

**Internal Audit Report 2018-015**

**Riverside County Executive Office  
Change of Department Head Audit  
(County Executive Officer)**

**Report Date: March 4, 2019**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800**

**[www.auditorcontroller.org](http://www.auditorcontroller.org)**



**COUNTY OF RIVERSIDE**  
**OFFICE OF THE**  
**AUDITOR-CONTROLLER**

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



**Paul Angulo, CPA, MA**  
**Riverside County Auditor-Controller**

**Oscar Valdez**  
**Assistant Auditor-Controller**

March 4, 2019

George Johnson  
County Executive Officer  
Riverside County Executive Office  
4080 Lemon Street, 4<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2018-015: Riverside County Executive Office, Change of Department Head Audit (County Executive Officer)**

Dear Mr. Johnson:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department head audit for Riverside County Executive Office (County Executive Officer). This audit is conducted to assess internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

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 evaluate the internal controls.

Based upon the results of our audit, we determined:

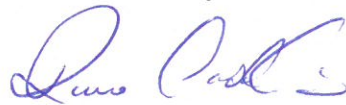
- 1) Capital assets were transferred to the newly appointed County Executive Officer timely and documented with required forms. However, the required forms for the revolving funds were not completed timely.
- 2) Internal controls over the revolving funds and capital assets are adequate to ensure the safeguarding of revolving funds and capital assets.

**Internal Audit Report 2018-015: Riverside County Executive Office, Change of Department Head  
Audit (County Executive Officer)**

As requested, in accordance with paragraph III.C 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.

---

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

cc: Board of Supervisors  
Grand Jury

## Table of Contents

	Page
Executive Summary .....	4
 <b>Audit Results:</b>	
Revolving Funds .....	5
Capital Assets.....	7

## Executive Summary

### Overview

Riverside County Executive Office is responsible to the Board of Supervisors for the proper and efficient administration of county departments, agencies, and special districts under the jurisdiction of the Board. The Executive Office has an adopted budget of \$150 million for FY 2018-19 and has 35 authorized positions to execute its responsibilities.

### Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding of revolving funds and capital assets when there is a change in department head.

### Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Capital assets were transferred to the newly appointed County Executive Officer timely and documented with required forms. However, the required forms for the revolving funds were not completed timely.
- 2) Internal controls over the revolving funds and capital assets are adequate to ensure the safeguarding of revolving funds and capital assets.

## Revolving Funds

### Background

Under the authority of Government Code Section 29320-29334, the Riverside County Board of Supervisor's adopted Board 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 Board of Supervisors adopted Board Resolution 83-338 on November 1, 2018, authorizing the Riverside County Auditor-Controller to audit revolving funds of any officer accountable for such resources upon transfer of such resources to a new officer.

The Riverside County Executive Office has one revolving fund, with an authorized balance of \$1,000, maintained in the form of petty cash and bank account. The revolving fund is primarily used to pay for business expenses and office supplies. The checkbook is held in a secure cabinet. Access to the checkbook is limited to three personnel. Use of department revolving funds requires management approval.

### Objective

To determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department head were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of the revolving funds.

### Audit Methodology

To accomplish these objectives, we:

- Reviewed Riverside County Auditor-Controller Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change Form*, for the establishment and transfer of the revolving funds
- Interviewed key personnel and reviewed department procedures over the revolving funds
- Verified revolving fund reconciliations were prepared
- Performed a surprise cash count and reconciled to the fund assignment amounts
- Verified for adequate segregation of duties
- Performed limited testing on replenishment transactions

### **Finding 1: Revolving Fund Transfer of Accountability**

A transfer of revolving fund form was not completed for the newly appointed County Executive Officer. The County Executive Officer was appointed on June 8, 2017. Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change Form*, was not submitted to the Riverside County Auditor-Controller's Office when the change in department head occurred. The department was aware of the requirement, but did not submit the form timely. By not transferring revolving funds to the incoming officer, the department did not comply with Riverside County Board of Supervisors Resolution No. 74-156, *Adopting Regulations for the Establishment, Use, Transfer and Termination of Revolving Funds*.

### **Recommendation 1**

Ensure that SPM Form AR-1, *Revolving Fund Request Order & Change Form*, is completed and filed timely with the Riverside County Auditor-Controller's Office whenever a change in department head occurs.

### **Management's Response:**

**Concur.** The Executive Office agrees with the recommendation and the required forms were filed with the Auditor-Controller on May 5, 2018."

Actual/estimated Date of Corrective Action: **May 5, 2018**

### **Auditor's Response:**

We verified the Executive Office filed an SPM Form AR-1, *Revolving Fund Request Order & Change Form* dated May 10, 2018, with the Riverside County Auditor-Controller's Office. This finding is considered resolved and no longer an issue. As such, no follow up work will be performed.

## Capital Assets

### Background

Capital assets are tangible assets of significant value which have a utility that extends beyond the current year, and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Per the Riverside County Auditor-Controller's Standard Practice Manual (SPM 515), *Transfer of Accountability on Capital Assets*, it states that 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 Riverside County Auditor-Controller's Office.

As of June 8, 2017, the time the new County Executive Officer was appointed/elected and acknowledged receipt of capital assets from the outgoing officer, the Riverside County Executive Office maintained three capital assets in the Riverside County financial system asset module, consisting of office equipment, with the combined acquisition cost of \$37,474.

### Objective

To determine if the required forms for the transfer of accountability of capital assets from the predecessor to the new appointed department head were completed, and properly filed with the Riverside County Auditor-Controller's Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards
- Established the date of the department head change
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office
- Selected all three capital assets to verify adequate internal controls exist over the safeguarding of assets
- Verified the existence of all three capital assets that were transferred to the new department head



**Findings: None noted**

At the time the new County Executive Officer took office on June 8, 2017, the department had a total of three capitalized assets with combined acquisition cost of \$37,474. The Riverside County Auditor-Controller SPM Form AM-1, *Inventory of County Property for Capital Assets*, was completed and submitted to the Riverside County Auditor-Controller's Office timely on June 30, 2017.

Based upon the results of our testing, we verified the appropriate forms were completed and properly filed for the transfer of capital assets. Also, we verified the capital assets were properly tagged and agreed with the Riverside County financial system asset module.