

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Henry Gonzales, Agricultural Commissioner **Date:** July 17, 2009
From: Christine L. Cohen
Subject: AUDIT OF CHANGE IN AGRICULTURAL COMMISSIONER

EXECUTIVE SUMMARY

We have completed our audit of the change in department head for the Agricultural Commissioner. Our overall objective was to determine whether appropriate actions had been taken to accomplish the transfer of accountability and administrative functions from the preceding to the succeeding Agricultural Commissioner. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

Overall, the Agricultural Commissioner satisfactorily transferred accountability and administrative functions from the preceding to the succeeding Agricultural Commissioner. For example, we confirmed that County property was collected from the prior Agricultural Commissioner and that electronic security controls and signature authorizations were updated properly. We also verified that fees issued to growers were billed at the approved rates and collected and recorded properly. In addition, we verified that petty cash and trust funds were accounted for properly and balances appeared to be reasonably stated.

However, opportunities were available to better account for departmental assets and expenses as well as manage the transition upon a change in Agricultural Commissioner. Specifically, during our audit, we noted that improvements could be achieved by:

- Ensuring that certain forms required upon a change in department head are completed.
- Strengthening accountability over employee travel expenses and travel credit card purchases.
- Disposing of sensitive non-fixed assets properly.
- Implementing controls to compensate for the lack of segregation of duties over certain fee collections.
- Depositing collections and replenishing petty cash funds in a more timely manner.

In response to the audit, Agricultural executive management stated: "The Agricultural Commissioner's Office has already implemented many of the corrective actions and any outstanding corrective actions were planned to be completed by July 1, 2009."

Henry Gonzales, Agricultural Commissioner

July 17, 2009

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We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kathy Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Marty Robinson, County Executive Officer

AUDIT OF CHANGE IN AGRICULTURAL COMMISSIONER**BACKGROUND:**

The Agricultural Commissioner promotes the agricultural industry of Ventura County, protects the County from pests and diseases, and provides policy on all critical issues facing the industry. The Agricultural Commissioner is responsible for enforcing local ordinances and state and federal laws and regulations governing the agricultural industry to ensure the safety and wholesomeness of foods for the consumer.

The current department head, Henry Gonzales, was appointed to replace W. Earl McPhail as Agricultural Commissioner effective August 4, 2008. The Agricultural Commissioner was authorized 39 positions for fiscal year (FY) 2008-09 and a combined budget of over \$4 million.

The largest source of revenue from agricultural services results from issuing Phytosanitary (i.e., export) and Quarantine Compliance certificates to customers. For FY 2007-08, the Agricultural Commissioner collected nearly \$680,000 in revenues from issuing these certificates.

SCOPE:

Our overall audit objective was to determine whether appropriate actions had been taken to transfer accountability and administrative functions from the preceding to the succeeding Agricultural Commissioner. Specifically, we:

- verified that petty cash and trust funds were accounted for properly and balances were reasonably stated at the time of the change;
- confirmed that fixed assets were accounted for properly and evaluated controls over sensitive non-fixed assets (e.g., computers, cell phones, cameras, etc.);
- verified that required documents, such as *Statements of Economic Interests* and signature authorizations, were completed;
- reviewed actions taken to update security measures, including the deactivation of facility access cards and termination of computer access;
- confirmed that County property was collected from the outgoing Agricultural Commissioner and accounted for properly;
- verified that expenses incurred by the outgoing Agricultural Commissioner in the months prior to retirement were appropriate; and
- verified that agricultural fees were accounted for and collected properly using approved billing rates.

We performed audit tests and evaluations using documents provided by the Agricultural Commissioner and the Auditor-Controller's Office. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors. For our audit, we used documents and records for the period January 2008 through January 2009.

FINDINGS:

Overall, we found that accountability and administrative functions were satisfactorily transferred from the preceding to the succeeding Agricultural Commissioner. We verified that petty cash funds and trust funds were accounted for properly and balances were reasonably stated at the time of the change. In addition, we confirmed that County property was collected from the prior Agricultural Commissioner and electronic security controls were properly updated. Further, we verified that signature authorizations were filed properly and that fees for Phytosanitary and Quarantine Compliance certificates were charged to customers at approved rates and collected and accounted for properly.

However, we identified several areas where actions were needed to improve accountability of departmental assets and expenses. Specifically, we noted that the previous Agricultural Commissioner did not re-file a *Statement of Economic Interests* as required and did not always account for travel expenses properly. In addition, the current Agricultural Commissioner needed to formally receipt for fixed assets and ensure proper disposal of sensitive non-fixed assets. Further, attention was needed to address the lack of segregation of duties over certain fee collections, and improve the timeliness of cash deposits and replenishment of petty cash funds.

