

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

409



FROM: Auditor-Controller

SUBMITTAL DATE:
August 5, 2014

SUBJECT: Internal Audit Report 2014-020: Abandoned Vehicle Abatement Program, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-020: Abandoned Vehicle Abatement Program

BACKGROUND:

Summary

We have completed an audit of the Abandoned Vehicle Abatement Program to provide management and the Board of Supervisors with an independent assessment of internal controls over the program, pursuant to the Department of California Highway Patrol Abandoned Vehicle Abatement Program Handbook. The audit covered the period July 1, 2011 through June 30, 2013.

(Continued on page 2)

Paul Angulo

Paul Angulo, CPA, M.A.
County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	
SOURCE OF FUNDS: N/A				Budget Adjustment: No	
				For Fiscal Year: n/a	

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-4

Departmental Concurrence

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-020: Abandoned
Vehicle Abatement Program, [District: All]: [\$0]

DATE: August 5, 2014

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to expenditures.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-020: Abandoned Vehicle Abatement Program.

Internal Audit Report Audit 2014-020
Abandoned Vehicle Abatement Program

Report Date: June 30, 2014



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AUDITOR-CONTROLLER**

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ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, M.A.
AUDITOR-CONTROLLER

August 5, 2014

Mr. Juan C. Perez, Director
Transportation and Land Management Agency
4080 Lemon St., 14th Floor
Riverside, CA 92504

Subject: Internal Audit Report 2014-020: Abandoned Vehicle Abatement Program

Dear Mr. Perez:

We have completed an audit of the Abandoned Vehicle Abatement Program to provide management and the Board of Supervisors with an independent assessment of internal controls over the program, pursuant to the Department of California Highway Patrol Abandoned Vehicle Abatement Program Handbook. The audit covered the period July 1, 2011 through June 30, 2013.

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 sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-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 identified opportunities for improvement of internal controls relating to expenditures.

As requested, in accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective actions.

Internal Audit Report 2014-020: Abandoned Vehicle Abatement Program

We thank the Riverside County Transportation and Land Management Agency's Code Enforcement Division management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, M.A.
County Auditor-Controller

Mark W. Cousineau

By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

Executive Summary

Overview

Vehicle Code (VC) Section 9250.7 and 22710 were enacted to impose a one-time, one dollar surcharge on vehicle registration or renewal on every vehicle for calendar year 1971. The sections required these fees be deposited in the Abandoned Vehicle Trust Fund (AVTF). The Department of Public Works (in cooperation with the California Highway Patrol (CHP), County Sheriffs and city police departments) was designated administrator for the AVTF

The CHP assumed administrative and operational responsibilities of the AVTF program and AVTF fees collection in 1973. AVTF funds would be used to carry out provisions of VC Section 22710 of the Vehicle Code to include prorating AVTF funds to each county in proportion to the number of abandoned vehicles, which had been surveyed statewide.

In 1976, VC Section 22660 was amended and VC Section 22661 was added. These sections allowed a city and/or county to adopt an ordinance which would establish procedures for the abatement and removal of abandoned, wrecked, dismantled or inoperative vehicle or parts from private or public property, not including highways.

In 1990, VC Sections 9250.7 and 22710 removed AVTF fund appropriation responsibilities from the CHP and required appropriation of funds to SCO for disbursement. The sections also realigned AVA responsibilities to have CHP provide AVA program guidelines for service authorities. In addition, CHP would review abandoned AVA program plans submitted by a service authority to ensure consistency. The sections also allowed county's board of supervisors by a two-thirds vote, and a majority of the cities having a majority of the incorporated population within the county, to adopt resolutions which provided for the establishment of a service authority for the abatement of abandoned vehicles and a one dollar registration fee imposition.

VC Section 9250.7 and 22710 were amended to include a requirement for submission of a fiscal year-end report to SCO. Failure to submit the report results in the one-year suspension of the authority by the SCO. In addition, if report reflects funds were not utilized in accordance with the AVA program, the SCO shall suspend an authority for one year.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the program.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to expenditures.

