting and safekeeping of the department's revolving funds. The areas for improvement include an unauthorized revolving fund increase and maintenance of authorized signature lists for checking accounts.

A copy of the reply from the District Attorney's management is attached to this report, and excerpts from the reply were presented in the appropriate sections of the report. Management concurred to implement the recommended corrective actions and has already fully implemented all recommendations.

We thank the District Attorney's management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in black ink, appearing to read 'Michael G. Alexander', written over a horizontal line.

By: Michael G. Alexander
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Audit Objective

Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

Overview

Pursuant to California Government Code (Title 3, Division 3, Chapter 2, Section 29320 et seq.), the Board of Supervisors adopted 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 resolution authorizes the establishment of one revolving fund, not to exceed \$10,000, for a single officer. The officer, under whose name the fund is established, is personally responsible and must account for the fund and return the fund to the Treasury when demanded by the Board of Supervisors, the officer ceases to hold the office, or the fund is abolished. The resolution further authorizes the Auditor-Controller to supervise the withdrawal, transfer, use, redeposit, and perform audits periodically and upon termination or transfer, of the revolving fund. On January 12, 1982, the Board of Supervisors adopted Resolution (82-75), authorizing the Auditor-Controller to perform the functions of the Board of Supervisors in establishing, increasing, reducing or discontinuing any of the revolving funds.

The officer may deposit the fund in a commercial bank account and issue checks thereon, or use any other appropriate method of safekeeping.

Board of Supervisors Policy D-1 (Reimbursement for General Travel and Other Actual and Necessary Expense), requires that claims are filed promptly no later than the end of the month following when the expenditures were incurred. In addition, Auditor-Controller Standard Practice Manual 111-E-1-2.1 (Revolving Funds) calls for maintaining fund balance at an adequate level by submitting expenditures for reimbursement periodically.

Audit Methodology

To accomplish our objectives, we:

- reviewed applicable codes, regulations, Board resolutions, policies and procedures;
- gained an understanding of the policies, procedures and practices affecting revolving funds through interviews with key personnel in the Offices of the District Attorney, the Auditor-Controller, and the Treasurer-Tax Collector;
- obtained data from the PeopleSoft system and supporting documentation for transactions that were tested;

- analyzed the revolving fund balances with regards to the department's requirements; and
- established custodians' fund accountability by way of surprise cash counts and fund reconciliations.

Conclusion

In our opinion, except for the conditions noted in our report, internal controls are adequate and effective in all material respect to ensure the proper use, accounting and safekeeping of the department's revolving funds. The areas for improvement include an unauthorized revolving fund increase and maintenance of authorized signature lists for checking accounts.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Results

Overview

The District Attorney's Office maintains four revolving funds totaling \$71,300. During the period July 1, 2005, through November 30, 2007, the department issued 348 vouchers totaling \$437,168.93 to replenish revolving funds disbursements. We selected a sample of 60 vouchers totaling \$74,075.14 for detailed testing. The department's revolving funds are broken down as follows:

Revolving Fund 81: Current Authorized Amount—\$50,500 Authorized Custodian: Assistant District Attorney

This fund was established for individual witness reimbursements and employee meal allowances. The funds are kept in a checking account with Citizens Business Bank. During the surprise count conducted on January 17, 2008, we established the composition of the fund as follows:

Bank Checking Account Balance	\$20,130.22
Cash on Hand	500.00
Outstanding Replenishments	29,869.78
Total	<u>\$50,500.00</u>

Revolving Fund 82: Current Authorized Amount—\$5,250 Authorized Custodian: Assistant District Attorney

This fund was established for reimbursing Indio employees' travel, food, supplies or service expenditures where normal check requisitioning procedures are not possible. The fund was originally established in the amount of \$2,000, increased to \$5,000 in July 1993, and set to its current balance in May 2003. This fund was not covered by our audit.

