

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



FROM : AUDITOR CONTROLLER

SUBMITTAL DATE:

October 6, 2016

SUBJECT: Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment

Consent

Paul Angulo

Paul Angulo, Director of Audit Controller 10/7/2016

BACKGROUND:

Summary

We have completed an audit of the Riverside County Law Offices of the Public Defender to provide management and the Board of Supervisors with an independent assessment of internal controls over the control environment.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS:			Budget Adjustment:	No
			For Fiscal Year:	N/A

C.E.O. RECOMMENDATION:

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified areas of opportunity that can help the Riverside County Law Offices of the Public Defender's management optimize the internal control component known as the control environment. Specifically, improvement can be made in the establishment and acknowledgement of a written succession plan, timely performance evaluations for employees, and access controls to their case management application.

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STATE OF CALIFORNIA**

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller's Office Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment

Internal Audit Report 2016-005

**Riverside County Law Offices of the Public
Defender, Control Environment**

Report Date: September 1, 2016



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

September 1, 2016

Steven L. Harmon
Public Defender
Riverside County Law Offices of the Public Defender
4200 Orange St
Riverside, CA 92501

Subject: Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment

Dear Mr. Harmon:

We have completed an audit of the Riverside County Law Offices of the Public Defender to provide management and the Board of Supervisors with an independent assessment of internal controls over the control environment. We conducted the audit from March 15, 2016 through June 1, 2016 for operations from July 1, 2013 through May 31, 2016.

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 identified areas of opportunity that can help the Riverside County Law Offices of the Public Defender's management optimize the internal control component known as the control environment. Specifically, improvement can be made in the establishment and acknowledgement of a written succession plan, timely performance evaluations for employees, and access controls to their case management application.

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.

Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment

We thank the Riverside County Law Offices of the Public Defender management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Law Offices of the Public Defender (Public Defender) functions are established in California Government Code section 27706, which states that the public defender shall defend, provide counsel and advise any person who is not financially able to employ counsel when charged as an adult or juvenile with a criminal offense. It's mission is to provide competent and professional legal representation to these individuals.

The Public Defender's executive management emphasizes the importance of internal controls through its attitude, actions, and values, and communicates this to all employees. Executive management, through the development, review, and execution of its policies and procedures, Public Defender Policy 403, *Code of Ethics*, Policy 302, *Code of Conduct*, and the *California Rule of Professional Conduct*, exercises oversight over the internal controls and ethical values of its staff. In addition, management strives to comply with Riverside County Board of Supervisors Policy C-21, *Employee Performance Evaluation*, Policy C-22, *Employee Exit Interview*, and Policy A-58, *Information Security*. Management has appropriate disciplinary actions in place in response to non-compliance by staff of these policies and procedures.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the Public Defender's control environment.

Audit Conclusion

Based upon the results of our audit, we identified areas of opportunity that can help the Riverside County Law Offices of the Public Defender's management optimize the internal control component known as the control environment. Specifically, improvement can be made in the establishment and acknowledgement of a written succession plan, timely performance evaluations for employees, and access controls to their case management application.

Control Environment

Background

Internal controls are a coordination of policies and procedures established to provide reasonable assurance regarding the achievement of respective organization objectives related to the effectiveness and efficiency of operations, compliance with applicable laws and regulations, reliability of reporting, and the safeguarding of assets. Everyone in an organization affects internal controls, but it is the ultimate responsibility of management to implement them and to ensure the controls are functioning as intended. Doing so allows management to stay focused on its pursuit of an organization's strategic objectives.

In support of management efforts to achieve the objectives of the organization, management should consider the following five internal control components:

- Control Environment: Sets the tone to the organization and is the foundation of all other internal control components.
- Risk Assessments: Identifies and analyzes the risk associated with the achievement of the entity's objectives.
- Control Activities: Actions established by policies and procedures to help ensure that management's directives are carried out.
- Information and Communication: Actions to carry out the responsibilities in support of the achievement of the objectives.
- Monitoring Activities: Ongoing or separate evaluations to ascertain whether each of the components of internal controls is present and functioning.

For an organization to have an effective control environment, management should consistently demonstrate and communicate its commitment to integrity and ethical values, establish adequate governance oversight processes, implement an organizational structure with adequate authority and responsibility, demonstrate a commitment to attract, develop and retain a competent workforce, and have strong workforce accountability measures for the achievement of the organizational objectives.

Our audit focused on the control environment component since it is the foundation of an effective system of internal controls. It provides discipline and structure to the achievement of the primary objectives of an entity and establishes the tone from the top-down of organizations. As such, when management, at every level of the organization views internal controls as essential to the successful achievement of its objectives, it is expected that the same view will be conveyed to everyone within the organization and as a result, internal controls will work effectively. The opposite effect will occur when management view the internal controls as obstacles and/or unrelated to the achievement of the entity's objectives.

