

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



ITEM
2.14
(ID # 7615)

MEETING DATE:

Tuesday, July 31, 2018

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2018-007: Riverside County
Economic Development Agency, Edward-Dean Museum Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2018-007: Riverside County Economic
Development Agency, Edward-Dean Museum.

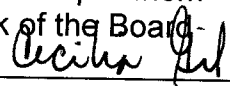
ACTION: Consent


Paul A. Angulo, County Auditor-Controller 7/18/2018

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Washington and Perez
Nays: None
Absent: Ashley
Date: July 31, 2018
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

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Economic Development Agency, Edward-Dean Museum to provide management and the Board of Supervisors with an independent assessment of internal controls over the safeguarding of museum artifacts, security of customer and museum artifacts information, and non-capital assets.

Based upon the results of our audit, we identified improvement opportunities in internal controls over the safeguarding of museum artifacts and security of customer and artifact information. We determined Riverside County Economic Development Agency, Edward-Dean Museum's internal controls over non-capital assets, provide reasonable assurance that its objectives relating to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes and intentional efforts to bypass internal controls.

We will follow-up to verify that management implemented the corrective actions.

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: Approve

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 2018-007: Riverside County Economic Development Agency, Edward-Dean Museum Audit.

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



Stephanie P. B., Principal Management Analyst 7/24/2018

Internal Audit Report 2018-007

**Riverside County
Economic Development Agency,
Edward-Dean Museum Audit**

Report Date: July 13, 2018



**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

July 13, 2018

Robert Field
Assistant CEO/EDA
Riverside County EDA Edward-Dean Museum
3403 Tenth Street, Suite 300
Riverside, CA 92501

Subject: Internal Audit Report 2018-007: Riverside County Economic Development Agency, Edward-Dean Museum Audit

Dear Mr. Field:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Economic Development Agency, Edward-Dean Museum to provide management and the Board of Supervisors with an independent assessment of internal controls over safeguarding of museum artifacts, security of customer and museum artifacts information, and non-capital assets.

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 evaluate the internal controls.

Based upon the results of our audit, we identified improvement opportunities in internal controls over the safeguarding of museum artifacts and security of customer and artifact information. We determined Riverside County Economic Development Agency, Edward-Dean Museum's internal controls over non-capital assets, provide reasonable assurance that its objectives relating to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2018-007: Riverside County Economic Development Agency, Edward-Dean Museum Audit

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported conditions and recommendations contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

We thank the Riverside County Economic Development Agency, Edward-Dean Museum 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
Chief Internal Auditor

cc: Board of Supervisor
Executive Office
Grand Jury

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Executive Summary

Overview

The Edward-Dean Museum was founded in 1958 in Cherry Valley by Edward Eberle and Dean Stout to showcase their collection of 16th to 19th century Asian and European furnishings and decorative arts. Ownership and operation of Edward-Dean Museum transferred to Riverside County in 1964.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over safeguarding of museum artifacts, security of customer and artifact information, and tracking of non-capital assets.

Audit Scope and Methodology

Following a risk based approach, our scope initially included the following:

- Safeguarding of Museum Artifacts
- Cash Management
- Premises safety
- Appraisal/Value of Museum Artifacts
- Security of Customer and Museum Artifact information
- Non-Capital Assets

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to internal controls over safeguarding of museum artifacts, security of customer and museum artifact information, and tracking of non-capital assets.

Audit Highlights

Existing Conditions

- The administration building, which houses all of the clients' personal information and the museum artifacts information, does not have sufficient security to prevent break-ins and theft of museum artifacts information and clients personal information
- Storage areas used for the storage of museum artifacts and maintenance equipment, are open and unattended during operating hours

Improvement Opportunities

- Implement security measures such as cameras and alarm systems to secure the administration building
- Keep storage facilities locked at all times to prevent the unauthorized access and prevent the theft of museum artifacts

Audit Conclusion

Based upon the results of our audit, we identified improvement opportunities in internal controls over the safeguarding of museum artifacts and security of customer and museum artifact information. We determined Riverside County Economic Development Agency, Edward-Dean Museum's internal controls over non-capital assets, provide reasonable assurance that its objectives relating to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Safeguarding Museum Artifacts

Background

The Edward-Dean Museum (Museum) mission statement is "to create and provide a unique collection in safe spaces offering social, cultural, and educational enrichment in an effort to develop our community by developing knowledge and inspiring creativity." To that end, the Museum is tasked with the development and care of the museum's collections as well as safeguarding every artifact under its care. Procedures to ensure the museum artifacts care and safety is written in the museum's collection management policy. The policy is to help ensure the following:

- Document and account for all pieces in the collection
- Protect, secure, care and preserve the collection
- Property acquisition and de-accession according to the coinciding policies of the Museum

The Museum contains 16th through 19th century Asian and European furnishing and decorative arts of various intrinsic values. The 16 acre property has the museum, a multipurpose room, a covered pavilion, a gazebo, an administrative office, and a storage facility with its perimeter surrounded by a fence. The buildings within the property are secured in various ways.

