

**Internal Audit Report 2018-019**

**Riverside County Human Resources,  
Change of Department Head Audit  
(Human Resources Director)**

**Report Date: March 4, 2019**



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March 4, 2019

Brenda Diederichs  
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Riverside County Human Resources  
4080 Lemon Street, 7<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2018-019: Riverside County Human Resources, Change of Department Head Audit (Human Resources Director)**

Dear Ms. Diederichs:

In accordance with Board of Supervisors Resolution 83-338, we completed a change of department head audit for Riverside County Human Resources (Human Resources Director). 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) Transfer of responsibility for revolving funds and capital assets to the newly appointed Human Resources Director was processed timely and documented with required forms.
- 2) Internal controls over the revolving funds and capital assets are adequate to ensure the safeguarding of the revolving funds and capital assets.

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Audit (Human Resources Director)**

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  
George Johnson, County Executive Officer  
Grand Jury

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## Executive Summary

### Overview

The Riverside County Human Resources (Human Resources) is responsible in attracting and retaining employees who deliver Riverside County services. Human Resources has an adopted budget of \$10.7 million for FY 18/19 and has 208 authorized positions to fulfill their mission. *County of Riverside, Fiscal Year 2018/19 Adopted Budget, November 2018, 97*

Human Resources has experienced two instances of department head changes within the last year. The first one occurred on February 2018 and interim Human Resources Director was appointed until a new Human Resources Director was hired permanently. The second on July 30, 2018, when a new director was hired and appointed permanently. We performed audit procedures for both instances.

### Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer 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. Transfer of responsibility for revolving funds and capital assets to the newly appointed Human Resources Director was processed timely and documented with required forms.
2. Internal controls over the revolving funds and capital assets are adequate to ensure the safeguarding of the 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 also adopted Board Resolution 83-338 on November 1, 1983, 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 Human Resources has two revolving funds, #36 and #118, with an authorized balance of \$3,300, and \$200, respectively. Revolving fund #36 is maintained in the form of a bank account and is primarily used to pay for business expenses such as background check fees. Revolving fund #118 is maintained in the form of petty cash and is used as a change fund. The checkbook is held in a secure safe and access to the checkbook is limited to two 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 newly appointed Human Resources Director 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 adequate segregation of duties existed
- Performed limited testing on replenishment transactions

**Findings: None noted**

We reviewed and verified Riverside County Auditor-Controller Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change Form*, was completed and filed with the Riverside County Auditor-Controller's Office for the transfer of custodianship of the revolving funds to the new department head. Human Resources has an established process in place for the use of the revolving funds. Access to the revolving fund/petty cash is limited to the fund custodians. We physically observed the petty cash funds are kept in locked boxes in locked drawers with access limited.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the revolving funds and the appropriate forms were completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of responsibility of the revolving funds.

## 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 February 15, 2018, when the first instance occurred for the change of department head, the Riverside County Human Resources Department maintained 26 capital assets in the Riverside County financial system asset module, consisting of equipment and software with a combined acquisition cost of \$983,434. When the second instance occurred for the change of department head, Human Resources maintained 24 capital assets with a combined acquisition cost of \$963,802.

### Objective

To determine if the required SPM Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was 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 a random sample of capital assets to verify adequate internal controls exist over the safeguarding of assets
- Selected a random sample of capital assets and verified their existence



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- Identified additional capital assets during field review and traced the capital assets to the Riverside County financial system asset module

**Findings: None noted**

At the time the new Human Resources Director took position on February 15, 2018, the department had a total of 26 capitalized assets with combined acquisition cost of 983,434. When the second instance occurred for the change of department head, Human Resources maintained 24 capital assets with a combined acquisition cost of \$963,802. The Riverside County Auditor-Controller Standard Practice Manual Form AM-1, *Inventory of County Property for Capital Assets*, was completed and submitted to the Riverside County Auditor-Controller's Office on July 30, 2018, for the second instance.

Based upon the results of our testing, we determined internal controls exist and are adequate over the safeguarding and use of the capital assets and the appropriate forms were completed and properly filed with the Riverside County Auditor-Controller's Office for the transfer of responsibility of the capital assets.