



County of Riverside

INTERNAL AUDIT REPORT

2010-017

Office of County Counsel

December 9, 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**

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December 9, 2010

Pamela J. Walls, County Counsel
County Counsel
3960 Orange Street, Fifth Floor
Riverside, CA 92501

Subject: Internal Audit Report 2010-017: Office of County Counsel

Dear Ms. Walls:

We have completed an audit of the Office of County Counsel to provide management and the Board of Supervisors with an independent assessment of internal controls over department head change, expenditures, and the revolving fund. We performed the audit between April 7, 2010, and December 8, 2010, covering the period July 1, 2008, through June 30, 2010.

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 adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, and performing other procedures we considered necessary. We believe the 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 our audit.

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

We discussed the results contained in this report, as well as comments and suggestion of lesser significance, with the appropriate level of management in the course of the audit.

We thank the Office of County Counsel and staff for their cooperation and assistance during the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in cursive script that reads "Melissa S. Bender".

By: Melissa S. Bender, CIA
Audit Manager

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

The Office of County Counsel was established on September 15, 1941, per Board of Supervisor's ordinance number 261-g and is a full service law office for the County of Riverside. The department primarily represents the Board of Supervisors, county departments, agencies, commissions, officers, and employees in matters of civil concern. The department may also represent other public agencies when not in conflict with its primary duty. Other public agencies include but are not limited to special districts and school districts located within the county. The Office of County Counsel does not provide legal advice or services to private citizens.

The Office of County Counsel provides high quality, cost effective advisory and litigation support to the county on a wide range of subjects including healthcare, public safety, child welfare, land development, environmental protection, public finance, taxation and elections. The legal services offered are established by the ever changing needs of the legislative environment and to assist the county in achieving its goals. Furthermore, the Office of County Counsel reviews and drafts ordinances, resolutions, contracts, and other legal documents for the county.

The main office is located in the Downtown Law Building with three other satellite offices throughout the county. The department currently has 44 attorneys and 26 administrative staff. The Office of County Counsel has four divisions organized by legal practice groups and an administrative services division. The four divisions are as follows Land Use/Code Enforcement, Contracts/Public Works and Financing, General Government/Litigation, and Juvenile Dependency.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the department head change, expenditures and the revolving fund.

Audit Conclusion

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

Department Head Change

Background

Per the Auditor-Controller's Standard Practice Manual (SPM) Policy Number 912, 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. Additionally, revolving funds are also required to be transferred to the new department head utilizing Revolving Fund Request Order & Change Form (SPM Form AR-1).

Objective

To determine if the required forms for the transfer of capital assets and revolving funds from the former to the new department head were completed and properly filed.

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 revolving funds and submitted to the Auditor-Controller's Office; and
- identified and verified existence of capital assets that were transferred to the new department head.

Results

At the time the new County Counsel was appointed by the Board of Supervisors effective as of February 10, 2009, the department had a total of eight capitalized assets with a recorded cost of \$75,673 and included copiers and servers. These assets were transferred to the new department head per the Inventory of County Property for Capital Assets (SPM Form AM-1). Since the change in department head went into effect two more copiers have been acquired by the department and we verified the existence of these capital assets including being affixed with an asset tag. For the revolving funds, we verified the Revolving Fund Request Order & Change Form (SPM Form AR-1) was completed and the custodianship of the revolving fund was transferred to the new department head.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capitalized assets and revolving funds to the new County Counsel appointed by the Board of Supervisors.

Expenditures

Background

The Office of County Counsel mainly provides professional services and the majority of its expenditures are comprised of salaries. Other expenditures incurred by the department are business related and administrative in nature such as offices supplies, books/publications, postage, subscriptions, memberships, printing/binding, and training. For fiscal year 2008/2009 and 2009/2010, average expenditures incurred by the department (other than salaries and benefits) totaled \$821,000.

Objective

To determine expenditures are appropriate, reasonable, and if applicable, in compliance with Board Policy D-1 (Reimbursement for General Travel and Other Actual and Necessary Expenses).

Audit methodology

To accomplish our objectives, we:

- gained an understanding of Board of Supervisor's Policy D-1;
- obtain data from the Simpler Financials System and selected sample transactions for testing; and
- reviewed the supporting documentation for the sample transactions.

Results

We selected transactions for review in the following accounts: office supplies, postage, memberships, books/publications, conference/registration fees, and training expenses (air transportation, lodging and meals). Our review of the supporting documentation showed late fees and finance charges were paid during the audit period. The amount of late fees and finance charges incurred were not material, however, best business practices dictate balances should be paid in full each month to avoid late fees and finance charges when possible. As a result of our testing, we determined expenditures incurred by the department were appropriate, reasonable, and in compliance with Board Policy D-1, if applicable.

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 Office of County Counsel has one revolving fund in the amount of \$1,600 maintained in a checking account with Union Bank. The department does not maintain any part of the revolving fund as petty cash. This fund is principally used to pay for general office expenses including office supplies, postage, legal publications, conference registration, items requiring pre-payment for installation or delivery and any incidentals. The department replenishes the revolving fund once the balance is approximately \$300-\$400 dollars.

Objective

To determine the existence and adequacy of internal controls over the safeguarding of the revolving fund.

Audit methodology

To accomplish our objectives, we:

- reviewed Revolving Fund Request Order & Change Form (SPM Form AR-1) for the establishment of the revolving fund;
- gained an understanding of the procedures affecting revolving funds through interviews with key personnel of the department;
- verified revolving fund reconciliations are performed;
- reviewed the supporting documentation for a sample transactions that were replenished; and
- verified adequate segregation of duties exists.

Results

The Office of County Counsel has an established process in place for the use of the revolving fund. Access to the revolving fund checkbook is limited only to authorized personnel. Employees complete the written requests which must be approved by their supervisor and department head. Upon approval, a check is prepared and the supporting documentation along with the check is submitted to the department head for signature. The original check is sent for payment and the copy of the check and supporting documentation is maintained by the Administrative staff.

We physically observed the revolving fund checkbook is kept in a locked drawer at all times and access is limited to the individual who has the key to the drawer. A sample of revolving fund transactions was selected to review the supporting documentation and ensure the transactions were for official county business use. We reviewed the revolving fund reconciliations completed for January through June 2010 and verified the reconciliation is performed on a monthly basis and approved by department head. Per the revolving fund reconciliation, we noted two revolving fund checks in the amount of \$76.60 that have remained uncleared for a minimum of 18 months or longer. Even though immaterial, the department has reviewed the age of these revolving fund advances to evaluate collectability and has determined they will need to be written off. The department will follow the appropriate process to have these advances written off accordingly. We verified adequate segregation of duties exist over key revolving fund tasks performed. As a result of our testing, we determined internal controls exist and adequate over the safeguarding of the revolving fund.