

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



ITEM: 2.14
(ID # 26583)

MEETING DATE:
Tuesday, December 03, 2024

FROM : AUDITOR CONTROLLER

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-024: Riverside County Agricultural Commissioner's Office, Change of Department Head Audit, (District: All]; (\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-024: Riverside County Agricultural Commissioner's Office, Change of Department Head Audit


ACTION:


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 11/25/2024

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Gutierrez seconded by Supervisor Spiegel 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: December 3, 2024
xc: Auditor

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	\$0.00	\$0.00	\$0.00	\$0.00
NET COUNTY COST	\$0.00	\$0.00	\$0.00	\$0.00
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: n/a	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Agricultural Commissioner’s Office. This audit is conducted to assess internal controls over the transfer and safeguarding of capital assets and revolving funds when there is a change in department head. However, we omitted audit procedures for revolving funds since the department does not maintain one for its operations.

Based upon the results of our audit, we determined improvement opportunities for internal control over capital asset management that can help provide reasonable assurance that the department’s objectives relating to the area will be achieved.

We will follow-up in one year 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

ATTACHMENTS:

A: Riverside County Auditor-Controller’s Office - Internal Audit Report 2024-024: Riverside County Agricultural Commissioner’s Office, Change of Department Head Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of Findings & Recommendations

High Risk

- 1** Findings
• 2 Recommendations

Medium Risk

- 1** Findings
• 3 Recommendations

Low Risk

- 0** Findings

* Please refer to Appendix A for a classification of the priority levels.

Internal Audit Report

2024-024

Riverside County Agricultural Commissioner's Office,
Change of Department Head Audit

December 3, 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



December 3, 2024

Delia Jimenez Cioc
Agricultural Commissioner/Sealer of Weights & Measures
Riverside County Agricultural Commissioner's Office
3403 Tenth Street Suite 701
Riverside, CA 92501

**Subject: Internal Audit Report 2024-024: Riverside County Agricultural Commissioner's Office,
Change of Department Head Audit**

Dear Ms. Cioc:

In accordance with Board of Supervisors Resolution 83-338, we completed a Change of Department Head audit for Riverside County Agricultural Commissioner's Office. This audit is conducted to assess internal controls over the transfer and safeguarding of capital assets and revolving funds when there is a change in department head. However, we omitted audit procedures for revolving funds since the department does not maintain one for its operations.

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 2024-024: Riverside County Agricultural Commissioner's Office, Change of Department Head 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 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
Juan Perez, Chief Operating Officer
Grand Jury



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Internal Audit Report 2024-024: Riverside County Agricultural Commissioner's Office, Change of Department Head Audit

Executive Summary

Overview

Riverside County Agricultural Commissioner's Office (Agricultural Commissioner's Office) oversees the protection of the agricultural industry for the county. Agricultural Commissioner's Office is also responsible for ensuring the health and safety of county citizens and promoting confidence and equity in the marketplace through education and enforcement laws, regulations, and ordinances enacted by the State of California and the County of Riverside.

The Agricultural Commissioner's Office consists of the following five programs:

- Administration
- Consumer Protection
- Environmental Protection
- Pest Prevention
- Weights and Measures

Agricultural Commissioner's Office has a recommended budget of \$9.2 million for FY 2024-25 and 57 recommended positions. *County of Riverside, Fiscal Year 2024-25 Adopted Budget Volume 1, 266-267.*

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the transfer and safeguarding of capital assets when there is a change in department head.

AUDIT HIGHLIGHTS

- Providing an accurate method of identifying individual capital assets and its location ensure proper monitoring of capital assets and aid in the annual physical inventory of capital assets.
- Provide a comprehensive record of the capitalizable assets, facilitating a more accurate measurement of the capital asset balance.



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Audit Conclusion

Based upon the results of our audit, we determined improvement opportunities for internal control over capital asset management that can help provide reasonable assurance that the department's objectives relating to the area will be achieved.



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Capital Asset Management

Background

Capital assets are tangible 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).

Agricultural Commissioner's Office utilizes the County financial system asset management module for tracking all capital assets.

Per the Auditor-Controller's Standard Practice Manual, Policy 512, *Transfer of Accountability on Capital Assets*, it states that upon retirement or termination of a department head, accountability for capital assets must be transferred to the new or acting department head and notification filed with the Auditor-Controller's Office.

As of March 3, 2024, the time the new director was appointed/elected and acknowledged receipt of capital assets from the outgoing officer, the Agricultural Commissioner's Office maintained nine capital assets in the Riverside County financial system asset management module, consisting of field equipment, weight trucks, electric utilities, and tractors, with the combined acquisition cost of \$232,406.