Internal Audit Report 2016-005: Riverside County Law Offices of the Public Defender, Control Environment

Our specific scope included the following areas:

- Code of ethics – implementation, training, and communication.
- Employee developmental training.
- Evaluations – completion and goal setting.
- Organizational and reporting structure – effective and efficient.
- Succession planning – development for business continuity.
- Communication of mission and other pertinent matters
- Employee exit interviews – organizational improvement opportunities as viewed from department employees.
- Policies and Procedures – development, implementation and communication.

The Public Defender's executive management, through the development, review, and execution of its policies and procedures, exercises oversight over the internal controls and ethical values of its staff. Management consistently shows and communicates its commitment to integrity and ethics through direct communication, meetings, internal reports, and observations during employee evaluations and exit interviews. Management views their internal controls and ethical values as an essential part of achieving the organization goals and objectives as outlined in the organizations' mission statement.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the Public Defender's control environment.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable laws, codes, regulations, and policies.
- Conducted interviews and performed walk-throughs with department management and staff.
- Reviewed the organizational and reporting structure.
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs, and goal setting.
- Selected a sample of separated employee and reviewed exit interviews.
- Reviewed removal date of separated employees from the county/department computer systems.

Observation 1: Employees Exit Interviews

Our review of a sample of separated employee's personnel files disclosed that, one of six (17%) requiring an exit interview form did not have the form. County of Riverside Policy C-22 states "upon separation, prior to leaving the county, the department will offer the employee an exit interview with the department head or a designee." The purpose of the policy is to "determine and document the reasons employees leave the county, to provide an opportunity for the airing of unresolved issues and to solicit constructive feedback to improve the county." By not collecting feedback from employees, the county does not obtain information that could potentially help improve the county's employee hiring and retention practices, as well as operational activities.

Recommendation 1:

Review exit interview procedures and make changes as necessary to ensure all separated employee complete an exit interview or document why an exit interview form was not completed.

Management response:

"**Concur:** We have reviewed our exit interview procedures and have found that of the sample list; only one employee did not complete an exit interview form in compliance with Riverside County Human Resources procedures. After reviewing our procedures, we have made one modification to our current procedures. When applicable, we will document why an exit interview form was not completed. We continue to be dedicated to ensuring that all future separated employees complete an exit interview form, if appropriate."

Actual/Estimated Date of Corrective Action: June 6, 2016

"New procedures were implemented by our department's Human Resources unit on June 6, 2016."

Observation 2: Timely Termination of User Accounts

The Public Defender was unable to provide documentation that would show the timely removal of ten separated employee user access accounts to county and/or department computer systems. The department did not have a procedure in place to track the date a separated employee was removed from the county/department computer systems. Riverside County Information Technology Standards state "terminated users accounts shall be removed or disabled on the day of termination." The delayed removal of terminated or transferred employee user access accounts increases the vulnerability of sensitive county information.

Recommendation 2:

Develop procedures to track the removal date of separated employees from the county system.

Management Response:

“**Concur:** Our department’s Information Technology unit has developed procedures to track the removal date of separated employees from the county/department computer systems.”

Actual/Estimated Date of Corrective Action: June 7, 2016

“New procedures were implemented by our department’s Information Technology unit on June 7, 2016.”

Auditor’s Note:

Subsequent to the completion of fieldwork, the Public Defender’s Information Technology unit developed procedures to track the removal date of separated employees from the county/department computer systems. Specifically, the Public defender developed the following procedures:

- Record all dates system access removed (account disabled)
- Record account reactivation dates
- Record why account was reactivated
- Who requested account reactivation
- Notify Human Resources account was disabled and request acknowledgement

Observation 3: Formal Succession Planning

The Public Defender does not have a formal written succession plan, it does, however have a verbal plan for key employees and executive managers. Formal plans would identify risks and strategies, thereby providing a guiding background for specific succession initiatives, including how employees are eligible to participate. In addition, experience-transfer is a critical component of succession management. There should be written procedures in place to formalize the experience-transfer from management and key personnel to successors. Without a succession plan, an organization may not have a means of ensuring that services important to its operations are maintained when management or key personnel changes occur.

Recommendation 3:

“The Public Defender should implement a formal written succession plan for management and key personnel.”

Management Response:

Concur: We concur with the recommendation presented by the Office of the Auditor-Controller.”

Actual/Estimated Date of Corrective Action: August 29, 2017

“Our department plans to develop a formal written succession plan by August 29, 2017.”