

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

835



FROM: Auditor-Controller

SUBMITTAL DATE:

September 23, 2014

SUBJECT: Internal Audit Report 2014-002: Countywide Revolving Funds – Mental Health Public Guardian [All Districts]:[\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-002: Countywide Revolving Funds – Mental Health Public Guardian.

BACKGROUND:

Summary

We have completed a Countywide Revolving Fund audit which included Mental Health Public Guardian to provide the Board of Supervisors with an independent assessment of internal controls over revolving funds. The audit covered the period July 1, 2011 through June 30, 2013.

Based upon the results of our audit, we identified opportunities for improvement of controls over bank reconciliations. We determined the Public Guardian's internal controls provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has

(Continued on page 2)

Paul Angulo
Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
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

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-4

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2014-002 Countywide Revolving Funds – Mental Health Public Guardian [All Districts]: [\$0]

DATE: September 23, 2014

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BACKGROUND:

Summary (continued)

inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls. We will follow-up in one year to determine if actions were taken to correct the findings noted.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County Auditor-Controller Internal Audit Report 2014-002: Countywide Revolving Funds – Mental Health Public Guardian

Internal Audit Report 2014-002

Mental Health Department's Public Guardian

Report Date: July 31, 2014



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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

August 12, 2014

Jerry Wengerd, Director
Riverside County Department of Mental Health
4095 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2014-002: County Revolving Funds – Mental Health Public Guardian

Dear Mr. Wengerd:

We have completed a county audit of the revolving fund process to provide management and the Board of Supervisors with an independent assessment of internal controls over the revolving fund process. Riverside County Department of Mental Health's Public Guardian was one of the departments selected for this audit. The audit covered the period July 1, 2011 through June 30, 2013.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require 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 conclusions.

Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency, compliance with laws and regulations, reliability of financial information, and to safeguard county assets. 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 identified opportunities for improvement of controls over bank reconciliations. We determined the Public Guardian's internal controls provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2014-002: Countywide Revolving Funds – Public Guardian

As requested, and in accordance with paragraph IIC 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 in one year to verify that management implemented the corrective actions.

We thank the Riverside County Department of Mental Health's Public Guardian management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Mark W. Cousineau

By: Mark W. Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

Pursuant to California Government Code Section 29321.1 the Board of Supervisors adopted Board Resolution number 82-75 on January 12, 1982, authorizing the Auditor-Controller to perform the functions of the Board of Supervisors in establishing, increasing, reducing or discontinuing any of the revolving funds. Pursuant to Article 2, Chapter 2, Division 2 of Title 3 of the Government Code revolving funds are limited to \$250,000 by California GC § 29231.

As of June 30, 2013, there were 65 revolving funds totaling \$568,890 held by county departments, agencies and service areas. Our audit scope included the revolving fund totaling \$25,000 held by the Riverside County Department of Mental Health's Public Guardian and covered the period July 1, 2011 through June 30, 2013.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of Mental Health's Public Guardian internal controls of over revolving fund process.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of controls over bank reconciliations. We determined the Public Guardian's internal controls provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Public Guardian

Background

Revolving funds are established by the County department under the custodianship of a County officer for the use of official County business. Public Guardian has one revolving fund, Account 74, in the amount of \$25,000. This fund is used for paying necessary maintenance, security and other expenses related to people and/or property under conservatorship in accordance with legal responsibilities as established by the California Probate Code. The fund is self-replenished by cash generated through the probate process.

For the two year audit period under review, July 1, 2011 through June 30, 2013, the department averaged less than one expense transaction per month for an average cost of \$1,321.78 per transaction. However, the revolving fund is not replenished until cash is generated through the probate process. As such, the highest outstanding claim for a month during our audit period was \$10,150 and should be taken into consideration when determining a safe authorized dollar amount for the revolving fund.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the revolving fund process.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of office personnel.
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.
- Obtained and understood policy and procedures regarding revolving fund management.
- Verify safeguarding of cash.
- Performed testing to ensure internal controls were adequate over revolving funds.

Finding 1: Approval of Bank Reconciliations

Based on our review, the department did not properly review/approve the revolving fund bank reconciliations performed during our audit period. We examined all twenty-four months of bank reconciliations from July 1, 2011 to June 30, 2013 and determined 18 (75%) of the reconciliations were prepared by a Senior Accountant and reviewed by an Accountant II. The department exercised proper segregation of duties by having a different Accountant in the Department review the bank reconciliation. However, the Approver/Reviewer was not at a

Internal Audit Report 2014-002: Countywide Revolving Funds – Public Guardian

higher level than the Preparer of the bank reconciliations. Failure to properly review/approve bank account reconciliations may result in concealment of fraudulent activity such as stolen cash or checks.

Management's Response

"Concur. Corrections have been put in place by the Supervising Accountant the higher level reviewing, approving Accountant II reconciliations. Although, this was a misunderstanding that as long as the reconciliations was identified in the Duty Matrix, it would be sufficient. The misunderstanding has been properly corrected."

Recommendation 1

Provide completed bank reconciliations and supporting documentation to an Approver/Reviewer of equal or higher position with the authority to take appropriate action as required per department policy.

Management's Response

"Concur. The Duty Matrix with the appropriate levels along with the policy has been updated to reflect the correction. The Supervising Accountant will review, approve Accountant II reconciliations, in the event the Supervising Accountant is the preparer of the reconciliations the Manager will review and approve the reconciliation."