

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

463A



SUBMITTAL DATE:
February 9, 2009

FROM: Auditor-Controller

SUBJECT: Management Letter for Fiscal Year 2007-08

RECOMMENDED MOTION:

That the Board of Supervisors receive and file the attached Management Letter for the year ended June 30, 2008, rendered by Varinek, Trine, Day & Co., LLP.

BACKGROUND:

The Management Letter is submitted in accordance with Section 25253 of the Government Code of the State of California and follows 60 to 90 days after the filing of the Comprehensive Annual Financial Report (CAFR). The Management Letter provides recommendations with the intent to improve internal controls and operational efficiencies. These recommendations are summarized in the comments section of the Management Letter. The County has implemented or is in the process implementing those recommendations.

Robert E. Byrd

 ROBERT E. BYRD
 County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	-0-	In Current Year Budget:	No
	Current F.Y. Net County Cost:	-0-	Budget Adjustment:	No
	Annual Net County Cost:	-0-	For Fiscal Year:	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

RECEIVE AND FILE

BY: *Rob Rockwell*
 Rob Rockwell

County Executive Office Signature

- Dep't Recomm.: Policy
- Per Exec. Ofc.: Policy
- Consent
- Consent

Prev. Agn. Ref.:

District:

Agenda Number:

2.4

COUNTY OF RIVERSIDE,

CALIFORNIA

MANAGEMENT LETTER

JUNE 30, 2008



December 8, 2008

Board of Supervisors
4080 Lemon Street
Riverside, CA 92502

Gentlemen:

We have audited the basic financial statements of the County of Riverside (the County) for the year ended June 30, 2008 and have issued our report thereon dated December 8, 2008. In planning and performing our audit of the financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized on the accompanying pages.

A separate management letter was issued for the Riverside County Regional Medical Center.

CURRENT YEAR SIGNIFICANT DEFICIENCIES

CAPITAL ASSETS

CONTROL DEFICIENCY:

While the County maintains formalized year-end procedures to ensure that County departments submit information for financial reporting purposes the following was noted:

- Queries from the Asset Management (AM) module of PeopleSoft are exported and compiled on numerous nVision spreadsheets in order to summarize information for financial reporting purposes and to validate depreciation expense and accumulated depreciation values generated by the AM module.

RECOMMENDATION:

We recommend that the County strengthen its year-end procedures for capital assets reporting. The County should examine the cost/benefit of establishing system generated capital assets reports that summarize data for the financial statements. Such reports would include the roll-forward of capital assets activity by department and or fund thereby eliminating the need to compile this information in nVision spreadsheets.

MANAGEMENT'S RESPONSE:

The OASIS Team will be working with the County Auditor-Controller in determining the type, structure, and reporting tool of new standard capital asset reports that are needed that would assist the County in reporting its capital assets.

FRAUD PREVENTION PROGRAM

CONTROL DEFICIENCY:

It was noted that the County did not maintain a formalized fraud prevention program during fiscal year 2007-2008. Further, based on inquiry of personnel in County departments, there is no formal chain of communication to report suspected instances or allegations of improper acts.

RECOMMENDATION:

Given the size of the County and complexity of its operations, we recommend that the County continue with the development of a fraud prevention program. This program could include; formal procedures/policies for the reporting of allegations, a fraud hotline and/or contracted assistance for the intake of information.

MANAGEMENT'S RESPONSE:

The County is in the process of developing a formal fraud, waste, and abuse prevention and reporting program. This will include the publishing of newly developed policies, including standards of ethical conduct and anti-retaliation; the establishment of a Fraud, Waste, and Abuse Oversight Committee; and, the use of a hotline to receive and process reports from County employees, vendors, and citizens. The hotline will allow individuals to provide information by telephone or through the internet. Our goal is to implement by June 30, 2009.

INFORMATION TECHNOLOGY

CONTROL DEFICIENCY:

The County's procedure for removing system access for terminated or retired employees was not performed on a regular basis during the fiscal year.

The procedure consists of the OASIS security team auditing payroll and printing change of status reports from the HRMS system, which shows the status changes for Countywide employees that have retired or have been terminated. If employees still have an active account, it is deleted. A security team member writes the outcome of the search on the report and returns it to OASIS Management. We noted that the report is neither filed, nor maintained.

RECOMMENDATION:

The County should ensure that the procedure for updating and/or removing system access of terminated or retired employees is conducted on a regular basis through the fiscal year.

MANAGEMENT'S RESPONSE:

OASIS has re-established procedures to inactivate user accounts upon retirement or termination of Countywide employees and will perform this procedure on a quarterly basis. OASIS will also be implementing an automated process that will integrate retirement or termination information from the PeopleSoft Human Resources Management System to the Financial System to systematically inactivate user accounts. This automated process is planned to go into place during FY 2009.

PRIOR YEAR MANAGEMENT LETTER FINDINGS

Summarized below is the current status of findings reported in the 2007 Management Letter:

<u>Topic</u>	<u>Current Status</u>
Capital Assets	Partially Implemented – See Current Year Finding
General Application Controls RE: Property Tax System	In Process, the County is moving forward with the process to acquire a new property tax system.
Accounts Receivable	Implemented
Fraud Prevention Program	Implementation in process; the County is moving forward with a process to implement a new fraud prevention program. See Current Year Finding.
Procurement Edit Checks	Implemented.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County of Riverside gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time. This report is intended solely for the information and use of the Board of Supervisors, management, and others within the County and is not intended to be and should not be used by anyone other than these specified parties.

Vavonek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008