



County of Riverside

INTERNAL AUDITOR'S REPORT

Riverside County Fair and National Date Festival

July 18, 2006

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER**
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Ivan M. Chand, CGFM
ASSISTANT AUDITOR-
CONTROLLER

July 18, 2006

Robin Zimpfer, Assistant CEO
Economic Development Agency
1159 Spruce Street
Riverside, CA 92507

Subject: Internal Auditor's Report # 2006-012 – Riverside County Fair and National Date Festival

Dear Ms. Zimpfer:

We have completed an audit of the Riverside County Fair and National Date Festival. Our audit covered the period July 2003 through May 2006 and included operations during the Fair held on February 17, 2006 through February 26, 2006.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the existence and adequacy of internal controls over the operational processes and fiscal procedures.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Overall, there was a system of internal controls in place for the County Fair and National Date Festival operations; however, we identified areas of improvement to enhance the adequacy and effectiveness of controls in the following areas: cash receipts, purchasing, concessions, and carnival rides.

Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank the County Fair and National Date Festival management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in black ink, appearing to read "Michael G. Alexander", with a long horizontal stroke extending to the right.

By: Michael G. Alexander, MBA, CIA
Chief Internal Auditor

cc: Board of Supervisors
County Counsel
Grand Jury
Jennifer Sargent, County Executive Office

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Executive Summary

Overview The County Fair and National Date Festival holds the annual county Fair, offers off-track pari-mutuel wagering and provides interim use events. Interim use events include the open-air market, recreation vehicle rallies, monster truck shows, concerts and special community events. The Fair is held each year during the month of February. The County Fair and National Date Festival celebrated its 60th year during the Fair held February 17 through 26, 2006. This was a record-breaking year for the county Fair with total admissions of 299,000. The Fair realized a net profit of \$494,960 in fiscal year 2005/06 compared to the net loss of \$347,000 in fiscal year 2004/05. The weather conditions played a significant role in the Fair's success, in fiscal year 2005 it rained five of seven days during the Fair, contributing to the low turnout and overall net loss.

The County Fair and National Date Festival receives approximately \$200,000 each year in sponsorships from surrounding organizations that help support operations, it also contracts with approximately 270 commercial and food/beverage vendors. The Fair also provides fundraising opportunities to non-profit organizations located in Riverside County through commissions on pre-sale admission tickets and sale of parking tickets for the lots they at which the provide parking attendant services.

Overall Objective Our primary audit objective was to evaluate the adequacy of the internal controls over the County Fair and National Date Festival processes and fiscal procedures.

Overall Conclusion Overall, there was a system of internal controls in place for the County Fair and National Date Festival operations; however, we identified areas of improvement to enhance the adequacy and effectiveness of controls in the following areas: cash receipts, purchasing, concessions, and carnival rides.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Objectives

To determine:

- the existence and adequacy of internal controls over the cash handling, purchasing and fixed assets processes; and,
- whether concession and carnival ride vendors comply with the terms of their agreements.

Methodology

To accomplish our objectives, we:

- performed a financial review;
- conducted interviews with department personnel;
- completed narratives and flowcharts of various processes;
- performed a risk assessment of Fair operations;
- conducted on-site observations during Fair operations;
- verified cash receipts were properly safeguarded, deposited in a timely manner, monitored and recorded;
- reviewed county Fair's vendor applications, contracts and agreements to ensure compliance with terms; and,
- performed detailed testing of the county Fair's purchasing process to ensure adherence to the county purchasing policy.

Cash Handling Process

Results

The Fair received \$2,604,062 in revenues from admissions, carnival rides, commercial and concession vendors, entry fees, and parking during the Fair held this fiscal year 2005/06. The Economic Development Agency (EDA) is responsible for the Fair's financial records and accounting functions. The agency's fiscal division assigned the Deputy Director of Administrative Services, an Administrative Supervisor, and an Accountant II to work at the Fair during the County Fair and National Date Festival. Temporary assistance employees (TAP) were also hired to work as vault tellers, admission ticket sellers, and runners (for cash drops to and from ticket booths). Parking ticket sellers were volunteers from the Coachella Valley Rotary Club and Resort Parking Services.

During Fair operations, cash was collected daily from admissions ticket sales and parking ticket sales. Additionally, the Fair collected cash receipts from concession vendors, carnival ride ticket sales, contest entry fees, and from the Shalimar off-track pari-mutuel wagering. We conducted on-site observations over the physical safeguarding of cash during Fair operations. We observed cash collected during the Fair was stored in a locked vault with a combination and key lock. The vault room and the ticket room which are partitioned by a window were kept locked with limited access while a security guard remained outside the door during Fair operating hours. The Riverside County Sheriff Department provided security for the fairgrounds throughout the County Fair and National Date Festival.

