

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



**ITEM: 2.5  
(ID # 21397)**

**MEETING DATE:**  
Tuesday, March 28, 2023

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit, All Districts. [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

**ACTION:Consent**

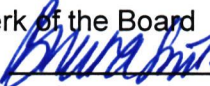
  
Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 3/22/2023

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Perez, 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: March 28, 2023  
xc: Auditor-Controller

Kimberly A. Rector  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	n/a

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Assessor-County Clerk-Recorder to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets and system access controls. Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital and non-capital assets and system access controls.

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

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 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

  
 Stephanie Perez, Principal Management Analyst      3/22/2023

**Internal Audit Report 2023-002**

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

**Report Date: March 28, 2023**



**Office of Ben J. Benoit  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
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(951) 955-3800**

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**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

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Ben J. Benoit  
Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA  
Assistant Auditor-Controller

March 28, 2023

Peter Aldana  
Assessor-County Clerk-Recorder  
Riverside County Assessor-County Clerk-Recorder  
4080 Lemon Street, 6<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

Dear Mr. Aldana:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Assessor-County Clerk-Recorder to provide management and the Board of Supervisors with an independent assessment of internal controls over capital and non-capital assets and system access controls.

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 2023-002: Riverside County Assessor-County Clerk-Recorder  
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 your 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  
Grand Jury

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**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

**Executive Summary**

**Overview**

Riverside County Assessor-County Clerk-Recorder (Assessor-County Clerk-Recorder) is overseen by the elected Assessor-County Clerk-Recorder to fulfill its legally and locally mandated functions of the Assessor, County Clerk, and Recorder. The Assessor division manages all taxable property including agriculture, business personal property, commercial, manufactured homes, and residential in Riverside County. The County Clerk-Recorder division provides a variety of public services and maintains permanent public records on behalf of the County.

The Assessor-County Clerk-Recorder has a recommended budget of \$69.8 million for FY 2022-23 and 418 authorized positions. *County of Riverside, Fiscal Year 2022-23 Adopted Budget Volume 1, 65-73.*

**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 capital and non-capital assets and system access controls. 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. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls. support

**Audit Scope and Methodology**

We conducted the audit from May 24, 2022, through September 22, 2022, for operations from July 1, 2020, through August 31, 2022. Following a risk based approach, our scope initially included the following:

- Capital and Non-capital Assets
- Cost Recovery Through Fees
- Departmental Processes over Assessment of Property
- System Access Controls

Through inquiry, observations, and examination of relevant documentation, it was determined through a risk assessment of the cost recovery through fees and department

## Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

processes over assessment of property that the risk exposure to the Assessor-County Clerk-Recorder associated with these processes are well mitigated with internal controls and are functioning as designed. Therefore, our audit scope focused on internal controls over capital and non-capital assets and system access controls.

### Audit Highlights

#### *Summary of Existing Conditions*

- County asset tags were not affixed to capital assets as required in Standard Practice Manual 513, *Asset Tags*. In addition, capital asset certifications and asset listing did not reflect asset physical inventory. When assets are not accounted for or properly identified, this could result in an understatement or overstatement of capital assets.
- Non-capital assets were not adequately tracked, and the listing did not reflect the actual physical inventory. When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.
- Employee access rights were not terminated in a timely manner upon termination or transfer from the department. Allowing Active Directory accounts and non-Active Directory accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need to know.

#### *Summary of Improvement Opportunities*

- Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.
- Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.
- Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.



**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

- Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.
- Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.
- Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital and non-capital assets and system access controls.

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder  
Audit**

**Capital and Non-Capital Assets**

**Background**

The Auditor-Controller's Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, defines capital assets as fixed and intangible 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). The SPM 501 requires all capital assets to be recorded in the Riverside County financial system. Standard Practice Manual 516, *Capital Asset Tags*, requires that capital asset be tagged or marked as county property.

Board of Supervisors' Policy Number H-26, *Non-capitalized Asset Management*, defines non-capitalized or "walk-away assets" as assets which are small, mobile, easily converted for personal use and have a fair market value of \$200 to \$5,000 (over \$5,000 are classified as capital assets). Examples include, but are not limited to personal computers, personal digital assistants, global positioning system (GPS) receivers, and cell phones. Departments are required to track walk-away assets including at minimum of all laptop computers, cellular phones, personal device assistant, and GPS receivers through the Riverside County financial system, or another established system, if reviewed and approved by the Auditor-Controller.

