

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



FROM : AUDITOR CONTROLLER

SUBMITTAL DATE:

October 6, 2016

SUBJECT: Internal Audit Report 2016-016: Riverside County Office of County Counsel, Control Environment [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-016: Riverside County Office of County Counsel, Control Environment

Consent

Paul Angulo

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

BACKGROUND:

Summary

We have completed an audit of Riverside County Office of County Counsel to provide management and the Board of Supervisors with an independent assessment of internal controls over the control environment. We conducted the audit from April 18, 2016 through May 23, 2016 for operations from July 1, 2014 through May 5, 2016.

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 opportunities that can help department management optimize the internal control component known as the control environment. Specifically, in areas related to timely performance evaluations which relate to the control environment.

Impact on Residents and Businesses

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

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

N/A

ATTACHMENT A.

Riverside County Auditor-Controller's Office – Internal Audit Report 2016-016: Riverside County Office of County Counsel, Control Environment.

Internal Audit Report 2016-016

**Riverside County Office of County Counsel,
Control Environment**

Report Date: September 7, 2016



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
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www.auditorcontroller.org



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OFFICE OF THE
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 7, 2016

Gregory Priamos
County Counsel
Riverside County Office of County Counsel
3960 Orange Street, Suite 500
Riverside, CA 92501

Subject: **Internal Audit Report 2016-016: Riverside County Office of County Counsel,
Control Environment**

Dear Mr. Priamos:

We have completed an audit of Riverside County Office of County Counsel to provide management and the Board of Supervisors with an independent assessment of internal controls over the control environment. The audit covered the period July 1, 2014 through May 5, 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 department management optimize the internal control component known as the control environment. Specifically, in the area related to timely performance evaluations of its employees.

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 2016-016: Riverside County Office of County Counsel, Control Environment

We thank the Riverside County Office of County Counsel 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

Riverside County Office of County Counsel (County Counsel) offers “a broad range of high quality, cost-effective legal services designed to promote the public service objectives of the County of Riverside, while at the same time protecting the County of Riverside from risk and loss.” Attorneys for County Counsel provide advisory and litigation support in areas such as child welfare, contracts/public works, health and adult welfare, public safety, and land use/code enforcement.

County Counsel handles civil matters for the Board of Supervisors and the County of Riverside agencies, departments, commissions and officers. Other public entities such as school districts may also receive legal services. These services are not provided to the general public.

County Counsel executive management emphasizes the importance of internal controls through its attitude, actions, and values, and communicates this to all employees. Management exercises oversight of the development and performance of internal controls through staff adherence to the *California Rule of Professional Conduct*, the Employee Policy and Procedures Manual, and State Bar of California minimum continuing legal education requirements. In addition, management strives to comply with Riverside County Board of Supervisors Policy C-21, *Employee Performance Evaluation*, and Policy C-22, *Employee Exit Interview*. 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 about the effectiveness of the organization’s control environment.

Audit Conclusion

Based upon the results of our audit, we identified areas of opportunity that can help department management optimize the internal control component known as the control environment. Specifically, in the area related to timely performance evaluations of its employees.

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.

Our specific scope included the following areas:

- Code of ethics – implementation, training and communication.

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- 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.

County Counsel executive management team adheres to the oversight of the development and performance of internal controls through compliance with policies, procedures, and ordinances outlined by the California State Bar Association, County Counsel, and the County of Riverside, respectively. In order to ensure compliance, the executive management team facilitates in-house training/meeting on a monthly basis and requires staff to meet the minimum required 25 hours of continuing education units every 36 months. The monthly in-house training/meeting has provided opportunities for management to communicate the overall mission, goals and strategies of the County Counsel regularly. Their commitment to integrity and ethical values is also demonstrated through collaborative efforts of all County Counsel staff in the development of strategic plans for County Counsel.

Their control environment components are integrity, ethical values, and competence of County Counsel staff which sets the tone of their organization. The executive management team instills these components by championing their staff with mentoring and has developed their succession plan to further develop those who have the potential to enter leadership positions.

Objective

Our audit objective is to provide Management and the Board of Supervisors with an independent assessment of the effectiveness of the control environment.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable codes, regulations, and policies.
- Conducted interviews and performed walk-through with management and other staff.
- Reviewed the training records and meeting agendas for sample selected County Counsel staff.
- Reviewed County Counsel's office meeting agendas as it relates to the development of its strategic plan.
- Performed an employee turnover analysis to determine the turnover rate.

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- Obtained and reviewed a sample of performance evaluations to complete detailed testing.

Observation 1: Performance Evaluations

Annual performance evaluations were not completed for five of the 10 employees (50%) we reviewed in our sample. This occurred as a result of transitions in staff responsible for completing evaluations for the respective employees as well as the necessity to manage regular case workloads. Board of Supervisors Policy, C-21, *Employee Performance Evaluation Reports*, Section 3 (b) states, "...regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with count or on the anniversary of promotion or entry into their current job classification." Delayed performance evaluations may defer the achievement of the department's overall mission and goals which ordinarily allows the employees performance to be enhanced within the organization as it reveals the need for improvement in areas which affect the achievement of the departments set goals.

Management's Response

Concur. No comment provided.

Recommendation 1

Complete all performance evaluations when required.

Management's Response

Concur. "The Office of the County Counsel concurs with the recommendation and will ensure that all performance evaluations will be completed when required. Corrective action has already been taken. All managers have been directed to complete the evaluations of their staff in a timely fashion and will be evaluated for compliance. A monthly report is provided to the County Counsel and follow up is addressed at every monthly Management Team Meeting. There is no fiscal impact to implementing this recommendation."

- **Actual/estimated Date of Corrective Action: Immediately**



MEMORANDUM

RIVERSIDE COUNTY COUNSEL

DATE: September 6, 2016
TO: Auditor-Controller's Office, Audit and Specialized Accounting Division
FROM: Gregory P. Priamos, County Counsel *GPP*
RE: Reply to Internal Audit Report [2016-016: Office of the County Counsel, County of Riverside, Control Environment]

Observation 1: Performance Evaluations

Annual performance evaluations were not completed for five of the 10 employees (50%) we reviewed in our sample. This occurred as a result of transitions in staff responsible for completing evaluations for the respective employees as well as the necessity to manage regular case workloads. Board of Supervisors Policy C-21, *Employee Performance Evaluation Reports*, Section 3(b) states: "... regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with county or on the anniversary of promotion or entry into their current job classification." Delayed performance evaluations may defer the achievement of the department's overall mission and goals, which ordinarily allows the employee's performance to be enhanced within the organization as it reveals the need for improvement in areas which affect the achievement of the department's set goals.

Management position concerning the finding: Concur

Recommendation 1:

Complete all performance evaluations when required.

Management position concerning the recommendation: Concur

"The County Counsel's Office concurs with the recommendation and will ensure that all performance evaluations are completed when required. Corrective action has already been taken. All managers have been directed to complete the evaluations of their staff in a timely fashion and will be evaluated for compliance. A monthly report is provided to the County Counsel and follow-up is addressed at every monthly Management Team meeting. There is no fiscal impact to implementing this recommendation."

Actual/estimated Date of Corrective Action: Immediately
Estimated cost to implement recommendation (if material): \$0.00

GPP:ay