

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



ITEM: 2.4
(ID # 18736)

MEETING DATE:
Tuesday, April 12, 2022

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2022-308 Riverside County Department of Child Support Services Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

ACTION:Consent

Tanya Harris
Tanya Harris, Assistant Auditor Controller

4/1/2022

MINUTES OF THE BOARD OF SUPERVISORS

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve.

BACKGROUND:

Summary

We completed a follow-up audit of the Department of Child Support Services. Our audit was limited to reviewing actions taken as of February 3, 2022, to correct findings noted in our original audit report 2020-007 dated March 12, 2020. The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings.

BACKGROUND:

Summary (continued)

Please see report for audit results.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2022-308: Riverside County Department of Child Support Services Follow-up Audit.

Internal Audit Report 2022-308

**Riverside County Department of
Child Support Services
Follow-up Audit**

Report Date: April 12, 2022



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

www.auditorcontroller.org



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

**Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller**

April 12, 2022

Kimberly Britt
Director
Riverside County Department of Child Support Services
2001 Iowa Ave
Riverside, CA 92507

Subject: Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

Dear Ms. Britt:

We completed the follow-up audit of Child Support Services Department. Our audit was limited to reviewing actions taken as of February 3, 2022, to help correct the findings noted in our original audit report 2020-007 dated March 12, 2020.

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. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained seven recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the seven recommendations:

- Six of the recommendations were implemented.
- One recommendation was not implemented.

Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2020-007 at [www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/Internal Audit Reports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/Internal%20Audit%20Reports).

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
Jeff A. Van Wagenen, County Executive Officer
Grand Jury

**Internal Audit Report 2022-308: Riverside County Department of Child Support
Services, Follow-up Audit**

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A. Internal Audit Report 2020-007

B. Status of Findings as Reported by Department of Child Support Services on February 3,
2022

Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit**Revolving Fund****Finding 1: Revolving Fund Transfer of Accountability**

Child Support Services did not timely complete or file Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change*, when the new director was appointed. Riverside County Board of Supervisors Board Resolution 74-156, Section 7, states, "In the event that the officer having a revolving fund is succeeded by another person of whom a like fund is established, the fund may be transferred by said officer to his successor, if the successor consents upon taking the successor's receipts and filing the same with the Auditor-Controller." To ensure accountability for public funds, an SPM Form AR-1 should be completed and submitted to the Riverside County Auditor-Controller's Office as soon as the change occurs.

Recommendation 1

Ensure the SPM Form AR-1 requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, within 30 days after a change in department head.

Current Status 1: Implemented**Finding 2: Revolving Fund Reconciliations**

The department did not perform revolving fund reconciliations in a timely manner for three of the five random months reviewed. When reconciliations were completed there was no date or signature provided by reviewer or approver. In addition, bank statement charges are not appropriately reflected on reconciliation form. The department's revolving fund desk aid procedures does not include steps on how to report interest accrued or fees that the bank charges. As such, none were included in the reconciliation. Standard Practice Manual 104, *Internal Controls*, states, "Review and reconciliations: Records are routinely examined and reconciled to determine that transactions were properly processed." Performance of monthly revolving fund reconciliation is a critical internal control to ensure errors or unauthorized activities do not go undetected.

Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

Recommendation 2.1

Ensure monthly fund reconciliations are completed timely and preparation and review of reconciliation is evidenced with dates and signatures.

Current Status 2.1: Implemented

Recommendation 2.2

Reconcile discrepancies immediately and report any overages or shortages to the Auditor Controller's Office on a monthly basis. In addition, ensure that reconciliations are accurately reporting any fees or interest.

Current Status 2.2: Implemented

Finding 3: Segregation of Duties

There is no segregation of duties over the accounting functions for the revolving fund. Our review disclosed the cash custodian, endorses checks, writes checks, has access to revolving fund bank account and approves vouchers. Standard Practice Manual 1001, *Internal Controls*, states, "Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or authority." Child Support Services did not have adequate segregation of duties for the custodian of the revolving fund. If one individual has responsibility for more than one of these duties, there is the risk misappropriation, theft or loss of county funds.

