

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

645



FROM: County Auditor-Controller

SUBMITTAL DATE:
August 2, 2011

SUBJECT: Internal Audit Report: 2011-318-001 Elsinore Valley Cemetery District, Follow-up

RECOMMENDED MOTION: Receive and file Internal Audit Report: 2011-318-001 Elsinore Valley Cemetery District, Follow-up

BACKGROUND: The Internal Audit Division of the Auditor-Controller's Office has completed a follow-up audit of the Elsinore Valley Cemetery District. The audit was limited to reviewing actions taken, as of March 31, 2011 to correct the four findings noted in our original audit report (2010-501-001) dated May 27, 2010.

Based upon the results of our audit, we determined that the Elsinore Valley Cemetery District took corrective action to address the four findings noted.

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

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

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

C.E.O. RECOMMENDATION:

APPROVE

BY: *Karen L. Johnson*
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: August 16, 2011
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.: | **District:** All | **Agenda Number:**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

2.9

Departmental Concurrence

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



County of Riverside

INTERNAL AUDIT REPORT

2011-318-001

Elsinore Valley Cemetery District

May 23, 2011

Office of
Paul Angulo, CPA, MA
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



May 23, 2011

Board of Trustees
Elsinore Valley Cemetery District
18170 Collier Avenue,
Lake Elsinore, Ca 92530

Subject: Internal Audit Report 2011-318-001: Elsinore Valley Cemetery District Follow-up

Dear Board of Trustee:

We have completed a Follow-up Audit of the Elsinore Valley Cemetery District for the audit period July 1, 2010 through March 31, 2011. Our audit was limited to reviewing actions taken to correct the findings noted in our Internal Audit Report 2010-501-001 dated May 27, 2010.

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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The original audit report contained four findings, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2010-501-001.

This follow-up audit found that:

- All findings were corrected.

Detailed statuses of the findings identified in the original audit are provided in the body of this report.

We appreciate the cooperation and assistance extended to us by the staff of Elsinore Valley Cemetery District during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA
Auditor-Controller

A handwritten signature in black ink that reads "Russell Dominski". The signature is written in a cursive style with a large, stylized initial "R".

By: Russell Dominski
Chief Accountant

cc: Board of Supervisors
Executive Office
Grand Jury

Expenditures:

Finding 1: There are no policies and procedures in place over the Elsinore Valley Cemetery District's processes including expenditures, operations and revenue/cash handling. Without policies and procedures, there is no assurance that rules and regulations are complied with, assets are adequately safeguarded, or financial transactions are authorized appropriately, recorded accurately, and timely, and properly classified.

Due to the lack of policies and procedures, none of the invoices tested in our sample showed evidence of manager review and/or approval prior to purchase and payment.

Furthermore, a review of the Elsinore Valley Cemetery District's expenditure process indicated there is no adequate segregation of duties. One employee has authority to perform all steps in the process from the point of purchase to preparing checks and sending vendor payments.

Failure to properly segregate duties may result in loss or misappropriation of funds.

Current Status 1: Corrected: Elsinore Valley Cemetery District management has developed policies and procedures covering the district's processes for expenditures, initiated reviews of purchases and invoices by management and has segregated, as much as possible, the duties within the expenditure process.

Revenue and Cash Handling:

Finding 2: A review of the Elsinore Valley Cemetery District's cash handling process indicated there is no adequate segregation of duties. One employee has authority to perform all steps in the process from completing a sale and accepting payment to recording the accounting information and taking deposits to the bank. Failure to properly segregate duties may result in loss or misappropriation of funds.

Current Status 2: Corrected: Elsinore Valley Cemetery District management has developed written policies and procedures for cash handling and has segregated cash receipt, the endorsement of checks, deposits and monthly reconciliation duties.

Finding 3: The Elsinore Valley Cemetery District currently utilizes a manual system for tracking sales and accounts receivable and maintaining an inventory of cemetery plots. There is no assurance the manual system ensures the completeness and accuracy of the recorded revenue, collections, accounts receivable and inventory. Internal controls are not in place to ensure that reconciliations of accounting records are performed in a timely manner. Specifically, 10 (22%) out of 46 plot sale transactions tested did not show that a reconciliation had been performed.

Current Status 3: Corrected: Elsinore Valley Cemetery District management has instituted reconciliations of collections recorded on official forms and plot cards and bank deposits on a monthly basis.

Finding 4: Endowment fees were not consistently charged according to the Board of Trustees' approved rates during the audit period. Of the 46 sales records tested, 6 (13%) did not specifically state the amount of the endowment fee collected, and 12 (26 percent) were charged an amount other than the approved rate.

Since the endowment fees were not accurately charged, the Elsinore Valley Cemetery District potentially will not have the level of funds required by the Health and Safety Codes for the future care of the cemetery. Furthermore, because of previously identified internal control weaknesses, there is a risk for the misappropriation of funds and loss of interest revenue.

Current Status 4: Corrected: Elsinore Valley Cemetery District has procedures in place to accurately charge established endowment fees and lists endowment fees separately on each new purchase agreement