

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



ITEM: 2.8
(ID # 24304)

MEETING DATE:
Tuesday, February 27, 2024

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-317: Assessor-County Clerk-Recorder, Follow-up Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-317: Riverside County Assessor Clerk-Recorder, Follow-up Audit


ACTION:Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 2/16/2024

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, 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, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: February 27, 2024
xc: Auditor Controller

Kimberly A. Rector
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: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

We completed a follow-up audit of the Riverside County Assessor Clerk Recorder. Our audit was limited to reviewing actions taken as of August 3, 2023, to correct findings noted in our original audit report 2023-002 dated March 28, 2023. The original audit report contained 8 recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the eight recommendations:

- Five of the recommendations were implemented.
- Three of the recommendations were not implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2023-002 included as an attachment to this follow-up audit report or it can also be found at <https://auditorcontroller.org/divisions/internal-audit/reports>

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

Additional Fiscal Information

Not applicable

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENTS:

A: Riverside County Auditor-Controller - Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit.



Office of Ben J. Benoit
Riverside County Auditor-Controller

Internal Audit Report

2024-317

Follow-up

8 Recommendations

- ✓ 5 Implemented
- ✗ 3 Not Implemented



Riverside County
Department of Assessor-County Clerk - Recorder
Follow-up Audit

February 27, 2024



**COUNTY OF RIVERSIDE
OFFICE OF THE AUDITOR-CONTROLLER**

Ben J. Benoit, Auditor-Controller
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11th Floor.
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



February 27, 2024

Peter Aldana
Assessor-County Clerk-Recorder
Riverside County Assessor-County Clerk-Recorder
4080 Lemon Street, 1st Floor
Riverside, CA 92501

**Subject: Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder,
Follow-up Audit**

Dear Mr. Aldana:

We completed the follow-up audit of Assessor-County Clerk Recorder. Our audit was limited to reviewing actions taken as of August 3, 2023, to help correct the findings noted in our original audit report 2023-002 dated March 28, 2023.

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 conclusion.

The original audit report contained eight recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the eight recommendations:

- Five of the recommendations were implemented
- Three of the recommendations were not implemented



Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2023-002 included at "Attachment A" of this audit report along with your department status letter as "Attachment B." You can also find the original audit report at <https://auditorcontroller.org/divisions/internal-audit/reports>.

We thank you and your staff for the help and cooperation. The assistance provided contributed significantly to the successful completion of this audit.

Ben J. Benoit
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury



Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit

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Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit

Capital and Non-capital Assets

Finding 1: Capital Asset Compliance

“Assessor-County Clerk-Recorder is not in compliance with the county capital asset procedures. We identified the following in our review of capital assets:

- Eight out of 23 (35%) capital assets sampled were not affixed with a county asset tag. Standard Practice Manual 513, *Capital Asset Tags*, states, “County departments, agencies, special districts and authorities are required to properly tag individual capital asset in order to maintain proper control over owned assets”, and “tags should stay with the asset until it is retired.” Department does have procedures in place to tag capital assets but does not have a process to ascertain all capital assets that have been affixed with a county asset tag. Tagging is an internal control designed to provide a method of identifying individual capital assets and assist in the annual physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout department and county.
- Two out of 23 (9%) assets sampled and identified as data servers were disposed but not removed from the county financial system. The two capital assets were not removed from the county financial system due to an input error on the surplus property transfer form, submitted to the Auditor-Controller’s Office by Assessor-County Clerk-Recorder staff. Additionally, we verified both assets did not have a Standard Practice Manual Form AM-7, *Capital Asset Disposition* which must be submitted to the Riverside County Auditor-Controller’s Office for removal of the asset from the Riverside County financial system.

Standard Practice Manual 514, *Disposal of Capital Asset*, requires county departments disposing of assets to submit a completed Standard Practice Manual Form AM-7 and attach a Surplus Property Transfer Form and an Electronic Liability Surplus and Release Form for electronic devices. Not disposing of capital assets properly can overstate the financial reporting of capital assets. Accurate physical capture inventory aids in managing equipment and identifying theft and misuse of capital assets timely.”

Recommendation 1.1

“Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.”



Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit

Current Status 1.1: Not Implemented

- Four out of 20 (20%) capital assets sampled were not affixed with a county asset tag.
- Seven out of 20 (35%) capital assets sampled could not be located at the time of the audit. Three of the assets were in the process of being surplus with documentation provided post-visit to confirm the status. Two of the assets were still in active use and documentation was also provided subsequent to the visit.
- One out of 20 (5%) capital assets sampled asset tag mismatch with the corresponding number from the county financial system.

Management's Response

“We have been in the process of rolling out procedural changes to address the initial audit finding, and the timing of the follow-up audit during our changes attributed to the discrepancies.

Management has identified that out of the four assets not affixed with a county tag, three assets were awaiting the Asset Tag from the ACO Asset Team. To prevent similar occurrences in the future, we have established a new procedure. The responsible custodians will now inform the accounting division if an asset tag is not received within a timely manner. The Accounting staff will then follow up with the ACO Asset Team to ensure that assets tags are received promptly and affixed to the respective assets.

Furthermore, we have determined that two out of the three surplus capital assets that were not located during the walk-through with the Auditors were in the custody of the Digital Equity Program/Information Technology Department (IT). The department was awaiting signed documentation to officially remove them from the County's financial system. In addition, the third asset was found at the bottom of a pallet, in the process of being surplus and sent to IT. To address these challenges and prevent similar occurrences in the future, we have implemented a new procedure. The responsible capital asset custodian will now follow up with IT if signed documentation is not received within two weeks of dropping off the surplus assets.

Through the establishment of these new procedures, we aim to promptly address and resolve any delays in tagging and obtaining necessary documentation. This will ensure accurate tracking, proper identification, and timely removal of our capital assets. This proactive



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approach not only improves the effectiveness of our asset management practices but also enhances accountability within our organization.”

Recommendation 1.2

“Update procedures to perform annual physical inventory and tracking of all capital assets in the department’s possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.”

Current Status 1.2: Implemented

Recommendation 1.3

“Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller’s Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.”

Current Status 1.3: Implemented

Finding 2: Non-Capital Assets

“The Assessor-County Clerk-Recorder is not in compliance with the county non-capital asset procedures. We identified the following in our review of non-capital assets:

- Three out of 30 (10%) sampled non-capital assets could not be located.
- One out of 30 (3%) sampled non-capital assets assigned to an employee possession but listed under a different employee name.
- Eight out of 30 (27%) selected non-capital assets were surplused and were not updated in the department’s non-capital asset system.
- Non-capital assets tracked in the department’s internal system did not include non-capital assets maintained in the county financial system. Department stated they no longer use the county financial system to track the non-capital asset, instead utilize an internal asset system to track non-capital assets. However, the non-capital assets initially recorded in the county financial system were not cleaned up or transferred to the department’s internal system. We verified 287 non-capital assets with an active status were reported in the county’s asset



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management module of which 267 were not recorded in the department's internal tracking system.

Board of Supervisor Policy H-26, *Non-Capitalized Asset Management*, states, "department shall ensure compliance with this policy by tracking walk-away assets. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system has been reviewed and approved by the Auditor-Controller." When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets."

Recommendation 2.1

"Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*."

Current Status 2.1: Not Implemented

- Three out of 30 (10%) sampled non-capital assets could not be located at the time of the audit. One asset had been surplus with documentation provided post-visit to confirm the status. One asset was still in use and documentation was also provided subsequently to the visit.
- One out of 30 (3%) sampled non-capital assets assigned to locations different from what listed in departments non-capital asset tracking system.
- One out of 30 (3%) sampled non-capital assets tag mismatch with corresponding number from the departments non-capital asset tracking system.

Management's Response

"We have updated our processes and comply with existing policies. Management has implemented a new process to enhance our asset verification procedures during annual inventory. During the annual inventory, the asset's custodian will now document and verify the location of each asset. Additionally, they will ensure that the asset tag is securely fixed to the asset and matches the information recorded in our internal tracking system. This verification process improves record accuracy and enhances accountability for the assets."



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Recommendation 2.2

“Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department’s internal tracking system to ensure non-capital asset listing is accurate and complete.”

Current Status 2.2: Implemented

Recommendation 2.3

“Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department’s possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.”