Recommendation 3

Ensure the person reconciling the revolving fund is independent of the cash handling and record keeping function of the fund. Limit the access for individual who has access to many areas of the revolving fund in order to strengthen internal controls for separation of duties.

Current Status 3: Not Implemented

There continues to be segregation of duties conflicts involving key revolving fund functions. The same employee is performing roles as a custodian of assets as well as preparation of bank reconciliations. The key areas of segregation are (1) physical custody of assets, (2) processing and recording of transactions, and (3) approval of

Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

transaction. Personnel recording transactions that affect the on-hand quantities should not be responsible for the physical custody of the asset (check book). The department stated the conflict is as a result of their staffing shortage.

Capital Assets

Finding 4: Capital Assets Transfer of Accountability

The newly appointed department head did not complete a transfer of accountability with signatures in a timely manner. The Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was submitted July 2019, eleven months after the departure of the outgoing officer without appropriate signatures. By not transferring capital assets to the incoming officer in a timely manner, the department did not comply with Standard Practice Manual 912, *Transfer of Capital Assets*, which required acknowledgement of capital assets from outgoing officer to the incoming officer.

Recommendation 4

Ensure the transfer of capital assets from outgoing officer to incoming officer occurs 30 days after a change in department head.

Current Status 4: Implemented

Finding 5: Capital Asset Oversight

Children Support Services is not properly tracking capital assets. Out of 10 capital assets tested, we identified the following:

- Two assets could not be located
- Four assets were missing tag number
- Two assets were not properly surplus

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly

Internal Audit Report 2022-308: Riverside County Department of Child Support Services, Follow-up Audit

identified in the Asset Management Module, an over or understatement of capital assets occurs.

Recommendation 5.1

Ensure capital assets are properly tracked, tagged, and surplus in accordance with Standard Practice Manual 513, *Capital Asset Tags* and Standard Practice Manual 922, *Asset Retirements*.

Current Status 5.1: Implemented

Recommendation 5.2

Develop a policy to ensure all capital assets purchased are placed into service and added to the asset management Module of the financial system in a timely manner.

Current Status 5.2: Implemented

Attachment A

Internal Audit Report 2020-007

**Riverside County
Department of Child Support Services,
Change of Department Director Audit**

Report Date: March 12, 2020



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
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**AO AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

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

**Oscar Valdez
Assistant Auditor-Controller**

March 12, 2020

Kimberly Britt
Director
Riverside County Department of Child Support Services
2041 Iowa Avenue
Riverside, CA 92507

Subject: Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

Dear Ms. Britt:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Department of Child Support Services (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) Internal controls are not in place to ensure the safeguarding and timely transfer of the revolving funds to the newly appointed director. Specifically, the internal controls to ensure the safeguarding and transfer of revolving funds were not in place. Additionally, revolving fund reconciliations were not performed timely for the three out of the five months reviewed.
- 2) Internal controls are not in place to ensure the safeguarding and timely transfer of capital assets. Specifically, internal controls to ensure the transfer, disposal and tagging of capital

Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

assets are not in place. Two assets could not be located, four assets were not tagged and two assets were not surplused.

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. We will follow-up to verify that management implemented the corrective actions.

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 Department of Child Support Services (Child Support Services) is statutorily responsible for establishing paternity, as well as determining and enforcing child and spousal support obligations, including orders for medical support for the minor children. Federal and state laws govern the local agencies with oversight by the California Department of Child Support Services. Child Support Services has 299 authorized positions with a total budget of approximately \$42 million. *County of Riverside, Fiscal Year 2019/20 Adopted Budget, June 2019, 144.*

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) Internal controls are not in place to ensure the safeguarding and timely transfer of the revolving funds to the newly appointed director. Specifically, the internal controls to secure the safeguard transfer of revolving funds were not in place. Additionally, reconciliations were not performed timely for the three out of the five months reviewed.
- 2) Internal controls are not in place to ensure the safeguarding and timely transfer of capital assets. Specifically, internal controls to ensure the transfer, disposal and tagging of capital assets are not in place. Two assets could not be located, four assets were not tagged, and two assets were not surplus.

