



OFFICE OF THE  
COUNTY AUDITOR-CONTROLLER

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



COUNTY OF RIVERSIDE  
AUDITOR-CONTROLLER  
Robert E. Byrd, CGFM  
AUDITOR-CONTROLLER  
Bruce Kincaid, CPA  
ASSISTANT  
AUDITOR-CONTROLLER

May 8, 2007

Robin Zimpfer  
Assistant County Executive Officer/ EDA  
Economic Development Agency  
1325 Spruce Street  
Riverside, CA 92507

Subject: Internal Auditor's Report # 2007-305 – Economic Development Agency

Dear Ms. Zimpfer:

We have completed a Follow-up Audit of the Economic Development Agency. Our audit was limited to reviewing actions taken, as of March 21, 2007, to implement the recommendations made in our original audit reports - #2006-006 dated May 24, 2006 - Economic Development Agency and #2006-012 dated July 18, 2006 - Riverside County Fair and National Date Festival.

We conducted our audit in accordance with 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.

The original audit reports contained eight recommendations, one of which was corrected and reported in our original report. The remaining seven recommendations required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Auditor's Reports #2006-006 and #2006-012.

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

- Six recommendations were fully implemented.
- One recommendation was not implemented.

The recommendation that was not implemented, which pertains to the Riverside County Fair and National Date Festival, will be reviewed in another Follow-up Audit during the 2008 County Fair.

Details of the current status of the findings and recommendations identified in the original audits are provided in the body of our report.

## INTERNAL AUDITOR'S REPORT #2006-006

**Finding 1:** Capital assets were disposed without adequate documentation supporting the disposal. Specifically, 30 Kiosk Multimedia Systems, with a current book value of \$80,334.94 as of February 28, 2006, were disposed on October 21, 2004. The department submitted SPM Form AM-7 Capital Asset Disposal to the Auditor-Controller's Office (ACO) on May 6, 2005, identifying the disposal. However, there was a discrepancy between the assets listed on the AM-7 Form and that of the supporting documentation.

**Recommendation 1:** Request a discharge of accountability for missing assets, in accordance with SPM III-E-2-1.1.

**Current Status 1: Fully implemented.** The appropriate documentation was subsequently submitted to the Auditor-Controller and the assets were removed from the Asset Management Module.

## INTERNAL AUDITOR'S REPORT #2006-012

### CASH HANDLING PROCESS

**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.

**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.

**Current Status 1.1 & 1.2: Fully Implemented.** New procedures were put in place in accordance with our audit recommendations. Based upon our review of the vault activity for February 16 and 17, 2007, and observations during our visit on February 20, 2007, we found that the cash receipt and recordkeeping functions were separately handled by the Vault Tellers and the Fiscal Administrative staff, respectively. The daily Ticket Sellers' cash and ticket accountabilities were properly established by the Vault Teller and reviewed by the Vault Supervisor and Fiscal management. Likewise, the daily Vault cash balance was established, reconciled, and reviewed by Fiscal management. Daily cash receipts were picked up by Brinks Security the following day for delivery to the Bank.

### PURCHASING PROCESS

**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 purchase. 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 are obtained from appropriate employees and verify receipt of goods or services prior to payment of the invoices.

**Current Status 2: Fully Implemented.** We reviewed all 15 invoices greater than \$25,000. These invoices totaled \$757,212 and covered 43 percent of the payments made for the period August 1, 2006 to March 15, 2007. We found that the receipt of the goods and/or services was documented and that payments were properly authorized.

**Finding 3:** County Purchase Card (P-Card) transactions were not adequately reviewed to ensure transactions were appropriate, authorized and consistent with county purchasing policies.

**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.

**Current Status 3.1 & 3.2: Fully Implemented.** We verified 15 card transactions totaling \$2,843 which covered 31 percent of the County Fair expenditures from the November 20, 2006 to January 22, 2007 P-Card Account Statements. We found that these P-Card expenditures were made and authorized in accordance with County policy and EDA procurement card procedures.

### **CONCESSIONS PROCESS**

**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 County Fair patron.

**Recommendation 4:** Verify that the certificate of liability insurance is on file and is valid for the duration of the County Fair prior to permitting the vendor to check in, as stated in the vendor's rules and regulations handbook.

**Current Status 4: Fully Implemented.** We verified that all the commercial and food/beverage vendors during the 2007 County Fair had valid certificates of liability insurance.

**Finding 5:** Seven Food/Beverage vendors were using cash registers that either did not have a register number assigned by the County 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 County 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.

**Current Status 5: Fully Implemented.** Our review of the procedures for recording vendor cash registers and physical inspection of all cash registers used by food/beverage vendors during our visit on February 20, 2007, indicated that serial numbers were recorded for all cash registers issued tags and that only registered machines were being used. A better tagging material should be considered since the ones being used did not adhere well to the equipment and some tags easily came unglued.

### **CARNIVAL RIDES PROCESS**

**Finding 6:** The County Fair ticket office did not have sufficient control over carnival ride tickets to assure the accuracy of ticket sales reported.

**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.

**Current Status 6: Not Implemented.** County Fair management did not acquire or issue their own carnival ride tickets to the operator of the 2007 Fair.

