

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



ITEM
2.5
(ID # 10910)

MEETING DATE:

Tuesday, September 24, 2019

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2019-008: Riverside County
Economic Development Agency, Fair and National Date Festival Audit, District:
All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2019-008: Riverside County Economic
Development Agency, Fair and National Date Festival Audit


ACTION: Consent


Paul A. Angulo, County Auditor-Controller 9/11/2019

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: September 24, 2019
xc: Auditor

Kecia R. Harper
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, Fair and National Date Festival to provide management and the Board of Supervisors with an independent assessment of internal controls over compliance with purchasing policies and cash management.

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

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we determined:

- 1) Internal controls over cash management are operating effectively.

- 2) Internal controls over compliance with purchasing policies as it relates to the bid process are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, relating to bid process documentation provided to the County Purchasing department.

We will follow-up to determine if actions were taken to correct the findings noted.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Internal Audit Report 2019-008: Riverside County Economic Development Agency, Fair and National Date Festival Audit

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



Stephanie Perez, Principal Management Analyst 9/16/2019

Internal Audit Report 2019-008

**Riverside County
Economic Development Agency,
Fair and National Date Festival Audit**

Report Date: August 26, 2019



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



**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

ACO | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Oscar Valdez
Assistant Auditor-Controller

August 26, 2019

Robert Field
Assistant County Executive Officer
Riverside County Economic Development Agency, Fair and National Date Festival
3403 10th St, Suite 300
Riverside, CA 92501

Subject: Internal Audit Report 2019-008: Riverside County Economic Development Agency, Fair and National Date Festival Audit

Dear Mr. Field:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Economic Development Agency, Fair and National Date Festival to provide management and the Board of Supervisors with an independent assessment of internal controls over compliance with purchasing policies and cash management.

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 determined:

- 1) Internal controls over cash management are operating effectively.
- 2) Internal controls over compliance with purchasing policies as it relates to the bid process are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, relating to bid process documentation provided to the County Purchasing department.

Internal Audit Report 2019-008: Riverside County Economic Development Agency, Fair and National Date Festival Audit

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's response is included in the report. We will follow-up to verify that management implemented the corrective action.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller


By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

Table of Contents

	Page
Executive Summary	4
Results:	
Compliance with Purchasing Policies	6
Cash Management	7

Executive Summary

Overview

The Fair and National Date Festival (Fair) is held each February and has been an annual tradition in the Coachella Valley for over 70 years. The ten-day event features live entertainment, including: monster trucks, free style motocross, carnival rides, shows, and attractions. The Fair creates temporary jobs during the month of February and has an economic impact for Coachella Valley businesses and residents.

The Fair contracts with Butler Amusements, Inc., a travelling carnival, to supply the Fair with carnival rides and food concession stands. For the 2019 Fair, Butler Amusement provided 53 rides and contracted with 162 commercial vendors and 55 concessionaires.

Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over compliance with purchasing policies and cash management. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

Audit Scope and Methodology

We conducted the audit from January 15, 2019, through May 28, 2019, for operations from February 15, 2019, through February 24, 2019. Following a risk based approach, our scope initially included the following:

- Americans with Disabilities Act regulations
- Compliance with purchasing policies for carnival operator
- Cash management
- Carnival rides and attractions safety
- Vendor health permits

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to internal controls over compliance with purchasing policies regarding carnival operator bid process and cash management.

Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- The Fair did not fully comply with county purchasing policies in its 2015 Fair and National Date Festival bid packet. Specifically, required bid packet documents were not provided to Riverside County Purchasing and Fleet Services Department.

Improvement Opportunities

The improvement opportunities are in the following risk areas:

- Ensure compliance with purchasing policies.

Audit Conclusion

Based upon the results of our audit, we determined:

- 1) Internal controls over cash management are operating effectively.
- 2) Internal controls over compliance with purchasing policies as it relates to the bid process are not operating effectively to provide reasonable assurance that its objectives relating to these areas will be achieved. Specifically, relating to bid process documentation provided to the County Purchasing department.

Compliance with Purchasing Policies

Background

In order for a vendor to do business with Riverside County and bid on specific projects, Riverside County Purchasing and Fleet Services (Purchasing) have a list of requirements for adherence by departments, which includes submitting relevant supporting documentation.