As of June 30, 2022, the Assessor-County Clerk-Recorder reported total number of 288 capital assets with the combined acquisition cost of \$58.4 million in the Riverside County financial system. The department also had a total of 2,206 non-capital assets in the department non-capital asset listing.

**Objective**

To verify the existence and adequacy of internal controls over capital and non-capital assets.

**Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, Policy Number H-26, *Non-capitalized Asset Management*, and applicable standards.

## Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

- Interviewed department management and staff.
- Selected a sample of capital and non-capital assets to verify adequate internal controls exist over the reporting and safeguarding of assets.
- Selected a sample of capital and non-capital assets and verified existence and the location reported by the department.

### Finding 1: Capital Asset Compliance

Assessor-County Clerk-Recorder is not in compliance with the county capital asset procedures. We identified the following in our review of capital assets:

- Eight out of 23 (35%) capital assets sampled were not affixed with a county asset tag. Standard Practice Manual 513, *Capital Asset Tags*, states, "County departments, agencies, special districts and authorities are required to properly tag individual capital asset in order to maintain proper control over owned assets", and "tags should stay with the asset until it is retired." Department does have procedures in place to tag capital assets but does not have a process to ascertain all capital assets that have been affixed with a county asset tag. Tagging is an internal control designed to provide a method of identifying individual capital assets and assist in the annual physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout department and county.
- Two out of 23 (9%) assets sampled and identified as data servers were disposed but not removed from the county financial system. The two capital assets were not removed from the county financial system due to an input error on the surplus property transfer form, submitted to the Auditor-Controller's Office by Assessor-County Clerk-Recorder staff. Additionally, we verified both assets did not have a Standard Practice Manual Form AM-7, *Capital Asset Disposition* which must be submitted to the Riverside County Auditor-Controller's Office for removal of the asset from the Riverside County financial system.

Standard Practice Manual 514, *Disposal of Capital Asset*, requires county departments disposing of assets to submit a completed Standard Practice Manual Form AM-7 and attach a Surplus Property Transfer Form and an Electronic Liability Surplus and Release Form for electronic devices. Not disposing of capital assets properly can overstate the financial reporting of capital assets. Accurate physical capture inventory aids in managing equipment and identifying theft and misuse of capital assets timely.

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

**Recommendation 1.1**

Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.

**Management's Response**

"**Concur.** The department's procedures require an annual asset inventory in accordance with the county capital asset procedures. This process also includes proper placement of asset tags on all county assets. To identify and replace asset tags that have fallen off or dislodged throughout the year, the department is adding an asset tag verification to the annual asset form that will require the asset's custodian to document the asset tag is fixed to the asset. The new form will document the date that the asset tag was verified present and fixed to the asset."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 1.2**

Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.

**Management's Response**

"**Concur.** The department's asset inventory operating procedures will be updated to include the use of the new asset form during its annual asset inventory."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 1.3**

Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

**Management's Response**

"**Concur.** The department has completed and submitted the proper AM-7 forms to the ACO and the Department will continue to work with and follow the direction of The County ACO to dispose of all Capital Assets."

**Actual/estimated Date of Corrective Action:** December 1, 2022

## Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

### Finding 2: Non-Capital Assets

The Assessor-County Clerk-Recorder is not in compliance with the county non-capital asset procedures. We identified the following in our review of non-capital assets:

- Three out of 30 (10%) sampled non-capital assets could not be located.
- One out of 30 (3%) sampled non-capital assets assigned to an employee possession but listed under a different employee name.
- Eight out of 30 (27%) selected non-capital assets were surplused and were not updated in the department's non-capital asset system.
- Non-capital assets tracked in the department's internal system did not include non-capital assets maintained in the county financial system. Department stated they no longer use the county financial system to track the non-capital asset, instead utilize an internal asset system to track non-capital assets. However, the non-capital assets initially recorded in the county financial system were not cleaned up or transferred to the department's internal system. We verified 287 non-capital assets with an active status were reported in the county's asset management module of which 267 were not recorded in the department's internal tracking system.

Board of Supervisor Policy H-26, *Non-Capitalized Asset Management*, states, "department shall ensure compliance with this policy by tracking walk-away assets. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system has been reviewed and approved by the Auditor-Controller." When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.

