FROM: Riverside County Auditor-Controller

SUBJECT: Internal Audit Report 2015-017: Riverside County Agricultural Commissioner's Office [All Districts]: [$0]

RECOMMENDED MOTION: That the Board of Supervisors:
   1. Receive and file Internal Audit Report 2015-017: Riverside County Agricultural Commissioner's Office.

BACKGROUND:

Summary
We have completed an audit of the Riverside County Agricultural Commissioner's Office to provide management and the Board of Supervisors with an independent assessment of internal controls over the weights and measures billing process and records retention management. We conducted the audit from June 8, 2015 through June 30, 2015 for operations for the period July 1, 2012 through May 31, 2015.

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FINANCIAL DATA

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<th>Current Fiscal Year</th>
<th>Next Fiscal Year</th>
<th>Total Cost</th>
<th>Ongoing Cost</th>
<th>POLICY/CONSENT (per Exec. Office)</th>
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SOURCE OF FUNDS: N/A

C.E.O. RECOMMENDATION: APPROVE

By: Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

2-7
BACKGROUND:

Summary (continued)
Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to annual registration fees, timely deposits, and disposition of records. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

We will follow-up to verify that management implemented the corrective actions.

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 Internal Audit Report 2015-017: Riverside County Agricultural Commissioner's Office.
Internal Audit Report 2015-017

RIVERSIDE COUNTY AGRICULTURAL COMMISSIONER'S OFFICE

Report Date:
September 1, 2015

Office of Paul Angulo, CPA, MA
County of Riverside Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800

www.auditorcontroller.org
September 1, 2015

John Snyder, Agricultural Commissioner
Riverside County Agricultural Commissioner’s Office
4080 Lemon Street, Room 19, Basement
Riverside, CA 92502

Subject: Internal Audit Report 2015-017: Riverside County Agricultural Commissioner’s Office

Dear Mr. Snyder:

We have completed an audit of the Riverside County Agricultural Commissioner’s Office to provide management and the Board of Supervisors with an independent assessment of internal controls over the weights and measures billing process and records retention management. We conducted the audit from June 8, 2015 through June 30, 2015 for operations for the period July 1, 2012 through May 31, 2015.

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.

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to annual registration fees, timely deposits, and disposition of records. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported conditions and recommendations contained in our report. Management’s responses are included in the report.
We thank the Riverside County Agricultural Commissioner’s Office management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, CGMA, MA
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
   Executive Office
   District Attorney
   Grand Jury
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Executive Summary

Overview

Riverside County Agricultural Commissioner’s Office (Department) promotes and protects the agricultural industry, the environment, and the public’s health and safety for the County of Riverside. The Department is responsible for four primary programs, which are the Environmental Protection/Pest Management, Consumer Protection/County Ordinances Crop Statistics, Pest Exclusion/Pest Detection/Information Technology/Agricultural Resources, and Weights and Measures. Our audit concentrated on the Weights and Measures and the Department’s records retention management.

Weights and Measures officials inspect and test various types of commercial weighing and measuring devices throughout the county. Devices are tested for accuracy and inspected to determine if they are appropriate for their intended use. Inspectors certify devices by affixing an official seal. Various other non-commercial devices can be inspected by request for a fee.

The quantity control program ensures certified devices perform accurately. The program verifies that businesses request only the correct amount of payment from consumers, checks packages for accuracy of net content statements, and enforces the Federal Fair Packaging and Labeling Act requirements.

Weights and Measures officials perform scanner inspections by randomly selecting a commodity and simulating or processing an actual purchase to determine if consumers are charged correctly. All consumer complaints received by the Weights and Measures are promptly investigated with possible enforcement action taken for violations.

Weights and Measures officials perform packaged commodities inspections by visiting packers, distributors, and retailers to verify the accuracy of the labeled net contents of packaged products. Packaged contents must meet or exceed the quantity stated on the label.

Audit Objective

Our audit objective is to provide management and the Riverside County Board of Supervisors (Board of Supervisors) with an independent assessment of the Department's internal controls over Weights and Measures and records retention management.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to annual registration fees, timely deposits, and disposition of records. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.
Weights and Measures Annual Registration Fees

Background

The Department charges annual registration fees to recover costs for testing or inspecting devices, packers, and point-of-sale systems. The annual registration fees are based on the California Business and Professions Codes and Riverside County Board of Supervisor's ordinances.

