

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

834



FROM: Auditor-Controller

SUBMITTAL DATE:
September 23, 2014

SUBJECT: Internal Audit Report 2014-017: Riverside County University of California Cooperative Extension, [District All]:[\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-017: Riverside County University of California Cooperative Extension.

BACKGROUND:

Summary

We have completed an audit of the Riverside County University of California Cooperative Extension to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, non-capital assets, record management and expenditures. The audit covered the period July 1, 2012 through June 30, 2013.

Based upon the results of our audit, we identified opportunities for improvement of controls relating to capital assets. The Cooperative Extension's management controls over non-capital assets, record management and expenditures were found to provide reasonable assurance that the Department will

(Continued on page 2)

Paul Angulo
Paul Angulo, CFA, CGMA, MA
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No
For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-3

DATE: September 23, 2014

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BACKGROUND:

Summary (continued)

achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls. We will follow-up in one year to determine if actions were taken to correct the findings noted.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: County Auditor-Controller Internal Audit Report 2014-017: Riverside County University of California
Cooperative Extension

Internal Audit Report 2014-017

Cooperative Extension

Report Date: September 23, 2014



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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

August 21, 2014

Etaferahu Takele, M.S., Director
Riverside County University of California Cooperative Extension
21150 Box Springs Road, Ste. 202
Moreno Valley, CA 92557-8718

**Subject: Internal Audit Report 2014-017: Riverside County University of California
Cooperative Extension**

Dear Ms. Etaferahu:

We have completed an audit of Riverside County University of California Cooperative Extension (UCCE) to provide management and the Board of Supervisors with an independent assessment of internal controls over the UCCE's capital assets, non-capital assets, record management, and expenditures. The audit covered the period of July 1, 2012 through June 30, 2013.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require 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 operational efficiency, compliance with laws and regulations, reliability of non-financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we identified opportunities for improvement of controls relating to capital assets. The Cooperative Extension's management controls over non-capital assets, record management and expenditures were found to provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

As requested, and in accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our

Internal Audit Report 2014-017: Riverside County University of California Cooperative Extension

report. Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective actions.

We thank the UCCE management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller



By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

Cooperative Extension is a nationwide system of community-based education, established as part of each state's land grant university. The University of California's Division of Agriculture and Natural Resources operates the Cooperative Extension (UCCE) support to California counties. The County of Riverside provides funding to participate in the partnership with of goal of improving the quality of life of the citizens of Riverside County by conducting and extending multidisciplinary research and education in food and fiber production and consumption, public wellness, and youth development. The Cooperative Extension, which includes both academic and county personnel, has its offices in three locations including Moreno Valley, Indio and Blythe.

The areas of agricultural research and education include: agronomy, vegetable crop production, integrated pest management, entomology, field crop production, viticulture, plant pathology, subtropical crop production, agricultural economics, poultry, animal sciences, and environmental horticulture. Academics in these fields serve a diversified and viable agricultural industry. The areas or research and education in Nutrition and Consumer Sciences and 4-I-1 include nutrition, physical activity, health, money management and youth development. Also, we work with hundreds of volunteers assisting us with our outreach in 4-H youth development programs and Master Gardener education in urban environmental enhancement and community development.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets, non-capital assets, expenditures and record management.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of controls relating to capital assets. The Cooperative Extension's management controls over non-capital assets, record management and expenditures were found to provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Capital Assets

Background

The Auditor-Controller's Standard Practice Manual 913, *Capitalization Thresholds*, (SPM 913), defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure (or, long-lived assets), buildings and improvements, equipment, livestock, and intangible assets. Capital assets include real property such as building (structures), land, and land improvements, regardless of value, as well as vehicles, machinery, and equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 913 requires all *real property* with a value of \$1 (one dollar) and all capital assets with a value of \$5,000 or more to be recorded in the PeopleSoft Asset Management Module (Asset Module). Furthermore, Auditor-Controller's Standard Practice Manual 901, *Processing Capital Assets: Equipment*, (SPM 901), states: For acquisition of equipment each department will complete the Capital Assets Form: Acquisition, Betterment and Modification (AM-5) and enter information online.

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the departments. UCCE management also has roles related to capital assets, including following the proper procedures when purchasing capital assets and annually verifying that all assets assigned to their locations are properly recorded in the Asset Module.

As of June 26, 2014, UCCE had no capital assets listed in the Asset Module.

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, regulations, and board ordinances.
- Conducted interviews and performed walk-throughs with UCCE personnel.
- Reviewed expense accounts which are not normally used to record purchases of capital assets to verify if any assets expensed should have been capitalized.
- Physically verified a sample of capital assets.

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Finding 1: Capital Asset Reporting

UCCE did not have a procedure or policy in place to ensure the acquisition of capital assets were properly recorded or reported. In December 2012, UCCE replaced a leased copier with the purchase of a new copier costing \$12,975.20. The acquisition was not recorded in the Asset Module or reported to the Auditor-Controller's Office via a Standard Practice Manual AM-5 form because management was not aware of the requirement to do so. Failure to properly record and report capital asset acquisitions negatively affects the process of identifying, controlling, and valuing County assets.

Recommendation 1:

UCCE record capital assets in the Asset Module and notify the Auditor-Controller's Office in accordance with SPM 901.

Management position concerning the recommendation:

"Concur. We recorded the capital asset (copier machine) on the Capital Assets Form (SPM Form AM-5) on June 26, 2014 and forwarded it the County Auditor-Controller's Office. We requested to get accessibility to the County Asset Management web site and it was granted on 7/8/2014. We recorded the copier machine on the Asset Module on July 8, 2014".

Actual/estimated Date of Corrective Action: **Implemented**

Estimated cost to implement recommendation (If material): **\$ 0.00**