#### Recommendation 2.1

Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

#### Management's Response

**Concur.** The department has not used the county's non-capital asset tracking system for years after transitioning to an internal tracking system and was not aware there were

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

items contained in the county system. The department will work with the ACO to clear the system of all remaining items.

The department's Covid response required an immediate move of many workstations to create safe distancing and accommodate remote working. The old tracking system could not efficiently handle the dynamic logistics we now experience, and we are currently transitioning to a more robust tracking system. During the new system implementation, we will conduct a full inventory of all non-capital assets to ensure the database is current and accurate."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 2.2**

Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.

**Management's Response**

"**Concur.** The department will work with the ACO to clear the County system of all remaining items and continue to update and maintain the department's internal tracking system."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 2.3**

Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

**Management's Response**

"**Concur.** The department will update its non-capital asset inventory operating procedures to reflect the procedures required within the new system."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

## **System Access Controls**

### **Background**

System access controls within information systems ensure proper confidentiality, integrity, and availability to the data stored within the system. Authentication is a control which confirms a user's identity to provide access to a systems sensitive information. Sensitive information is any information that must be protected from unauthorized access to maintain the information security of an organization or an individual. Authentication is often achieved by using login credentials such as a username and password. Authentication relies on the presumption that the user is authorized to use the system and that only the user knows the login credentials to gain access.

Active Directory is a directory service which allows Assessor-County Clerk- Recorder to manage permissions and access to network resources, and linked data applications utilized by the department. Assessor-County Clerk-Recorder has an internal information technology team within the department who manages employees access rights. When a user ends employment with Assessor-County Clerk- Recorder, the information technology team is notified to disable Active Directory accounts. If a system is not linked to Active Directory, system access must be manually removed by the department's system admin staff.

### **Objective**

To verify the existence and adequacy of internal controls over employee access terminations to system applications used by the Assessor-County Clerk- Recorder.

### **Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of County of Riverside Information Security Standard v1.0.
- Interviewed key personnel regarding the department's employee access termination processes.
- Obtained listing of employees who had access to system applications (Aumentum and Eagle Recorder) not linked to Active Directory, during the audit review period.

## Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

- Obtained listing of employees whose access to system applications were terminated during the audit review period.
- Verified access rights to Active Directory accounts were disabled within 24 hours of an employee's termination from the Assessor-County Clerk- Recorder.
- Verified whether access rights to the system applications sampled not linked to Active Directory were disable within 24 hours of an employee's termination from Assessor-County Clerk-Recorder.

### Finding 3: Timely Termination of Access Rights

Active Directory and non-Active Directory access rights were not terminated in a timely manner (within 24 hours). We identified the following in our review:

- Thirteen out of 16 (82%) employees sampled Active Directory access were not disabled within 24 hours upon the employee's termination from Assessor-County Clerk-Recorder. The average days lapsed was 70 days, with the longest taking 438 days and the shortest taking 2 days.
- Forty-seven out of 47 (100%) employees sampled who had access to the Aumentum system was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 327 days, with the longest taking 726 days and the shortest taking 25 days.
- Five out of 21 (24%) employees sampled who had access to the Eagle Recorder system were not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 16 days, with the longest taking 31 days and the shortest taking 4 days.

County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, "Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer." The Assessor-County Clerk-Recorder *Policy Manual* states accounts for employees leaving the department should be removed as soon as possible. The departments policies and procedures do not require user accounts for terminated or transferred employees being disabled or removed on the day of termination or transfer. Allowing accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need



**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.

**Recommendation 3.1**

Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.

**Management's Response**

**"Concur.** When an employee separates from the department, the department disables the employee's account in Microsoft Active Directory within 24 hours. Once it is verified the employee is not returning and their emails and working files are either saved or no longer needed, their account is deleted. The current system only reports the last action performed on the account and not the original date the account was disabled. The department is in the process of developing an onboarding and offboarding tracking system to historically document and save changes performed to employee accounts.

The department has created a new form and workflow for onboarding and offboarding employees to notify Eagle Recorder and Aumentum administrators when employees should have their access terminated from the systems."

**Actual/estimated Date of Corrective Action:** April 1, 2023

**Recommendation 3.2**

Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

**Management's Response**

**"Concur.** The department's current operating procedures will be updated to reflect the procedures required within the new tracking system and the use of the new onboarding and offboarding form and procedure."