**Management Response: Concur.**

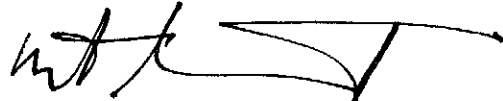
*In fact, EDA included in the terms of the current carnival contract, approved on Agenda item 3.17 dated January 9, 2007, that all carnival rides tickets and wristbands will be provided by EDA, and these tickets and wristbands will be reconciled prior to the opening of Fair and upon the closing of the Fair. EDA was not able to implement the carnival ride ticket recommendations for the 2007 Fair due to a lack of time available to order the appropriate tickets and a turnover in Fair Fiscal staff. To ensure all tickets are received prior to the Fair and to allow enough time to proof, correct, and inventory all tickets, ticket orders are usually placed in September. Due to a requirement for a new ticket provider contract, which included a Request for Proposal, bids and an award, the 2007 Fair ticket order was delayed until November. In addition, the Fiscal Fair Supervisor resigned in late October, which resulted in a decision by the Fiscal Deputy Director to delay the changes to the carnival ticket process. The new Fiscal Fair Supervisor was already engaged with learning current Fair procedures and processes, as well as managing and implementing the other Audit Recommendations from this same report.*

*It is the intent of EDA Fair Management to both provide the 2008 Fair carnival tickets to the ride operators, as well as implement random auditing of the ticket inventory issued to the ride operators during Fair to ensure that the tickets actually being sold are included in the list of tickets issued. Over the next few months, EDA Fair staff will be researching the most suitable carnival tickets that will both meet the needs of the carnival provider and patrons, as well as help control and deter inappropriate ticket sales by the ride operators.*

*While EDA Management is of the opinion that issuing tickets to the ride operators will not fully prevent or control the sale of carnival ride tickets not issued on the inventory list, EDA does agree these actions will serve as a strong deterrent to prevent unauthorized ticket sales from occurring.*

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

ROBERT E. BYRD, CGFM  
Auditor-Controller

A handwritten signature in black ink, appearing to read 'Michael G. Alexander', written over a horizontal line.

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

cc: Board of Supervisors  
County Counsel  
Executive Office  
Grand Jury



RIVERSIDE COUNTY  
**Economic Development Agency**

April 18, 2007

Robert E. Byrd, CGFM  
Auditor-Controller  
Office of the Auditor-Controller  
4080 Lemon Street, 11<sup>th</sup> Floor  
Riverside, CA 92502-1326

**Subject: Response to Recommendation 6-Internal Auditor's Report #2007-305 – Economic Development Agency/Riverside County Fair and National Date Festival Follow Up**

Dear Mr. Byrd:

In regards to your Audit Recommendation 6 concerning the carnival ride process, the Economic Development Agency (EDA) management concurs with your position and recommendation that EDA should acquire its own carnival ride tickets, issue these tickets to the ride operators, and reconcile the tickets issued to the sales receipts to determine revenue.

In fact, EDA included in the terms of the current carnival contract, approved on Agenda item 3.17 dated January 9, 2007, that all carnival ride tickets and wristbands will be provided by EDA, and these tickets and wristbands will be reconciled prior to the opening of Fair and upon the closing of Fair. EDA was not able to implement the carnival ride ticket recommendations for the 2007 Fair due to a lack of time available to order the appropriate tickets and a turnover in Fair Fiscal staff. To ensure all tickets are received prior to the Fair and to allow enough time to proof, correct, and inventory all tickets, ticket orders are usually placed in September. Due to a requirement for a new ticket provider contract, which included a Request for Proposal, bids, and an award, the 2007 Fair ticket order was delayed until November. In addition, the Fiscal Fair Supervisor resigned in late October, which resulted in a decision by the Fiscal Deputy Director to delay the changes to the carnival ticket process. The new Fiscal Fair Supervisor was already engaged with learning current Fair procedures and processes, as well as managing and implementing the other Audit Recommendations from this same report.

ECONOMIC DEVELOPMENT/MARKETING • REDEVELOPMENT • HOUSING • WORKFORCE DEVELOPMENT • HOUSING AUTHORITY • AVIATION • RIVERSIDE COUNTY FAIR & NATIONAL DATE FESTIVAL • EDWARD-DEAN MUSEUM & GARDENS • COMMUNITY SERVICES

82-503 HWY 111 • INDIO CALIFORNIA 92201  
T 760.863.8247 • F 760.863.8973 • WWW.RIVCOEDA.ORG

Robert E. Byrd, CGFM  
April 18, 2007  
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It is the intent of EDA Fair Management to both provide the 2008 Fair carnival tickets to the ride operators, as well as implement random auditing of the ticket inventory issued to the ride operators during Fair to ensure that the tickets actually being sold are included in the list of tickets issued. Over the next few months, EDA Fair staff will be researching the most suitable carnival tickets that will both meet the needs of the carnival provider and patrons, as well as help control and deter inappropriate ticket sales by the ride operators.

While EDA Management is of the opinion that issuing tickets to the ride operators will not fully prevent or control the sale of carnival ride tickets not issued on the inventory list, EDA does agree these actions will serve as a strong deterrent to prevent unauthorized ticket sales from occurring.

Sincerely,



Deanna Lorson  
Interim Managing Director/EDA

dl:mw