EDA utilized the Official Cash Receipt (OCR) to document all cash receipts during the Fair. OCR booklets were distributed to the ticket office, Concessions Office, livestock facility, entry office, and the Fair administrative office prior to the Fair.

Our audit of the cash handling process included testing to determine the adequacy and effectiveness of controls over the recording of cash and the preparation of deposits. Additionally we performed separate auditing procedures over admissions and parking processes.

Finding 1

There were no written departmental policies and procedures over the processes for collecting, recording, depositing, and accounting of cash receipts. The absence of written policies and procedures results in performance that is inconsistent, unpredictable, and unreliable. As a result of our testing we found the following:

- There were daily vault reconciliations prepared that did not reconcile with the prior day's ending balance. On February 18, 2006, there was a cash transfer into the vault for the change fund in the amount

of \$40,000; however, the daily vault reconciliation did not reflect the transfer in. On February 21, 2006, there was a withdrawal of the \$40,000 from the vault which also was not recorded onto the daily vault reconciliation. Again, on February 25, 2006 a transfer of \$40,000 was made to the vault and not recorded on the daily vault reconciliation. Additionally, on the last day of the Fair, February 26, 2006, the daily vault reconciliation reported a deposit of \$100,000 from the change fund and a deposit made of \$174,484 from admission sales. However, the actual deposits made did not agree to the vault reconciliation.

- Per our review of the daily vault reconciliation dated February 26, 2006, we calculated an unrecognized cash difference of \$5,000. In addition, there was a recognized net cash shortage of \$321. In both instances it was not evident that management was aware or reviewed the cash discrepancies.
- Daily vault reconciliations were generally performed with two vault tellers present to ensure that cash was properly accounted for and to reduce the risk of misappropriation. Both vault tellers signed the daily vault reconciliation verifying the amount of cash deposited and the amount of cash left in the vault. On February 20, 2006, the daily vault reconciliation was not verified by a second vault teller as required.
- Cash receipts collected were not deposited in a timely manner. We calculated approximately 8-17 days from the date of the OCR to the date the deposits were posted.
- There was improper segregation of duties as one staff member was involved in the collection of cash, preparation of deposits, and accounting of cash receipts.

While the cash shortages were minimal in relation to the amount of cash processed during the Fair, there is a significant risk that errors could occur and go unidentified or that inappropriate cash transactions were made.

Recommendation 1.1 Develop and implement written departmental policies and procedures over the cash handling processes to ensure effective controls are in place. Include supervision and review of each set of tasks (i.e. collection, recording, reconciliations, and preparation of deposits).

Recommendation 1.2 Ensure there is appropriate segregation of duties between the handling and record keeping of cash.

Management's Reply Management concurs with your position concerning your recommendation that departmental policies and procedures are needed

for cash handling processes to ensure that effective controls are in place and that a segregation of duties between the handling and record keeping of cash is necessary to avoid misuse of funds.

However, we do not concur with the first paragraph listed under Finding 1. It states that the change fund and deposit amounts of \$100,000 and \$174,484 respectively reported on the daily vault reconciliation did not agree with the actual cash deposits. The EDA has reconciled records to substantiate that the amount deposited indeed matched the amount stated on the vault reconciliation. The agency has several receipts from various revenue sources that make up the change fund and deposit. However, it appears that the Auditor only reviewed one Treasurer Cash Receipt (TCR) which accounted for this discrepancy.

In reference to the other findings addressed, the following actions have been taken:

- In reference to the vault reconciliation form used to reconcile vault cash, adjustments were made to the beginning and ending cash balance due to change fund increases and decreases. The current form used did not have a separate line item to identify these adjustments. Staff has revised the form to include two lines, one for change fund increases and one for change fund decreases. This way, adjustments will be identified on the appropriate line, and the beginning and ending cash balance will represent the correct amounts. (See Attachment A)
- In reference to the overage/shortage discrepancies identified, the vault reconciliation report has a line item that lists the amount of overages/shortages; however, there is no indication that management has reviewed the report. To remedy this, staff will add a line at the bottom of the report for a manager's signature acknowledging that the report has been reviewed in its entirety. (See Attachment A)
- In reference to cash receipts not deposited in a timely manner, staff have been instructed to deposit all cash receipts within a 24-hour period per county procedures.
- In reference to improper segregation of duties, the fiscal department has hired an Accountant I to work in the Fair division at the Riverside office. In addition, recruitment is underway to hire another staff person to work in the fiscal department at the fairgrounds in Indio on a permanent basis. The addition of these new positions will greatly assist the department in adhering to the segregation of duties requirement.