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 Supervisor's 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 Department of Child Support Services has one revolving fund, with an authorized balance of \$15,000 maintained in the form of a bank account totaling \$14,150 and petty cash totaling \$850. The revolving fund is primarily used to pay interstate record lien fees, service fees, and release of judgment liens. However, petty cash has been used for conferences and supplies for events. Access to the revolving fund/petty cash is limited to the fund custodian and three back-up individuals. We physically observed the petty cash funds are kept in locked boxes in a safe with access limited.

Objective

Our objective is to determine if the required forms for the transfer of accountability of revolving funds from the predecessor to the new appointed department 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 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 cash counts and reconciled to the fund assignment amounts
- Verified adequate segregation of duties exists
- Reviewed supporting documentation for transactions

Finding 1: Revolving Fund Transfer of Accountability

Child Support Services did not timely complete or file Standard Practice Manual (SPM) Form AR-1, *Revolving Fund Request Order & Change*, when the new director was appointed. *Riverside County Board of Supervisors Board Resolution 74-156, Section 7*, states, "In the event that the officer having a revolving fund is succeeded by another person of whom a like fund is established, the fund may be transferred by said officer to his successor, if the successor consents upon taking the successor's receipts and filing the same with the Auditor-Controller." To ensure accountability for public funds, an SPM Form AR-1 should be completed and submitted to the Riverside County Auditor-Controller's Office as soon as the change occurs.

Recommendation 1

Ensure the SPM Form AR-1 requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, within 30 days after a change in department head.

Management's Response:

"**Concur.** Action has been corrected and AR-1 form submitted to the Riverside County Auditor-Controller's Office. This process will be updated and included to the department's desk aid for Fiscal forms that are prepared on a yearly basis but to include when change to Department personnel."

Actual/estimate Date of Corrective Action: November 4, 2019

Finding 2: Revolving Fund Reconciliations

The department did not perform revolving fund reconciliations in a timely manner for three of the five random months reviewed. When reconciliations were completed there was no date or signature provided by reviewer or approver. In addition, bank statement charges are not appropriately reflected on reconciliation form. The department's revolving fund desk aid procedures does not include steps on how to report interest accrued or fees that the bank charges. As such, none were included in the reconciliation. Standard Practice Manual 104, *Internal Controls*, states, "Review and reconciliations: Records are routinely examined and reconciled to determine that transactions were properly processed." Performance of monthly revolving fund reconciliation is a critical internal control to ensure errors or unauthorized activities do not go undetected.

Recommendation 2.1

Ensure monthly fund reconciliations are completed timely and preparation and review of reconciliations is evidenced with dates and signatures.

Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

Management's Response:

"Concur. Reconciliations preparations will be done within a 30-day timeframe from receiving monthly bank statements. Updating the reconciliation form to include date with signature from supervisor/management of approval for replenishment submission."

Actual/estimated Date of Corrective Action: February 10, 2020

Recommendation 2.2

Reconcile discrepancies immediately and report any overages or shortages to the Auditor Controller's Office on a monthly basis. In addition, ensure that reconciliations are accurately reporting any fees or interest.

Management's Response:

"Concur. With the yearly reporting spreadsheet of fees and interest the department will request reimbursement of fees on a monthly basis and no longer at a yearly request."

Actual/estimated Date of Corrective Action: February 10, 2020

Finding 3: Segregation of Duties

There is no segregation of duties over the accounting functions for the revolving fund. Our review disclosed the cash custodian, endorses checks, writes checks, has access to revolving fund bank account and approves vouchers. Standard Practice Manual 1001, *Internal Controls*, states, "Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or authority." Child Support Services did not have adequate segregation of duties for the custodian of the revolving fund. If one individual has responsibility for more than one of these duties, there is the risk for misappropriation, theft or loss of county funds.

Recommendation 3

Ensure the person reconciling the revolving fund is independent of the cash handling and record keeping function of the fund. Limit the access for individual who has access to many areas of the revolving fund in order to strengthen internal controls for separation of duties.

Management's Response:

"Concur. The department has begun to strengthen the internal controls for duties within the administration unit. One person for each step/level is to be taken and a supervisor to oversee this process."

Actual/estimated Date of Corrective Action: February 10, 2020

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 one dollar 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, Policy Number 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 September 27, 2018, Child Support Services maintained 30 capital assets in the Riverside County financial system asset management module consisting of servers, office workstations, and a projector with the combined acquisition cost of \$415,921.

