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August 22, 2007

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

Subject: Internal Auditor's Report #2007-314 – Riverside County District Attorney's Office

Dear Mr. Pacheco:

We have completed the First Follow-up Audit of the Riverside County District Attorney's Office to determine actions taken, as of June 30, 2007, to implement the recommendations made in our original Auditor's Report #2005-014, dated June 19, 2006.

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 believe the audit provides a reasonable basis for our conclusions.

The original audit report contained four recommendations, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Auditor's Report #2005-014.

The follow-up audit found that of the four recommendations:

- Three recommendations were fully implemented.
- One recommendation was partially implemented.

We will follow-up on the partially implemented recommendation within one year.

The following is a summary of the current status of the findings and recommendations identified in the original audit.

INTERNAL AUDITOR'S REPORT #2005-014

Cash Handling

Finding 1: Cash collections at the outlying branch offices were not delivered to the Riverside administration office for daily deposit in accordance with Board of Supervisors' Policy A-25 and Standard Practice Manual (SPM) No. 705, Paragraph 2.

Recommendation 1: All outlying branch offices should make daily deposits of any collections in accordance with Board of Supervisors' Policy A-25 and the Auditor-Controller's Standard Practice Manual 705, Paragraph 2.

Current Status: **Partially Implemented.** The District Attorney's Office submitted and the Auditor-Controller's Office approved a SPM Form AR-6 – Daily Cash Deposits Exemption Request Form, however the District Attorney's Office did not make deposits in accordance with the requirements of the exemption. The exemption required receipts be deposited on Tuesdays and Thursdays of each week or daily if receipts were greater than \$200 dollars. Our review of receipts and deposits for a three week period, May 30, 2007 to June 20, 2007, indicated that receipts were held an average of eight days before being deposited. Receipts for seven of the seventeen business days reviewed exceeded \$200. These daily receipts ranged from \$241 to \$1,685 and totaled \$4,629.90. We verified that outlying branch offices maintained a log sheet to record the cash receipts as stated in management's response to our original report.

Fixed Assets

Finding 2: Records were not appropriately updated when capitalized assets were transferred in or out of the District Attorney's Office. Specifically, eight of forty-seven capitalized assets tested appeared on the department's fixed asset list but could not be located nor could the disposition of these assets be confirmed. Standard practice Manual III-E-2-1 requires departments to notify the Auditor-Controller's Office of each acquisition, betterment, modification, disposition, transfer or change to fixed assets within 30 days. The absence of internal controls over the monitoring, including the acquisition and disposal process of fixed assets could result in loss or misrepresentation.

Recommendation 2.1: Notify the Auditor-Controller's Office within 30 days of each modification disposal, transfer, or change to fixed assets.

Recommendation 2.2: Establish a method for the monitoring, including the acquisition and disposal process of all capitalized fixed assets.

Current Status: **Fully Implemented.** The District Attorney's Office established a method for monitoring, including the acquisition and disposal process of all capitalized fixed assets. The storekeeper at supply division provides copies of the purchase order and invoice to the accountant for capital asset acquisitions and surplus forms for disposals. A review of capitalized acquisitions and disposals between FY2005/06 and FY2006/07 verified that all additions and deletions had been accounted for.

While we acknowledge the Auditor-Controller was notified of each modification, disposal, transfer, or change to fixed assets, the timeline for notification should be shortened from the current 83 days to be within 30 days.

Finding 3: Internal controls were not in place to effectively monitor non-capitalized assets, items costing under \$5,000. This includes items such as personal computers, printers and fax machines. In reviewing the department's expenditure transactions, we noted purchases totaling \$295,898 for fiscal year 2004/05 and \$137,437 for the period, July 1, 2005 thru October 31, 2005 for Computer Equipment – Non Fixed Assets and Office Equipment – Non Fixed Assets. Due to the volume of purchases for non-capitalized assets, it is essential an effectively system to monitor these assets be in place. 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.

Recommendation 3: Establish a method for the monitoring, including the acquisition and disposal process of all non-capitalized assets valued at less than \$5,000.

Current Status: Fully Implemented. The District Attorney's Office established a method for the monitoring including the acquisition and disposal process of all non-capitalized assets valued at less than \$5,000. Based on our discussion with the store keeper at supply division, appropriate personnel log and assign red tag numbers to non-capitalized assets. The store keeper also verifies that the Buyer and Accounts Payable notify the accountant of any non-capital asset acquisitions via copies of the purchase order and invoice. Additionally, we verified that the Technical Support Unit tracks supplies such as laptops in an access database and notifies the accountant of any changes such as trade-ins or disposal of equipment with appropriate documentation.

We appreciate the cooperation and assistance extended to us by District Attorney Department staff during this follow-up 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