SUBJECT: Internal Controls

PURPOSE: To provide guidance for establishing and maintaining an effective system of internal control.


SCOPE: All County departments and agencies governed by the Board of Supervisors.

POLICY: A. County departments and agencies shall establish, document and maintain an effective system of internal control.

PROCEDURE:

A. Definition: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Safeguarding assets
2. Ensuring accuracy, reliability and timeliness of financial records and reports
3. Promoting adherence to policies, procedures, regulations and laws
4. Promoting effectiveness and efficiency of operations

B. Control Principles:

1. Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or activity.
2. Authorization and approval: Transactions are authorized by a person assigned approval authority.
3. Review and reconciliation: Records are routinely examined and reconciled to determine that transactions were properly processed.
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<th>SECTION: 1</th>
<th>CATEGORY: ADMINISTRATION (NEW)</th>
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<td>REVISED/LAST REVIEWED: 3/25/02</td>
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4. Custodial and Security Arrangements: Responsibility for custody of assets is separated from the related record keeping.

5. Physical Controls: Equipment, inventories, cash and other property are secured physically, counted periodically and compared with control records.

6. Training and Supervision: Employees receive appropriate training and guidance necessary to ensure that control processes function properly and suspected improprieties are reported appropriately.

7. Documentation: Well-documented policies and procedures are established and maintained to promote employee understanding of job duties, provide day-to-day guidance to staff and help ensure continuity during employee absences or turnover.

8. Cost/Benefit: Costs associated with control processes should not exceed expected benefits.

C. Further guidance is available in The County of Riverside Auditor-Controller Internal Control Handbook.