Abandoned Vehicle Abatement Program

Background

The Abandoned Vehicle Abatement (AVA) program provides funds to counties for the removal of abandoned vehicles by imposing a \$1 registration fee for all vehicles registered within a county. State Controller's Office (SCO) oversees the AVA program for the State. California Highway Patrol administers the AVA program. The County along with some cities established the Riverside County Abandoned Vehicle Abatement Service Authority (Authority) to manage the abandoned vehicle abatement program on the county level. The members consist of the County of Riverside and 24 of the county's 28 cities.

Authority members vote biennially on a chair to manage the Service Authority, which currently and throughout its inception, the County has chaired. Fund 51005 handles transactions for the Abandoned Vehicle Abatement Trust Fund.

The State distributes funds to the Authority on a quarterly basis. The funds are based on \$1 for all the passenger vehicles and \$2 for large commercial vehicles registered in Riverside County minus administration fees for the State Controller's Office and California Highway Patrol. The Authority distributes funds to the Authority's members minus the following: administration fee of \$18,880, warrant processing fee, and accounting and auditing transaction fee. The Authority uses a formula to determine the portion of funds going to members. The Authority members report expenses for the AVA program to the County to support their claims.

Department of California Highway Patrol Abandoned Vehicle Abatement Program Handbook (HPH 87.1) Chapter 3, Section 1 (a) (8) outlines the minimum fiscal controls, including annual internal audits for the program.

The Authority sends a report to the SCO every October reporting the financial activity of the program and members are audited by an independent accounting firm on a biennial basis.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over AVA program management.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of Code Enforcement personnel.
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.

- Obtained and understood policy and procedures for program management.
- Performed testing to ensure internal controls were adequate over expenditures.

Finding 1: Support for Expenditures: VC 9250.7(b) (2); VC 9250.7(e)

Not all expenditures for the AVA program were adequately supported or approved. We tested thirteen expenditures from July 1, 2011 through June 30, 2013 and identified three (or 23%) that were without support and one (or 8%) that was not approved by the Authority members. Of the three unsupported expenditures two were unsupported cost estimates, and the third one could not be found due to its age. Code Enforcement indicated that estimates were used because it was too time-consuming to track expenditures for the mailing of Notice Forms, etc. The lack of supporting documentation for member's expenditures associated with program administration and obtaining proper approvals for expenditures may result in the SCO suspending the Authority's authorization to collect the service fees.

Management's Response to the Finding

"Concur. It is important to recognize that the County has both an administrator and member role in the AVA Program. Due to the high volume of the County as a "member" in the program, the Department utilizes a cost estimate for quarterly AVA-related daily County expenses. This includes all AVA program operating supplies such as folders, forms, labels, envelopes, printing, mailing fees, notices, etc. It is neither labor efficient nor cost effective to try and track individual folders, forms, labels, envelopes, etc. as an expense. This would also significantly increase the type of administrative cost at issue.

In operating as a member, the member operating cost estimate and per-case admin fee do not require Authority approval. Only one-time major purchases over \$5,000 are required to be presented to and approved by the Authority members. The Department is also externally audited annually by Vavrinek, Trine, Day & Co., LLP on behalf of the Authority, for its Administrator duties; and again biennially as a jurisdictional member. Fiscal years 2011 and 2012 audit reports were provided to the auditor during this audit.

All case-related expenditures are reimbursed through the program only after the case is closed. It is not uncommon for a case to be closed years after it is opened. In this particular audit, the Department was not able to track down two (2) 10-year-old invoices from 2004, from cases opened in 2003. After this amount of time, the Department was not able to contact either vendor."

Recommendation 1

Track actual program costs and ensure all administration fees are properly approved by members of the Authority.

Management's Response

“Concur. The department concurs and is no longer charging an administrative fee per case in favor of a documented indirect charge as a Program Administrator.”

Auditor's Comments

The use of estimates to allocate or assign costs is acceptable when supported by a recognized methodology that allocates expenditures as a portion of an activity base. Code Enforcement's estimates were unsupported.

Code Enforcement's assertion that only one-time major purchases over \$5,000 are required to be presented to and approved by the Authority members is accurate but, non-applicable to this finding. The unapproved expenditure consisted of an \$11,608 administration fee in addition to the Authority approved quarterly \$18,880 administration fee. An annual administration fee of \$75,520, which calculates to \$18,880 per quarter, was approved by the Authority. During the 3rd quarter of FY 2011/12, the authority charged an approved administration fee of \$18,880 and an additional administration fee of \$11,608, which was not approved by the authority.