Objective

To determine if the required Standard Practice Manual 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
- Obtained a listing of capital assets tracked in the Asset Management Module
- Selected a random sample and verified the existence of capital assets that were transferred to the new department head

Finding 4: Capital Assets Transfer of Accountability

The newly appointed department head did not complete a transfer of accountability with signatures in a timely manner. The Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was submitted July 2019, eleven months after the departure of the outgoing officer without appropriate signatures. By not transferring capital assets to the incoming officer in a timely manner, the department did not comply with Standard Practice Manual 912, *Transfer of Capital Assets*, which required acknowledgement of capital assets from outgoing officer to the incoming officer.

Recommendation 4

Ensure the transfer of capital assets from outgoing officer to incoming officer occurs 30 days after a change in department head.

Management's Response:

"**Concur.** Is being added to the Departments Policy for future personnel change. This form is also updated as a Yearly Fiscal Form which was signed by the current Director on July 3rd, 2018."

Actual/estimated Date of Corrective Action: July 3, 2018

Auditor's Comment

The most recent Standard Practice Manual AM-1 Form, *The Inventory of County Property for Capital Assets*, was filed with the Auditor-Controller's Office on July 3, 2019, and has no signature from department director in the acknowledgement of receipt from incoming officer.

Finding 5: Capital Asset Oversight

Children Support Services is not properly tracking capital assets. Out of 10 capital assets tested, we identified the following:

- Two assets could not be located
- Four assets were not tagged
- Two assets were not surplus

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Capital assets were not properly tagged or tracked due to look of oversight in the department. When not accounted for or properly identified in the Riverside County financial system, an over or understatement of capital assets occurs.

Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Director Audit

Recommendation 5.1

Ensure capital assets are properly tracked, tagged, and surplused in accordance with Standard Practice Manual 513, *Capital Asset Tags* and Standard Practice Manual 922, *Asset Retirements*.

Management's Response:

"Concur: Policy and Procedures are currently being updated to reflect and ensure that all assets are accounted and tagged properly."

Actual/estimated Date of Corrective Action: February 10, 2020

Recommendation 5.2

Develop a policy to ensure all capital assets purchased are placed into service and added to the asset management module of the financial system in a timely manner.

Management's Response:

"Concur: Policy and procedure has been updated to reflect and ensure that all areas are Meeting the County and State reporting."

Actual/estimated Date of Corrective Action: October 30, 2019



Attachment B

County of Riverside DEPARTMENT OF CHILD SUPPORT SERVICES



Kimberly Britt
Director

Nicole Windom-Hurd
Assistant Director

DATE: February 3, 2022

TO: Auditor Controller's Office
Internal Audit/Specialized Accounting Division

FROM: Marcus Maltese, Deputy Director of Administration
Department of Child Support Services

SUBJECT: Reply to 2022 – 308 Follow-up
Audit Announcement Letter

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2020-007: Riverside County Department of Child Support Services, Change of Department Head Audit.

Authorized Signature

Date

Finding 1: Revolving Fund Transfer of Accountability

Child Support Services did not timely complete or file Standard Practice Manual (SPM) Form AR-1, Revolving Fund Request Order & Change, when the new director was appointed. Riverside County Board of Supervisors Board Resolution 74-156, Section 7, states, "In the event that the officer having a revolving fund is succeeded by another person of whom a like fund is established, the fund may be transferred by said officer to his successor, if the successor consents upon taking the successor's receipts and filing the same with the Auditor-Controller." To ensure accountability for public funds, an SPM Form AR-1 should be completed and submitted to the Riverside County Auditor-Controller's Office as soon as the change occurs.

Current Status

Reported Finding Corrected? ☒ Yes ☐ No

Departmental policy and desk aid was updated to require Accountants to ensure the SPM Form AR-1 requesting a change in custodian is completed and filed with the Riverside County Auditor-Controller's Office, within 30 days after a change in department head.

Recommendation 1

Management's Response:

"Concur. Action has been corrected and AR-1 form submitted to the Riverside County Auditor-Controller's Office. This process will be updated and included to the department's desk aid for Fiscal forms that are prepared on a yearly basis but to include when change to Department personnel."