Under the Purchasing Policy Manual and Board of Supervisor's Policy A-18, *Procedures for Contracting for Professional or Personal Services* (rescinded by 3.8 on 10/23/2018), departments were allowed to create their own request for proposals and bid documents. An electronic copy of these documents was required to be sent to Purchasing for publication on their website in an effort to provide transparency to the public regarding the bidding process.

Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the bid process for the Fair's 2015 five-year contract.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable county purchasing policy requirements.
- Conducted interviews and performed walk-throughs with administrative personnel.
- Reviewed available bid documentation.

Finding 1: Bid Documentation not Provided to Purchasing

For the 2015 contract for carnival rides and attraction services, the Fair did not provide bid documentation to the Purchasing Department. Board of Supervisors Policy A-18 required County departments to submit all bid-related documentation to Purchasing when preparing their own request for proposal. Such bid-related documentation was lost during an electronic system failure. The Fair was not in compliance with Board of Supervisor's Policy A-18 by not supplying the necessary documents to Purchasing after creating their own request for proposal.

Recommendation 1

Develop bid processing procedures to ensure compliance with purchasing policies.

Management's Response:

"Concur. At the advice of County Counsel, the department sent letters of intent to prospective operators and Butler Amusement was the only vendor who responded. There were no documents lost during this period.

The existing contract has expired and the carnival rides and attractions services needs to be bid. The Fair is working with Central Purchasing to RFP the services. The Fair will continue to work with Central Purchasing for procuring services on an on-going basis."

Actual/estimated Date of Corrective Action: **June 10, 2019**

Auditor's Comment

Public and private organizations often rely upon a competitive bidding process for the best value. The bidding process can only result in best prices for the product when vendors compete genuinely with each other. This is ensured when organizations, seeking bid for services, follow proper purchasing policies and procedures.

When exercising Board Policy A-18, departments conducting their own bid process, must also follow purchasing protocols including sending an electronic copy of all bid documentations to county purchasing department in an effort to avoid non compliance with county policies. Further, it ensures checks and balances remain in place to mitigate the risks associated with bidding processes as follows:

- **Complementary Bidding** – Occurs when vendors agree to submit bids that involves one of the following:
 - A vendor agrees to submit a bid higher than the designated winner
 - A vendor submits a bid known to bid too high to be accepted
 - A vendor submits a bid with terms known to be unacceptable
- **Bid Rotation** – Occurs when conspiring vendors issue bids but they agree to take turns being the lowest bid.
- **Bid Suppression** – It involves an agreement between vendors in which one or more vendors refrain from bidding or in withdraws its bid. In return the non-bidders may receive a subcontract or payoff.
- **Customer or Market Allocation** – Occurs when vendors divide up the market and agree not to compete with certain clients or geographic locations.

As part of internal control process, a strong segregation of duties should be included, which the purchasing protocols can provide. Following purchasing protocols will reduce the opportunity for the above risks.

Cash Management

Background

The Riverside County Auditor-Controller's Standard Practice Manual 1001, *Internal Controls*, requires County departments to establish and maintain an effective system of internal controls. Internal controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of organizational and management objectives, including the safeguarding of assets.

The Fair has four major areas where cash is collected: parking, admissions, concessions, and the carnival. In 2019, the Fair had gross sales of \$1.8 million.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Reviewed and observed cash management procedures for adequate segregation of duties relating to collections for carnival, concession, parking, admission revenues, and vault operations.
- Conducted interviews and performed walk-throughs with Fair personnel responsible for cash management operations.
- Observed and verified issuance of tickets for parking and admission stands.
- Observed the mid-day vault reconciliation and cash drops selected for testing.
- Observed cash runner, cash pickups, and drop offs to vault personnel for admissions and parking cash receipts.
- Selected a sample of four transactions and verified monies were deposited timely to the bank.
- Verified appropriate levels of management reviews and approvals.
- Verified vault cash drops are supported with proper documentation and management verification prior to deposit to bank.

Internal Audit Report 2019-008: Riverside County Economic Development Agency, Fair and National Date Festival Audit

- Verified monies received are recorded in the Riverside County financial system and reported accurately in the revenue account.

Finding: None Noted

Based upon the results of our testing, no findings were noted.