

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



ITEM
2.20
(ID # 4802)

MEETING DATE:

Tuesday, July 25, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-003: Riverside County
Agricultural Commissioner's Office, Control Environment, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-003: Riverside County Agricultural
Commissioner's Office, Control Environment

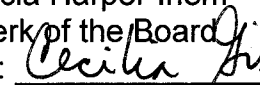
ACTION: Consent


Paul Angulo, Director of Auditor Controller 7/13/2017

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None
Date: July 25, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	17/18

C.E.O. RECOMMENDATION: APPROVE

BACKGROUND:

Summary

We have completed an audit of the Riverside County Agricultural Commissioner's Office to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment. We conducted the audit during the period November 23, 2016, through January 31, 2017, for operations from July 1, 2014, through January 31, 2017.

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Agricultural Commissioner's Office management optimize the internal control component known as the control environment. Specifically, in areas related to performance evaluations, communication, exit interview, and succession planning.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A. Riverside County Auditor-Controller – Internal Audit Report 2017-003: Riverside County Agricultural Commissioner's Office, Control Environment

Internal Audit Report 2017-003

**Riverside County Agricultural Commissioner's
Office, Control Environment**

Report Date: June 2, 2017



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Riverside County Auditor-Controller
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**ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

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

**Frankie Ezzat, MPA
Assistant Auditor-Controller**

June 2, 2017

Mr. Ruben Arroyo
Agricultural Commissioner/Sealer of Weights and Measures
Riverside County Agricultural Commissioner's Office
County Administrative Center
4080 Lemon Street, Room 19, Basement
Riverside, CA 92502

**Subject: Internal Audit Report 2017-003: Riverside County Agricultural Commissioner's
Office, Control Environment**

Dear Mr. Arroyo:

We have completed an audit of the Riverside County Agricultural Commissioner's Office to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment. We conducted the audit from November 23, 2016, through January 31, 2017, for operations from July 1, 2014, through January 31, 2017.

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 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 efficiency of operations, compliance with laws and regulations, and reliability of financial and 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 the results of our audit, we identified areas of opportunity that can help Riverside County Agricultural Commissioner's Office management optimize the internal control component known as the control environment. Specifically, in areas related to performance evaluations, communication, exit interviews, and succession planning.

Internal Audit Report 2017-003: Riverside County Agricultural Commissioner's Office, Control Environment

We thank the Riverside County Agricultural Commissioner's Office management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this 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

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Executive Summary

Overview

"Riverside County Agricultural Commissioner's Office (Agricultural Commissioner's Office) is entrusted with the mission of promoting and protecting the agricultural industry of the County and its environment, ensuring the health and safety of the County's citizens, and fostering confidence and equity in the marketplace through education and the fair and uniform enforcement of laws, regulations, and ordinances enacted by the people of the State of California and the County of Riverside." *Riverside County Agricultural Commissioner's Office, About Us, Mission Statement, County of Riverside website, accessed on February 2, 2017, <http://www.rivcoag.org/aboutus.aspx>*

Also, the Agricultural Commissioner's Office inspects and tests packaged commodities and all commercially used devices, including transactions derived from the use of such devices are inspected for accuracy, and provides education and training to the public and regulated industries.

The Agricultural Commissioner's Office consists of four divisions as follows:

- Environmental Protection/Pest Management
- Consumer Protection/County Ordinances/Crop Statistics
- Phytosanitary Certification/Pest Detection/Information Technology/Agricultural Reserves
- Pest Exclusion/Consumer Protection

The 2015 Riverside County Agricultural Production Report, prepared by the Agricultural Commissioner's Office in accordance with Section 2279 of the California Food and Agricultural Code is a comprehensive report that summarizes the acreage, production and valuation of Riverside County's agricultural commodities which includes more than 120 different commodities with a total gross value of \$1,301,551,000. "Based on historical models, Riverside County's 2015 agricultural production contributed nearly four billion dollars to the regional economy when indirect and induced economic impacts are considered." *Riverside County Agricultural Commissioner's Office, Resources/Publications, County of Riverside website, accessed on February 2, 2017, <http://www.rivcoag.org/Resources/Publications.aspx>*

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment.