Objective

To determine if the required Standard Practice Manual Form AM-1, *The Inventory of County Property for Capital Assets*, for the transfer of accountability of capital assets from the predecessor to the new appointed department head was completed and properly filled with the Riverside County Auditor-Controller Office. Also, to assess the adequacy of internal controls over the safeguarding of capital assets.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of Auditor-Controller Standard Practice Manual Policy 501 – *Cost Basis for Capital Assets and Capitalization Thresholds*, Policy 502 – *Guidelines for Useful Lives*, Policy 505 – *Equipment*, Policy 513 – *Capital Asset Tags*, Policy 515 – *Capital Asset Certification*.



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- Conducted interviews with key personnel to gain an understanding of capital asset management processes.
- Obtained a listing of current and retired capital assets tracked in the asset management module.
- Tested 100% of capital assets to verify their existence and the adequacy of controls over the department's capital assets.
- Identified additional capital assets during field review and traced the capital assets to the asset management module to verify accurate reporting.
- Established the date of the department head change.
- Verified proper forms were completed for transfer of accountability of capital assets and submitted to the Riverside County Auditor-Controller's Office.

Finding 1: Capital Asset Capitalization

Priority Level: 1¹

Standard Practice Manual 501, Section 5, *Cost Basis for Capital Assets and Capitalizable Thresholds*. Capital assets are tangible assets of significant value which a utility that extends beyond the current year and are broadly classified as land (value valued at \$1 or more), buildings and improvements, infrastructure, and equipment (acquisition cost of \$5,000 or greater).

Four assets acquired by Agricultural Commissioner's Office were not capitalized. The four assets had a total acquisition cost of \$80,980 and an individual unit price of \$20,245. Due to staff changes, knowledge of the capital asset procedures within the Riverside County's financial system was not transferred within the Agricultural Commissioner's Office. Properly accounting for capital assets, their location, and updated with complete and accurate information, ensures over or understatements do not occur, assets are readily available and needed information to track and identify the assets is reliable.

¹ Please see Appendix A (page 11) for a description of the finding priority level classifications.



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Recommendation 1.1

Ensure all equipment purchases over \$10,000 are capitalized in accordance with Standard Practice Manual 501, Section 5, *Cost Basis for Capital Assets and Capitalizable Thresholds*.

Management's Response:

“Concur. The Riverside County Agricultural Commissioner's office understands the importance of properly accounting of all equipment, especially when it has been determined that at a value of over \$5,000, equipment is then considered a capital asset. The department has been working towards completion of all appropriate paperwork and processes to correct this issue since it has been identified. The department has made all management aware of the policies and procedures for identifying capital assets through implementation of Departmental Policy Memo No. 3-C. Additionally, all necessary paperwork has been submitted to the Auditor Controller's Office, according to the County's Capital Asset Policies, since this issue has been identified.”

Actual/Estimated Date of Corrective Action: **September 30, 2024**

Recommendation 1.2

Work with the Auditor-Controller's Office to receive training on capitalizing assets in the Riverside County's Financial System to ensure that staff are properly familiarized with the procedures and able to manage the department's capital assets.

Management's Response:

“Concur. The Agricultural Commissioner's Office has requested training from the Auditor Controller's Office (ACO), specifically for capital assets tracking. The ACO has provided the department some guides and informative resources on questions arising from this audit. Those resources provided by the ACO are now accessible to managerial department staff. The Agricultural Commissioner's Office is coordinating dates with the ACO for training in capital asset tracking, which has been tentatively set for December of 2024. Currently, there are no other trainings offered through the County's training resource hub, *“RivCoTalent”* or before the previously mentioned timeframe for capital assets training. The department anticipates fulfillment of this recommendation in December, which is when the earliest training date is being offered.”

Actual/Estimated Date of Corrective Action: **December 17, 2024**



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Finding 2: Capital Asset Compliance

Priority Level: 2²

Based on our review of nine capital assets tested, we identified the following:

