

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

138



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 20, 2013

SUBJECT: Internal Audit Report 2013-012: Economic Development Agency - Edward Dean Museum – Capital Assets and Artifacts Management, Cash Handling, Information Security, Records Retention Management, and Revolving Fund

RECOMMENDED MOTION: Receive and file Internal Audit Report 2013-012: Economic Development Agency - Edward Dean Museum.

BACKGROUND: We have completed an audit of the Economic Development Agency – Edward Dean Museum to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets and artifacts management, cash handling, information security, records retention management, and the revolving fund. The audit covered the period July 1, 2010 through June 30, 2012.

Based upon the results of our audit, we determined the Edward Dean Museum has adequate internal controls over records retention management; however, we have identified opportunities for improvement in the following areas: (1) artifact appraisals and inventories (2) security over artifacts (3) use of mail logs and restrictively endorsing checks upon receipt (4) timeliness of deposits (5) sensitive information management (6) excessive amount of revolving fund.

We will follow-up in one year to determine if actions were taken to correct the findings noted.

Paul Angulo

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:
 APPROVED BY: *Karen L. Johnson*
 Karen L. Johnson
County Executive Office Signature

- Dept' Recomm.: Consent
- Per Exec. Ofc.: Consent
- Policy: Policy

5008 7000 S2 6M 5:00
 RECEIVED BY: [Signature]
 RECEIVED BY: [Signature]

Prev. Agn. Ref.: | **District:** All | **Agenda Number:** 2-10

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD



County of Riverside

INTERNAL AUDIT REPORT

2013-012

Economic Development Agency - Edward Dean Museum
Capital Assets and Artifacts Management, Cash Handling, Information Security, Records
Retention Management and Revolving Fund

June 20, 2013

Office of
Paul Angulo, CPA, MA
County Auditor-Controller

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



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

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**ACC | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA
AUDITOR-CONTROLLER**

June 20, 2013

Mr. Robert Field, Assistant County Executive Officer/EDA
Economic Development Agency
3403 10th Street, Suite 500
Riverside, CA 92501

Subject: Internal Audit Report 2013-012: Economic Development Agency - Edward Dean Museum

Dear Mr. Field:

We have completed an audit of the Economic Development Agency – Edward Dean Museum to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets and artifacts management, cash handling, information security, records retention management, and the revolving fund. The audit covered the period July 1, 2010 through June 30, 2012.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require we plan and perform the audit to obtain sufficient, reliable, relevant, and useful information to provide reasonable assurance 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 operational efficiency, compliance with laws and regulations, reliability of financial information, and to safeguard county assets. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to assess the adequacy of internal controls based upon our audit.

Based upon the results of our audit, we determined the Edward Dean Museum has adequate internal controls over records retention management; however, we have identified opportunities for improvement in the following areas:

- (1) Artifact appraisals and inventories
- (2) Security over artifacts
- (3) Use of mail logs and restrictively endorsing checks upon receipt

- (4) Timeliness of deposits
- (5) Sensitive information management
- (6) Excessive amount of revolving fund

We will follow-up in one year to determine if actions were taken to correct the findings noted.

In accordance with paragraph IIC of the Board of Supervisors Resolution 83-338, we request that you provide a response to this draft report by June 13, 2013. This response should be specific in concurring or non-concurring with each reported finding and recommendation. Your response should also provide your planned corrective action, the implementation date and financial impact. Should you not concur with a reported finding or recommendation, please provide the basis for your position. The response template will be sent to you in an electronic format for your convenience.

We thank the Economic Development Agency – Edward Dean Museum’s management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller



By: Rachelle Román, CRMA, MPA
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

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Executive Summary

Overview

The Edward Dean Museum and Gardens (the Museum) is located on 16 acres in the City of Cherry Valley. The Museum was founded in 1958 by Edward Eberle and Dean Stout. In an agreement dated August 28, 1964, the Museum and property was transferred to the custody of Riverside County. Further, on July 1, 1999 the (EDA) Economic Development Agency was charged with the oversight of the daily operations of the Museum and was tasked with turning the Museum into a self-sufficient operation. The agreement contains 12 stipulations that the County must follow including adequate insurance, routine maintenance, and continued operations. Section 10 of the agreement states the County must turn the Museum and its contents over to the Huntington Library should the County fail to meet any of the stated requirements.