Purchasing Process

Results

The County Board of Supervisors authorized the Fair and National Date Festival to enter into sole-source entertainment and exhibition contracts for an amount not to exceed the entertainment and exhibition budgets approved by the Board; however, no single contract shall exceed \$50,000. Sole-source service agreements were entered and executed by Fair management and payments for these services were approved by Fair management. Payment requests are submitted to EDA's fiscal on the Contracts and Services Payment Authorization Form. The payment authorization form requires two signatures one from Fair management and the other from fiscal personnel. Other expenditures for Fair operations were processed by fiscal or EDA's Buyer II.

Our audit of the purchasing process included a random sample of expenditures excluding salaries and benefits, and capital assets for the period of July 2003 through February 2006. Furthermore, we selected all purchases over \$50,000 during the period for testing. Additionally, we tested P-Card statements for January and February 2006 for five cardholders.

Finding 2

Our audit testing found payment of invoices without the required approvals. The payment authorization form requires two signatures for payment of invoices to control the risks of unneeded or unauthorized purchases. In addition, it was not evident that goods and/or services were received prior to payment of invoices. For instance, there was an invoice for \$56,420 which was paid for temporary hired labor without the required approvals (second signature), and there was no documentary evidence that the service was provided.

Recommendation 2

Ensure that approvals from appropriate employees are obtained and verify receipt of goods or services prior to payment of the invoices.

Management's Reply

Management concurs with your position concerning your recommendation that all invoices have appropriate approvals and back-up documentation.

- On-site training was conducted on June 20, 2006, with EDA managers and supervisors to review appropriate approval levels required on the Contracts and Services Payment Authorization Form and other applicable forms.

Finding 3

P-Card transactions were not adequately reviewed to ensure transactions were appropriate, authorized and consistent with county purchasing policies.

- There were P-Card monthly statements that did not include the original receipts.
- We found incomplete Monthly Procurement Card Purchase Reports which did not account for all purchases made on the statement of account or did not provide the description or purpose of the purchase.
- P-Card statements also were not reviewed and approved by an approving official to verify the appropriateness of the transactions before payment.

An example of the impact resulting from a lack of adequate approval of purchase requests and review of transactions prior to payment was the apparent circumvention of county purchasing policies. Three transactions by the same cardholder, each in the amount of \$999.99 and one in the amount of \$90.98 were all made on February 6, 2006, to the same vendor. If all four transactions were made as a single purchase for a total of \$3,090.95 it would have exceeded the cardholder's purchasing limit of \$2,500.

Recommendation 3.1 Require cardholders to comply with county purchasing policies when using the P-Card as the mode of payment.

Recommendation 3.2 Ensure cardholders and approving officials are aware of and comply with the county's P-Card procedures. Hold approving officials accountable for the review and approval of P-Card purchases prior to processing payment.

Management's Reply Management concurs with your position concerning your recommendation that all procurement cardholders must comply with county purchasing policies and procedures when using procurement cards as a method of payment.

The following actions have been taken:

- Fiscal management has revamped internal policies and procedures related to procurement card use and has revised the approval forms used to secure services and/or purchase of items. (See Attachment B)
- On-site training was conducted on June 20, 2006 to review the revised policies and procedures with managers and supervisors.
- An email was disseminated to all EDA employees on June 22, 2006 informing them of the procurement card procedural changes.
- Fiscal staff has been instructed to return all procurement card packets to the originator that are not in compliance with procedures.

Concessions Process

Results

Two types of concession vendors operate at the Fair each year, Commercial and Food/Beverage. Commercial vendors are charged a flat rate based on the square footage of space utilized. Food/Beverage vendors are charged a percentage of gross sales (less the sales tax). All Food/Beverage vendors must have cash registers recorded with the Concessions Office. The Concessions Office assigns a number and affixes a label with that number to each register. They also document the Z reading for each register. Each day the Food/Beverage vendors send their cash register tapes to the Concessions Office. The concession office verifies the Z reading on the tape to the Z reading noted with the vendor's assigned register number and records the daily sales. At the end of the Fair the Concessions Office prepares a Concession Settlement Statement which shows the daily sales for each day of the Fair and calculates the balance due to the Fair.

Prior to the start of the Fair all vendors complete an application requesting space to sell goods or services. If the vendor meets all the requirements of the application, the County Fair and National Date Festival may enter into an agreement with the vendor.

