



# County of Riverside

## INTERNAL AUDIT REPORT

2010-302

Department of Mental Health  
Revolving Funds, Follow-up Audit

June 3, 2010

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

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



**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



**Robert E. Byrd, CGFM**  
AUDITOR-CONTROLLER

**Bruce Kincaid, MBA**  
ASSISTANT  
AUDITOR-CONTROLLER

June 3, 2010

Jerry A. Wengerd, Director  
County of Riverside  
Department of Mental Health  
4095 County Circle Drive  
Riverside, CA 92503

**Subject: Internal Audit Report 2010-302: Department of Mental Health, Revolving Funds, Follow Audit**

Dear Mr. Wengerd,

We have completed a follow-up audit of the Department of Mental Health to review the actions taken to correct the two findings reported in Internal Audit Report 2008-005.1: Countywide Revolving Funds, Department of Mental Health, dated April 2, 2009.

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. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

Based upon our audit, we verified the actions taken by management have corrected the two findings reported in Internal Audit Report 2008-005.1 (available at [www.auditorcontroller.org](http://www.auditorcontroller.org)). A detailed discussion of the status of each finding follows this letter.

We appreciate the cooperation and assistance extended to us by management and staff of the Department of Mental Health during this follow-up audit.

Robert E. Byrd, CGFM  
Auditor-Controller

By: George C. Tabora, CPA  
Audit Manager

cc: Board of Supervisors  
Grand Jury

**Finding 2:** "Revolving Fund 25 had average monthly disbursements of \$4,832 from July 2005 to January 2008. Management anticipates that the monthly fund usage will increase due to new programs that are being implemented and that a \$25,000 revolving fund is needed to meet its expected level of activity. Our subsequent verification showed that the fund usage has increased to a monthly average of \$9,100 during the most recent six months ending July 31, 2008."

**Current Status: Corrected.** In May 2009, the department returned \$5,000 to the general fund thereby reducing the Revolving Fund Account 25 from \$25,000 to \$20,000. As anticipated by the department, the revolving fund usage had increased and was averaging \$11,375 per month through March 2010. With the increased revolving fund activity, we believe the current \$20,000 revolving fund is reasonable.

During the course of our follow-up review, we noted the department deposited grant receipts totaling \$143,566.50 in the revolving fund checking account in August 2009. The grant receipts of \$143,566.50 remained in the checking account until December 2009 when the department transferred the total amount to the general fund. The department agreed to stop the practice and provided instructions to its staff to promptly deposit grant receipts with the Treasurer's Office.

**Finding 3:** "Revolving Fund 25 has advances totaling \$15,730.13 for medical co-payments, medicines, food shelter, and other necessities paid on behalf of clients. Of this \$6,326 represents advances made in 2007 and prior. Additionally, Revolving Fund 74 includes advances of \$3,095 that have been outstanding since August 2004. This occurred because the revolving fund custodians did not require the submission of receipts in accordance with Board Policy (D-1) and the lack of a policy to evaluate loans made on behalf of estates. As a results, advances paid from the revolving funds remain un-liquidated for extended period of time."

"In order to ensure that revolving funds are maintained at the appropriate level, expenses must be recorded in a timely manner through the reimbursement process."

**Current Status: Corrected.** On April 22, 2010, during a surprise cash count, we established the Revolving Fund 25 included outstanding advances totaling \$9,440. Six of these advances totaling \$610.70 were outstanding for more than 30 days, the oldest of which was a \$300 advance made on December 2, 2009. The ages of the advances indicated that a more timely liquidation of advances is in place. Revolving Fund 74 has one outstanding loan of \$1,845 due from a conservatee's estate.