The 16 acre property contains the Museum, a multipurpose room (Kay Building) with kitchen facilities, a covered pavilion with kitchen facilities, a gazebo with an adjacent lawn, a koi pond, an administration office, and a storage facility. A gift shop is also located inside the Museum. The Museum contains 16th through early 19th century Asian and European furnishings and decorative arts.

The Museum is open to the public during their operating hours of Thursday through Saturday from 10:00 AM – 5:00 PM and is available for school or guided tours, is ideal for weddings, receptions, and meetings. Revenue is obtained through County contributions, museum admissions, facility rental fees and special grant programs. The Museum charges facility rental fees to host weddings and other special events. Two volunteer groups, Museum Docents and Friends of the Edward-Dean Museum provide limited operational and financial support to the Museum. The Museum's revenues and expenditures for the past two fiscal years are illustrated in the chart below:

Fiscal Year	Revenues	Expenditures	Net County Cost
FY2010/11	\$257,294	\$365,406	\$108,112
FY2011/12	\$254,075	\$325,249	\$71,174

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over capital assets and artifacts management, cash handling, information security, records retention management, and the revolving fund.

Audit Conclusion

Based upon the results of our audit, we determined the Edward Dean Museum has adequate internal controls over records retention management; however, we have identified opportunities for improvement in the following areas:

- (1) Artifact appraisals and inventories

- (2) Security over artifacts
- (3) Use of mail logs and restrictively endorsing checks upon receipt
- (4) Timeliness of deposits
- (5) Sensitive information management
- (6) Excessive amount of revolving fund

Capital Assets and Artifacts Management

Background

The Auditor-Controller's Standard Practice Manual (SPM) 913, *Capitalization Thresholds*, defines capital assets as fixed assets and intangible assets of significant value having a utility which extends beyond the current year that are broadly classified as land, infrastructure (or, long-lived assets), buildings and improvements, equipment, livestock, and intangible assets.

Capital assets include real property such as buildings (structures), land, and land improvements, regardless of value, as well as vehicles, machinery, and all equipment with a value of \$5,000 or more. The cost of a capital asset includes all costs necessary to place the asset in service (e.g. shipping, set-up, testing, and other ancillary costs).

SPM 913 requires all *real property* with a value of \$1 (one dollar) and all capital assets with a value of \$5,000 or more to be recorded in the PeopleSoft Asset Management Module, and its cost depreciated over its useful life. In addition, all entities are strongly encouraged to use the Asset Management Module to manage and maintain all non-capitalized assets. Museum and art collections are not required to be capitalized if they meet specific conditions as stated in the 1967 Transfer Agreement. Although these assets are not required to be capitalized, the department must provide a statement to the Auditor-Controller's Office by July 15 of each year describing the collection for inclusion in the notes to the County's Comprehensive Annual Financial Report (CAFR).

The responsibility for processing capital assets and maintaining an accurate record of the assets primarily resides with the department. Department management also have roles related to capital assets, including establishing controls over the acquisition, monitoring, and identification of capital assets and artifacts and conducting an annual inventory to ensure all assets are accounted for and are properly recorded in the PeopleSoft Asset Management Module.

