

2000-2001 GRAND JURY REPORT

Riverside County Auditor-Controller

Internal Audit Unit

Background

The Riverside County Auditor-Controller is the chief accounting and disbursing officer of the county. The Auditor is an elected official with a four-year term (upheld by the voters of Riverside County in a 1998 election to determine whether the office should be elected by the voters, or appointed by the County Board of Supervisors). The Auditor is also the Controller *ex officio*, by Board of Supervisors action.

The office of the Auditor-Controller is responsible for maintaining appropriations and budget control, paying claims, maintaining payroll accounts, distributing property taxes, and is also charged with conducting internal audits on county departments. This report addresses the Internal Audit Unit (IAU).

The IAU is responsible for auditing the accounts and records of departments, offices, boards, or institutions under the control of the Board of Supervisors, and any district whose funds are kept in the county treasury. These audits are conducted to ensure that:

1. Assets are safeguarded.
2. Accounting data is accurate and reliable.
3. Applicable laws and regulations are followed.
4. Operations are effective and efficient.

Audits in accordance with Government Code §1236 are subject to the general and specified standards of internal auditing stated in the “Standards for the Professional Practice of Internal Auditing.” Specifically, “Auditors should be independent of the activities they audit.”

There have been five prior Grand Jury reports reviewing the internal audit operations of the Auditor-Controllers’ Office (ACO) over the last eleven years. All of these reports indicated a severe staffing shortage and noncompliance with legal mandates.

The CPA firm of Ernst and Young, in October 1998, completed a management review of the County with their County of Riverside Accounting and Budgetary Practices Report. They recommended, ***“In order to mitigate risk and provide assurance that controls are operating effectively, the County should strengthen the staffing and role of the Internal Audit function.”*** They further stated, ***“In addition, the independence of the Internal Audit function must be***

maintained.”

Findings

1. Government Code §25250 and Board of Supervisors’ Resolution 83-338 mandate that each department be audited every two years. Staffing shortages within the IAU have made it impossible to conduct internal audits and to meet those legal requirements. Numerous agencies of Riverside County have not had an internal audit for at least 6 years.
2. Chronic underfunding by the County of Riverside impacts the Auditor-Controller’s Internal Audit Unit staffing needs. Inadequate staffing continues to result in noncompliance with Government Code §25250 and Board of Supervisors’ Resolution 83-338.
3. The Auditor-Controller’s office is responsible to the taxpayers for insuring that monies are not lost due to theft, fraud, waste, and that all legal mandates are upheld.
4. Current efforts by the Board of Supervisors to outsource the internal audit functions of the IAU, could impact and limit the objective audit accountability to the public.

Recommendations

Riverside County Board of Supervisors and Auditor-Controller

1. Immediately increase funding to hire additional auditors for the Internal Audit Unit.
2. Initiate an aggressive hiring campaign to fill all vacant auditor positions.
3. Board of Supervisors and Auditor-Controller develop a working plan to ensure full compliance with Government Code §25250 and Board of Supervisors’ Resolution 83-338.
4. The independence of the IAU should continue to be a direct function of the Auditor-Controller in order to maintain proper public accountability as required in the standards set forth in Government Code §1236.