California Business and Professions Code Section 12240(a) allows, the Board of Supervisors by ordinance, to charge a device annual registration fee, not to exceed the county’s total cost of actually inspecting or testing devices as required by law. The device annual registration fee consists of a business location fee, Department of Food and Agriculture administration fee, and device fee.

Board of Supervisors Ordinance 620, Providing for Imposition of Charges for Inspection and Testing of Certain Commercial and Non-Commercial Weighing and Measuring Instruments, establishes a schedule of fees for inspecting and testing certain commercial and non-commercial weighing and measuring instruments when the testing can legally be performed by a registered repairman. The fees are based on the recommended schedule of fees published by the State of California, Division of Measurement Standards, which are revised from time to time.

Board of Supervisors Ordinance 599, Imposing Charges for Annual Registration of Weighing and Measuring Devices, allows charging a registration fee to recover costs of inspecting and testing weighing and measuring devices. Fees shall be assessed at the maximum amount authorized in section 12250 of the California Business and Professions Code.

Board of Supervisors Ordinance 832, Imposing Charges for Annual Registration of Packers and Point of Sale Stations, establishes a schedule of fees for inspecting and testing packers and point-of-sale systems.

California Business and Professions Code Section 13350(d) allows, the Board of Supervisors by ordinance, to charge a point-of-sale system inspection fee or annual registration fee, not to exceed the county’s total cost of actually inspecting or testing the accuracy of prices accessed or generated by the system. The Board of Supervisors, by ordinance, may also charge a re-inspection fee for point-of-sale systems that fail the prior inspection, not to exceed the county’s total re-inspection costs.

Board of Supervisor's Policy B-4, Rates Charged for Current Services, states, “All county departments will evaluate existing charges for services and in conjunction with the Riverside County Auditor-Controller (Auditor-Controller) and the Riverside County Executive Officer (Executive Officer) make recommendations to the Board of Supervisors on changes annually during preparation of the budget or more frequently if necessary.” The policy also states, “Charges should recover actual costs of providing services.”
Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances.
- Conducted interviews and performed walk-throughs with office personnel.
- Verified appropriate levels of review and approval.

Finding 1: Annual Registration Fees

The annual registration fees charged by the Department were not evaluated by the Auditor-Controller during preparation of the annual budget. This occurred because the Department did not realize the evaluation was required. The Department based its annual device registration fees on the Board of Supervisors Ordinances 620 and 599; and the California Business and Professions Code Section 12240. In addition, the Department indicated their annual point-of-sales systems and packing annual registration fees were based on an analysis of actual cost and number of businesses supported. Without an Auditor-Controller review of the rate methodology, the Department’s fees were not in compliance with Board of Supervisor Policy B-4, Rates Charge for Current Services.

Recommendation 1

Calculate annual registration fees based on costs incurred to provide related services and submit to the Auditor-Controller’s Office for methodology review.

Management’s Response

"Concur. During the annual preparation of our budget and evaluation of registration costs and fees in conjunction with the Executive Office, we will also submit the results to the Auditor-Controller’s office for methodology review."

Actual/estimated Date of Corrective Action: September 1, 2015

Estimated cost to implement recommendation: $0
Weights and Measures Cash Handling

Background

Cash and checks are received for annual registration of scales, scanners, meters, and gas pumps. The Department uses a schedule of fees from Board of Supervisors Ordinance 620, Providing for Imposition of Charges for Inspection and Testing of Certain Commercial and Non-Commercial Weighing and Measuring Instruments and Ordinance 832, Imposing Charges for Annual Registration of Packers and Point of Sale Stations. Invoices are processed twice a year: July for scanners and January for devices. Permit numbers are used to distinguish scanners from devices. Billing consists of annual registration for established businesses and some new business requests.

Checks come in through the mail or are hand-carried to the office. Checks are immediately restrictively endorsed when received and recorded on a check log with all negotiable instruments. The check log is maintained and reconciled to the amount deposited and recorded in Riverside County Financial System (PeopleSoft).

Cash deposits are secured in locked cabinets with limited access until delivered to the bank or Riverside County Treasurer-Tax Collector (Treasury) by office personnel. In outlying areas, funds are deposited directly into a county consolidated zero balance account. The bank debits the zero balance account for the amount of the deposit and transmits a credit for the amount to the Treasury.

