

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



ITEM: 2.3
(ID # 24371)

MEETING DATE:
Tuesday, March 12, 2024

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2024-006: Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens Audit, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2024-006: Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens Audit.

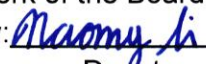
ACTION: Consent


Ben J. Benoit, COUNTY AUDITOR-CONTROLLER 3/4/2024

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington and Perez and Gutierrez
Nays: None
Absent: None
Date: March 12, 2024
xc: Auditor Controller

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management – revenue recognition and contract management.

Based on the results of our audit, we determined that internal controls over cash management – revenue recognition and contract management are functioning as designed and provide reasonable assurance that the Edward-Dean Museum’s objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Impact on Citizens 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 2024-006: Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens Audit



Office of Ben J. Benoit
Riverside County Auditor-Controller

Number of
Recommendations

0

Priority Level 1
High Risk

0

Priority Level 2
Medium Risk

0

Priority Level 3
Low Risk

Internal Audit Report

2024-006

Riverside County Office of Economic Development,
The Edward-Dean Museum and Gardens Audit

March 12, 2024



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

Ben J. Benoit, Auditor-Controller
Tanya S. Harris, DPA, CPA, Assistant Auditor-Controller

4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
951-955-3800



March 12, 2024

Suzanne Holland
Director

Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens
3499 10th Street, Suite 400
Riverside, CA 92501

**Subject: Internal Audit Report 2024-006: Riverside County Office of Economic Development,
The Edward-Dean Museum and Gardens Audit**

Dear Ms. Holland:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens to provide management and the Board of Supervisors with an independent assessment of internal controls over cash management – revenue recognition and contract management.

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 2024-006: Riverside County Office of Economic Development, The Edward-Dean Museum and Gardens Audit

Since the audit resulted in no findings or recommendations, there was no requirement for a response in accordance with Board of Supervisors Resolution 83-338.

We thank you and your staff for the 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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Executive Summary

Overview

The Edward-Dean Museum and Gardens (Edward-Dean Museum) was founded in 1958 in Cherry Valley by Edward Eberle and Dean Stout and showcases a collection of 16th to 19th century Asian and European furnishings and decorative arts. The Edward-Dean Museum hosts numerous weddings, receptions, banquets, retirements, concerts, and other special events.

The Edward-Dean Museum has an adopted budget of \$3.6 million for FY 2023-24 and 3 adopted positions. *County of Riverside, Fiscal Year 2023-24 Adopted Budget Volume 1, 288-291.*

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 cash management – revenue recognition and contract management. 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.

Audit Scope and Methodology

We conducted the audit from August 18, 2023, through December 22, 2023, for operations from July 1, 2021, through December 7, 2023. Using a risk-based approach, our scope included the following:

- Cash Management – Revenue Recognition
- Contract Management

AUDIT HIGHLIGHTS

- Policies and procedures over cash management – revenue recognition and contract management are followed as written and established by the department, with supporting documentation, review, approval, and reconciliation processes in place.



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Audit Conclusion

Based on the results of our audit, we determined that internal controls over cash management – revenue recognition and contract management are functioning as designed and provide reasonable assurance that the Edward-Dean Museum’s objectives relating to these areas will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.



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Cash Management – Revenue Recognition

Background

The Edward-Dean Museum generates revenue through several different activities, including admission into the museum itself and hosting numerous weddings, receptions, and other special events. Museum admissions account for approximately 1% of the department's overall revenue, while hosting weddings account for approximately 40%. Payments for admission into the museum are made at the front counter upon entrance. For event hosting, an initial deposit is required upon agreement and the remaining balance, along with the customer's proof of insurance, is due prior to the event date.

Edward-Dean Museum personnel maintain an event deposit log that assigns project codes to special events and tracks deposits and additional payments. These payments are then recorded as revenue or unearned revenue depending on whether the event is scheduled for the current fiscal year (revenue) or a subsequent fiscal year (unearned revenue). For events that are scheduled for the next fiscal year and whose payments are recorded as unearned revenue, once the new fiscal year begins, a journal entry is recorded to reclassify the payments as revenue.

Objective

To verify the existence and adequacy of internal controls over the Edward-Dean Museum's cash management processes relating to revenue recognition.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over the management of cash relating to revenue recognition.
- Interviewed key personnel regarding the department's processes over the management of cash relating to revenue recognition.
- Verified whether there was adequate segregation of duties in place over the management of cash relating to revenue recognition.
- Obtained a listing of all revenue transactions that occurred during the audit review period and selected a random of sample of transactions for review.



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- Verified whether the transactions had adequate supporting documentation, the revenue account coding was reasonable, and the transactions were reviewed and approved by management.
- Selected a random sample of monthly revenue reconciliations within the audit review period and verified whether the reconciliations were reviewed and approved by management.

Finding: None Noted

Based on the results of our audit, we determined that internal controls over cash management – revenue recognition provide reasonable assurance that the department’s objective 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.



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Contract Management

Background

The Riverside County *Purchasing Policy Manual* (December 31, 2021) defines a contract as “an agreement or purchase order for the purchase or disposal of commodities or services.” The *Purchasing Policy Manual* further states, “Purchase contracts shall be entered into only after it has been determined that prices be paid are reasonable considering all of the circumstances pertaining to the particular purchase under consideration.” Price reasonableness is established through competitive bidding and supported cost analysis. The terms and conditions of county contracts identify the rights and responsibilities of the parties involved. Terms and conditions include, but are not limited to, the following: payment, penalties, record retention, confidentiality, scope of services, and inspection of services.

Contract management is a key process in ensuring compliance with a contract’s established terms and conditions. Contract management consists of understanding the terms, conditions, and scope of work. Departments can promote contract compliance through validation of satisfactory work performance, ensuring timely performance of contracted work, maintaining adequate documentation, and proper review and approval of invoices prior to the payment of a contractor. The *Purchasing Policy Manual* states, “Whenever a department determines a vendor has not satisfactorily delivered the goods or services contracted for by a purchase order and/or contract, the department should address the problem by initiating a Supplier Correction Action Form located at the Purchasing’s Intranet Forms website. It should never be assumed that contract performance problems will work themselves out.” Furthermore, “corrective action procedures can influence better vendor performance, improved contracts and increase customer satisfaction. Departments are encouraged to document and report all poor or deficient performance.”

Objective

To verify the existence and adequacy of internal controls over the Edward-Dean Museum’s contract management processes.

Audit Methodology

To accomplish these objectives, we:

- Obtained an understanding of department processes and procedures over contract management.



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- Interviewed key personnel regarding the department's processes over contract management.
- Verified whether there was adequate segregation of duties in place relating to contract management.
- Obtained a listing of department contractors that were active during the audit review period.
- Selected a random sample of contractors for review and verified whether their contracts included an audit clause, the contractors maintained adequate insurance, and the services performed were adequately monitored by management.
- For the contractors selected above, selected a random sample of invoices within the audit review period.
- Verified whether the invoices had adequate supporting documentation, the pricing and services provided complied with contract requirements, and the invoice payments were reviewed and approved by management.

Finding: None Noted

Based on the results of our audit, we determined that internal controls over contract management provide reasonable assurance that the department's objective 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.