Current Status 2.3: Implemented

System Access Controls

Finding 3: Timely Termination of Access Rights

“Active Directory and non-Active Directory access rights were not terminated in a timely manner (within 24 hours). We identified the following in our review:

- Thirteen out of 16 (82%) employees sampled Active Directory access were not disabled within 24 hours upon the employee’s termination from Assessor-County Clerk-Recorder. The average days lapsed was 70 days, with the longest taking 438 days and the shortest taking 2 days.
- Forty-seven out of 47 (100%) employees sampled who had access to the Aumentum system was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 327 days, with the longest taking 726 days and the shortest taking 25 days.
- Five out of 21 (24%) employees sampled who had access to the Eagle Recorder system were not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 16 days, with the longest taking 31 days and the shortest taking 4 days.



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County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, “Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer.” The Assessor-County Clerk-Recorder *Policy Manual* states accounts for employees leaving the department should be removed as soon as possible. The departments policies and procedures do not require user accounts for terminated or transferred employees being disabled or removed on the day of termination or transfer. Allowing accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.”

Recommendation 3.1

“Disable all user system accounts on the day of an employee’s termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.”

Current Status 3.1: Not Implemented

- Five out of 13 (38%) employees sampled Active Directory access were not disabled within 24 hours upon the employee’s termination from Assessor-County Clerk-Recorder. The average days lapsed was 10 days, with the longest taking 16 days and the shortest taking 2 days.
- Eight out of 13 (62%) employees sampled had access to the Aumentum system, three out of 8 (40%) employees sampled was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 14 days, with the longest taking 19 days and the shortest taking 8 days.

Management’s Response

“We have been in the process of implementing procedural adjustments to rectify the findings from the initial audit. The discrepancies noted during the follow-up audit are attributable to the ongoing nature of these changes, which are still in progress.

Management recognizes the importance of promptly deactivating access for separated employees. To address this, ACR-IT and ACR-HR have collaborated to enhance our employee deactivation process. Our joint efforts aim to ensure that employees who separate from the



Internal Audit Report 2024-317: Riverside County Assessor-County Clerk-Recorder, Follow-up Audit

department are promptly deactivated within a 24-hour period, thereby maintaining the security and integrity of our systems.

To ensure the prompt deactivation of access for separated employees, ACR-HR has implemented a proactive approach. In cases where employees provide sufficient notice of separation, ACR-HR will submit tickets to ACR-IT in advance. These tickets will specify that deactivation should occur by 5:00 p.m. on the employee's last working day. This collaborative effort between ACR-HR and ACR-IT allows us to streamline the deactivation process and minimize any potential delays.

In addition to the collaborative efforts between ACR-HR and ACR-IT, we will be expanding our utilization of an IT Service Management tool called Fresh Service. This tool will enable us to implement a streamlined offboarding process, enhancing efficiency and accountability throughout the employee deactivation process. By centralizing both the Onboarding and Offboarding procedures within Fresh Service, we anticipate significant improvements in our ability to deactivate employees' access within a 24-hour period.

We are committed to continuously improving our processes and maintaining compliance with information security standards. The implementation of Fresh Service and the enhanced coordination between ACR-HR and ACR-IT will significantly contribute to our ability to promptly terminate access upon employee separation.”

Recommendation 3.2

“Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee’s termination or transfer from the department.”

Current Status 3.2: Implemented

Attachment A

Internal Audit Report 2023-002

**Riverside County
Assessor-County Clerk-Recorder
Audit**

Report Date: March 28, 2023



**Office of Ben J. Benoit
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



COUNTY OF RIVERSIDE
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Ben J. Benoit
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA
Assistant Auditor-Controller

March 28, 2023

Peter Aldana
Assessor-County Clerk-Recorder
Riverside County Assessor-County Clerk-Recorder
4080 Lemon Street, 6th Floor
Riverside, CA 92501

Subject: Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

Dear Mr. Aldana:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Assessor-County Clerk-Recorder to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets and system access controls.

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.

Our conclusion and details of our audit are documented in the body of this audit report.