Summarized below are details of the areas where improvements were needed. Management initiated corrective action during the audit as noted.

1. **Required Documents.** Required documents upon a change in Agricultural Commissioner were not always completed, thereby increasing the risk of fines and lack of accountability.
 - A. **Statement of Economic Interests.** California Form 700, *Statement of Economic Interests*, was not re-filed by the prior Agricultural Commissioner upon rehire. Form 700 informs the public about potential conflicts of interest and is required to be filed within 30 days after assuming or leaving office. The prior Agricultural Commissioner originally retired on March 28, 2008, and properly filed a "leaving office" statement on April 1, 2008. However, the prior Agricultural Commissioner was subsequently rehired on April 1, 2008, as "extra help" because a replacement had not yet been found and remained in the acting department head capacity until officially resigning on July 23, 2008. According to the Form 700 filing requirements enforced by the Fair Political Practices Commission, "Persons serving as 'acting' or 'interim' or 'alternate' must file as if they hold the position." Therefore, "assuming office" and "leaving office" statements were required, but not filed, by the prior Agricultural Commissioner while serving as the interim department head. Lack of filing can result in fines by the Fair Political Practices Commission and challenge the County's compliance efforts.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "The current Agricultural Commissioner is aware of the requirements of Form 700, *Statement of Economic Interests*. He has abided by these requirements and will continue to do so as well as ensure adherence by his staff."

- B. **Fixed Asset Accountability.** The current Agricultural Commissioner had not receipted for the transfer of over \$89,000 in fixed assets from the prior Agricultural Commissioner. Government Code 24051 requires that the fixed asset inventory be formally transferred with a receipt from the preceding to the succeeding department head, thereby transferring accountability for the

department's fixed assets. However, since the prior Agricultural Commissioner resigned as acting department head nearly one year ago, accountability has not been re-established for fixed assets by the succeeding Agricultural Commissioner.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "Accountability for the over \$89,000 in fixed assets (building complex) was essentially transferred when the previous Agricultural Commissioner turned in his keys to the office and the new Agricultural Commissioner received his keys. The new Agricultural Commissioner took the additional step of having the locks changed soon after his arrival. The formal receipt of fixed assets required by Government Code Section 24051 was made on June 16, 2009, when the new Agricultural Commissioner received the necessary paper work from the auditor. The completed forms were hand delivered to the Auditor's office on June 18, 2009."

2. **Employee Travel Expenses.** Improvements were needed to account for travel expenses properly. Specifically, we noted that receipt documentation was not always required to support purchases. We also found that use of the County travel credit card was not always restricted to travel-related charges and that opportunities were available to enhance support for mileage claims.
 - A. **Receipts.** Business travel expenses, whether charged to the department's travel credit card or reimbursed to the prior Agricultural Commissioner as a direct claim, were not supported with receipt documentation. The County Administrative Policy on *Reimbursement of Employees County Business Expenses* states that supporting documentation generally includes the actual invoices, receipts, sales slips, passenger coupons, hotel bills, etc. Of the \$8,608 in travel card transactions from January to May 2008, \$7,953 was attributable to charges initiated by the prior Agricultural Commissioner and the remaining \$655 by other employees. None of the transactions were supported with receipts. In addition, the prior Agricultural Commissioner's sole direct claim reimbursement during this period, which amounted to \$116 for travel-related expenses, was not supported with receipts. Proper original receipt documentation is needed to verify the appropriateness of charges, which mitigates the risk of unauthorized transactions, such as personal purchases and other unallowable items.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "The new Agricultural Commissioner has directed staff to follow the County Administrative Policy on *Reimbursement of Employees County Business Expenses*. This will require supporting documentation including the actual invoices, receipts, sales slips, passenger coupons, hotel bills, etc."

- B. **Use of Travel Card.** Non-travel items were inappropriately purchased by the prior Agricultural Commissioner with the County-issued travel credit card. According to the *Cardholder Instructions* issued by the Auditor-Controller for departmental travel credit cards, only County travel items, such as airfare and lodging, are allowable purchases using the travel credit card. However, our review of travel card transactions from January to May 2008 disclosed that the prior Agricultural Commissioner purchased six cameras and cases totaling \$1,222 for use by field inspectors. Apparently, the travel card was used because the amount exceeded the \$1,000 Procurement Card limit; alternatively, the purchase would have been required to be made through the requisition and purchase order process. Such actions circumvent established controls and regulations over the procurement process.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "The new Agricultural Commissioner has instituted procedures to prevent use of the travel card for procurement purchases. We have now instituted procedures to make sure that all purchases are made upon authorization by the proper authorities. Before a purchase, whoever is requesting the purchase has to have a signature of either their supervisor, the Deputy, Chief Deputy or the Commissioner before the purchase can be made. In addition, the new Agricultural Commissioner does not have a procurement card."