The Museum's most current listing of artifacts, conducted and produced in 2007, valued the artifacts at \$8,560,050. In addition, three donated artifacts valued at \$87,000 were added in June 2012. For the period July 1, 2010 through June 30, 2012, the Museum's capital asset listing comprised of four capital improvements costing \$1,308,309.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed policies, applicable laws, codes, regulations, and board ordinances
- Conducted interviews and performed walk-throughs with department personnel
- Utilized PeopleSoft queries to identify the quantity and location of assets

-
- Verified appropriate levels of management review and approval
 - Selected samples of capital asset transactions to perform detailed testing
 - Verified the safeguarding and inventory of capital assets and artifacts

Finding 1: Artifact Appraisals and Annual Inventories

Annual inventories of artifacts are not being performed. The department provided an appraisal of artifacts that was prepared in 2007 as their last inventory listing; however, this listing does not suffice as validation of a current inventory being conducted. In addition, this listing was provided to the Human Resources Risk Management Department and has not been updated with any additions/deletions since 2007. As a result, Risk Management may have incorrectly insured the artifacts for the past six years. Failure to conduct a full inventory of artifacts on an annual basis may result in unidentified theft of artifacts and/or inaccurate reporting in the notes of the annual CAFR. In addition, failure to provide a current appraisal of artifacts to Risk Management every five years may result in inaccurate insuring of the artifacts.

Recommendation 1.1

Develop and implement procedures to ensure a physical inventory of artifacts is performed on an annual basis and variances between the physical count and the recorded count are reconciled, corrected, and properly approved.

Management's Response

“Concur. EDM Staff is currently conducting a physical inventory of the Museum's Collection. Since Staff only works part-time, this inventory should be completed by December 31, 2013, and thereafter, a physical Inventory will be conducted on an annual basis.”

Recommendation 1.2

Obtain a current valuation appraisal of all artifacts and ensure appraisals are conducted at least every five years.

Management's Response

“Concur. EDA/EDM Staff will present a Quote for Appraisal Services to the Friends of the Edward-Dean Museum at their June 21, 2013 Board Meeting and request funding assistance.”

Finding 2: Security over Artifacts

The Museum utilizes a security system to record activity within the premises of the Museum on a DVD recorder. The security system is located in a storage closet in the gift shop. However, the closet door is not fire-rated to protect the security system in the occurrence of a fire emergency. Museum staff was unaware of the risk associated with housing the security system in a storage closet without a fire-rated door.

Recommendation 2

Immediately install a fire-rated door for the storage closet housing the Museum's security system.

Management's Response

"Concur. EDM Staff will coordinate the purchase and installation of a fire door by July 31, 2013."

Cash Handling

Background

The Museum receives cash and checks from various sources including facility rental revenue for weddings and other special occasions, gift shop sales (derived mostly from consignments), museum admission, gifts/donations, booth rental fees for bridal shows, dinner tickets, and auction sales. Gift shop sales and donations are received in the gift shop and all other cash receipts are received in the administration office. In addition, checks are received in the mail by the Accounting and Finance Department of EDA. Cash register transaction receipts or OCRs (Official County Receipts) are issued; cash is verified, reconciled, and reviewed by appropriate levels of management and bundled with supporting documentation at the point of collection, resulting in the collection site's deposit for the day. Cash receipts are recorded in PeopleSoft.

Checks received via postal mail should be restrictively endorsed upon receipt and recorded on a mail log of all negotiable items received on a daily basis. Mail logs should be maintained and reconciled to receipts deposited and recorded in PeopleSoft.

Cash deposits should be secured in safes with limited access until picked up by armor courier services and delivered to the bank or delivered to the Office of the Treasurer-Tax Collector by personnel. In outlying areas, funds are deposited directly into ZBA (Zero Balance Accounts). The bank debits the ZBA for the amount of the deposit and transmits a credit for the amount to the Office of the Treasurer-Tax Collector.

SPM 705 indicates "at the close of each business day, monies collected must be reconciled to the receipts issued and then deposited in the Treasury, or an authorized ZBA, 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."

Detailed testing was performed on cash handling processes such as segregation of duties, security of deposits, timeliness of deposits, and monthly reconciliations. We tested to ensure the Museum has adequate internal controls over cash handling through observations, interviews, and analysis of completed documents as provided by the department.