We selected a sample of the Commercial and Food/Beverage vendors to determine if applications were complete and if terms and requirements of the agreements were met including verification of the general liability insurance coverage with limits not less than \$1,000,000. We also observed cash registers utilized by the Food/Beverage vendors to ensure that sales were recorded on registers and that registers used by the vendors were the ones approved for use at the Fair, indicated by an assigned number label affixed to the register.

Finding 4

Forty-seven percent, thirty-three of the seventy commercial and Food/Beverage vendors audited did not have the certificate of liability insurance on file or the certificate was expired. The vendor's rules and regulations handbook states that certificates must be on file prior to the vendor checking in. Without evidence of proper coverage the County Fair and National Date Festival increases the risk of liability in the event of injury to a Fair patron.

Recommendation 4

Verify that the certificate of liability insurance is on file and is valid for the duration of the Fair prior to permitting the vendor to check in as stated in the vendor's rules and regulations handbook.

Management's Reply

Management does concur with the finding that the liability insurance certificates could not be located for several of the food/beverage vendors.

The Riverside County Fair and National Date Festival (RCFNDF) Concessions Office requires that all commercial and concession vendors provide a valid certificate of liability insurance. Vendors must provide to Concessions Office proof of insurance by specified due date. Concessions Office staff verifies that all vendors have a valid certificate of insurance on file.

Most vendors are registered with the California Fair Services Authority (CFSA) insurance provider and are issued a number on their master list. Vendors must notify and provide concessions staff with their number on the master list. Vendors on the CFSA master list can be listed under a different business name. For example, International Leather, Co. is the name of one of our participating commercial vendors. International Leather Co. is listed on the CFSA master list as Mexico International, International Leather Co. It is possible that at the time of audit, the RCFNDF Concessions Office had not yet received an updated copy of the CFSA master list. As a result of not having the updated CFSA master list at the time of audit, auditors found that certain vendors' insurance certificates were either missing or expired. RCFNDF Concessions Office staff files all insurance certificates in a binder in alphabetical order. It is possible that insurance certificates for vendors with a DBA (doing business as) name were filed under the DBA name and as a result, were reported as missing by the auditors.

Vendors who do not have insurance may purchase temporary liability insurance from CFSA through the Concessions Office. Concessions staff will collect payment, complete a CFSA Special Events Coverage Receipt form and mail payment with receipt to CFSA. Once payment is received by Concessions Office, CFSA will then consider vendors as insured.

In order to simplify the vendor insurance verification process, staff will do the following:

- Upon submittal of Date Festival vendor application, vendor must include on application, other business name(s) listed on certificate of liability insurance.
- Request CFSA master list number from CFSA insured vendors and verify with CFSA staff that insurance certificate is valid.
- Concessions staff will reiterate in all correspondence and literature including vendor application, service contract, and Vendor Rules and Regulations Handbook that proof of liability insurance must be received by Concessions Office on or before the specified date.

Finding 5

Seven Food/Beverage vendors were using cash registers that either did not have a register number assigned by the Fair or that the number label appeared to be coming off or had been tampered with. The vendor's rules and regulations handbook states that all cash registers

must be registered with the Concessions Office and assigned a register number prior to the Fair.

We could not verify if the registers in question were in fact the registers reviewed and numbered by the Concessions Office prior to their use at the Fair because a unique identification like the serial number was not used to identify the registers. The Concessions Office only recorded the Z Reading which is obtained by printing a sales tape.

The possibility existed and internal controls were not in place to prevent vendors from substituting another cash register in place of one for which a Z reading was captured. If this occurred, the sales from this register could then be held by the vendor without reporting to the Concessions Office, resulting in loss revenue for the Fair.

Recommendation 5 Use the cash register serial number as the means of identification. The Concessions Office number can still be assigned, but it should be associated with a serial number.

Management's Reply Management does concur with your position concerning your recommendation that the cash register serial number should be used as the means of identification.