- C. **Mileage Expense Claims.** The mileage expense claim process was in need of improvement to ensure that mileage claim amounts were accurate and trip details were complete enough to verify the reasonableness of the claim. We reviewed 41 trips reported by the prior Agricultural Commissioner during the 6 months prior to leaving County service. Our review disclosed that mileage for 19 trips (46%) appeared to be misstated, netting to overpayments totaling \$43. In addition, descriptions for three trips (7%), totaling \$60 in reimbursements, did not clearly explain how the trips were within the scope of County business. Although the dollar amounts were not significant, proper reporting of mileage claims ensures that all trips reported for reimbursement are accurate and necessary to fulfill official duties as Agricultural Commissioner.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "The Chief Deputy now reviews the mileage claims of the Agricultural Commissioner. The new Agricultural Commissioner maintains a record of all his mileage claims using the county format."

3. **Sensitive Non-Fixed Assets.** The previous Agricultural Commissioner did not dispose of sensitive non-fixed assets properly as required by the County Administrative Policy on *County Non-Fixed Asset Inventory Control*. Sensitive non-fixed assets are non-capitalized items with a value of less than \$5,000 and are subject to pilferage and misappropriation if not properly controlled. Although the Agricultural Commissioner defined, tracked, and inventoried sensitive non-fixed assets, 10 desktop computers, 11 printers, and 11 monitors were held in storage for an estimated 15 years without being properly sent to General Services Agency (GSA) Surplus. GSA Surplus makes the final determination as to whether the sensitive non-fixed assets can be used by another department, placed in storage, sold in a public sale, or otherwise disposed.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "Prior to the change in director audit, the new Agricultural Commissioner had directed staff to track and dispose of sensitive non-fixed assets. Those sensitive non-fixed assets have been properly disposed of. Sensitive non-fixed assets will be properly disposed of on an annual basis."

4. **Segregation of Duties.** Because the Agricultural Commissioner has only one Fiscal Assistant within the entire office who controls all aspects of select fee collections, segregation of those duties is compromised, leaving the County open to embezzlement or fraud. For certain transactions, the Fiscal Assistant is in charge of collecting, depositing, and approving cash receipts in the Ventura County Financial Management System (VCFMS), reconciling receipt books, maintaining receipt logs, and safeguarding cash receipts within a lockbox. Despite limited department staffing, proper compensating controls, such as secondary deposit signoffs, separate reconciliation of receipt books to logs, and restricted VCFMS access, were needed, but had not been implemented.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "We agree that the Fiscal Assistant is responsible for depositing funds and we are instituting a procedure where our Office Assistant II will be trained in the deposit procedure and will review and initial the deposits before they are taken to the bank."

5. **Timely Deposits.** Although we confirmed that a sample of cash receipts were all deposited in the County Treasury, collections were not always deposited in a timely manner. Deposits are made every other week when Agricultural Commissioner staff comes to the Ventura County Government Center to collect employee paychecks. An analysis of deposits made into the County Treasury from September 1 through December 18, 2008, showed that, on average, over \$20,000 is deposited once every 2 weeks. Material amounts of money left un-deposited for an extended period of time may be vulnerable to theft or misappropriation.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "We will be a local depositor on the County's account to allow us to directly deposit in Santa Paula. The new Agricultural Commissioner has directed staff to make deposits on a weekly basis or when more than \$5,000 is collected."

6. **Timely Replenishment of Petty Cash Funds.** The petty cash custodian did not always request replenishment of petty cash funds in a timely manner. The County Administrative Policy on *Control of Petty Cash and Revolving Fund Accounts* states that petty cash funds should be replenished on a monthly basis. Although the dollar amounts involved were not significant, our cash count in December 2008 disclosed that reimbursements had not yet been requested for expenditures dating back to August 2007. Untimely replenishment increases the risk of not identifying misappropriation or theft of cash in a timely manner and also results in the posting of expenditures to improper accounting periods.

Management Action. The Agricultural Commissioner's Office concurred with the finding and stated: "The new Agricultural Commissioner has directed staff to ensure that petty cash is replenished on a monthly basis or when \$20.00 in reimbursements has been accumulated."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION: We believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by July 1, 2009.

We appreciate the cooperation and assistance extended by you and your staff during this audit.