

**Internal Audit Report 2019-006**

**Riverside County Cooperative Extension Audit**

**Report Date: June 18, 2019**



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June 18, 2019

Etaferahu Takele  
Director  
Riverside County Cooperative Extension  
21150 Box Springs Road, Ste. 202  
Moreno Valley, CA 92557-8718

**Subject: Internal Audit Report 2019-006: Riverside County Cooperative Extension Audit**

Dear Ms. Takele:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Cooperative Extension to provide management and the Board of Supervisors with an independent assessment of internal controls over expenditures.

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 opportunities for improvement of internal controls relating to expenditures. Specifically, there is a lack of segregation of duties over mileage reimbursement.

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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.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Chief Internal Auditor

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

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## Executive Summary

### Overview

The Cooperative Extension is an institution established in 1914 to conduct research and education in agriculture. The Riverside County Cooperative Extension (Cooperative Extension) has four programs including Nutrition, Natural Resources, Master Gardening, and 4H Youth Development.

### 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 expenditures. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

### Audit Scope and Methodology

We conducted the audit from November 26, 2018, through February 4, 2019, for operations from July 1, 2016, through December 30, 2018. Following a risk based approach, our scope initially included the following:

- Expenditures
- Grant Awards

Through inquiry, observations, and examination of relevant documentation, we reduced our scope to expenditures.

### Audit Highlights

#### *Existing Conditions*

The current processes have not mitigated the following risk areas:

- Cooperative Extension does not have proper segregation of duties relating to claiming personnel reimbursements.

#### *Improvement Opportunities*

The improvement opportunities are in the following areas:

- Cooperative Extension should ensure a second person reviews, validates, and approves mileage reimbursements for all employees.

### Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to expenditures.

## Expenditures

### Background

The Cooperative Extension was established through the passing of the Smith-Lever Act of 1914. The passing of the law extended outreach programs through land-grant universities to educate Americans in agricultural practices and technology. Cooperative Extension is funded in two primary ways, one is through the University of California, Riverside (UCR), and the other is through the use of Riverside County's general fund. UCR and Riverside County provide the financial resources for this program at 81% and 19%, respectively. The Riverside County Board of Supervisors has discretion as to the amount of funding the county provides for Cooperative Extension operations. The county funding is approximately \$674,064 for fiscal year 2018-19 and is primarily used for salaries of administrative staff and supply expenses. However, the Memorandum of Understanding allows the department to use the funds for program-related expenditures.

### Objective

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

### Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of board policies and applicable standards.
- Obtained an understanding of the Smith-Lever Act of 1914, which established the outreach programs for Cooperative Extension.
- Conducted a phone conference with the Executive Office to gain knowledge about the MOU agreement with Cooperative Extension.
- Reviewed the County's Purchasing Policy.
- Selected a sample of supply expenditures to verify their appropriateness and whether supervisory review and approval was obtained.

### Finding 1: Lack of Segregation of Duties over Mileage Reimbursements

Mileage reimbursements do not have proper segregation of duties between preparer and approver. Standard Practice Manual 1001, *Internal Controls*, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." Staff were following prior management's internal control procedures. If the department staff does not have proper review and approval of expenses, funds may be misappropriated, lost, or stolen.

### Recommendation 1

Develop a written policy outlining a proper system of internal controls over the reimbursement of personnel expenses.

### Management's Response

**Concur.** Please see the following process of mileage reimbursement for all employees;

- Employees submit the mileage reimbursement to Accounting Assistant I.
- Accounting Asst. I: Checks the mileage reimbursement claims of each individual for accuracy and submit it to County Director for approval.
- County Director: Checks the mileage reimbursements and approves it. Office Manager: Checks and approves the mileage reimbursements for County Director.
- Accounting Asst. I: enter the mileage reimbursements into the PeopleSoft financials, accounts payable and submit for approval.
- Office Manager: Checks the employee signature, approved signature, amount and address are correct on the mileage reimbursements. Approve in the system."

Actual/estimated Date of Corrective Action: **May 7, 2019**