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder
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 responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

We thank you and your staff for your help and cooperation. The assistance provided contributed significantly to the successful completion of this audit



Ben J. Benoit
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Deputy Auditor-Controller

cc: Board of Supervisors
Jeff A. Van Wagenen, Jr., County Executive Officer
Dave Rogers, Chief Administrative Officer
Grand Jury

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder
Audit

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Executive Summary

Overview

Riverside County Assessor-County Clerk-Recorder (Assessor-County Clerk-Recorder) is overseen by the elected Assessor-County Clerk-Recorder to fulfill its legally and locally mandated functions of the Assessor, County Clerk, and Recorder. The Assessor division manages all taxable property including agriculture, business personal property, commercial, manufactured homes, and residential in Riverside County. The County Clerk-Recorder division provides a variety of public services and maintains permanent public records on behalf of the County.

The Assessor-County Clerk-Recorder has a recommended budget of \$69.8 million for FY 2022-23 and 418 authorized positions. *County of Riverside, Fiscal Year 2022-23 Adopted Budget Volume 1, 65-73.*

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 capital and non-capital assets and system access controls. 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. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls. support

Audit Scope and Methodology

We conducted the audit from May 24, 2022, through September 22, 2022, for operations from July 1, 2020, through August 31, 2022. Following a risk based approach, our scope initially included the following:

- Capital and Non-capital Assets
- Cost Recovery Through Fees
- Departmental Processes over Assessment of Property
- System Access Controls

Through inquiry, observations, and examination of relevant documentation, it was determined through a risk assessment of the cost recovery through fees and department

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

processes over assessment of property that the risk exposure to the Assessor-County Clerk-Recorder associated with these processes are well mitigated with internal controls and are functioning as designed. Therefore, our audit scope focused on internal controls over capital and non-capital assets and system access controls.

Audit Highlights

Summary of Existing Conditions

- County asset tags were not affixed to capital assets as required in Standard Practice Manual 513, *Asset Tags*. In addition, capital asset certifications and asset listing did not reflect asset physical inventory. When assets are not accounted for or properly identified, this could result in an understatement or overstatement of capital assets.
- Non-capital assets were not adequately tracked, and the listing did not reflect the actual physical inventory. When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.
- Employee access rights were not terminated in a timely manner upon termination or transfer from the department. Allowing Active Directory accounts and non-Active Directory accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need to know.

Summary of Improvement Opportunities

- Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.
- Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.
- Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

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- Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.
- Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.
- Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital and non-capital assets and system access controls.

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

Capital and Non-Capital Assets

Background

The Auditor-Controller's Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, defines capital assets as fixed and intangible assets of significant value which have a utility that extends beyond the current year and are broadly classified as land (valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater). The SPM 501 requires all capital assets to be recorded in the Riverside County financial system. Standard Practice Manual 516, *Capital Asset Tags*, requires that capital asset be tagged or marked as county property.

Board of Supervisors' Policy Number H-26, *Non-capitalized Asset Management*, defines non-capitalized or "walk-away assets" as assets which are small, mobile, easily converted for personal use and have a fair market value of \$200 to \$5,000 (over \$5,000 are classified as capital assets). Examples include, but are not limited to personal computers, personal digital assistants, global positioning system (GPS) receivers, and cell phones. Departments are required to track walk-away assets including at minimum of all laptop computers, cellular phones, personal device assistant, and GPS receivers through the Riverside County financial system, or another established system, if reviewed and approved by the Auditor-Controller.

As of June 30, 2022, the Assessor-County Clerk-Recorder reported total number of 288 capital assets with the combined acquisition cost of \$58.4 million in the Riverside County financial system. The department also had a total of 2,206 non-capital assets in the department non-capital asset listing.

Objective

To verify the existence and adequacy of internal controls over capital and non-capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, Policy Number H-26, *Non-capitalized Asset Management*, and applicable standards.

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

- Interviewed department management and staff.
- Selected a sample of capital and non-capital assets to verify adequate internal controls exist over the reporting and safeguarding of assets.
- Selected a sample of capital and non-capital assets and verified existence and the location reported by the department.

