



County of Riverside

Internal Audit Report

2008-005.2

Countywide Revolving Funds Assessor-County Clerk-Recorder's Office

April 2, 2009

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

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



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COUNTY OF RIVERSIDE
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April 2, 2009

Mr. Larry W. Ward, Assessor-County Clerk-Recorder
Assessor-County Clerk-Recorder's Office
4080 Lemon Street
Riverside, CA 92502

Subject: **Internal Audit Report 2008-005.2: Countywide Revolving Funds, Assessor-County Clerk-Recorder's Office**

Dear Mr. Ward:

We have completed an audit of the revolving funds held by the Assessor-County Clerk-Recorder's Office, one of five County departments selected as part of a countywide audit of revolving funds. We conducted the audit during the period December 3, 2007, through November 18, 2008, for operations of July 1, 2005, through November 18, 2008.

Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

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 department's effectiveness and efficiency of operations, compliance with applicable laws, reliability of financial information, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our opinion.

In our opinion, the department has adequate internal controls in place to ensure the proper use, accounting and safekeeping of their revolving funds. However, we noted areas for improvement relating to custodianship of revolving funds, authorized amount exceeds the department's needs, and monitoring, tracking and reporting revolving fund shortages and overages.

A copy of the reply from the Assessor-County Clerk-Recorder's management is attached to this report, and excerpts from the reply were presented in the appropriate sections of the report. Management concurred to implement the recommended corrective actions and has already fully implemented all recommendations.

We thank the Assessor-County Clerk-Recorder's management and staff for their cooperation. Their assistance contributed significantly to the successful completion of the audit.

Robert E Byrd, CGFM
Auditor-Controller

A handwritten signature in black ink, appearing to read 'M. G. Alexander', written over a horizontal line.

By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Audit Objective Our objective was to provide an independent assessment of the adequacy and effectiveness of internal controls over the use, accounting and safekeeping of revolving funds.

Overview Pursuant to California Government Code (Title 3, Division 3, Chapter 2, Section 29320 et seq.), the Board of Supervisors adopted Resolution (74-156) on May 14, 1974, authorizing the establishment of a revolving fund, under the custodianship of a county officer, for use on official county business. The resolution authorizes the establishment of only one revolving fund, not exceeding \$10,000, for a single officer. On January 12, 1982, the Board of Supervisors adopted Resolution (82-75) authorizing the Auditor-Controller to perform the functions of the Board of Supervisors in establishing, increasing, reducing or discontinuing any of the revolving funds.

The officer may deposit the fund in a commercial bank account and issue checks thereon, or use any other appropriate method of safekeeping.

Board of Supervisors Policy D-1 (Reimbursement for General Travel and other Actual and Necessary Expense), requires that claims are filed promptly no later than the end of the month following when the expenditures were incurred. In addition, Auditor-Controller Standard Practice Manual 111-E-1-2.1 (Revolving Funds), calls for maintaining fund balance at an adequate level by submitting expenditures for reimbursement periodically.

Audit Methodology To accomplish our objectives, we:

- reviewed applicable codes, regulations, Board resolutions, policies and procedures;
- gained an understanding of the policies, procedures and practices affecting revolving funds through interviews with key personnel of the Office of the Assessor-County Clerk-Recorder, Office of the Auditor-Controller, and Office of the Treasurer-Tax Collector;
- obtained data from the PeopleSoft system and supporting documentation for transactions that were tested;
- analyzed the revolving fund balances with regard to the department's requirements; and
- established fund accountability by way of surprise cash counts and fund reconciliations.

Overall Conclusion In our opinion, the department has adequate internal controls in place to ensure the proper use, accounting and safekeeping of their revolving funds. However, we noted areas for improvement relating to custodianship of revolving funds, authorized amount exceeds the department's needs, and monitoring, tracking and reporting revolving fund shortages and overages.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Results

The Assessor-Clerk-Recorder's Office maintains three revolving funds totaling \$33,250. During the period July 1, 2005, through October 19, 2007, the department issued 88 vouchers totaling \$60,553.53 to replenish revolving funds disbursements. We selected a sample of 40 vouchers totaling \$16,272.67 for detailed testing.

**Revolving Fund 10: Current Authorized Amount—\$13,050
Authorized Custodian: Assessor-County Clerk-Recorder**

Of the \$13,050 authorized amount for revolving fund 10, \$9,950 was used as petty cash and cashiers' change funds at office locations in the following cities: Riverside, Indio, Hemet, and Temecula. The \$3,100 remaining balance is kept in a checking account with Altura Credit Union and used primarily to pay for customer refunds. As refunds become due, amounts are deposited to the checking account from the petty cash funds. During the surprise count conducted on December 27, 2007, we established the composition of the fund as follows:

Bank checking account balance	\$3,017.00
Outstanding replenishments	83.00
Petty cash and change funds	9,950.00
Total	<u>\$13,050.00</u>

**Revolving Fund 53: Current Authorized Amount—\$20,000
Authorized Custodian: Assessor-County Clerk-Recorder**

This fund is used to pay for employees travel advances, training, and other related charges. During the surprise count conducted on December 27, 2007, we established the composition of the fund as follows:

Bank checking account balance	\$16,250.51
Deposits in transit	3,749.49
Petty cash and change funds	361.00
Total	<u>\$20,361.00</u>

The \$361 petty cash and change fund was obtained without proper approval from the Office of the Auditor-Controller and the Office of the Treasurer-Tax Collector. However, during the course of the audit, the department returned the money to the county Treasury.