- A parent-child relationship was not established in the Riverside County financial system for one asset that was physically attached as a component to another department-owned asset. As a result, no asset tag was created at the time of acquisition. Standard Practice Manual 513, *Capital Asset Tag*, states, "An asset tag will be distributed once the Auditor-Controller's Office (ACO) receives the completed Form AM-5...Tags should stay with capital asset until it is retired."
- Four assets were not at their reported location at the time fieldwork was conducted (June and July 2024). Due to staff changes, knowledge of the capital assets processes was not transferred within the Agricultural Commissioner's Office. Standard Practice Manual 513, *Asset Tags*, outlines procedures for asset movement, stating that when an asset is moved from one location or department, the change must be properly documented and updated in the PeopleSoft Asset Management Module. To ensure accurate asset management, the use of Form AM-4, *Capital Asset Listing Corrections*, is recommended for recording these updates and ensuring that all asset location changes are properly reflected in the system.
- Two assets were reported to be at locations where the Agricultural Commissioner's Office does not operate. Standard Practice Manual 513, *Asset Tags*, outlines procedures for asset movement, stating that when an asset is moved from one location or department, the change must be properly documented and updated in the PeopleSoft Asset Management Module. To ensure accurate asset management, the use of Form AM-4, *Capital Asset Listing Corrections*, is recommended for recording these updates and ensuring that all asset location changes are properly reflected in the system.

Properly accounting for capital assets, maintaining accurate location records, and updating information ensures reliable asset tracking, prevents overstatements or understatements, and aids in the annual physical inventory of capital assets.

Recommendation 2.1

Ensure asset tags are affixed to assigned assets in accordance with Standard Practice Manual 513, *Capital Asset Tag*. If affixing a tag to an asset is not feasible, consider combining the asset with its parent asset to create a parent-child relationship. The department should work with the Auditor-Controller's Office to determine the appropriate process and submit the necessary documentation.

² Please see Appendix A (page 11) for a description of the finding priority level classifications.



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Management's Response:

"Partially Concur. All the Agricultural Commissioner's Office's capital assets are identifiable by either an asset tag or serial number. The capital asset identified as not having an asset tag had never been assigned one, due to its nature as a functional component of the engine for capital asset #04, "PETERBUILT WEIGHT TRUCK 81-185," which did have an affixed asset tag. As stated in Standard Practice Manual 513, Capital Asset Tag, "Caution: Do not tag sensitive technical equipment or other items where tagging will affect its function, value or the ability to return it." However, since this report, the department has taken the ACO's recommendation and combined capital asset #19 to the weight truck establishing a parent-child relationship for improved transparency."

Actual/Estimated Date of Corrective Action: **August 29, 2024**

Recommendation 2.2

Ensure capital assets that are not movable in nature are properly tracked in accordance with Standard Practice Manual 513, *Capital Asset Tag*.

Management's Response:

"Concur. The Agricultural Commissioner's Office has submitted Form AM-4, Capital Asset Listing Corrections, to correct the physical location listed in the PeopleSoft Asset Management Module for all capital assets identified at incorrect locations. The department keeps an internal log of all capital assets and will continue to verify all capital assets annually."

Actual/Estimated Date of Corrective Action: **September 16, 2024**

Recommendation 2.3

Develop a process to coordinate with Auditor-Controller's Office to update the location in the PeopleSoft Asset Management Module.

Management's Response:

"Concur. The Agricultural Commissioner's Office has submitted Form AM-4, Capital Asset Listing Corrections, to correct the physical location listed in the PeopleSoft Asset Management Module for all capital assets identified at incorrect locations. The department implemented Policy Memo 3-C, "Capital Assets," on June 4, 2024, to ensure annual verification of capital assets."



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Actual/Estimated Date of Corrective Action: **September 16, 2024**

Appendix A: Finding Priority Level Classification

Priority Level 1	Priority Level 2	Priority Level 3
<p>These are audit findings that represent the most critical issues that require immediate attention and pose a significant risk to the department’s objectives, compliance, security, financial health, or reputation. They may indicate serious control failures, non-compliance with laws or regulations, significant financial errors, or vulnerabilities with severe potential impact. Immediate corrective measures are necessary to mitigate the risks associated with these findings.</p>	<p>These are audit findings that are important and require timely resolution, but their impact is not as severe as Priority Level 1. They may highlight moderate control weaknesses, areas of non-compliance with internal policies and procedures, or financial discrepancies that are significant but are not critical. While they might not pose an immediate threat, they should be addressed promptly to prevent further escalation or potential negative consequences.</p>	<p>These are audit findings that are less critical and generally have a lower impact on the department’s objectives, compliance, or operations. They may include minor control deficiencies, procedural deviations with minimal impact, or non-critical administrative errors. While they may not require immediate attention, they should still be acknowledged and addressed within a reasonable timeframe to ensure ongoing improvement and prevent potential accumulation of minor issues.</p>
<p style="text-align: center;"><u>Expected Implementation Date of Recommendation*</u> One to three months</p>	<p style="text-align: center;"><u>Expected Implementation Date of Recommendation *</u> Three to six months</p>	<p style="text-align: center;"><u>Expected Implementation Date of Recommendation *</u> Six to twelve months</p>

* Expected completion to implement recommendation date begins after issuance of final audit report.