

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



ITEM
2.8
(ID # 3283)

MEETING DATE:
Tuesday, January 24, 2017

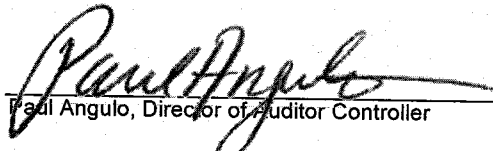
FROM : AUDITOR CONTROLLER:

SUBJECT: Internal Audit Report 2017-308: Riverside County ASSESSOR COUNTY CLERK-RECORDER, Follow-up [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-308: Riverside County Assessor-County Clerk-Recorder Follow-up

ACTION: Consent


Paul Angulo, Director of Auditor Controller 1/5/2017


| FINANCIAL DATA | Current Fiscal Year: | Next Fiscal Year: | Total Cost: | Ongoing Cost |
|-----------------------------|-----------------------------|--------------------------|---------------------------|---------------------|
| COST | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| NET COUNTY COST | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| SOURCE OF FUNDS: N/A | | | Budget Adjustment: | No |
| | | | For Fiscal Year: | N/A |

C.E.O. RECOMMENDATION:

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Washington and Ashley
Nays: None
Absent: Tavaglione
Date: January 24, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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

BACKGROUND:

Summary

We have completed a follow-up Audit of the Riverside County Assessor-County Clerk-Recorder. Our audit was limited to reviewing actions taken as of November 22, 2016, to correct findings noted in our original audit report 2013-007 dated June 24, 2014. The original audit report contained six findings of which, four required corrective action. The four findings required implementation of eight recommendations to correct the findings.

Our follow-up audit found that six of the recommendations had been implemented and two of the recommendations had been partially implemented. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2013-007 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

Contract History and Price Reasonableness

N/A

ATTACHMENT A.

Riverside County Auditor-Controller Internal Audit Report 2017-308: Riverside County Assessor-County Clerk-Recorder, Follow-up

Internal Audit Report 2017-308
**Riverside County Assessor-County Clerk -
Recorder, Follow-up**

Report Date: November 29, 2016



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
RIVERSIDE COUNTY AUDITOR-CONTROLLER

Frankie Ezzat, MPA
ASSISTANT AUDITOR-CONTROLLER

November 29, 2016

Peter Aldana
Riverside County Assessor-County Clerk-Recorder
2724 Gateway Drive
Riverside, CA 92507

Subject: Internal Audit Report 2017-308: Riverside County Assessor-County Clerk-Recorder, Follow-up

Dear Mr. Aldana:

We have completed a follow-up Audit of the Riverside County Assessor-County Clerk Recorder. Our audit was limited to reviewing actions taken as of November 22, 2016, to correct findings by implementing recommendations noted in our original audit report 2013-007 dated June 24, 2014.

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 six findings of which, four required corrective action. The four findings required implementation of eight recommendations to correct the findings. We reviewed the implementation of the recommendations to ensure the finding was no longer occurring. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2013-007 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

This follow-up audit found that of the eight recommendations:

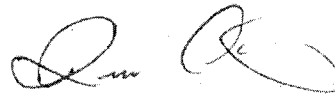
- six were implemented
- two were partially implemented

Detailed status of the findings identified in the original audit and the status of the implementation of respective recommendation are provided in the body of this report.

Internal Audit Report 2017-308: Riverside County Assessor-County Clerk-Recorder, Follow-up

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Assessor-County Clerk-Recorder. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

Capitalized Assets

Finding 1: Timely Reporting of Capitalized Assets

Capitalized asset acquisitions and retirements from July 1, 2010, through June 30, 2012, were not reported to the Auditor-Controller's Office (ACO) in a timely manner. Our review of five acquisitions disclosed documents for three of the five (60%) acquired assets, were submitted for asset capitalization on average 80 calendar days after the assets were received. Our review of 10 retirements disclosed one of the ten (10%) retired asset from inventory, was submitted 34 days after the asset was removed from service. Reporting the acquisition or retirement of capitalized assets in an untimely manner may result in loss of control over assets and/or misstating the value of capitalized assets for internal and external reporting purposes.

Recommendation 1.1

Include a 30 day requirement to report acquisitions and retirements to the ACO in the Riverside County Assessor-County Clerk-Recorder (ACR) office's written capitalized assets policies and procedures manual.

