



County of Riverside

INTERNAL AUDITOR'S REPORT

Riverside County Office on Aging

Follow-up Audit

August 9, 2006

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

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August 9, 2006

Ms. LuVerne Molberg, Director
Riverside County Office on Aging
6296 Rivercrest Drive Suite K
Riverside, CA 92507

Subject: Internal Auditor's Report #2006-309 – Riverside County Office on Aging Follow-up Audit

Dear Ms. Molberg:

We have completed a follow-up audit of the Riverside County Office on Aging. We conducted the audit during the period April 24, 2006 through July 25, 2006, for operations of November 2005 through May 2006.

Our primary objective was to determine if management implemented corrective action and resolved the findings identified in Internal Auditor's Report 2005-021, dated October 31, 2005. A summary of those findings and recommendations is attached to this letter.

We conducted our audit in accordance with auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives.

We performed tests and evaluated management's corrective actions to determine if the findings identified in Internal Auditor's Report #2005-021 were mitigated through the implementation of adequate internal controls.

Based upon the results of our follow-up audit, we determined management took action that was sufficient to correct the findings reported in Internal Auditor's Report #2005-021.

We thank the Riverside County's Office on Aging staff for their cooperation during this audit. Their assistance contributed significantly to the successful completion of the audit.

ROBERT E. BYRD, CGFM
Auditor-Controller

By: Michael G. Alexander, MBA, CIA
Chief Internal Auditor

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

Summary of Findings
Internal Auditor's Report #2005-021 Riverside County Office on Aging
Dated October 31, 2005

Finding 1

Office on Aging did not maintain a current comprehensive list of either capitalized or non-capitalized assets, including the detailed description, serial number, location and the individual accountable for the asset. PeopleSoft Fixed Asset Module was not updated to reflect the transfers or disposals of fixed assets. Ineffective controls over the monitoring of fixed assets resulted in the capitalized asset listing including 9 vehicles not owned by the Office on Aging, but instead owned by outlying agencies for Senior Nutrition Programs. Furthermore, during the verification process of the department's fixed assets, a 1998 Dodge Caravan VIN 2B4GP25R5WR818785 was discovered at the Blythe location, which is not listed on the fixed asset listing.

The County of Riverside currently does not have a policy established related to the acquisition, monitoring and disposal of non-capitalized assets. The Auditor-Controller's Office is currently in the process of drafting a policy to address these concerns. However, management of each department in the County of Riverside is responsible to account for County property in his/her possession or charge, as required by the Auditor-Controller Internal Control Handbook (ICH) Chapter 7. This responsibility should include the establishment of controls over the acquiring, monitoring and disposal of capitalized and non-capitalized assets. The absence of internal controls over the safeguarding of fixed assets could result in theft, loss or misrepresentation.

Recommendation 1

Maintain a comprehensive list of all capitalized and non-capitalized assets, including the detailed description, serial number, location and the individual accountable for the asset.

Finding 2

Office on Aging did not perform an annual physical inventory count of capitalized assets as required by the County Internal Control Handbook (ICH) and generally accepted accounting principles (GAAP). In addition, the fixed asset report as of June 30, 2004, was certified under oath without the listing being verified by means of a physical inventory.

Not properly updating the fixed asset listing to reflect all acquisitions and disposals during the fiscal year may result in either the overstatement of deleted assets, or the understatement of omitted additions. Since the department does not perform this procedure, personnel devoted much time and effort to researching the status and location of assets. Through the effort put forth by the department's personnel and the audit team, we were able to verify the location of the assets selected for testing. In addition, a 1998 Dodge Caravan VIN 2B4GP25R5WR818785 was discovered at the Blythe location, which is not listed on the fixed asset listing. SPM III-E-2.1.1, Section III, H, requires each department to update the fixed asset listing and have management certify the accuracy of the report. This SPM enforces California Government Code Section 24051 which specifically states that on or before July 10th in each year, each County Officer or person in charge of any office, department, service, or institution of the county shall file with the county clerk, or with the County Auditor, an inventory under oath, showing in detail all

Summary of Findings
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County property in his or her possession or in his or her charge at the close of business on the preceding June 30th

Recommendation 2.1 Perform an annual physical inventory count of all capitalized assets in accordance with the County Internal Control Handbook and generally accepted accounting principles (GAAP).

Recommendation 2.2 Update the fixed asset listing before certifying the report under oath.

Finding 3

Fixed assets were disposed without adequate documentation supporting the disposal, such as proper authorization from a supervisor. The Supply Service Technician was assigned the responsibility of completing and approving the Surplus Asset Listing. During the audited period July 2003 to May 2005, a minimum of 27 assets were sent to surplus. There is no documentation on file verifying management's approval and authorization for 25 of the 27 assets tested.

The Auditor-Controller's Office Standard Practice Manual (SPM) No. 104, *Internal Controls*, dictates that departments shall establish, document and maintain an effective system of internal controls for the safeguarding of assets. In addition, duties should be divided or segregated so that no one person has complete control over a key function or activity and all transactions must be authorized by a person assigned approval authority. Without proper controls over the disposal process of capital assets, the risk of misappropriation of assets increases drastically.

Recommendation 3.1 Ensure proper authorization for the disposal of assets is attained prior to assets being sent to surplus.

Recommendation 3.2 Segregate the duties for processing and approving disposals between a minimum of two individuals to ensure that no one person has complete control over a key function or activity.