Concessions staff will request in all correspondence and literature including vendor application, vendor welcome letter and Vendor Rules and Regulations Handbook, the actual serial number for each cash register including back-up registers at time of cash register reading. Concessions staff will verify each cash register serial number and record number on Cash Register Reading Check List form. All Cash Register Reading Check List Forms will be filed in a binder in alphabetical order. This form will include the following:

- Vendor Business Name
- Assigned Booth Location
- Number of Cash Registers (including back-up registers)
- Cash Register Serial Numbers
- X and Z Cash Register Reading
- Concessions Office Assigned Register Number (corresponding to verified cash register serial number)
- Name of concessions staff conducting Cash Register Reading

Carnival Rides Process

Results

Carnival rides are owned and operated by Butler Amusements (Butler). The County Fair and National Date Festival entered into a contract with Butler for guaranteed minimum revenue of \$300,000 or 40% of total carnival rides ticket sales. Butler supplied all the carnival ride tickets which are sold by Butler employees during the Fair. Prior to the start of the Fair, an inventory of carnival ride tickets was provided to the Fair's ticket office. The carnival ride tickets come in the form of rolls, strips, and sheets and are sold in one dollar, twenty dollar, and fifty dollar denominations. Each day during the Fair, Butler submitted a daily sales report to the Fair's ticket office which provided the number of carnival ride tickets sold by each Butler employee. The daily sales report contained the beginning and ending ticket numbers issued to Butler employees and calculated the total tickets sold for that day. At the end of the Fair, the ticket office and Butler each prepared a separate final summary of total carnival ride tickets sold, to determine the amount due to the Fair. Our audit testing included a review of the daily sales reports prepared by Butler and the final summary calculations prepared by the ticket office and Butler.

Finding 6

The Fair ticket office did not have sufficient control over carnival ride tickets to assure the accuracy of ticket sales reported. We reviewed the daily sales reports prepared by Butler to determine if tickets issued to ticket sellers were in sequential number order and sold accordingly. We found ticket numbers that were not included in the daily sales report in the amount of \$7,943 for a total of \$3,177 ($\$7,943 \times 40\%$) in lost revenues for the Fair. There was also a difference of \$4,982 between the ticket office final carnival ride ticket summary and Butler's final summary. However, the difference was not reconciled and therefore the Fair paid the amount calculated by the ticket office.

While the identified loss is not significant, the potential could be. Because Butler owns the tickets and controls the sales of these tickets, the potential exist for the sale of tickets not included in the inventory presented to the ticket office.

Recommendation 6

The County Fair and National Date Festival should acquire its own carnival ride tickets. These tickets should be issued to the ride operator for sale, and receipts should be reconciled with ticket issues to determine sales revenue.

Management's Reply

Management does concur with your position concerning your recommendation that the EDA should acquire its own carnival ride tickets and should issue tickets to the ride operators and reconcile tickets issued to revenue sales receipts. However, the EDA is of the opinion that by issuing tickets to the ride operators and not having

Butler Amusement provide them still would not prevent the sale of carnival ride tickets not listed on the inventory list from being sold but would serve as a deterrent.

The EDA currently orders wristbands for carnival rides only, and Butler Amusement is responsible for ordering and issuing carnival ride tickets. The EDA plans to order carnival ride tickets as recommended and distribute them to the ride operators for the Fiscal Year 2006-2007 Fair. Further, an audit will be implemented as procedure whereby fiscal staff will randomly audit the ticket inventory issued to ride operators on a daily basis to ensure that the tickets issued are indeed the tickets actually being sold. We believe this action will also serve as a deterrent to prevent unauthorized ticket sales from occurring.



MEMORANDUM

RIVERSIDE COUNTY
AUDITOR-CONTROLLER

06 JUL 11 PM 3:10

July 10, 2006

TO: Auditor-Controller
Audits and Specialized Accounting Division

FROM: Jerry Craig, Managing Director
Economic Development Agency

SUBJECT: **Reply to Fair Draft Audit Report dated June 9, 2006**

Recommendation Number 1.1 & 1.2

Management concurs with your position concerning your recommendation that departmental policies and procedures are needed for cash handling processes to ensure that effective controls are in place and that a segregation of duties between the handling and record keeping of cash is necessary to avoid misuse of funds.

However, we do not concur with the first paragraph listed under Finding 1. It states that the change fund and deposit amounts of \$100,000 and \$174,484 respectively reported on the daily vault reconciliation did not agree with the actual cash deposits. The EDA has reconciled records to substantiate that the amount deposited indeed matched the amount stated on the vault reconciliation. The agency has several receipts from various revenue sources that make up the change fund and deposit. However, it appears that the Auditor only reviewed one Treasurer Cash Receipt (TCR) which accounted for this discrepancy.