**Actual/estimated Date of Corrective Action:** May 1, 2023



**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

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Riverside County Auditor-Controller

Tanya S. Harris, DPA, CPA  
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March 28, 2023

Peter Aldana  
Assessor-County Clerk-Recorder  
Riverside County Assessor-County Clerk-Recorder  
4080 Lemon Street, 6<sup>th</sup> Floor  
Riverside, CA 92501

**Subject: Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

Dear Mr. Aldana:

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Ben J. Benoit  
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By: René Casillas, CPA, CRMA  
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**Executive Summary**

**Overview**

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**Audit Objective**

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**Audit Scope and Methodology**

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## Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit

processes over assessment of property that the risk exposure to the Assessor-County Clerk-Recorder associated with these processes are well mitigated with internal controls and are functioning as designed. Therefore, our audit scope focused on internal controls over capital and non-capital assets and system access controls.

### Audit Highlights

#### *Summary of Existing Conditions*

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- Non-capital assets were not adequately tracked, and the listing did not reflect the actual physical inventory. When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.
- Employee access rights were not terminated in a timely manner upon termination or transfer from the department. Allowing Active Directory accounts and non-Active Directory accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need to know.

#### *Summary of Improvement Opportunities*

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- Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.
- Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

**Internal Audit Report 2023-002: Riverside County Assessor-County Clerk-Recorder Audit**

- Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.
- Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.
- Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.
- Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to capital and non-capital assets and system access controls.

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**Capital and Non-Capital Assets**

**Background**

The Auditor-Controller's Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, defines capital assets as fixed and intangible 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). The SPM 501 requires all capital assets to be recorded in the Riverside County financial system. Standard Practice Manual 516, *Capital Asset Tags*, requires that capital asset be tagged or marked as county property.

Board of Supervisors' Policy Number H-26, *Non-capitalized Asset Management*, defines non-capitalized or "walk-away assets" as assets which are small, mobile, easily converted for personal use and have a fair market value of \$200 to \$5,000 (over \$5,000 are classified as capital assets). Examples include, but are not limited to personal computers, personal digital assistants, global positioning system (GPS) receivers, and cell phones. Departments are required to track walk-away assets including at minimum of all laptop computers, cellular phones, personal device assistant, and GPS receivers through the Riverside County financial system, or another established system, if reviewed and approved by the Auditor-Controller.

As of June 30, 2022, the Assessor-County Clerk-Recorder reported total number of 288 capital assets with the combined acquisition cost of \$58.4 million in the Riverside County financial system. The department also had a total of 2,206 non-capital assets in the department non-capital asset listing.

**Objective**

To verify the existence and adequacy of internal controls over capital and non-capital assets.

**Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of Standard Practice Manual 501 (SPM 501), *Capitalization Thresholds*, Policy Number H-26, *Non-capitalized Asset Management*, and applicable standards.



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- Interviewed department management and staff.
- Selected a sample of capital and non-capital assets to verify adequate internal controls exist over the reporting and safeguarding of assets.
- Selected a sample of capital and non-capital assets and verified existence and the location reported by the department.

### Finding 1: Capital Asset Compliance

Assessor-County Clerk-Recorder is not in compliance with the county capital asset procedures. We identified the following in our review of capital assets:

- Eight out of 23 (35%) capital assets sampled were not affixed with a county asset tag. Standard Practice Manual 513, *Capital Asset Tags*, states, "County departments, agencies, special districts and authorities are required to properly tag individual capital asset in order to maintain proper control over owned assets", and "tags should stay with the asset until it is retired." Department does have procedures in place to tag capital assets but does not have a process to ascertain all capital assets that have been affixed with a county asset tag. Tagging is an internal control designed to provide a method of identifying individual capital assets and assist in the annual physical inventory. This practice ensures accurate reporting requirements are met, capital assets are adequately accounted for, and processes are consistent throughout department and county.
- Two out of 23 (9%) assets sampled and identified as data servers were disposed but not removed from the county financial system. The two capital assets were not removed from the county financial system due to an input error on the surplus property transfer form, submitted to the Auditor-Controller's Office by Assessor-County Clerk-Recorder staff. Additionally, we verified both assets did not have a Standard Practice Manual Form AM-7, *Capital Asset Disposition* which must be submitted to the Riverside County Auditor-Controller's Office for removal of the asset from the Riverside County financial system.