Current Status: Implemented

A requirement to report capitalized asset additions and retirements to the Auditor-Controller within 30 days was included in the ACR Asset Control Policy Manual and capitalized asset processors were instructed to comply with the revised Asset Control Policy Manual.

Recommendation 1.2

Monitor procedures to ensure capitalized asset acquisitions and retirements are reported to the Auditor-Controller promptly after the transaction occurs.

Current Status: Implemented

The capitalized asset processor and supervisor meet on an as-needed basis to discuss potential issues effecting the requirement to report capitalized asset additions and retirements to the Auditor-Controller, within 30 days. The supervisor also holds two meetings with the capitalized asset processor to discuss preparation and outcome of the annual physical capitalized asset inventory.

Finding 2: Management of Capitalized Asset Records

Capitalized assets were not properly identified in the Riverside County financial system, Asset Management Module (Asset Module). Over 21 percent (eight out of 38) of capitalized assets selected for review either contained inaccurate identification or were not included in the Asset Module. These errors resulted from the office focusing on the existence of capitalized assets when performing their annual inventory rather than validating the fixed asset tag or accuracy of

records. Recording capitalized assets improperly may hinder the process of identifying, controlling, and valuing county assets. The categories of errors noted included:

- 5 of 38 (13.16%) - assets were not tagged or marked as county property; and
- 3 of 38 (7.89%) - asset tag numbers were incorrectly recorded.

Recommendation 2.1

Perform a physical inventory of capitalized assets. Trace each asset to its inventory record, validating asset description and fixed asset tag numbers documented in the Asset Module to ensure completeness.

Current Status: Implemented

ACR performed a physical inventory of capitalized assets. Assets were traced to inventory records and asset information was validated for completeness.

Recommendation 2.2

Validate the inventory records by vouching the inventory records recorded in the Asset Module to the fixed asset to ensure existence; and ensure all assets are properly tagged or marked as county property.

Current Status: Implemented

ACR performed a physical inventory of capitalized assets. Assets records were vouched to capitalized assets to ensure completeness. ACR has worked with ACO to ensure proper asset tags are affixed to the correct capitalized assets.

Non-Capitalized Assets

Finding 3: Accountability of Non-Capitalized Walk-Away Assets

The ACR was not utilizing the Asset Module, or a system reviewed and approved by the Auditor-Controller, to track non-capitalized walk-away assets. In addition, the number of walk-away assets under the responsibility of the ACR varied depending on the source record reviewed. Without a central record to track walk-away assets control is lost as to the quantity and specific identification of assets, making them susceptible to undetected loss or theft.

Recommendation 3.1

Perform a physical inventory of non-capitalized walk-away assets comparing the physical assets to accounting records and existing inventory lists to ensure all walk-away assets are properly identified and recorded.

Current Status: Implemented

ACR performed a physical inventory of non-capitalized walk-away assets. Assets were identified and recorded in their internal database (Track-it).

Recommendation 3.2

Determine the disposition of non-capitalized walk-away assets, and if appropriate, obtain a discharge of liability for missing assets identified during the physical inventory.

Current Status: Partially Implemented

ACR's Information Technology unit scheduled a physical inventory of capitalized and non-capitalized walk-away assets for January 2017. During the non-capitalized assets review, missing non-capitalized assets will be identified and submitted to ACO to request a discharge of liability for missing assets.

Recommendation 3.3

Record all non-capitalized walk-away assets in the PeopleSoft Asset Management Module or obtain ACO approval of an alternative tracking system.

Current Status: Partially Implemented

ACR tracks non-capitalized walk-away assets in their internal database (Track-it). ACR sent an email requesting approval for use of the Track-it database to record non-capitalized walk-away assets. ACR is waiting for approval to use the Track-it database.

Revolving Fund

Finding 5: Adherence to Daily Deposit Requirement

The office did not deposit revolving fund reimbursement checks on a timely basis or obtain an exemption from daily deposits as required in Standard Practice Manual (SPM) 602 (Formerly referred as SPM Number III-E-1-3.2), Paragraph IV. G. Of the 14 revolving fund deposits examined, deposits were made, on average, 37 days after being received. By not depositing cash and checks in a timely manner, the amount is susceptible to loss or theft.

Recommendation 5

Ensure revolving fund deposits are made daily or obtain an exemption from daily depositing from the ACO.

Current Status: Implemented

SPM Form AR-6, *Daily Cash Deposits Exemption Request*, was approved to exempt the department from the daily cash deposit requirement.