

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

607



FROM: Auditor Controller

SUBMITTAL DATE:
August 21, 2014

SUBJECT: Internal Audit Report 2014-006: Economic Development Agency – Fair and National Date Festival, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-006: Economic Development Agency – Fair and National Date Festival

BACKGROUND:

Summary

We have completed an audit of the Economic Development Agency, Fair and National Date Festival to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management relating to carnival, concession, parking, and admission revenue, and food vendors compliance with agreements during the 2014 Fair and National Date Festival. The audit covered the period February 14, 2014 through February 23, 2014.

Paul Angulo

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
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

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-2

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office – EDA – Fair and National Date Festival**

DATE: August 21, 2014

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the parking operations. We determined the Fair and National Date Festival's internal controls over cash management relating to carnival, concession, and admission revenue, and food vendors compliance with agreements provide reasonable, not absolute, assurance that it will obtain its objectives.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not Applicable

Attachments:

A: County of Riverside Auditor-Controller's Office – Internal Audit Report 2014-006: Economic Development Agency – Fair and National Date Festival

Internal Audit Report Audit 2014-006

**Economic Development Agency -
Fair and National Date Festival**

Report Date: August 21, 2014



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

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

August 21, 2014

Tim Miller
3403 10th Street, Suite 400
Riverside, CA 92501

Subject: Internal Audit Report 2014-006: Economic Development Agency - Fair and National Date Festival

Dear Mr. Miller:

The Internal Audit Division of the Auditor-Controller's Office has completed an audit of Economic Development Agency (EDA) Fair and National Date Festival. The audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management relating to carnival, concession, parking, and admission revenue, and food vendors compliance with agreements during the 2014 Fair and National Date Festival. We conducted the audit from January 27, 2014 through May 14, 2014 for cash management operations for the period February 14, 2014 through February 23, 2014.

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 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 the parking operations. We determined the Fair's internal controls provide reasonable, not absolute, assurance that management's objectives will be achieved regarding cash management operations relating to carnival, concession, admission revenue, and food vendors compliance with agreements.

As requested, in accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, management responded to the reported condition and recommendation contained in our report.

Internal Audit Report 2014-006: EDA – Fair and National Date Festival

Management's responses are included in the report. We will follow-up in one year to verify that management implemented the corrective action.

We thank the EDA Fair and National Date Festival management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
County Auditor-Controller

Mark W. Cousineau

By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

The Riverside County Fair and National Date Festival (Fair), a Department of the Economic Development Agency, operates an annual 10-day fair, held during February, in Indio California. The economic impact of the Fair is significant. The California Department of Food and Agriculture reported in its 2010 Economic Impact Report that the ripple effect is estimated to create 152 jobs, about \$36,080,000 in spending activity which benefits the local economy and the state overall, and the labor income generated by the additional jobs is estimated to be approximately \$6,703,000 annually.

The Fair features live entertainment including monster trucks, freestyle motocross, ostrich and camel races, music, rides and other attractions. It provides an opportunity for Riverside County residents and businesses to showcase talents, goods and services to the Coachella Valley community.

In Fiscal Year 2012-13, the Fair reported the following:

- Gross admissions over \$1.12 million
- Earned net carnival revenue of \$749,929
- Gross concessions sales of \$1.67 million
- \$228,102 in cash sponsorships
- Over 282,300 people attended the fair
- Featured nationally recognized performers

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management relating to carnival, concession, parking, and admission revenue, vault operations, and food vendors compliance with agreements during the 2014 Fair.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the parking operations. We determined the Fair's internal controls provide reasonable, not absolute, assurance that management's objectives will be achieved regarding cash management operations relating to carnival, concession, admission revenue, and food vendors compliance with agreements.

Cash Management

Background

The Auditor-Controller's Standard Practice Manual 104, *Internal Controls*, (SPM 104), requires county departments to establish and maintain an effective system of internal controls. Internal controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of organizational and management objectives, including the safeguarding of assets.

We analyzed the annual operations of the Fair and determined that the risk of losses relating to cash management was inherently more significant during the National Date Festival's 10-day run than at any other time during the year. Thousands of cash transactions occur concentrated in four operational areas. The four operational areas are parking operations, admissions, concessions, and the carnival.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and performed walk-throughs with EDA personnel responsible for cash operations during the Fair.
- Reviewed EDA cash management policies and procedures for Fair operations.
- Reviewed, observed and tested procedures for adequate segregation of duties.
- Queried financial information using Simpler Financials for Fair revenue and expense accounts.
- Performed analytical reviews of revenue accounts and identified the accounts with significant cash transactions.
- Observed the mid-day vault reconciliation and cash drops from operations selected for testing.
- Reviewed cash reconciliations and related back up documentation.
- Tested the accuracy of vendor payments to EDA.

- Verified vendor payments deposited and posted to EDA Fair revenue accounts.

Audit Results

Finding 1: Verification of parking revenues

The Fair did not have a mechanism to ensure that all parking operation cash collections are accounted for. EDA contracts with two vendors to manage the fair's parking operations. Each parking entrance is manned by a vendor employee who issues a ticket for each paying vehicle. EDA provides the vendors, on a daily basis, with a batch of parking tickets to sell and relies on the difference between the number of tickets provided and returned to determine the vehicle flow and the daily amount to be collected from each vendor. The parking entrances did not have vehicle counter controls to maintain reliable daily counts of vehicle flow and tie it to parking revenue sales. Since parking revenue is directly tied to vehicle flow, not having a reliable count, increases the risk of vendors skimming cash from parking sales by collecting a parking fee without issuing a parking ticket.

The Auditor-Controller's Standard Practice Manual 104, *Internal Controls*, (SPM 104), defines internal controls as methods and procedures used to provide reasonable assurance regarding the achievement of objectives relating to the safeguarding of assets. It further describes the control principles with one being the physical controls of equipment, inventories, cash and other property are to remain secured, counted periodically and compared with control records.

Recommendation 1.1

Strengthen internal controls to ensure all parking revenue sales are collected from vendors by implementing a portable vehicle counting control at fairground parking lots.

Recommendation 1.2

Use the daily totals from the vehicle counters to aid in the reconciliation of parking ticket sales.

Management Response

Concur: Coachella Valley Rotary will take over operations from Resort Parking, of parking lot 5a in 2015. They currently handle the back parking lot at Gate 12 for the Fair. The Fair feels that Rotary members have more of a vested interest in the collections, as their proceeds go straight into the community to develop the next generation of leaders. All of their volunteers are highly respected professionals in the community and they understand the importance of this fundraiser for them.

The Fair is looking into having vehicle counters/strips at the entrances/exits of the parking lots. Currently working with TLMA to figure out which ones would work best.

Rotary currently receives parking tickets and reconciles all sales with the Fair Ticket Office. Although the vehicle counters will give us an accurate count of how many cars come through,

Internal Audit Report 2014-006: EDA – Fair and National Date Festival

we will still need to have separate counts, possibly with clickers, to account for the free parking of buses, vendors and overflow sponsors that park in gate 12. At gate 5, we will have to add in the free parking of vendors, employees and others that are dropped off at the gate. All vehicles that are parked, whether paid or unpaid, will be required to have a parking ticket stub on their dash or a hanger tag showing they belong in the parking lot.”

Actual/estimated date of corrective action: February 13, 2015

Corrected action will be in place for the 2015 Fair.

Estimated cost to implement recommendation (if material): \$1000 approximately