

**Internal Audit Report 2017-005**

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

**Report Date: September 13, 2017**



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September 13, 2017

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2724 Gateway Drive  
Riverside, CA 92507

**Subject: Internal Audit Report 2017-005: Riverside County Assessor-County Clerk-Recorder, Control Environment**

Dear Mr. Aldana:

We have completed an audit of Riverside County Assessor-County Clerk-Recorder to provide management and the Board of Supervisors with an independent assessment of internal controls over the adequacy and effectiveness of the control environment. We conducted the audit from December 20, 2016, through May 15, 2017, for operations from July 1, 2014, through March 31, 2017.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, reliable, relevant and useful information to provide reasonable assurance that our objective as described above is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

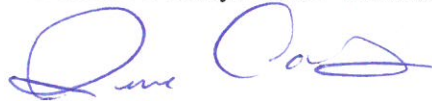
Based upon the results of our audit, we identified areas of opportunities that can help department management optimize the internal control component known as the control environment. Specifically, in the areas related to performance evaluations, succession planning, and completion of public service ethics training.

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.

**Internal Audit Report 2017-005: Riverside County Assessor-County Clerk-Recorder, Control Environment**

We thank the Riverside County Assessor-County Clerk-Recorder management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## Executive Summary

### Overview

The mission for Riverside County Assessor-County Clerk-Recorder (Department) is “to fulfill the legally and locally mandated function of the Assessor, County Clerk, Recorder and Records Management Program in an accurate, timely, professional and courteous manner and to ensure high quality service.”

“The Assessor mandate is to locate, inventory and value all taxable and exempt secured and unsecured property in Riverside County in accordance with the applicable constitutional, legislative and administrative provisions. The County Clerk mandate is to facilitate application and license for marriage and to perform marriage ceremonies, to file notary public oaths of office, fictitious business names and other items as mandated by law or ordinance. The Recorder is to record as mandated by law all recordable documents in connection with ownership and titling of properties and other negotiated items within the County of Riverside. To provide the recording, storage, and certification of all documents of births, deaths, and marriages occurring within the County of Riverside and other public records and to maintain in permanence all records pertaining to same. For the Records Management & Archives Program, it is to serve as the county’s records manager by providing excellent in-house, contracted and advisory records management services in a cost-effective manner.” *Assessor-County Clerk-Recorder, Mission Statement, Assessor-County Clerk-Recorder website, accessed June 5, 2017, <http://www.asrclkrec.com/About/MissionStatement.aspx>.*

### Audit Objective

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

### Audit Conclusion

Based upon the results of our audit, we identified areas of opportunities that can help Riverside County Assessor-County Clerk-Recorder management optimize the internal control component known as the control environment. Specifically in the areas related to timely performance evaluations, succession planning, and completion of public service ethics training.

## Control Environment

### Background

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

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

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

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

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

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The scope included the following areas:

- Code of ethics – implementation, training and communication
- Employee developmental training
- Evaluations – completion and goal setting
- Organizational and reporting structure – effective and efficient
- Succession planning – development for business continuity
- Communication of mission and other pertinent matters
- Employee exit interviews – organizational improvement opportunities as viewed from department employees
- Policies and Procedures – development, implementation and communication

### **Objective**

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of Riverside County Assessor-County Clerk-Recorder control environment.

### **Audit Methodology**

To accomplish our objectives, we:

- Identified and reviewed applicable codes, operations manuals, regulations, and policies
- Conducted interviews with Department management
- Selected a sample of employees and reviewed files for completion of employee evaluations, development training programs and goal setting
- Assessed the communication of ethical values and code of conduct for selected Department staff via a survey
- Performed an employee turnover analysis to determine the turnover rate and benchmarked against other local governments
- Reviewed organizational and reporting structure
- Determined if exit interviews were conducted

### **Finding 1: Performance Evaluations**

Riverside County Board of Supervisors Policy, C-21, *Employee Performance Evaluation Reports*, Section 3 (b) states, "...regular employees of Riverside County shall be evaluated on an annual basis, approximately on the anniversary of their initial employment with count or on the anniversary of promotion or entry into their current job classification." Annual performance evaluations were not completed for 29 of the 34 employees we reviewed in our sample. The lack of performance evaluations has been attributed to their preferred focus on daily operations due to workloads and management's mentoring, coaching, and developing of staff throughout the year. Delayed performance evaluations can defer the achievement of the department's overall mission and goals which ordinarily allows the employees performance to be enhanced within the organization as it reveals the need for improvement in areas which affect the achievement of the departments set goals.

The Department is in the process of developing 360 performance evaluations which will establish goals specific area to each section.

### **Recommendation 1:**

Complete all performance evaluations when required.

### **Management's Response:**

**Concur.** "The ACR concurs that timely and effective employee evaluations are integral to staff development and the ACR is currently in the training phase of implementing a new evaluation process. Revamping the ACR's evaluation process started July 2016, when ACR began selecting a software package to structure and manage employee evaluations. The end goal is to make the evaluation process timely and more effective. The software also includes 360 degree feedback for supervisors and managers. Automated e-mail notifications, electronic routing and approval, in conjunction with continuous monitoring throughout the year will improve the timeliness of annual reviews. The ability for employees and their supervisors to progressively set goals and monitor progress will encourage two way communicate and engage employees. Supervisors and managers will be able to assess their effectiveness by the addition of a 360 degree component providing feedback from subordinates, peers, and managers. The ACR believes this will improve the employee evaluation process on many levels.

The ACR has worked diligently to complete the identified employee evaluations. Currently only 32% of the sample evaluations remain to be completed and we are confident that the new evaluation system will help to keep all employee evaluations current."

### **-Actual/estimated Date of Corrective Action: July 31, 2017**

"Employee training will start on July 15, 2017, and it should be fully utilized by employees by July 31, 2017."



## Finding 2: Formal Succession Plan

The Assessor does not have a formal written succession plan. However, the department does have a verbal plan for executive managers and key employees. Formal plans would identify risks and strategies, providing a basis for specific succession initiatives, including how employees are eligible to participate. In addition, transfer of knowledge is a critical component of succession management. Written procedures formalize the experience-transfer from management and key personnel to successors. Without a succession plan, an organization may not have the means of ensuring that services important to its operations are maintained when management or key personnel changes occur.

### Recommendation 2:

Develop formal written succession plan for management and key personnel.

### Management's Response:

**Concur.** "The ACR concurs that a formal succession plan should be developed. Currently the ACR is developing a succession plan as a component of its overall strategic plan. A formal succession plan will be completed by September 30, 2017, and will be shared with the appropriate staff as a roadmap leading into the future."

**-Actual/estimated Date of Corrective Action: September 30, 2017**

## Finding 3: Public Service Ethics Training

Riverside County Board Policy A-60, *Ethics Training for Local Officials*, states "individuals shall receive at least two hours of training in general ethics principles and ethics laws relevant to his or her public service every two years..." which includes Board of Supervisors, all elected county officials, any member of the legislative body and any employee designated by the Board of Supervisors. Public service ethics training required was not completed by a member of the Assessor. Upon notification of incompleteness, the department member completed the training on February 23, 2017, and provided the certificate.

### Recommendation 3:

We found a single instance that board policy was not followed. It was corrected when we brought it to their attention. As such, we make no recommendation.