Standard Practice Manual 514, *Disposal of Capital Asset*, requires county departments disposing of assets to submit a completed Standard Practice Manual Form AM-7 and attach a Surplus Property Transfer Form and an Electronic Liability Surplus and Release Form for electronic devices. Not disposing of capital assets properly can overstate the financial reporting of capital assets. Accurate physical capture inventory aids in managing equipment and identifying theft and misuse of capital assets timely.

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**Recommendation 1.1**

Ensure capital assets are affixed with a county tag in accordance with the Standard Practice Manual 513, *Asset Tags*.

**Management's Response**

**"Concur.** The department's procedures require an annual asset inventory in accordance with the county capital asset procedures. This process also includes proper placement of asset tags on all county assets. To identify and replace asset tags that have fallen off or dislodged throughout the year, the department is adding an asset tag verification to the annual asset form that will require the asset's custodian to document the asset tag is fixed to the asset. The new form will document the date that the asset tag was verified present and fixed to the asset."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 1.2**

Update procedures to perform annual physical inventory and tracking of all capital assets in the department's possession in accordance with the Standard Practice Manual 515, *Capital Asset Certification*.

**Management's Response**

**"Concur.** The department's asset inventory operating procedures will be updated to include the use of the new asset form during its annual asset inventory."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 1.3**

Ensure disposed capital assets are thoroughly reviewed and submitted to the Auditor-Controller's Office for removal from the county financial system in accordance with Standard Practice Manual 514, *Disposal of Capital Asset*.

**Management's Response**

**"Concur.** The department has completed and submitted the proper AM-7 forms to the ACO and the Department will continue to work with and follow the direction of The County ACO to dispose of all Capital Assets."

**Actual/estimated Date of Corrective Action:** December 1, 2022

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### Finding 2: Non-Capital Assets

The Assessor-County Clerk-Recorder is not in compliance with the county non-capital asset procedures. We identified the following in our review of non-capital assets:

- Three out of 30 (10%) sampled non-capital assets could not be located.
- One out of 30 (3%) sampled non-capital assets assigned to an employee possession but listed under a different employee name.
- Eight out of 30 (27%) selected non-capital assets were surplus and were not updated in the department's non-capital asset system.
- Non-capital assets tracked in the department's internal system did not include non-capital assets maintained in the county financial system. Department stated they no longer use the county financial system to track the non-capital asset, instead utilize an internal asset system to track non-capital assets. However, the non-capital assets initially recorded in the county financial system were not cleaned up or transferred to the department's internal system. We verified 287 non-capital assets with an active status were reported in the county's asset management module of which 267 were not recorded in the department's internal tracking system.

Board of Supervisor Policy H-26, *Non-Capitalized Asset Management*, states, "department shall ensure compliance with this policy by tracking walk-away assets. Departments may use another established system to ensure the accountability of non-fixed assets if the department's system has been reviewed and approved by the Auditor-Controller." When assets are not accounted for or properly identified, control is lost as to the quantity and specific identification of assets.

#### Recommendation 2.1

Update the department non-capital asset listing to reflect the actual physical inventory of the non-capital assets in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

#### Management's Response

**Concur.** The department has not used the county's non-capital asset tracking system for years after transitioning to an internal tracking system and was not aware there were

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items contained in the county system. The department will work with the ACO to clear the system of all remaining items.

The department's Covid response required an immediate move of many workstations to create safe distancing and accommodate remote working. The old tracking system could not efficiently handle the dynamic logistics we now experience, and we are currently transitioning to a more robust tracking system. During the new system implementation, we will conduct a full inventory of all non-capital assets to ensure the database is current and accurate."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 2.2**

Identify and remove non-capital assets no longer owned by the department from the Riverside County financial system and the department's internal tracking system to ensure non-capital asset listing is accurate and complete.

**Management's Response**

"**Concur.** The department will work with the ACO to clear the County system of all remaining items and continue to update and maintain the department's internal tracking system."

**Actual/estimated Date of Corrective Action:** February 28, 2023

**Recommendation 2.3**

Update procedures to perform annual physical inventory and tracking of the non-capital assets listing in the department's possession in accordance with the Board of Supervisors Policy H-26, *Non-Capitalized Asset Management*.

**Management's Response**

"**Concur.** The department will update its non-capital asset inventory operating procedures to reflect the procedures required within the new system."

