

# **2003-2004 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 Riverside County Auditor-Controller is elected to a 4-year term. The Office of the Auditor-Controller is responsible for maintaining payroll accounts, paying claims, sustaining appropriations and budget control, distributing property taxes, and conducting internal audits on county departments. The Auditor-Controller's Office is also responsible to the taxpayers for ensuring that monies are not lost due to theft, waste and fraud. The Auditor-controller's Office employs a staff of eighty-nine (89), five (5) of whom are senior auditors. The total Auditor-Controller's operating budget for fiscal year 2003-2004 is \$8,777,079.

The Internal Audit Unit (IAU), a division of the Auditor-Controller's Office, is responsible for auditing the records and accounts of departments, offices, boards or institutions under the control of the Board of Supervisors and any districts whose funds are kept in the County Treasury. Board of Supervisor's Resolution 83-338 and Government Code Section 25250 mandate that audits be performed every two (2) years.

#### **Findings**

1. Evidence clearly shows that staffing shortages have plagued the Auditor-Controller's Office since 1990. This matter has been brought to the attention of the Board of Supervisors in six (6) past Riverside County Grand Jury Reports. (1990, 1992, 1993, 1996, 1997 and 2001) In 2001 the Riverside County Grand Jury issued a report on the Riverside County Internal Audit Unit, concluding that the IAU was inadequately staffed. In May 2002, the Board of Supervisors allocated funds to the IAU for three (3) additional senior auditors, bringing the total number of senior auditors to six (6). In February 2004, an eight percent (8%) budget cut was decreed by the Board of Supervisors resulting in the loss of twenty-three (23) positions, eleven (11) staff, and twelve (12) temporary positions in the Auditor-Controller's Office. In May 2004, one senior auditor resigned, reducing the senior auditing positions to five (5).

2. The Riverside County Board of Supervisors have utilized the county's comprehensive annual financial report (CAFR), to meet the requirements of Government Code Section 25250 and Board of Supervisors' Resolution 83-338. The CAFR audit is not an in-depth analysis of county operations. Without an in-depth audit, this deprives the Board of Supervisors, County Executive Officer and Department Directors of information necessary to make sound fiscal evaluations and decisions.
  
3. A severe staffing shortage has resulted in:
  - Non-compliance with laws, regulations, policy and procedure.
  - Difficulty in performing operational audits or special audits without adversely impacting the two-year auditing cycle.
  - Inability to perform routine financial functional and operational audits.
  - Failure to provide the taxpayers with accountability in spending public funds.
  
4. Riverside County has the largest average number of county employees and the fourth largest budget with a disproportionate auditing staff as shown in chart below:

COUNTY	TOTAL # OF AUDITORS	TOTAL COUNTY BUDGET	FISCAL YEAR	AVERAGE # OF COUNTY EMPLOYEES
San Bernardino	16	\$2,378,800,251	2003-2004	16,000
Orange	17	\$5,086,921,444	2003-2004	17,000
San Diego	20	\$3,414,398,000	2002-2003	14,000
Ventura	7	\$641,215,000	2003-2004	8,000
Riverside	5	\$2,211,371,850	2003-2004	19,000

5. Frequent auditing requests from county department directors for internal audits, are causing limited audit resources to be diverted from other needed areas or the requests cannot be met.
6. There are thirty-eight (38) departments in Riverside County whose budgets are required to be audited by the Auditor-Controller. Approximately twenty-two (22) departments have not had an in-depth audit, within the last five (5) years, as well as the County Board of Supervisors and the County Treasurer's Office.
7. A shortage of internal auditors has hampered the process of performing risk based audits, resulting in a selected review of higher risk areas in the departments and use of a system control audit approach with limited testing.
8. Outside CPA firms, used by county departments to perform the function that the Auditor-Controller is elected to do, results in duplication of costs and waste of taxpayer's dollars.
9. The Auditor-Controller is not afforded the option to have any input as to the selection of CPA firms, type of audits performed or fees incurred for the outside audits.

## **Recommendations**

### RIVERSIDE COUNTY BOARD OF SUPERVISORS RIVERSIDE COUNTY AUDITOR-CONTROLLER

1. To be comparable with surrounding counties, the Board of Supervisors immediately fund the County Auditor-Controller a minimum of six (6) additional Senior Internal Auditor positions. Increase positions requested by the Auditor-Controller through Fiscal year 2009.
2. To comply with Board of Supervisors' Resolution 83-338 and Government Code Section 25250, the Auditor-Controller utilize outside auditing firms only when critical need arises.

3. Outsourced audits must be procured and approved by the Auditor-Controller's Office. The Auditor-Controller's Office post all outsourced audits for general public information that will include, department name, cost incurred and reason for outsourcing.