

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



ITEM
2.13
(ID # 3174)

MEETING DATE:

Tuesday, January 17, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2016-308: Riverside County ECONOMIC DEVELOPMENT AGENCY - EDWARD DEAN MUSEUM, Follow-up, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-308: Riverside County Economic Development Agency, Edward Dean Museum, Follow-up

ACTION: Consent


Paul Angulo, Director of Auditor Controller 12/5/2016

BACKGROUND:

Summary

We have completed a Follow-up Audit of Riverside County Economic Development Agency, Edward Dean Museum. Our audit was limited to reviewing actions taken as of August 31, 2016, to correct the findings noted in our original audit report 2013-012 dated June 20, 2013, as well as completing an assessment of internal controls over insurance coverage during private events.

The original audit report contained six findings, two of which required corrective action and were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2013-012 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports. This follow-up audit found that all four of the recommendations have been implemented. Further, based upon our audit, we determined that the internal controls over insurance coverage during private events provide reasonable assurance that objectives related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0

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

NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A				Budget Adjustment: No
				For Fiscal Year: N/A

C.E.O. RECOMMENDATION: FYI

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

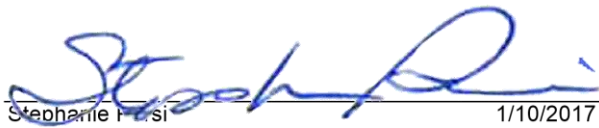
SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller Office Internal Audit Report 2016-308: Riverside County Economic Development Agency, Edward Dean Museum, Follow-up


Stephanie F. Lisi 1/10/2017

Internal Audit Report 2016-308

**Riverside County Economic Development
Agency, Edward Dean Museum, Follow-up**

Report Date: November 16, 2016



**Office of Paul Angulo, CPA, 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



Paul Angulo, CPA, MA
RIVERSIDE COUNTY AUDITOR-CONTROLLER

Frankie Ezzat, MPA
ASSISTANT AUDITOR-CONTROLLER

November 16, 2016

Mr. Robert Field
Assistant County Executive Officer/EDA
Economic Development Agency
3403 10th Street, Suite 500
Riverside, CA 92501

Subject: Internal Audit Report 2016-308: Economic Development Agency, Edward Dean Museum, Follow-up

Dear Mr. Field:

We have completed the first Follow-up Audit of Economic Development Agency, Edward Dean Museum. Our audit was limited to reviewing actions taken as of August 31, 2016, to correct the findings noted in our original audit report 2013-012 dated June 20, 2013, as well as completing an assessment of internal controls over insurance coverage during private events.

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 opinion.

The original audit report contained six findings, two of which required corrective action and were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2013-012 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

This follow-up audit found that of the four recommendations:

- All four have been implemented

Details of the findings identified in the original audit and the status of the implementation of respective recommendations are provided in the body of this report.

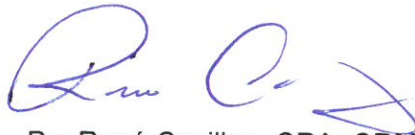
Based upon our audit, we determined that the internal controls over insurance coverage during private events provide reasonable assurance that objectives related to this area will be

Internal Audit Report 2016-308: Riverside County Economic Development Agency, Edward Dean Museum, Follow-up

achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Economic Development Agency, Edward Dean Museum during this follow-up audit. Their assistance contributed significantly to the successful completion of the 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

Table of Contents

	Page
Capital Assets and Artifacts Management.....	4
Revolving Fund.....	5
Insurance.....	6

Capital Assets and Artifacts Management

Finding 1: Artifact Appraisals and Annual Inventories

Annual inventories of artifacts are not being performed. The department provided an appraisal of artifacts that was prepared in 2007 as their last inventory listing; however, this listing does not suffice as validation of a current inventory being conducted. In addition, this listing was provided to the Human Resources Risk Management Department (Risk Management) and has not been updated with any additions/deletions since 2007. As a result, Risk Management may have incorrectly insured the artifacts for the past six years. Failure to conduct a full inventory of artifacts on an annual basis may result in unidentified theft of artifacts and/or inaccurate reporting in the notes of the Comprehensive Annual Financial Reports. In addition, failure to provide a current appraisal of artifacts to Risk Management every five years may result in inaccurate insuring of the artifacts.

Recommendation 1.1

Develop and implement procedures to ensure a physical inventory of artifacts is performed on an annual basis and variances between the physical count and the recorded count are reconciled, corrected, and properly approved.

Current Status 1.1: Implemented

The Edward Dean Museum and Gardens (Museum) developed procedures for the physical inventory for artifacts. The Curator conducts the physical inventory and ensures that changes/updates are reflected in the PastPerfect museum software that is used to manage the collection.

Recommendation 1.2

Obtain a current valuation appraisal of all artifacts and ensure appraisals are conducted at least every five years.

Current Status 1.2: Implemented

The most recent appraisal of all artifacts conducted was completed on September 30, 2014.

Finding 2: Security over Artifacts

The Museum utilizes a security system to record activity within the premises of the Museum on a DVD recorder. The security system is located in a storage closet in the gift shop. However, the

Internal Audit Report 2016-308: Riverside County Economic Development Agency, Edward Dean Museum, Follow-up

closet door is not fire-rated to protect the security system in the occurrence of a fire emergency. Museum staff was unaware of the risk associated with housing the security system in a storage closet without a fire-rated door.

Recommendation 2

Immediately install a fire-rated door for the storage closet housing the Museum's security system.

Current Status 2: Implemented

We inspected and verified that the door to the storage closet housing the Museum's security system was indeed a fire-rated door.

Revolving Fund

Finding 6: Excessive Amount of Revolving Fund

As previously noted, for the two year audit period under review, July 1, 2010 through June 30, 2012, the department only utilized the revolving fund for two claim reimbursement transactions, besides the \$100 utilized for petty cash. According to Museum staff, the revolving fund is used to make change for the gift shop and any emergency expenditures that may arise. Based on the minimal activity in the revolving fund, it is evident the department does not have a business need for a revolving fund in the amount of \$500.

Recommendation 6

The Department should immediately reduce their revolving fund account to \$200 since there is no evident business need for a revolving fund in the amount of \$500.

Current Status 6: Implemented

We verified the authorized revolving fund was reduced to \$200, of which \$50 is used as a cash drawer and \$150 as petty cash. The petty cash is retained in a safe with limited access and is reconciled on a daily basis.

Insurance

Background

The Edward Dean Museum and Gardens (Museum) consists of the Museum, a multipurpose room (Kay Building) with kitchen facilities, a covered pavilion with kitchen facilities, and a gazebo with an adjacent lawn, a koi pond, an administration office, and a storage facility. The Museum charges a rental fee for use of the facilities for weddings and other special events and has a procedure in place to ensure compliance with Board of Supervisors Policies.

Board of Supervisors Policy H-20, *Non-county use of county facilities for special events and other interim uses* allows for the non-county use of county facilities for special events. Board of Supervisors Policy B-10, *Risk Management requirement for use of county owned property*, specifies the county's risk management and insurance requirements the applicant must comply with when authorized to use county owned property.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over insurance coverage during private events.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed regulations, ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with Museum personnel.
- Selected a sample of private event folders for review.
- Reviewed private event folders to verify that appropriate insurance coverage was provided.

Results

Based upon our audit, we determined that the Economic Development Agency, Edward Dean Museum internal controls over insurance coverage during private events provide reasonable assurance that its objectives are achieved. Reasonable assurance recognizes internal control has inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.