



County of Riverside  
OFFICE OF THE AUDITOR-CONTROLLER  
STANDARD PRACTICE MANUAL

**SUBJECT:** INTERNAL CONTROL

<b>SECTION:</b>	<b>1</b>	<b>CATEGORY:</b> ADMINISTRATION
<b>POLICY NUMBER:</b>	<b>104</b>	
<b>REVISED/ LAST REVIEWED:</b>	<b>3/25/02</b>	<b>APPROVED BY:</b> <i>Robert Byrd</i>

**SUBJECT:** Internal Controls

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

**LEGAL AUTHORITY:** Chapter 2, §2.03 “State of California Accounting Standards and Procedures for Counties,” State Controller’s Office, Division of Accounting and Reporting. §13400-§13407 California Government Code.

**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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<b>SECTION:</b>	<b>1</b>	<b>CATEGORY:</b> ADMINISTRATION (NEW)  CG
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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.

<b>ADM SECTION:</b>	<b>1</b>
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