Finding 1: Capital Asset Compliance

Assessor-County Clerk-Recorder is not in compliance with the county capital asset procedures. We identified the following in our review of capital assets:

- Eight out of 23 (35%) capital assets sampled were not affixed with a county asset tag. Standard Practice Manual 513, *Capital Asset Tags*, states, "County departments, agencies, special districts and authorities are required to properly tag individual capital asset in order to maintain proper control over owned assets", and "tags should stay with the asset until it is retired." Department does have procedures in place to tag capital assets but does not have a process to ascertain all capital assets that have been affixed with a county asset tag. Tagging is an internal control designed to provide a method of identifying individual capital assets and assist in the annual physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout department and county.
- Two out of 23 (9%) assets sampled and identified as data servers were disposed but not removed from the county financial system. The two capital assets were not removed from the county financial system due to an input error on the surplus property transfer form, submitted to the Auditor-Controller's Office by Assessor-County Clerk-Recorder staff. Additionally, we verified both assets did not have a Standard Practice Manual Form AM-7, *Capital Asset Disposition* which must be submitted to the Riverside County Auditor-Controller's Office for removal of the asset from the Riverside County financial system.

Standard Practice Manual 514, *Disposal of Capital Asset*, requires county departments disposing of assets to submit a completed Standard Practice Manual Form AM-7 and attach a Surplus Property Transfer Form and an Electronic Liability Surplus and Release Form for electronic devices. Not disposing of capital assets properly can overstate the financial reporting of capital assets. Accurate physical capture inventory aids in managing equipment and identifying theft and misuse of capital assets timely.

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

Recommendation 1.1

Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.

Management's Response

"**Concur.** The department's procedures require an annual asset inventory in accordance with the county capital asset procedures. This process also includes proper placement of asset tags on all county assets. To identify and replace asset tags that have fallen off or dislodged throughout the year, the department is adding an asset tag verification to the annual asset form that will require the asset's custodian to document the asset tag is fixed to the asset. The new form will document the date that the asset tag was verified present and fixed to the asset."

Actual/estimated Date of Corrective Action: February 28, 2023

Recommendation 1.2

Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.

Management's Response

"**Concur.** The department's asset inventory operating procedures will be updated to include the use of the new asset form during its annual asset inventory."

Actual/estimated Date of Corrective Action: February 28, 2023

Recommendation 1.3

Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

Management's Response

"**Concur.** The department has completed and submitted the proper AM-7 forms to the ACO and the Department will continue to work with and follow the direction of The County ACO to dispose of all Capital Assets."

Actual/estimated Date of Corrective Action: December 1, 2022

Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

Finding 2: Non-Capital Assets

The Assessor-County Clerk-Recorder is not in compliance with the county non-capital asset procedures. We identified the following in our review of non-capital assets:

- Three out of 30 (10%) sampled non-capital assets could not be located.
- One out of 30 (3%) sampled non-capital assets assigned to an employee possession but listed under a different employee name.
- Eight out of 30 (27%) selected non-capital assets were surplus and were not updated in the department's non-capital asset system.
- Non-capital assets tracked in the department's internal system did not include non-capital assets maintained in the county financial system. Department stated they no longer use the county financial system to track the non-capital asset, instead utilize an internal asset system to track non-capital assets. However, the non-capital assets initially recorded in the county financial system were not cleaned up or transferred to the department's internal system. We verified 287 non-capital assets with an active status were reported in the county's asset management module of which 267 were not recorded in the department's internal tracking system.

Board of Supervisor Policy H-26, *Non-Capitalized Asset Management*, states, "department shall ensure compliance with this policy by tracking walk-away assets. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system has been reviewed and approved by the Auditor-Controller." When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.

Recommendation 2.1

Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

Management's Response

Concur. The department has not used the county's non-capital asset tracking system for years after transitioning to an internal tracking system and was not aware there were

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items contained in the county system. The department will work with the ACO to clear the system of all remaining items.

The department's Covid response required an immediate move of many workstations to create safe distancing and accommodate remote working. The old tracking system could not efficiently handle the dynamic logistics we now experience, and we are currently transitioning to a more robust tracking system. During the new system implementation, we will conduct a full inventory of all non-capital assets to ensure the database is current and accurate."

Actual/estimated Date of Corrective Action: February 28, 2023

Recommendation 2.2

Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.

Management's Response

"**Concur.** The department will work with the ACO to clear the County system of all remaining items and continue to update and maintain the department's internal tracking system."