Audit Conclusion

Based upon the results of our audit, we identified areas of opportunity that can help Riverside County Agricultural Commissioner's Office management optimize the internal control component

known as the control environment. Specifically, in areas related to performance evaluations, communication, exit interviews, and succession planning.

Control Environment

Background

Internal controls are a coordination of policies and procedures established to provide reasonable assurance regarding the achievement of respective organization objectives related to the effectiveness and efficiency of operations, compliance with applicable laws and regulations, reliability of reporting, and the safeguarding of assets. Every member in an organization affect internal controls, but it is the ultimate responsibility of management to implement them and to ensure the controls are functioning as intended. Doing so allows management to stay focused on its pursuit of an organization's strategic objectives.

In support of management efforts to achieve the objectives of the organization, management should consider the following five internal control components:

- Control Environment: Sets the tone to the organization and is the foundation of all other internal control components.
- Risk Assessments: Identifies and analyzes the risk associated with the achievement of the entity's objectives.
- Control Activities: Actions established by policies and procedures to help ensure that management's directives are carried out.
- Information and Communication: Actions to carry out the responsibilities in support of the achievement of the objectives.
- Monitoring Activities: Ongoing or separate evaluations to ascertain whether each of the components of internal controls is present and functioning.

For an organization to have an effective control environment, management should consistently demonstrate and communicate its commitment to integrity and ethical values, establish adequate governance oversight processes, implement an organizational structure with adequate authority and responsibility, demonstrate a commitment to attract, develop and retain a competent workforce, and have strong workforce accountability measures for the achievement of the organizational objectives.

Our audit scope focused on the control environment component since it is the foundation of an effective system of internal controls. It provides discipline and structure to the achievement of the primary objectives of an entity and establishes the tone from the top-down of organizations. As such, when management, at every level of the organization views internal controls as essential to the successful achievement of its objectives, it is expected that the same view will be conveyed to everyone within the organization and as a result, internal controls will work effectively. The

Internal Audit Report 2017-003: Riverside County Agricultural Commissioner's Office, Control Environment

opposite effect will occur when management view the internal controls as obstacles and/or unrelated to the achievement of the entity's objectives.

Our scope included the following areas:

- Code of ethics – implementation, training, and communication
- Employee development training program
- Evaluations – completion and goal setting
- Organizational and reporting structure – effectively structured to facilitate effective reporting and communication about internal controls among various positions of management, establishing roles and reporting responsibilities
- Succession planning – development for business continuity
- Communication of mission and other pertinent matters
- Employee exit interviews – organizational improvement opportunities as viewed from department employees
- Policies and Procedures – development, implementation, and communication

The Agricultural Commissioner's Office executive management, through the development, review and execution of its policies and procedures, exercises oversight over the internal controls and ethical conduct of its staff. Management views their internal controls and ethical values as an essential part of achieving the organization goals and objectives as outlined in the organization's mission statement, and general memos provided to their staff. Also, executive management outlines the minimum specific state licensing examinations their new hires should pass and encourages all staff to pass as many of these state licensing examinations to be eligible for a promotion.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of the control environment.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable codes, regulations, and policies.
- Conducted interviews with department management and staff.
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs, and goal setting.
- Determined if the Agricultural Commissioner's Office had a formal succession plan.

Internal Audit Report 2017-003: Riverside County Agricultural Commissioner's Office, Control Environment

- Performed an employee turnover analysis to determine the turnover rate.
- Reviewed organizational and reporting structure.
- Determined if exit interviews were conducted.

Observation 1: Performance Evaluations

Agricultural Commissioner's Office performance management process was not consistently performed as required. Board of Supervisors Policy C-21, *Employee Performance Evaluation Reports*, Section 3 states, "During any probationary period, an employee shall be evaluated at no less than six-month intervals until the expiration of their probation. Agencies/departments may evaluate probationary employees on a more frequent basis if desired. All other regular employees of the Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with county or on the anniversary of promotion or entry into their current job classification." Our review of performance evaluations for 13 of 44 employees for the period July 1, 2014, through December 6, 2016, disclosed the following:

- Six employees probationary performance were not completed. According to the department, the department never performed evaluations for employees during their probationary period.
- One employee annual performance was not completed. According to the department, the employee had two promotions and her annual performance due date continued to get pushed back, so the supervisor was never flagged by the system to complete an evaluation for her. Subsequent to the completion of fieldwork, the department completed the annual performance of the subject employee.
- One employee annual performance did not have the "Evaluation Signature" form indicating employee's, supervisor's, and department head's signatures, evidencing review and discussion of employee's performance evaluation. According to the department, the employee's supervisor forwarded the form to the then Assistant Agricultural Commissioner.