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 board ordinances
- Conducted interviews and performed walkthroughs with department personnel
- Utilized PeopleSoft queries to identify the volume, locations, and frequency of cash receipts

- Verified appropriate levels of management review and approval
- Selected samples of deposits to perform detailed testing
- Verified the safeguarding of cash

Finding 3: Use of Mail Logs and Restrictively Endorsement of Checks upon Receipt

The Museum's business office did not restrictively endorse checks upon receipt or log checks into a cash/check log. We selected a sample of 16 cash receipts and determined 14 of 16 were not recorded in a cash/check log and all 16 were not restrictively endorsed upon receipt. This occurred because the Museum did not have an endorsement stamp. EDA accounting personnel did however restrictively endorse checks forwarded from the Museum's business office. Failure to immediately restrictively endorse a check may result in an individual fraudulently cashing a check. In addition, the lack of utilizing of a cash/check log prohibits the verification of daily deposits during the bank account reconciliation process.

Subsequent to our completion of fieldwork, the Museum staff obtained an endorsement stamp and are currently restrictively endorsing checks upon receipt. Museum staff is also currently maintaining a cash/check log for all cash and checks received. Since the department made immediate changes, no recommendation is required.

Management's Position Concerning Finding 3

"Concur."

Finding 4: Timeliness of Deposits

The department does not make timely deposits nor has a daily deposit exemption on file with the Auditor-Controller's Office (ACO). Since there is such a distance between the Museum located in Cherry Valley and the Office of the Treasurer-Tax Collector's in downtown Riverside, EDA assigned an accounting staff member to pick-up deposits once a week.

We selected a sample of 16 deposits from July 1, 2010 to June 30, 2012 and determined 14 of 16 deposits were made in an untimely manner, up to a 12 day period. Depositing checks in an untimely manner may result in lost interest and/or lost or stolen checks.

Subsequent to our fieldwork, the Museum has obtained an approval for a daily deposit exemption that allows the Museum to make weekly deposits to the Office of the Treasurer-Tax Collector. Since the department made immediate changes, no recommendation is required.

Management's Position Concerning Finding 4

"Concur."

Information Security

Background

The primary computer software systems utilized by the Department are Microsoft Office Professional and PastPerfect Museum Cataloging Software. The Department utilizes PastPerfect to maintain their electronic artifact inventory records. The department does not utilize PeopleSoft Financials, the county's network, and do not have sensitive information processed on desktop computers.

Board of Supervisors (BOS) Policy Number A-58, *Riverside County Enterprise Information Systems Security Policy*, is the policy of Riverside County to protect Riverside County information in accordance with all applicable laws, governmental regulations and accepted best practices to minimize information security risk; ensuring the right information is available to the right people at the right time.

BOS Policy Number A-58 states sensitive information includes personal, medical records or financial information on employees, constituents, citizens, customers, business partners, or anyone else that has not been previously defined in law to be a public record. Sensitive information may also include any other information that could enable an individual to commit identity theft.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Conducted interviews and observed operating procedures of department personnel
- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures
- Obtained and understood policies and procedures regarding information security
- Performed tests to ensure internal controls were adequate over security of information
- Determined the nature of information stored by the department

Finding 5: Sensitive Information Management

Hard copy wedding files containing sensitive information such as, client names, home addresses, phone numbers, social security numbers, and copies of personal checks were maintained in a cardboard box in an unlocked storage cabinet in the Museum's administration office. Museum staff considered their administration office a secured area; however, customers visit the office and the door remains unlocked at times. Lack of securing sensitive information may result in fraudulent activity such as identity theft.

Subsequent to our fieldwork, the Museum staff have secured completed wedding files in a locked storage closet and active files in a locked cabinet. Since the department made immediate changes, no recommendation is required.

Management's Position Concerning Finding 5

"Concur."

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 County Departments must adhere to the Countywide General Records Retention Schedule (GRRS_2012_Rev07) if they do not have an approved departmental records retention schedule by the Board of Supervisors. The Museum’s records consist of routine financial reports and wedding files; therefore, they adhere to the GRRS_2012_Rev07.

We reviewed destruction of records documentation for the period under audit and noted records were destroyed in accordance with the GRRS_2012_Rev07 and had proper Department Head verification and approval noted.