Actual/estimated Date of Corrective Action: February 28, 2023

Recommendation 2.3

Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

Management's Response

"**Concur.** The department will update its non-capital asset inventory operating procedures to reflect the procedures required within the new system."

Actual/estimated Date of Corrective Action: February 28, 2023

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System Access Controls

Background

System access controls within information systems ensure proper confidentiality, integrity, and availability to the data stored within the system. Authentication is a control which confirms a user's identity to provide access to a systems sensitive information. Sensitive information is any information that must be protected from unauthorized access to maintain the information security of an organization or an individual. Authentication is often achieved by using login credentials such as a username and password. Authentication relies on the presumption that the user is authorized to use the system and that only the user knows the login credentials to gain access.

Active Directory is a directory service which allows Assessor-County Clerk- Recorder to manage permissions and access to network resources, and linked data applications utilized by the department. Assessor-County Clerk-Recorder has an internal information technology team within the department who manages employees access rights. When a user ends employment with Assessor-County Clerk- Recorder, the information technology team is notified to disable Active Directory accounts. If a system is not linked to Active Directory, system access must be manually removed by the department's system admin staff.

Objective

To verify the existence and adequacy of internal controls over employee access terminations to system applications used by the Assessor-County Clerk- Recorder.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of County of Riverside Information Security Standard v1.0.
- Interviewed key personnel regarding the department's employee access termination processes.
- Obtained listing of employees who had access to system applications (Aumentum and Eagle Recorder) not linked to Active Directory, during the audit review period.

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- Obtained listing of employees whose access to system applications were terminated during the audit review period.
- Verified access rights to Active Directory accounts were disabled within 24 hours of an employee's termination from the Assessor-County Clerk- Recorder.
- Verified whether access rights to the system applications sampled not linked to Active Directory were disable within 24 hours of an employee's termination from Assessor-County Clerk-Recorder.

Finding 3: Timely Termination of Access Rights

Active Directory and non-Active Directory access rights were not terminated in a timely manner (within 24 hours). We identified the following in our review:

- Thirteen out of 16 (82%) employees sampled Active Directory access were not disabled within 24 hours upon the employee's termination from Assessor-County Clerk-Recorder. The average days lapsed was 70 days, with the longest taking 438 days and the shortest taking 2 days.
- Forty-seven out of 47 (100%) employees sampled who had access to the Aumentum system was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 327 days, with the longest taking 726 days and the shortest taking 25 days.
- Five out of 21 (24%) employees sampled who had access to the Eagle Recorder system were not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 16 days, with the longest taking 31 days and the shortest taking 4 days.

County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, "Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer." The Assessor-County Clerk-Recorder *Policy Manual* states accounts for employees leaving the department should be removed as soon as possible. The departments policies and procedures do not require user accounts for terminated or transferred employees being disabled or removed on the day of termination or transfer. Allowing accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need

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to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.

Recommendation 3.1

Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.

Management's Response

"Concur. When an employee separates from the department, the department disables the employee's account in Microsoft Active Directory within 24 hours. Once it is verified the employee is not returning and their emails and working files are either saved or no longer needed, their account is deleted. The current system only reports the last action performed on the account and not the original date the account was disabled. The department is in the process of developing an onboarding and offboarding tracking system to historically document and save changes performed to employee accounts.

The department has created a new form and workflow for onboarding and offboarding employees to notify Eagle Recorder and Aumentum administrators when employees should have their access terminated from the systems."

Actual/estimated Date of Corrective Action: April 1, 2023

Recommendation 3.2

Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

Management's Response

"Concur. The department's current operating procedures will be updated to reflect the procedures required within the new tracking system and the use of the new onboarding and offboarding form and procedure."

Actual/estimated Date of Corrective Action: May 1, 2023



PETER ALDANA
Assessor-County Clerk-Recorder

**COUNTY OF RIVERSIDE
ASSESSOR-COUNTY CLERK-RECORDER**
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KAN WANG
ASSISTANT
Assessor Division

LISA ANDERSON
ASSISTANT
County Clerk and Recorder Division

DOUG CADY
ASSISTANT
Administration and IT Division

DATE: August 03, 2023

TO: Auditor-Controller's Office
Audit and Specialized Accounting Division

FROM: for Peter Aldana - *Douglas Cady, Assistant Assessor-County Clerk-Recorder*
Riverside County Assessor-County Clerk-Recorder

SUBJECT: Reply to Revised Draft Internal Audit Report 2023-002: Riverside County
Assessor-County Clerk-Recorder Audit

The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit.