Actual/estimated Date of Corrective Action: **"November 4, 2019"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Desk aid was updated to require that the SPM form AR-1 must be completed within 30 days of official start date when there has been a change of director.

Finding 2: Revolving Fund Reconciliations

The department did not perform revolving fund reconciliations in a timely manner for three of the five random months reviewed. When reconciliations were completed there was no date or signature provided by reviewer or approver. In addition, bank statement charges are not appropriately reflected on reconciliation form. The department's revolving fund desk aid procedures does not include steps on how to report interest accrued or fees that the bank charges. As such, none were included in the reconciliation. Standard Practice Manual 104, Internal Controls, states, "Review and reconciliations: Records are routinely examined and reconciled to determine that transactions were properly processed." Performance of monthly revolving fund reconciliation is a critical internal control to ensure errors or unauthorized activities do not go undetected.

Current Status

Reported Finding Corrected? ☒ Yes ☐ No

New policy was established, as of 1/15/2020, and the desk aid was updated. The agency has been consistent with performing the reconciliations, within the required 30-day period, and have ensured they include all required signatures and approvals. The agency also added additional manager oversight as a control to ensure completion and timeliness of all fiscal functions.

Recommendation 2.1

Ensure monthly fund reconciliations are completed timely and preparation and review of reconciliation is evidenced with dates and signatures.

Management's Response:

"Concur. Reconciliation's preparations will be done within a 30-day timeframe from receiving monthly bank statements. Updating the reconciliation form to include date with signature from supervisor/management of approval for replenishment submission."

Actual/estimated Date of Corrective Action: **"February 10, 2020"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Monthly fund reconciliation is done in a timely manner. Dates and signatures are required for the preparer and audited by the reviewer.

Recommendation 2.2

Reconcile discrepancies immediately and report any overages or shortages to the Auditor Controller's Office on a monthly basis. In addition, ensure that reconciliations are accurately reporting any fees or interest.

Management's Response:

"Concur. With the yearly reporting spreadsheet of fees and interest the department will request reimbursement of fees on a monthly basis and no longer at a yearly request."

Actual/estimated Date of Corrective Action: **"February 10, 2020"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The departments policy was updated to reconcile and identify any discrepancies along with reporting monthly any material differences. DCSS continues to report all discrepancies on an annual basis.

Finding 3: Segregation of Duties

There is no segregation of duties over the accounting functions for the revolving fund. Our review disclosed the cash custodian, endorses checks, writes checks, has access to revolving fund bank account and approves vouchers. Standard Practice Manual 1001, Internal Controls, states, "Segregation of duties: Duties are divided or segregated so that no one person has complete control over a key function or authority." Child Support Services did not have adequate segregation of duties for the custodian of the revolving fund. If one individual has responsibility for more than one of these duties, there is the risk misappropriation, theft or loss of county funds.

Current Status

Reported Finding Corrected? ☒ Yes ☐ No

The agency updated the policy to require the appropriate separation of duties. It has assigned both Accounting Assistant I, one as primary and one as back-up to be responsible for cash handling only. Accounting Assistant II to be responsible for the record keeping function. The two Accountants perform reconciliation and approval of vouchers. Codes for the safe are changed yearly or when someone leave the unit. The agency also added additional staffing to

Recommendation 3

Ensure the person reconciling the revolving fund is independent of the cash handling and record keeping function of the fund. Limit the access for individual who has access to many areas of the revolving fund in order to strengthen internal controls for separation of duties.

Management's Response:

"Concur. The department has begun to strengthen the internal controls for duties within the administration unit. One person for each step/level is to be taken and a supervisor to oversee this process."

Actual/estimated Date of Corrective Action: **"February 10, 2020"**

Finding 4: Capital Assets Transfer of Accountability

The newly appointed department head did not complete a transfer of accountability with signatures in a timely manner. The Standard Practice Manual AM-1 Form, The Inventory of County Property for Capital Assets, was submitted July 2019, eleven months after the departure of the outgoing officer without appropriate signatures. By not transferring capital assets to the incoming officer in a timely manner, the department did not comply with Standard Practice Manual 912, Transfer of Capital Assets, which required acknowledgement of capital assets from outgoing officer to the incoming officer.