Revolving Fund 95: Current Authorized Amount—\$10,300 Authorized Custodian: Victim Services Director

Revolving Fund 95 was established in August 1994 with an authorized amount of \$3,300 to provide emergency assistance to victims, their families and witnesses of crime(s) countywide when no other source of immediate assistance is available and losses are not covered by the Victim of Crime Program. The funds are kept in a checking account with Citizens Business Bank. During the surprise counts conducted on January 17, 2008, we established the composition of the fund as follows:

Checking Account Balance	\$8,276.85
Outstanding Replenishments	1,723.15
Cash on Hand	300.00
Total	<u>\$10,300.00</u>

Revolving Fund 112: Current Authorized Amount—\$5,250
Authorized Custodian: Assistant District Attorney

Revolving Fund 112 was established for reimbursing Southwest Criminal Division's employee expenses for travel, food, supplies and services. This fund was not covered by our audit.

Finding 1

The department increased Revolving Fund 95 from \$3,300 to \$10,300, through the issuance of a voucher payable, without submitting the appropriate form and obtaining approval from the office of the Auditor-Controller and office of the Treasurer-Tax Collector.

Auditor-Controller's Standard Practice Manual III-E-1-2.1 (Revolving Funds), requires county departments to submit a formal request, Form AR-1, to the Auditor-Controller, to establish, increase, decrease or discontinue a revolving fund, stating the reason for the request, the amount requested, and the name of the custodian. Failure to follow established guidelines for increasing a revolving fund results in a lack of tracking and monitoring of county funds by the offices of the Auditor-Controller and the Treasurer-Tax Collector and subsequently an increased risk of misusing public funds.

Recommendation 1

The department should coordinate with the Auditor-Controller and Treasurer-Tax Collector's Office to return funds obtained without proper approval and request a revolving fund increase, if desired, in accordance with SPM III-E-1-2.1.

Management's Reply

"Concur. This finding was a simple clerical error that did not expose any County money to the risk of loss. The error was corrected as soon as it was brought to our attention and steps have been taken to ensure that the error cannot be repeated in the future.

Actual Date of Corrective Action: March 11, 2008."

Auditor's Comment

The department returned the unauthorized amount of \$7,000 to the county Treasury on March 13, 2008.

Finding 2 The department did not maintain authorized signature lists for bank checking accounts. This occurred because the department did not update the signature lists when employees left the department. Bank checking accounts for Revolving Funds 81 and 95 had a total of 12 authorized check signors of which six were retired or no longer work for the District Attorney's Office.

Recommendation 2 The department maintain an updated signature list for all checking accounts.

Management's Reply "Concur. This finding was an administrative oversight that did not put any County funds at the risk or loss. Internal policies have been implemented to ensure this finding does not occur in the future.

Actual Date of Corrective Action: February 28, 2008."

Auditor's Comment The department updated the checking accounts' list of authorized signatories on May 15, 2008.

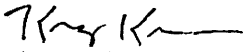


ROD PACHECO
DISTRICT ATTORNEY

OFFICE OF
THE DISTRICT ATTORNEY
COUNTY OF RIVERSIDE

September 19, 2008

To: Robert Byrd, Auditor-Controller
Audits and Specialized Accounting Division

From: Kelly Keenan 
Assistant District Attorney, Administration Division
Office of the District Attorney

Subject: Reply to Draft Audit Report #2008-005 – Countywide Revolving Funds Audit

Recommendation #1:

The department should coordinate with the Auditor-Controller and Treasurer-Tax Collector's Office to return funds obtained without proper approval and request a revolving fund increase, if desired, in accordance with SPM III-E-1-2.1.

- a. Management position concerning the recommendation: The District Attorney's Office concurs with Recommendation #1
- b. Comments: This finding was a simple clerical error that did not expose any County money to the risk of loss. The error was corrected as soon as it was brought to our attention and steps have been taken to ensure that the error cannot be repeated in the future.
- c. Actual/estimated Date of Corrective Action: Corrective action was completed on March 11th, 2008.
- d. Estimated cost to implement recommendation (if material): There is no increased County cost due to the implementation of this recommendation.

Recommendation #2:

The Department maintain an updated signature list for all checking accounts

- a. Management position concerning the recommendation: The District Attorney's Office concurs with Recommendation #2
- b. Comments: This finding was an administrative oversight that did not put any County funds at the risk or loss. Internal policies have been implemented to ensure this finding does not occur in the future.
- c. Actual/estimated Date of Corrective Action: Corrective action was completed on February 28th, 2008.
- d. Estimated cost to implement recommendation (if material): There is no increased County cost due to the implementation of this recommendation.