Doug Cady for Peter Aldana

8/3/2023

Authorized Signature

Date

Finding 1: Capital Asset Compliance

Assessor-County Clerk-Recorder is not in compliance with the county capital asset procedures. We identified the following in our review of capital assets:

- Eight out of 23 (35%) capital assets sampled were not affixed with a county asset tag. Standard Practice Manual 513, *Capital Asset Tags*, states, "County departments, agencies, special districts and authorities are required to properly tag individual capital asset in order to maintain proper control over owned assets", and "tags should stay with the asset until it is retired." Department does have procedures in place to tag capital assets but does not have a process to ascertain all capital assets that have been affixed with a county asset tag. Tagging is an internal control

designed to provide a method of identifying individual capital assets and assist in the annual physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout department and county.

- Two out of 23 (9%) assets sampled and identified as data servers were disposed but not removed from the county financial system. The two capital assets were not removed from the county financial system due to an input error on the surplus property transfer form, submitted to the Auditor-Controller's Office by Assessor-County Clerk-Recorder staff. Additionally, we verified both assets did not have a Standard Practice Manual Form AM-7, *Capital Asset Disposition* which must be submitted to the Riverside County Auditor-Controller's Office for removal of the asset from the Riverside County financial system.

Standard Practice Manual 514, *Disposal of Capital Asset*, requires county departments disposing of assets to submit a completed Standard Practice Manual Form AM-7 and attach a Surplus Property Transfer Form and an Electronic Liability Surplus and Release Form for electronic devices. Not disposing of capital assets properly can overstate the financial reporting of capital assets. Accurate physical capture inventory aids in managing equipment and identifying theft and misuse of capital assets timely.

Current Status

Reported Finding Corrected? Yes No

Recommendations 1.1, 1.2, and 1.3 have been implemented.

Recommendation 1.1

Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.

Management's Response

“**Concur.** The department's procedures require an annual asset inventory in accordance with the county capital asset procedures. This process also includes proper placement of asset tags on all county assets. To identify and replace asset tags that have fallen off or dislodged throughout the year, the department is adding an asset tag verification to the annual asset form that will require the asset's custodian to document the asset tag is fixed to the asset. The new form will document the date that the asset tag was verified present and fixed to the asset.”

Actual/estimated Date of Corrective Action: February 28, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The department has added an asset tag verification to the annual asset form that will require the asset's custodian to document the asset tag is fixed to the asset. The new form also documents the date that the asset tag was verified present and fixed to the asset.

Recommendation 1.2

Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.

Management's Response

“Concur. The department's asset inventory operating procedures will be updated to include the use of the new asset form during its annual asset inventory.”

Actual/estimated Date of Corrective Action: February 28, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The Department's Operations Manual Section 1540.4 has been updated with the current asset inventory operating procedures and includes the use of the new asset form.

Recommendation 1.3

Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

Management's Response

“Concur. The department has completed and submitted the proper AM-7 forms to the ACO and the Department will continue to work with and follow the direction of The County ACO to dispose of all Capital Assets.”

Actual/estimated Date of Corrective Action: December 1, 2022

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The department has completed and submitted the proper AM-7 forms to the ACO and the Department continues to work with and follow the direction of the County ACO when disposing of all Capital Assets.

Finding 2: Non-Capital Assets

The Assessor-County Clerk-Recorder is not in compliance with the county non-capital asset procedures. We identified the following in our review of non-capital assets:

- Three out of 30 (10%) sampled non-capital assets could not be located.
- One out of 30 (3%) sampled non-capital assets assigned to an employee possession but listed under a different employee name.
- Eight out of 30 (27%) selected non-capital assets were surplus and were not updated in the department's non-capital asset system.
- Non-capital assets tracked in the department's internal system did not include non-capital assets maintained in the county financial system. Department stated they no longer use the county financial system to track the non-capital asset, instead utilize an internal asset system to track non-capital assets. However, the non-capital assets initially recorded in the county financial system were not cleaned up or transferred to the department's internal system. We verified 287 non-capital assets with an active status were reported in the county's asset management module of which 267 were not recorded in the department's internal tracking system.