The Auditor-Controller’s Standard Practice Manual 303, Receiving Payments Deposits of Monies and Applying Payments (previously known as subsection 705), indicates “at the close of each business day, monies collected must be reconciled to the receipts issued and then deposited in the Treasurer, or an authorized zero balance account, or secured per an authorized daily deposit exemption. If the business day ends after the deadline for making Treasury deposits, the cash collected must be secured in a locked facility and deposited the next business day.”

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over cash handling.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and ordinances.
- Conducted interviews and performed walk-throughs with office personnel.
Utilized PeopleSoft queries to identify the volume, location, and frequency of cash receipt.

Verified appropriate levels of management review and approval.

Selected samples of deposits to perform detailed testing.

Verified cash is safely guarded.

Finding 2: Timely Deposits

The Department did not deposit checks in a timely manner nor obtain a daily deposit exemption from the Auditor-Controller’s Office. Our review of 161 deposits disclosed 60 (or 37%) cash receipts were not deposited in a timely manner. These late submissions averaged over two business days and resulted from the Department’s shortage of personnel authorized to deliver cash to the Treasury. The Auditor-Controller Standard Practice Manual 303, Receiving Payments, Deposits of Monies, and Applying Payment, requires, cash receipts to be deposited into the Treasury or zero balance account by the close of each business day, unless an authorized daily deposit exemption has been approved. Depositing checks in an untimely manner may result in lost interest and/or lost or stolen checks.

Recommendation 2

Deposit checks and cash on a daily basis or obtain an exemption from daily depositing from the Auditor-Controller’s Office.

Management’s Response

“Concur. The department will continue to make every effort to deposit checks daily throughout the year. However, due to limited staffing, and during times of high volume collections, and per the Auditor-Controller’s recommendation, we are in the process of requesting an authorized daily deposit exemption.”

Actual/estimated Date of Corrective Action: September 1, 2015

Estimated cost to implement recommendation: $0
Records Retention Management

Background

Board of Supervisors Policy A-43, County Records Management and Archives Policy, Section D.5, Records Retention Schedules – Standard – Retention Period, indicates “retention periods on Board approved records retention schedules are mandatory, and records shall be disposed of in accordance with those approved retention periods.” All departments must adhere to the County of Riverside, California General Records Retention Schedule (General Records Retention Schedule) and/or a County of Riverside, California Departmental Records Retention Schedule (Departmental Records Retention Schedule) approved by the Board of Supervisors.

The Department abides by the approved General Records Retention Schedule for disposition of their common countywide records and a Departmental Records Retention Schedule (Schedule DRRS_AGRC_2013_Rev01, approved by Minute Order 3-9, dated 12/10/13) for disposition of programmatic records. General Records Retention Schedule revisions 6 through 8 were effective during the audit period of July 1, 2012 to May 31, 2015.

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over records retention management.

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of office personnel.
- Identified and reviewed laws, codes, and regulations, ordinances, applicable policies, and procedures.
- Obtained and understood policy and procedures regarding records retention management.
- Performed testing to ensure internal controls were adequate over records retention.
- Determined sensitive information is secured with limited access.

Finding 3: Disposition of Records

The Department did not dispose of records in accordance with approved retention periods. We requested all records disposition documentation for the period of July 1, 2012 to May 31, 2015; we received no documentation and were told no records were disposed. According to management, documents were kept for their compliance history. By not destroying documents
in accordance with approved retention periods, the county does not meet the Board of Supervisors’ goals of saving space, money, time and labor with the proper preservation and storage of only necessary records.

Recommendation 3

Compare records inventory to Board of Supervisors approved General Records Retention Schedule and Departmental Records Retention Schedule and identify records for disposal. Prepare and submit a Records Management and Archives Program (RMAP) Form 652, Records Disposition Certificate, or RMAP Form 784, Records Disposition Certificate - County Depts. Shred Only, with the proper approvals for all identified records for disposal. Dispose of records approved for destruction.

Management’s Response

“Concur. The Agricultural Commissioner’s office has instituted a Records Destruction Policy and disseminated the policy to Division Managers for immediate implementation. Once managers have identified records eligible for destruction in accordance with the Board approved General Record Retention Schedule and Department Record Retention Schedule, the Department will submit Form 784 to RMAP seeking final authorization for destruction of records.”

Actual/estimated Date of Corrective Action: September 1, 2015

Estimated cost to implement recommendation: $0