In reference to the other findings addressed, the following actions have been taken:

- In reference to the vault reconciliation form used to reconcile vault cash, adjustments were made to the beginning and ending cash balance due to change fund increases and decreases. The current form used did not have a separate line item to identify these adjustments. Staff has revised the form to include two lines, one for change fund increases and one for change fund decreases. This way, adjustments will be identified on the appropriate line, and the beginning and ending cash balance will represent the correct amounts. (See Attachment A)
- In reference to the overage/shortage discrepancies identified, the vault reconciliation report has a line item that lists the amount of overages/shortages; however, there is no indication that management has reviewed the report. To remedy this, staff will add a line at the bottom of the report for a manager's signature acknowledging that the report has been reviewed in its entirety. (See Attachment A)

Economic &
Community
Development



Housing



Housing
Authority



Redevelopment
Agency



County Service
Areas



Workforce
Development



Edward-Dean
Museum
& Gardens



Aviation



County Fair &
National Date
Festival

- In reference to cash receipts not deposited in a timely manner, staff have been instructed to deposit all cash receipts within a 24-hour period per county procedures.
- In reference to improper segregation of duties, the fiscal department has hired an Accountant I to work in the Fair division at the Riverside office. In addition, recruitment is underway to hire another staff person to work in the fiscal department at the fairgrounds in Indio on a permanent basis. The addition of these new positions will greatly assist the department in adhering to the segregation of duties requirement.

Recommendation Number 2

Management concurs with your position concerning your recommendation that all invoices have appropriate approvals and back-up documentation.

- On-site training was conducted on June 20, 2006, with EDA managers and supervisors to review appropriate approval levels required on the Contracts and Services Payment Authorization Form and other applicable forms.

Recommendation Number 3

Management concurs with your position concerning your recommendation that all procurement cardholders must comply with county purchasing policies and procedures when using procurement cards as a method of payment.

The following actions have been taken:

- Fiscal management has revamped internal policies and procedures related to procurement card use and has revised the approval forms used to secure services and/or purchase of items. (See Attachment B)
- On-site training was conducted on June 20, 2006 to review the revised policies and procedures with managers and supervisors.
- An email was disseminated to all EDA employees on June 22, 2006 informing them of the procurement card procedural changes.
- Fiscal staff has been instructed to return all procurement card packets to the originator that are not in compliance with procedures.

Recommendation Number 4

Management does concur with the finding that the liability insurance certificates could not be located for several of the food/beverage vendors.

The Riverside County Fair & National Date Festival (RCFNDF) Concessions office requires that all Commercial and Concession vendors provide a valid certificate of liability insurance. Vendors must provide to Concessions office proof of insurance by specified due date. Concessions office staff verifies that all vendors have a valid certificate of insurance on file.

Most vendors are registered with the California Fair Services Authority (CFSA) insurance provider and are issued a number on their master list. Vendors must notify and provide Concessions staff with their number on the master list. Vendors on the CFSA master list can be listed under a different business name. For example, International Leather, Co. is the name of one of our participating commercial vendors. International Leather Co. is listed on the CFSA master list as Mexico International, International Leather Co. It is possible that at the time of audit, the RCFNDF Concessions office had not yet received an updated copy of the CFSA master list. As a result of not having the updated CFSA master list at the time of audit, auditors found that certain vendors' insurance certificates were either missing or expired. RCFNDF Concessions office staff files all insurance certificates in a binder in alphabetical order. It is possible that insurance certificates for vendors with a DBA (doing business as) name were filed under the DBA name and as a result, were reported as missing by the auditors.

Vendors who do not have insurance may purchase temporary liability insurance from CFSA through the Concessions office. Concessions staff will collect payment, complete a CFSA Special Events Coverage Receipt form and mail payment with receipt to CFSA. Once payment is received by Concessions office, CFSA will then consider vendors as insured.

In order to simplify the vendor insurance verification process, staff will do the following:

- Upon submittal of Date Festival vendor application, vendor must include on application, other business name(s) listed on certificate of liability insurance.
- Request CFSA master list number from CFSA insured vendors and verify with CFSA staff that insurance certificate is valid.
- Concessions staff will reiterate in all correspondence and literature including vendor application, service contract, and Vendor Rules and Regulations Handbook that proof of liability insurance must be received by Concessions office on or before the specified date.

Recommendation Number 5

Management does concur with your position concerning your recommendation that

the cash register serial number should be used as the means of identification.

Concessions staff will request in all correspondence and literature including vendor application, vendor welcome letter and Vendor Rules and Regulations Handbook, the actual serial number for each cash register including back-up registers at time of cash register reading. Concessions staff will verify each cash register serial number and record number on Cash Register Reading Check List form. All Cash Register Reading Check List Forms will be filed in a binder in alphabetical order. This form will include the following:

- Vendor Business Name
- Assigned Booth Location
- Number of Cash Registers (including back-up registers)
- Cash Register Serial Numbers
- X and Z Cash Register Reading
- Concessions Office Assigned Register Number (corresponding to verified cash register serial number)
- Name of Concessions Staff conducting Cash Register Reading

Recommendation Number 6

Management does concur with your position concerning your recommendation that the EDA should acquire its own carnival ride tickets and should issue tickets to the ride operators and reconcile tickets issued to revenue sales receipts. However, the EDA is of the opinion that by issuing tickets to the ride operators and not having Butler Amusement provide them still would not prevent the sale of carnival ride tickets not listed on the inventory list from being sold but would serve as a deterrent.