Board of Supervisor Policy H-26, *Non-Capitalized Asset Management*, states, "department shall ensure compliance with this policy by tracking walk-away assets. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system has been reviewed and approved by the Auditor-Controller." When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.

Current Status

Reported Finding Corrected? Yes No

Recommendations 2.1, 2.2, and 2.3 have been implemented.

Recommendation 2.1

Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

Management's Response

“Concur. The department has not used the county's non-capital asset tracking system for years after transitioning to an internal tracking system and was not aware there were items contained

in the county system. The department will work with the ACO to clear the system of all remaining items.

The department's Covid response required an immediate move of many workstations to create safe distancing and accommodate remote working. The old tracking system could not efficiently handle the dynamic logistics we now experience, and we are currently transitioning to a more robust tracking system. During the new system implementation, we will conduct a full inventory of all non-capital assets to ensure the database is current and accurate."

Actual/estimated Date of Corrective Action: February 28, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The department has worked with the ACO to clear the County's non-capitol asset tracking system of all remaining items. The new system has been implemented and a full inventory has been completed.

Recommendation 2.2

Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.

Management's Response

"Concur. The department will work with the ACO to clear the County system of all remaining items and continue to update and maintain the department's internal tracking system."

Actual/estimated Date of Corrective Action: February 28, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The department has worked with the ACO to clear the County's non-capitol asset tracking system of all remaining items.

Recommendation 2.3

Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

Management's Response

“**Concur.** The department will update its non-capital asset inventory operating procedures to reflect the procedures required within the new system.”

Actual/estimated Date of Corrective Action: February 28, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The Department's Operations Manual Section 1540.4 has been updated with the current non-capital asset inventory operating procedures.

Finding 3: Timely Termination of Access Rights

Active Directory and non-Active Directory access rights were not terminated in a timely manner (within 24 hours). We identified the following in our review:

- Thirteen out of 16 (82%) employees sampled Active Directory access were not disabled within 24 hours upon the employee's termination from Assessor-County Clerk-Recorder. The average days lapsed was 70 days, with the longest taking 438 days and the shortest taking 2 days.
- Forty-seven out of 47 (100%) employees sampled who had access to the Aumentum system was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 327 days, with the longest taking 726 days and the shortest taking 25 days.
- Five out of 21 (24%) employees sampled who had access to the Eagle Recorder system were not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 16 days, with the longest taking 31 days and the shortest taking 4 days.

County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, “Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer.” The Assessor-County Clerk-Recorder *Policy Manual* states accounts for employees leaving the department should be removed as soon as possible. The departments policies and procedures do not require user accounts for terminated or transferred employees being disabled or removed on the day of termination or transfer. Allowing accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.

Current Status

Reported Finding Corrected? Yes No

Recommendations 3.1 and 3.2 have been implemented.

Recommendation 3.1

Disable all user system accounts on the day of an employee’s termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.

Management’s Response

“**Concur.** When an employee separates from the department, the department disables the employee’s account in Microsoft Active Directory within 24 hours. Once it is verified the employee is not returning and their emails and working files are either saved or no longer needed, their account is deleted. The current system only reports the last action performed on the account and not the original date the account was disabled. The department is in the process of developing an onboarding and offboarding tracking system to historically document and save changes performed to employee accounts.

The department has created a new form and workflow for onboarding and offboarding employees to notify Eagle Recorder and Aumentum administrators when employees should have their access terminated from the systems.”

Actual/estimated Date of Corrective Action: April 1, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The department has created a new form, workflow, and tracking database for offboarding employees to notify Eagle Recorder, Aumentum, and ACR-IT administrators when employees should have their access terminated from the systems.

Recommendation 3.2

Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee’s termination or transfer from the department.

Management’s Response

“**Concur.** The department’s current operating procedures will be updated to reflect the procedures required within the new tracking system and the use of the new onboarding and offboarding form and procedure.”

Actual/estimated Date of Corrective Action: May 1, 2023

Current Status

Corrective Action: Fully Implemented Partially Implemented Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

The ACR-HR section's SOP's have been updated with the new tracking system operating procedures and the use of the new offboarding form.