

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

113



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
November 9, 2011

**SUBJECT:** Internal Audit Report 2012-014: Office of the Auditor-Controller

**RECOMMENDED MOTION:** Receive and File Internal Audit Report 2012-014: Office of the Auditor-Controller.

**BACKGROUND:** We have completed an audit of the Office of the Auditor-Controller to provide management and the Board of Supervisors with an independent assessment of internal controls over department head change and the revolving fund. We performed the audit between August 18, 2011, and November 9, 2011, covering the period January 3, 2011, through November 9, 2011. Based upon the results of our audit, we determined the capital assets were transferred to the new Auditor-Controller in a timely manner and adequate internal controls are in place over the revolving fund.

*Paul Angulo*

Paul Angulo, CPA, MA  
County Auditor-Controller

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

APPROVE

BY:

*Karen L. Johnson*  
Karen L. Johnson

**County Executive Office Signature**

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

- Consent
- Policy
- Consent
- Policy

Dep't Recomm.:  
Per Exec. Ofc.:

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2.11





# County of Riverside

## INTERNAL AUDIT REPORT

2012-014

### Office of the Auditor-Controller

November 9, 2011

Office of  
**Paul Angulo, CPA, MA**  
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  
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(951) 955-3800  
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**ACC** | **AUDITOR  
CONTROLLER**  
**COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA  
AUDITOR-CONTROLLER**

November 9, 2011

Paul Angulo, CPA, MA  
Auditor-Controller  
4080 Lemon St., 11<sup>th</sup> Floor  
Riverside, CA 92502

**Subject: Internal Audit Report 2012-014: Office of the Auditor-Controller**

Dear Mr. Angulo:

We have completed an audit of the Office of the Auditor-Controller to provide management and the Board of Supervisors with an independent assessment of internal controls over department head change and the revolving fund. We performed the audit between August 18, 2011, and November 9, 2011, covering the period January 3, 2011, through November 9, 2011.

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 were transferred to the new Auditor-Controller in a timely manner and adequate internal controls are in place over 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 the Auditor-Controller for their cooperation and assistance during the audit.

A handwritten signature in black ink, appearing to read "Russell S. Dominski". The signature is fluid and cursive, with a large initial "R" and "D".

By: Russell S. Dominski  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## **Executive Summary**

### **Overview**

The Riverside County Auditor-Controller is an independent, nonpartisan elected office established to provide various accounting and property tax administration services to the county government, special districts, schools, and cities. The Auditor-Controller is the chief accounting and disbursement officer of the county responsible for budget control, disbursements and receipts, and financial reporting. In addition, this office is responsible for audits of all departments and certain agencies within the county's jurisdiction.

### **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 and the revolving fund.

### **Audit Conclusion**

Based upon the results of our audit, we determined the capital assets were transferred to the new Auditor-Controller in a timely manner and adequate internal controls are in place over 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 Auditor-Controller took office on January 3, 2011, the department had a total of nine capitalized assets with a recorded cost of \$111,155, which included copiers, software 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, no asset changes (additions or deletions) have been made. For the revolving funds, we verified the Revolving Fund Request Order & Change Form (SPM Form AR-1) was completed. However, the custodianship of the revolving fund was not transferred to the new department head because the old department head was not the custodian of the revolving fund and the custodian has not changed.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capitalized assets to the new Auditor-Controller.



## 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 the Auditor-Controller has one revolving fund in the amount of \$400 maintained as petty cash. This fund is principally used to pay for general office expenses including office supplies, postage, and any incidentals.

### 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 of transactions that were replenished; and
- verified adequate segregation of duties exists.

### Results

The Office of the Auditor-Controller has an established process in place for the use of the revolving fund. Access to the revolving fund (petty cash) is limited only to the fund custodian. We physically observed the petty cash is kept in a locked box 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. As a result of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving fund.