The EDA currently orders wristbands for carnival rides only, and Butler Amusement is responsible for ordering and issuing carnival ride tickets. The EDA plans to order carnival ride tickets as recommended and distribute them to the ride operators for the Fiscal Year 2006-2007 Fair. Further, an audit will be implemented as procedure whereby fiscal staff will randomly audit the ticket inventory issued to ride operators on a daily basis to ensure that the tickets issued are indeed the tickets actually being sold. We believe this action will also serve as a deterrent to prevent unauthorized ticket sales from occurring.

JC:db

Attachment A

**Riverside County Fair and National Date Festival
Daily Vault Reconciliation
Thursday, July 06, 2006**

Beginning Change Fund Balance	0.00	
Change Fund Increase	0.00	
Armor Bank Overage/Shortage	0.00	
Misc Item(s)/Description		
Item #1 _____	0.00	
Item #2 _____	0.00	
Item #3 _____	0.00	
Item #4 _____	0.00	
Beginning Vault Balance		<u>0.00</u>
Sales:		
Admission Sales	0.00	
Admission Sales Over/(Short)	0.00	
Adjusted Admission Sales	0.00	
Total Adjusted Vault Balance		<u>0.00</u>
Adjustments/Deposits:		
Change Fund Decrease	0.00	
Deposit to Bank #1	0.00	
Deposit to Bank #2	0.00	
Deposit to Bank #3	0.00	
Deposit to Bank #4	0.00	
Adjustments/Deposits Grand Total		<u>0.00</u>
Ending Vault Balance		<u><u>0.00</u></u>

Vault Teller Signature

Vault Supervisor Signature

Manager's Signature

Attachment B

EDA PROCUREMENT CARD PROCEDURES

The purpose of the procurement card is to improve the way the County does business and promote vendor acceptance and operational efficiency. The objective is to streamline small dollar purchases, eliminate requisitions and purchase orders, and require only one payment to the bank instead of individual payments to a large number of vendors. It is not intended to and will not be used to circumvent any County or Purchasing procurement procedures and policies.

The cardholder is the only person authorized to use the card and this card must not be used for personal purchases.

Following are the procedures to help facilitate our payment process.

Statements are sent to each cardholder on or about the 22nd of each month.

The following reports are received from U.S. Bank:

Statement of Account (SOA) –Actual Statement received by each cardholder.

Report R090 is received by the Approving Official (cardholder's supervisor). The report lists the name of the cardholders and an itemization of charges incurred for the month.

Report R060 is received by the Billing Official and is used to reconcile against the statements received from each cardholder.

Cardholder's Responsibilities:

Each cardholder is required to submit a completed package monthly which includes the following forms:

1. Procurement Card Payment Package Cover Sheet (PC-009, Attachment S)
2. Monthly Procurement Card Purchase Report (PC-004, Attachment M) or Procurement Card Payment Package (PC-021, Attachment M)
3. Statement of Account (SOA)
4. Procurement Card Receipt (PC-005, Attachment O)
5. Cardholder Statement of Question Items (PC-006, Attachment N), (if applicable).
6. Report R090 is a line by line itemization of cardholder's charges. This form must be signed by the Approving Official (cardholder's supervisor) and submitted with the packet.

All packets must be accompanied with backup documentation and must be approved by the Approving Official (cardholder's supervisor). All packets are due to the Fiscal Department by the 10th of the month. Failure to do so may result in card suspension.

Requirements for completion of above forms:

(PC-009) – Cardholder must complete the checklist. Approving Official (cardholder's supervisor) is required to sign and date the form (Attachment S).

(PC-021 or PC-004) – The cardholder is responsible for completing each column of this form with a date, vendor name, receipt /invoice number, item description, purpose, expense/acct. number (when

applicable), reconciled/disputed columns; and is required to sign and date the form. The Approving Official (cardholder's supervisor) will sign and date the right side of the form. *Exception: In lieu of completing the Blue or Pink forms as required for each purchase, the Fair and Aviation divisions and Directors are required to complete each column to include the Expense/Account No. column on the PC-021 or PC-004 form with the appropriate division to be charged. If unknown, please supply the name of the individuals to which the charge applies. All purchases are recapped on this form and approved by the Approving Official (cardholder's supervisor) in block form. (Attachment M)*

(SOA) – Statement of Account itemizing each charge. This form must be signed and dated by the cardholder.