Audit 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 department personnel
- Identified and reviewed laws, codes, and regulations, Board of Supervisors’ 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

Audit Results

Based upon the results of our audit, internal controls over records retention management are adequate and effective. The department is adhering to the Countywide General Records Retention Schedule for their records.

Revolving Fund

Background

Revolving funds are established by the County department under the custodianship of a County officer for the use of official County business. The Museum has one revolving fund in the amount of \$500, in which \$400 is maintained in a checking account with Union Bank. The remaining \$100 is utilized as petty cash. The petty cash is primarily used to make change (\$50) for the cash register in the gift shop and the remaining \$50 is utilized for emergency expenditures.

For the two year audit period under review, July 1, 2010 through June 30, 2012, the department only utilized the revolving fund for two claim reimbursement transactions, besides the \$100 utilized for petty cash. Evidently, the department does not have a business need for a revolving fund in the amount of \$500.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Gained an understanding of the procedures over the revolving fund through interviews with key personnel of the department
- Verified revolving fund reconciliations are performed
- Reviewed the supporting documentation for all transactions that were replenished
- Verified adequate segregation of duties exists

Finding 6: Excessive Amount of Revolving Fund

As previously noted, for the two year audit period under review, July 1, 2010 through June 30, 2012, the department only utilized the revolving fund for two claim reimbursement transactions, besides the \$100 utilized for petty cash. According to Museum staff, the revolving fund is used to make change for the gift shop and any emergency expenditures that may arise. Based on the minimal activity in the revolving fund, it is evident the department does not have a business need for a revolving fund in the amount of \$500

Recommendation 6

The Department should immediately reduce their revolving fund account to \$200 since there is no evident business need for a revolving fund in the amount of \$500.

Management's Response

"Concur. On June 6, 2013, EDA requested to reduce the revolving fund to \$200. On June 11, 2013, EDA sent the signed form with a check payable to the County Treasurer for \$300 in order

to reduce the checking account with Bank of America to \$200. By September 1, 2013, EDA will convert the revolving fund from a checking account to a petty cash account which will be secured in a safe on-site at the Museum's administration office."



DATE: June 13, 2013

TO: Auditor-Controller's Office
Audits and Specialized Accounting Division

FROM: **Lisa Brandl, Managing Director** *LB*
Economic Development Agency

SUBJECT: Reply to Draft Audit Report [2013-012]

Finding 1: Artifact Appraisals and Annual Inventory.

Annual inventories of artifacts are not being performed. The department provided an appraisal of artifacts that was prepared in 2007 as their last inventory listing; however, this listing does not suffice as validation of a current inventory being conducted. In addition, this listing was provided to the Human Resources Risk Management Department and has not been updated with any additions/deletions since 2007. As a result, Risk Management may have incorrectly insured the artifacts for the past six years. Failure to conduct a full inventory of artifacts on an annual basis may result in unidentified theft of artifacts and/or inaccurate reporting in the notes of the annual CAFR. In addition, failure to provide a current appraisal of artifacts to Risk Management every five years may result in inaccurate insuring of the artifacts.

Management position concerning the finding: Concur

Recommendation 1.1:

Develop and implement procedures to ensure a physical inventory of artifacts is performed on an annual basis and variances between the physical count and the recorded count reconciled, corrected, and properly approved.

Management position concerning the recommendation: Concur

EDM Staff is currently conducting a physical inventory of the Museum's Collection. Since Staff only works part-time, this inventory should be completed by December 31, 2013, and thereafter, a physical Inventory will be conducted on an annual basis.

Recommendation 1.2:

Obtain a current valuation appraisal of all artifacts and ensure appraisals are conducted at least every five years.

Management position concerning the recommendation: Concur

RIVERSIDE COUNTY
AUDITOR-CONTROLLER
13 JUN 14 PM 4:05

Comments:

EDA/EDM Staff will present a Quote for Appraisal Services to the Friends of the Edward-Dean Museum at their June 21, 2013 Board Meeting and request funding assistance.

Finding 2: Security over Artifacts.

