

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

302



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 27, 2013

SUBJECT: Internal Audit Report 2013-018: Law Offices of the Public Defender – Change of Department Head

RECOMMENDED MOTION: Receive and file Internal Audit Report 2013-018: Law Offices of the Public Defender – Change of Department Head

BACKGROUND: We have completed a Change of Department Head audit of the Law Offices of the Public Defender. This audit is conducted to ensure compliance with the Auditor-Controller's Standard Practice Manual (SPM) 912 and Board of Supervisor's Resolution 74-156, ensuring accountability over the transfer of capital assets and revolving funds upon retirement or termination of a department head to the new appointed or elected department head. The audit covered the period April 15, 2013 through May 31, 2013.

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new Public Defender Officer in a timely manner and adequate internal controls are in place over the revolving funds.

Paul Angulo

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

- Consent
- Policy
- Per Exec. Ofc.
- Policy

2013 JUN 28 11:18
RECEIVED CLERK OF THE BOARD

Prev. Agn. Ref.: | **District:** All | **Agenda Number:**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

2-7



County of Riverside

INTERNAL AUDIT REPORT

2013-018

Law Offices of the Public Defender – Change of Department Head Capital Assets and Revolving Funds

June 27, 2013

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

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



**COUNTY OF RIVERSIDE
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ACO | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

**Paul Angulo, CPA, MA
AUDITOR-CONTROLLER**

June 27, 2013

Steven Harmon, Public Defender
4200 Orange Street
Riverside, CA 92501

Subject: Internal Audit Report 2013-018: Law Offices of the Public Defender - Change of Department Head

Dear Mr. Harmon:

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, the Internal Audit Division of the Auditor-Controller's Office conducted a Change of Department Head audit. This audit is conducted to ensure compliance with the Auditor-Controller's Standard Practice Manual (SPM) 912 and Board of Supervisor's Resolution 74-156, ensuring accountability over the transfer of capital assets and revolving funds upon retirement or termination of a department head to the new appointed or elected department head. The audit covered the period April 15, 2013 through May 31, 2013.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain sufficient, reliable, relevant, and useful information to provide reasonable assurance 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 operational efficiency, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls.

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new Public Defender Officer in a timely manner and adequate internal controls are in place over the revolving funds.

We thank the management and staff of the Law Offices of the Public Defender for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller

A handwritten signature in black ink that reads "Rachelle Román". The signature is written in a cursive style with a large initial 'R'.

By: Rachelle Román, CRMA, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

It is the stated mission of the Law Offices of the Public Defender to provide the highest quality of legal representation to any person unable to afford such representation in criminal, juvenile or certain civil proceedings, upon the request of the client or the appointment of the court.

In fulfilling this mission, the Law Offices of the Public Defender will:

Assure that the rights and interests of their clients determine the course of action taken on their behalf;

Assure that their clients are afforded complete and vigorous representation by a fully competent attorney;

Support their clients as diligent and conscientious advocates; maintain the highest levels of professional integrity;

Exercise well informed professional judgments;

Represent clients with compassion; and

Serve, honor and protect the Constitutional rights of the People of the County of Riverside.

In Fiscal Year 2013, the department had an operating budget of \$32.2 million and 321 authorized positions to fulfill their dedicated mission to the residents of the County of Riverside.

Audit Objective

Our audit objective is to ensure compliance with the Auditor-Controller's Standard Practice Manual (SPM) 912 and Board of Supervisor's Resolution 74-156, ensuring accountability over the transfer of capital assets and revolving funds upon retirement or termination of a department head to the new appointed or elected department head.

Audit Conclusion

Based upon the results of our audit, we determined the capital assets and revolving funds were transferred to the new Public Defender Officer in a timely manner and adequate internal controls are in place over the revolving funds.

Capital Assets

Background

The Auditor-Controller's Standard Practice Manual (SPM) 913, *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure (or, long-lived assets), buildings and improvements, equipment, livestock, and intangible assets.

Capital assets include real property such as building (structures), land, and land improvements, regardless of value, as well as vehicles, machineries, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 912, *Transfer of Accountability on Capital Assets*, requires 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 Auditor-Controller's Office.

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the department. Department management also have roles related to capital assets, including following the proper procedures when purchasing capital assets and annually verifying that all assets assigned to their locations are properly recorded in the Asset Management Module of the PeopleSoft Financial System.

The Law Offices of the Public Defender's capital assets consist of their case management system, servers, copiers, printers, and furniture. Capital assets are located throughout their five office locations. Currently, the department manages 32 capital assets worth \$735,965.

Objective

To determine if the required forms for the transfer of accountability of capital assets from the former to the new department head were completed and properly filed with the Auditor-Controller's Office.

Audit Methodology

To accomplish our objectives, we:

- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Auditor-Controller's Office
- Identified and verified existence of capital assets that were transferred to the new department head

Results

At the time the new Public Defender took office on March 12, 2013, the department had a total of 32 capitalized assets with a recorded cost of \$735,965. During the period between the appointment of the Interim Public Defender and the time the new Public Defender took office

(November 8, 2012 through March 12, 2013), the department had no additions, deletions, or other changes/corrections to the capital asset inventory. SPM Form AM-1, *The Inventory of County Property for Capital Assets*, was completed and submitted to the Auditor-Controller's Office on April 24, 2013.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capitalized assets.

Revolving Funds

Background

Revolving funds are established by the county department under the custodianship of a county officer for the use of official county business. The Public Defender has four revolving funds totaling \$5,300, comprising of #27 for \$2,800, #102 for \$500, #113 for \$500, and #122 for \$1,500. The department maintains \$1,800 in a checking account and \$3,500 as petty cash. The funds are used to pay for reimbursement for travel expenses, training classes, and office supplies, when normal requisition procedures are not possible. Petty cash is primarily used to pay for general office expenses, including postage for certified mail, refreshments for meetings, and any incidentals. The department has a system in place for review, reconciliation, and replenishment of the revolving fund on a consistent basis.

Audit Objective

To determine if the required forms for the transfer of accountability of revolving funds from the former to the new department head were completed and properly filed with the Auditor-Controller's Office and assess the adequacy of internal controls over the safeguarding of the revolving funds.

Audit Methodology

To accomplish our objectives, we:

- Reviewed SPM Form AR-1, *Revolving Fund Request Order & Change Form*, for the establishment and transfer of the revolving funds
- Gained an understanding of the procedures over the revolving funds through interviews with key personnel of the department
- Verified revolving fund reconciliations are performed
- Reviewed the supporting documentation for a sample of transactions that were replenished
- Verified adequate segregation of duties exists

Results

We reviewed and verified SPM Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department head. The Public Defender has an established process in place for the use of the revolving funds. Access to the revolving fund (petty cash) is limited to the fund custodian and one back-up individual. We physically observed the petty cash is kept in a locked box in a locked drawer at all times and access is limited to the two individuals who have keys and access to the drawer. A sample of revolving fund replenishment transactions and the supporting documentation were reviewed to ensure the transactions were for official county business use.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving fund and the appropriate forms were completed and properly filed for the transfer of the revolving funds.