**Revolving Fund 120: Current Authorized Amount—\$200
Authorized Custodian: Senior Accounting Assistant**

Revolving fund 120 is used by the department's Record Management and Archives Program as a petty cash fund for postage, quarters for parking and emergency office needs. This fund was not covered by our audit.

Finding 1 Of the three revolving funds the department maintains, two are under the official custodianship of a single individual. This is contrary to Board Resolution (74-156), requiring that only one fund can be established per custodian.

Recommendation 1 Establish only one revolving fund for each custodian and obtain Auditor-Controller authorization for each fund and custodian.

Management's Reply "Concur. The department completed and submitted Auditor-Controller's Form, Revolving Fund Request Order and Change Form, SPM AR-1.

Date of corrective action: September 26, 2008.

Estimate cost to implement recommendation: \$0."

Auditor's Comment On September 30, 2008, Auditor Controller's SPM Form (AR-1), was received and processed for Revolving Fund 53 to establish only one custodian per fund.

Finding 2 The department replenished two revolving fund shortages totaling \$637.56 utilizing voucher payables. The vouchers were submitted to the Auditor-Controller's Office for replenishment in September 2005 and March 2006. The lack of tracking, monitoring and appropriately reporting revolving fund shortages and overage may result in misappropriation of the department's funds.

Auditor-Controller's Standard Practice Manual III-E-1-1.1 (Reporting Procedures for Cash Overages and Shortages), requires county departments to report cash overage and shortage internally within the department on a daily basis and to the Auditor-Controller's Office on a monthly basis.

Recommendation 2 The department should monitor and track revolving fund shortages on a daily basis, and report these to the Auditor-Controller's Office on a monthly basis utilizing SPM Forms AR-3, AR-4, and AR-5.

Management's Reply "Concur.

Date of corrective action: Not applicable.

Estimated cost to implement recommendation: \$0."

Auditor's Comment The department started reporting daily and monthly cash shortages to the Auditor-Controller's Office utilizing SPM Form AR-3 and AR-4 in November 2008.

Finding 3 The total balance of \$3,100 maintained in the Altura Credit Union checking account to issue refunds is excessive considering that the department routinely transfers overpayments to the checking account to cover refund checks.

Recommendation 3 Request a reduction of revolving fund 10 and return excess funds to the Treasurer's Office in accordance with Auditor-Controller's Standard Practice Manual III-E-1-2.1 (Revolving Funds).

Management's Reply "Concur.

Estimated date of corrective action: October 3, 2008.

Estimated cost to implement corrective action: \$0."

Auditor's Comment On September 30, 2008, revolving fund 10 was reduced to \$9,500 and the excess funds were returned to the county Treasurer's Office.



COUNTY OF RIVERSIDE

ASSESSOR-COUNTY CLERK-RECORDER

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CATHY COLT
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TAUNA MALLIS
ASSISTANT
County Clerk-Recorder Division

FRIT SWAIN
ASSISTANT
Valuation Division

LARRY W. WARD
Assessor-County Clerk-Recorder

DATE: November 13, 2008

TO: Auditor-Controller
Audits-and-Specialized Accounting Division

FROM: Larry W. Ward
Assessor-County Clerk-Recorder
by John E. O'Neil, Principal Deputy ACR

SUBJECT: Reply to Draft Audit Report

Recommendation Number 1:

Establish only one revolving fund for each custodian and obtain Auditor-Controller authorization for each fund and custodian.

- a. **Management's position concerning the recommendation:**
 Concur Disagree
- b. **Comments:**
The department completed and submitted Auditor-Controller's Form, Revolving Fund Request Order and Change Form, SPM AR-1.
- c. **Date of Corrective Action:** September 26, 2008.
- d. **Estimated cost to implement recommendation (if material):**
\$-0-_____

Recommendation Number 2:

The department should monitor and track revolving fund shortages on a daily basis, and report these to the Auditor-Controller's Office on a monthly basis utilizing SPM Forms AR-3, AR-4, and AR-5.

- a. **Management's position concerning the recommendation:**
 Concur Disagree
- b. **Comments:**
None.
- c. **Date of Corrective Action:** Not applicable.
- d. **Estimated cost to implement recommendation (if material):**
\$-0-_____