The Museum utilizes a security system to record activity within the premises of the Museum on a DVD recorder. The security system is located in a storage closet in the gift shop, which appears to be a suitable location. However, the closet door is not fire-rated to protect the security system in the occurrence of a fire emergency. Museum staff was unaware of the risk associated with housing the security system in a storage closet without a fire-rated door.

Management position concerning the finding: Concur

Recommendation 2:

Have the proper fire-rated door installed on the storage closet housing the DVD recorder.

Management position concerning the recommendation: Concur

Comments:

EDM Staff will coordinate the purchase and installation of a fire door by July 31, 2013.

Finding 3: Use of Mail Logs and Restrictively Endorsement of Checks upon Receipt.

The Museum's business office did not restrictively endorse checks upon receipt or log checks into a cash/check log. We selected a sample of 16 cash receipts and determined 14 of 16 were not recorded in a cash/check log and all 16 were not restrictively endorsed upon receipt. This occurred because the Museum did not have an endorsement stamp. EDA accounting personnel did however restrictively endorse checks forwarded from the Museum's business office. Failure to immediately restrictively endorse a check may result in an individual fraudulently cashing a check. In addition, the lack of utilizing of a cash/check log prohibits the verification of daily deposits during the bank account reconciliation process.

Subsequent to our completion of fieldwork, the Museum staff obtained an endorsement stamp and is currently restrictively endorsing checks upon receipt. Museum staff is also currently maintaining a cash/check log for all cash and checks received. Since the department made immediate changes, no recommendation is required.

Management position concerning the finding: Concur

Finding 4: Timeliness of Deposits.

The department does not make timely deposits nor has a daily deposit exemption on file with the Auditor-Controller's Office (ACO). Since there is such a distance between the Museum located in Cherry Valley and the Office of the Treasurer-Tax Collector's in downtown Riverside, EDA assigned an accounting staff member to pick-up deposits once a week.

We selected a sample of 16 deposits from July 1, 2010 to June 30, 2012 and determined 14 of 16 deposits were made in an untimely manner, up to a 12 day period. Depositing checks in an untimely manner may result in lost interest and/or lost or stolen checks.

Subsequent to our fieldwork, the Museum has obtained an approval for a daily deposit exemption that allows the Museum to make weekly deposits to the Office of the Treasurer-Tax Collector. Since the department made immediate changes, no recommendation is required.

Management position concerning the finding: Concur

Finding 5: Sensitive Information Management.

Hard copy wedding files containing sensitive information such as, client names, home addresses, phone numbers, social security numbers, and copies of personal checks were maintained in a cardboard box in an unlocked storage cabinet in the Museum's administration office. Museum staff considered their administration office a secured area; however, customers visit the office and the door remains unlocked at times. Lack of securing sensitive information may result in fraudulent activity such as identity theft.

Subsequent to our fieldwork, the Museum staff has secured completed wedding files in a locked storage closet and active files in a locked cabinet. Since the department made immediate changes, no recommendation is required.

Management position concerning the finding: Concur

Finding 6: Excessive amount of revolving fund

For the two year audit period under review, July 1, 2010 through June 30, 2012, the department only utilized the revolving fund for two claim reimbursement transactions, besides the \$100 utilized for petty cash. According to Museum staff, the revolving fund is used to make change for the gift shop and any emergency expenditures that may arise. Based on the minimal activity in the revolving fund, it is evident the department does not have a business need for a revolving fund in the amount of \$500

Management position concerning the finding: Concur

Recommendation 6:

The Department should immediately reduce their revolving fund account to \$200 since there is no evident business need for a revolving fund in the amount of \$500.

Management position concerning the recommendation: Concur

Comments:

On June 6, 2013, EDA requested to reduce the revolving fund to \$200. On June 11, 2013, EDA sent the signed form with a check payable to the County Treasurer for \$300 in order to reduce the checking account with Bank of America to \$200. By September 1, 2013, EDA will convert the revolving fund from a checking account to a petty cash account which will be secured in a safe on-site at the Museum's administration office.