Objective

To verify the existence and adequacy of internal controls over the safeguarding of museum artifacts.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies and museum guidelines
- Conducted interviews and performed walk-throughs with office personnel
- Performed visual inspection of the museum and storage areas
- Reviewed a sample of museum artifacts and traced to supporting documentations
- Reviewed for a museum artifacts tracking system
- Reviewed and tested the cataloging processes and tracking of museum artifacts

Finding 1: Artifact Security

Storage areas of museum artifacts are not adequately secured to safeguard the assets. The Museum's *Collection Management Policy* states "the museum will ... protect, secure, care for, and preserve the collection..." During a walk-through of the premises, the doors to a storage facility for museum artifacts was not secure. The staff leaves the area unattended during the hours of operations. This increases the risk of the Riverside County being liable in a situation where unauthorized individuals may get injured if entering the storage facility. There is also a high risk of theft of museum artifacts from their storage facilities.

Recommendation 1

Secure all areas within the property at all times to help prevent unauthorized access.

Management's Response

"**Concur.** Economic Development Agency will be purchasing a storage container for maintenance items so maintenance staff have their own space for tools and supplies. The artifacts in the garage are items that need to be treated and can't be stored in the museum storage. This will keep the museum artifacts separate and will prevent unauthorized access."

Actual/estimated Date of Corrective Action: **August 31, 2018**

Security of Customer and Museum Artifact Information

Background

The Museum hosts wedding receptions, banquets, retirement celebrations, concerts and other special events throughout the year. Before an event, the Museum collects personal information from customers when an application is completed along with credit card numbers for payment of the rental fees. All customer information, along with the museum artifacts back up documents, are stored in the administrative office. Furthermore, the administration building houses all back-up documentation for the museum artifacts.

Board of Supervisor's Policy A-43, *County Records Management and Archives Policy*, Section B.2 states, "County records shall only be stored in facilities with fire warning and suppression systems, and with adequate security to prevent unauthorized access to, or interfere with, the records."

Objective

To verify the existence and adequacy of internal controls over customer and museum artifacts information.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies and Museum guidelines
- Conducted interviews and performed walk-throughs with office personnel
- Performed visual inspection of the Museum premises, event applications, and data collection
- Review Museum artifacts back-up documentation, storage location, and security of documents

Finding 2: Customer and Artifact Information

The administration building does not have cameras, or alarm systems to safeguard customer or artifact information. Board of Supervisor's Policy A-43, *County Records Management and Archives*, requires all records to be stored in facilities with adequate security to prevent unauthorized access and misappropriation of records. Funding to secure the administration building has not been allocated. The administration building houses client's sensitive information

and museum artifacts documentation. Any misappropriation of clients and museum artifacts information can expose the Riverside County to costly lawsuits.

Recommendation 2

Ensure the administration building is secure with cameras and an alarm system.

Management's Response

Concur. Economic Development Agency has just completed the installation of CoreNet through Riverside County Information Technology in the Administration building at the Museum. This provides a combination of wireless points, network equipment, and IP phones. This needed to occur prior to the installation of the security system. The quote has been approved for the security system and installation will begin."

Actual/estimated Date of Corrective Action: **July 31, 2018**

Non-Capital Assets

Background

Board of Supervisor's Policy H-26, *Non-Capitalized Asset Management*, defines non-capitalized assets as walk-away assets which are small, mobile, easily converted for personal use and have a fair market value between \$200 to \$5,000 (over \$5,000 are classified as capital assets). Examples include, but are not limited to laptops, and cell phones." Board of Supervisor's Policy H-26 require departments to track walkaway assets either in the County of Riverside Financial System or other established system, if reviewed and approved by the Auditor-Controller's Office.

As of January 31, 2018, Edward-Dean Museum listed a total of 13 non-capital assets in the asset module.

Objective

To evaluate internal controls over non-capital assets and to ensure records are complete.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies
- Conducted interviews and performed walk-throughs with museum personnel
- Queried a listing of non-capital assets using the County of Riverside Financial System
- Selected a sample of non-capital assets to perform detailed testing
- Verified that all non-capital assets were adequately tracked

Results

Based upon the results of our audit, we determined Edward-Dean Museum internal controls over non-capital assets provide reasonable assurance that its objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.