Monitoring controls to ensure performance evaluations are completed for all employees are not in place for some of the functional areas within Agricultural Commissioner's Office. Delayed performance evaluations may delay achievement of the department's overall missions since employees play a key role in the achievement of the mission. Furthermore, the strengths and areas of improvement for employees to align themselves with the overall missions and goals of Agricultural Commissioner's Office are not formally conveyed.

Recommendation 1

Complete all performance evaluations when required.

Management's Response: "Concur"

"Beginning in 2014, Department staff erroneously interpreted guidance provided by Human Resources resulting in a policy that discontinued written performance evaluations during the probationary period. Although verbal evaluations were provided on a regular basis, these were not properly documented. All supervisors and managers have now been trained to document all probationary performance evaluations as required by Board Policy.

Additionally, our Department will now utilize an annual evaluation calendar, as a supplement to the Employee Performance Manager software, to track due dates for annual evaluations. The Assistant Commissioner will be responsible for monitoring completion of required performance evaluations.

Lastly, Department staff responsible for filing completed performance evaluations have received training intended to prevent filing of incomplete evaluation documents. A written reminder is also now attached to the filing cabinet storing performance evaluations reminding staff to check for all required signatures and other information before filing."

Actual/estimated Date of Corrective Action: Completed. May 1, 2017

Observation 2: Employees Exit Interviews

Agricultural Commissioner's Office did not conduct exit interviews for three out of five when employees concluded employment with the department. County of Riverside Policy C-22, *Exit Interview*, states, "...upon separation, prior to leaving the county, the department will offer the employee an exit interview with the department head or designee." The purpose of the policy is to "determine and document the reasons employees leave the county, to provide as opportunity for the airing of unresolved issues and to solicit constructive feedback to improve the county." Without receiving feedback from employees, Agricultural Commissioner's Office does not obtain information that could potentially help improve overall culture of the department.

Recommendation 2

Ensure all separated employees complete an exit interview or document why an exit interview form was not completed.

Management's Response: "Concur"

"Although the Department offered exit interviews to all separated employees, three employees declined the offer. Beginning immediately, either a completed exit interview, or a document

explaining why an exit interview was not completed will be included as part of an employee's personnel file upon separation."

Actual/estimated Date of Corrective Action: May 1, 2017

Observation 3: Formal Succession Planning

Agricultural Commissioner's Office does not have a written succession plan. Formal plans would identify risks and strategies providing a basis for specific succession initiatives, including how employees are eligible to participate. In addition, transfer of knowledge is a critical component of succession management. Written procedures should be in place to formalize the transfer of knowledge from management and key personnel to successors. Without a succession plan, an organization may not have a means of ensuring that services important to its operations are maintained when management or key personnel changes occur.

Recommendation 3

The Agricultural Commissioner's Office should implement a formal written succession plan for management and key personnel.

Management's Response: "Concur"

"Upon his appointment in March of this year, Agricultural Commissioner, Ruben Arroyo, outlined his vision for a succession plan to Department management staff. Several steps have already been taken to begin this process. To ensure a smooth transition upon the departure of an Agricultural Commissioner, the Department has modified the qualifications of the Assistant Commissioner to match those of the Commissioner. As an incentive to professional growth and development, the Department now reimburses staff for successfully obtaining professional licenses. Additionally, the Commissioner has initiated an enhanced training program, offering in-house and regional training opportunities for all staff. Once the foundations of the plan are in place, staff at all levels will be afforded opportunities to provide input on the developing document. The Department's completed succession plan will impart necessary guidance to all staff to ensure uninterrupted service to industry and the community despite an ever-changing workforce. A formal written succession plan will be completed by the end of the current year."

Actual/estimated Date of Corrective Action: January 1, 2018