**Actual/estimated Date of Corrective Action:** February 28, 2023

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## **System Access Controls**

### **Background**

System access controls within information systems ensure proper confidentiality, integrity, and availability to the data stored within the system. Authentication is a control which confirms a user's identity to provide access to a systems sensitive information. Sensitive information is any information that must be protected from unauthorized access to maintain the information security of an organization or an individual. Authentication is often achieved by using login credentials such as a username and password. Authentication relies on the presumption that the user is authorized to use the system and that only the user knows the login credentials to gain access.

Active Directory is a directory service which allows Assessor-County Clerk- Recorder to manage permissions and access to network resources, and linked data applications utilized by the department. Assessor-County Clerk-Recorder has an internal information technology team within the department who manages employees access rights. When a user ends employment with Assessor-County Clerk- Recorder, the information technology team is notified to disable Active Directory accounts. If a system is not linked to Active Directory, system access must be manually removed by the department's system admin staff.

### **Objective**

To verify the existence and adequacy of internal controls over employee access terminations to system applications used by the Assessor-County Clerk- Recorder.

### **Audit Methodology**

To accomplish these objectives, we:

- Obtained an understanding of County of Riverside Information Security Standard v1.0.
- Interviewed key personnel regarding the department's employee access termination processes.
- Obtained listing of employees who had access to system applications (Aumentum and Eagle Recorder) not linked to Active Directory, during the audit review period.

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- Obtained listing of employees whose access to system applications were terminated during the audit review period.
- Verified access rights to Active Directory accounts were disabled within 24 hours of an employee's termination from the Assessor-County Clerk- Recorder.
- Verified whether access rights to the system applications sampled not linked to Active Directory were disabled within 24 hours of an employee's termination from Assessor-County Clerk-Recorder.

### Finding 3: Timely Termination of Access Rights

Active Directory and non-Active Directory access rights were not terminated in a timely manner (within 24 hours). We identified the following in our review:

- Thirteen out of 16 (82%) employees sampled Active Directory access were not disabled within 24 hours upon the employee's termination from Assessor-County Clerk-Recorder. The average days lapsed was 70 days, with the longest taking 438 days and the shortest taking 2 days.
- Forty-seven out of 47 (100%) employees sampled who had access to the Aumentum system was not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 327 days, with the longest taking 726 days and the shortest taking 25 days.
- Five out of 21 (24%) employees sampled who had access to the Eagle Recorder system were not terminated within 24 hours upon the employee termination from Assessor-County Clerk-Recorder. The average days lapsed was 16 days, with the longest taking 31 days and the shortest taking 4 days.

County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*, states, "Accounts for terminated or transferred employees shall be disabled or removed on the day of termination or transfer." The Assessor-County Clerk-Recorder *Policy Manual* states accounts for employees leaving the department should be removed as soon as possible. The departments policies and procedures do not require user accounts for terminated or transferred employees being disabled or removed on the day of termination or transfer. Allowing accounts to remain open after employment has ended exposes the department to risk where information maintained in department systems can be continuously accessed by individuals who no longer have a right or need

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to know. Depending on the sensitivity of the information maintained by department systems, it can create administrative issues and have a financial impact if held liable.

**Recommendation 3.1**

Disable all user system accounts on the day of an employee's termination or transfer from the department in accordance with County of Riverside Information Security Standard v1.0, Section 4.1, *Account and Access Management*.

**Management's Response**

**"Concur.** When an employee separates from the department, the department disables the employee's account in Microsoft Active Directory within 24 hours. Once it is verified the employee is not returning and their emails and working files are either saved or no longer needed, their account is deleted. The current system only reports the last action performed on the account and not the original date the account was disabled. The department is in the process of developing an onboarding and offboarding tracking system to historically document and save changes performed to employee accounts.

The department has created a new form and workflow for onboarding and offboarding employees to notify Eagle Recorder and Aumentum administrators when employees should have their access terminated from the systems."

**Actual/estimated Date of Corrective Action:** April 1, 2023

**Recommendation 3.2**

Update policies and procedures to ensure the disabling of all user system accounts are requested and approved within 24 hours of an employee's termination or transfer from the department.

**Management's Response**

**"Concur.** The department's current operating procedures will be updated to reflect the procedures required within the new tracking system and the use of the new onboarding and offboarding form and procedure."

**Actual/estimated Date of Corrective Action:** May 1, 2023