Current Status

Reported Finding Corrected? ☒ Yes ☐ No

During this review period the transfer of accountability was not completed within the specified time frame due to the new Director having interim status. However, since this time the SPM AM-1 was completed during the annual asset certification process. Provisions have been added to DCSS' asset management policy outlining the appropriate timelines to ensure compliance with SPM 912, Transfer of Capital Assets. This coupled with updating the tools necessary for custodians to ensure accurate accounting for assets throughout the year, such as an overview of assets management, roles & responsibilities of custodians, definitions of inventory & assets, appropriate expense types, workflows to transfer custodianship or location of an asset, disposal of an asset, and consequences for non-compliance. This is in place to avoid future occurrences.

Recommendation 4

Ensure the transfer of capital assets from outgoing officer to incoming officer occurs 30 days after a change in department head.

Management's Response:

"Concur. Is being added to the Departments Policy for future personnel change. This form is also updated as a Yearly Fiscal Form which was signed by the current Director on July 3rd, 2018."

Actual/estimated Date of Corrective Action: **"July 3, 2018"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The interim status of the DCSS director, created confusion around the transfer of capital assets which can be contributed to cause of this audit finding. Assets Management Unit has developed a comprehensive training for DCSS staff, in conjunction with annual materials provided by the Auditor Controller to ensure proper accounting of the transfer of capital assets. The manager of Assets Management has strengthened the oversight practices of the annual physical inventory by providing adequate training. The emphasis has been on proactive monitoring and oversight of assets, so that the annual physical inventory is less cumbersome or intimidating avoiding errors of this nature in the future.

Finding 5: Capital Asset Oversight

Children Support Services is not properly tracking capital assets. Out of 10 capital assets tested, we identified the following:

- Two assets could not be located
- Four assets were missing tag number
- Two assets were not properly surplused

Standard Practice Manual 513, *Capital Asset Tags*, states, "Each department is responsible for the tagging and tracking of all movable assets." Information Technology staff did not properly track and tag capital assets. When not accounted for or properly identified in the Asset Management Module, an over or understatement of capital assets occurs.

Recommendation 5.1

Ensure capital assets are properly tracked, tagged, and surplused in accordance with Standard Practice Manual 513, *Capital Asset Tags* and Standard Practice Manual 922, *Asset Retirements*.

Management's Response:

"Concur: Policy and Procedures are currently being updated to reflect and ensure that all assets are accounted and tagged properly."

Actual/estimated Date of Corrective Action: **"February 10, 2020"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

During this review period, the DCSS asset inventory system was inoperable. This presented the opportunity to obtain a new asset management system. The new system, ServiceNow, acts as a double check to ensure all capital assets that have been received by the department are then reported and tagged in a timely manner. Assets Management Unit has strengthened the controls over disposals by updating the documentation and procedures including updates to the Department Policy. Documented policies and procedures were finalized January 2020. This includes quarterly reporting of DCSS capital assets to the Auditor Controller and LCSA.

Recommendation 5.2

Develop a policy to ensure all capital assets purchased are placed into service and added to the asset management Module of the financial system in a timely manner.

Management's Response:

"Concur: Policy and procedure has been updated to reflect and ensure that all areas are Meeting the County and State reporting."

Actual/estimated Date of Corrective Action: **"October 30, 2019"**

Current Status

Corrective Action: ☒ Fully Implemented ☐ Partially Implemented ☐ Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Assets Management Unit has developed a comprehensive training for DCSS staff, in conjunction with annual materials provided by the Auditor Controller to ensure proper and timely disposal of assets which includes review of the requirements and process. Currently, reconciliation of capital assets happens quarterly ensuring timely entry into the Financials AM module along with follow up on assets and tagging dates. ServiceNow has created the opportunity to more efficiently identify responsibility and accurately capture identifying data (location, serial number, tag numbers, & description). The Assets Management division performs bi-annually inspections of departmental inventories to confirm validity of the custodian and location of assets. Assets Management staff will continue to follow up with individuals regarding missing assets as soon as they are identified.