(PC-005) – The cardholder is required to attach each receipt to this form via tape (one receipt per form). **All purchases** must be accompanied by a Contracts & Services Payment Authorization (pink form) or General Supply & Equipment Requisition Form (blue form) signed by a Principal or above (pink form) and a Deputy or above (blue form), with the exception of the Fair and Aviation divisions and Directors (see PC-004 Exception). If traveling outside of the County, a signed Travel Authorization form (TAF) is required. If multiple expenses exist for the same travel, a separate TAF must be attached to each expense (if submitted separately).

Special Note: The P-Card process does not preclude cardholders from adhering to County procurement procedures. For example, for purchases in excess of \$1,000, appropriate bids are required (see purchasing guidelines). Cardholders are not required to submit bids to the Fiscal Department. However, in case of an audit, bids may be required to show proof that procedures were followed (Attachment O).

(PC-006) – The cardholder is responsible for completing this form, if there are questionable or missing items that appear on the statements. This form must be faxed to the number that appears on the bottom of the form. One copy should be retained in the cardholder's file, and a copy must be included in the completed packet. It is the responsibility of the cardholder to follow-up on any disputed charge. Time is of the essence. The cardholder has sixty (60) days to dispute a charge. Thereafter, his/her rights are forfeited (Attachment N).

Fiscal Responsibilities:

Upon receipt of completed packages, the following steps are to be taken:

1. Update Excel worksheet located at: F:\Shared\Account\Admin.... This is a 2-part Worksheet: Worksheet 1 –is a detail list of each cardholder's expenses; Worksheet 2 –is a copied version of worksheet 1, and it is sorted by business unit, fund and account. All worksheets are reviewed and reconciled by the Billing Official.
2. Worksheet 1 is forwarded to the division coders for coding along with all applicable backup. The division coders will code the fund, department ID and account number on the statements where indicated and return the statements to the Billing Official within **2 days**.

The following staff are designated coders for each division.

Departmental Coders:

Yolanda Gordon	WDC
Mary Gologosky	CSA
Mary Wilson	Airports
Niloufar Alian	Fair & Museum
Marsha Dunlap	RDA
Rebecca Gallo	Administration

3. Upon completion, the division coders will forward the worksheet to the Billing Official to update Worksheet 2 with the fund and account numbers provided. Worksheet 2 is then forwarded to each division coder for data entry into OASIS as an overnight rush.
4. Each departmental approver will approve the vouchers and return the data to the designated data entry operator to make copies. The division coders will notify the Billing Official that all entries have been entered into OASIS and approved. (1 day)
5. The Billing Official completes the Procurement Card Payment Package Cover Sheet (PC-010) listing the voucher information in the upper right hand corner. This completes the compilation of the packets. Each packet is copied and retained in Fiscal files for two years as required, and the original is forwarded to the Auditor Controller's Office to the attention of Procurement Card Auditor, Balinda McNett, for review and approval. (Attachment T)

The completed package is due to the Auditor Controller's Office *no later than the 15th of the month* following the billing period (on or about the 22nd of the previous month).

Billing Official Notes:

If you have not received a cardholder's paperwork by the 10th working day of the month, send a reminder via e-mail to each cardholder and their immediate supervisor. If your reminder does not get a response, notify the Procurement Card Liaison (Becky Gallo) immediately.

The bank can impose a department suspension of all privileges if the lateness goes beyond sixty (60) days after the billing period (on or about the 22nd of the month).

<u>Cardholder's Name</u>	<u>Billing Official*</u>	<u>Approving Official</u>
Robin Zimpfer	Jo Harris	Jerry Craig
Sandi Jesser	Jo Harris	Jerry Craig
Daryl Shippy	Jo Harris	Colby Cataldi
Kevin Dunlap	Jo Harris	Tina English
Tom Turner	Jo Harris	Colby Cataldi
Gail Surowiec	Jo Harris	Tina English
Anita Rhodes	Jo Harris	Robin Zimpfer
Colby Cataldi	Jo Harris	Deanna Lorson
Jerry Craig	Jo Harris	Robin Zimpfer
Deanna Lorson	Jo Harris	Jerry Craig
Annie Luciano	Jo Harris	Sarah Mundy

*In the absence of Jo Harris, there are two back-up Billing Officials, Mary Golgosky and Becky Gallo.