

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

611



FROM: Auditor-Controller

SUBMITTAL DATE:
December 4, 2014

SUBJECT: Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission

BACKGROUND:

Summary

We have completed an audit of the Riverside County Children and Families Commission to provide the Board of Supervisors with an independent assessment of internal controls over the purchase order process. The audit covered the period July 1, 2011 through June 30, 2013.

Based upon the results of our audit, Riverside County Children and Families Commission's internal controls over the purchase order process provide reasonable assurance that the Commission will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

(Continue on page 2)

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

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	
SOURCE OF FUNDS: N/A				Budget Adjustment: No	
				For Fiscal Year: n/a	

C.E.O. RECOMMENDATION:

APPROVE

BY: *Samuel Wong*
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- Positions Added
- Change Order

- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-12

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission, [District: All]: [\$0]

DATE: December 4, 2014

PAGE: 2 of 2

BACKGROUND:

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

Attachments:

A: County Auditor-Controller Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission

Internal Audit Report

Audit 2014-004

**Riverside County Children and Families
Commission**

Report Date: November 25, 2014



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ACC | **AUDITOR**
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, CGMA, MA
AUDITOR-CONTROLLER

November 25, 2014

Sharon Baskett
Interim Executive Director
Riverside County Children and Families Commission
2002 Iowa Avenue, STE 100
Riverside, CA 92507

Subject: Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission

Dear Ms. Baskett:

The Internal Audit Division of the Auditor-Controller's Office has completed a County Purchase Order Compliance Audit that included the Riverside County Children and Families Commission. The audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the purchase order process. The audit covered the period of July 1, 2011 through June 30, 2013.

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, the Riverside County Children and Families Commission's internal controls over the purchase order process provide reasonable assurance that the Commission will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission

We thank the Riverside County Children and Families Commission's management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

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



By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office
District Attorney
Grand Jury

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Executive Summary

Overview

Purchasing involves the acquisition of equipment, furnishings, supplies, maintenance, construction, and contractual services within pre-established budgetary constraints. The County Purchasing Manual provides uniform procedures for the purchasing of commodities and services needed in operation of the Departments and Agencies of Riverside County. The County uses a variety of vehicles to procure goods and services, including: low value purchase orders (LVPO) and extended low value purchase orders (ELVPO), among others.

The Board of Supervisors delegated the authority to purchase/contract to the Purchasing Agent, via County Ordinance 459 (current revision). The Purchasing Agent has delegated her authority to her staff with varying limitations.

Depending on the size and complexity of the department, Purchasing may assign staff to the department, or a department may hire their own staff to carryout purchasing duties.

The purchase order process begins with an approved requisition that is submitted to the department purchasing staff. Upon the receipt of an approved requisition the staff will create a purchase order. If the purchase order is above the authorized limits of the department staff they will contact the purchasing department who will create and authorize the purchase order. Purchase orders below a specified dollar threshold do not require a requisition.

We performed a countywide audit that included five county departments and focused on purchase orders created for the following expense accounts: 522890 (pharmaceuticals), 524660 (consultants), 525440 (professional services), 527780 (special program expense), and 527980 (contracts). For the period of July 1, 2011 through June 30, 2013, there were a total of 896 purchase orders valued at \$43 million created through the County PeopleSoft Financials System for all five county departments.

We adjusted the audit scope for each department depending on the mission, operations, structure, and volume. A separate report was issued for each department. The audit scope for the Riverside County Children and Families Commission focused on 299 purchase orders valued at \$39 million created for the following expense accounts: 525440 (professional services) and 527980 (contracts).

Audit Objective

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

Audit Conclusion

Based upon the results of our audit, the Riverside County Children and Families Commission's internal controls over the purchase order process provide reasonable assurance that the Commission will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Riverside County Children and Families Commission

Background

The Riverside County Children and Families Commission (Commission), an agency of the County of Riverside, was established by Ordinance 784 approved on January 5, 1999. It was created in response to the passage of Proposition 10 the California Children and Families Act of 1998. It is funded by tobacco taxes generated by Proposition 10, which passed in November 1998 to help make sure that all of our youngest Californians, from prenatal to 5 years old, get the best possible start in life. The statewide initiative added a 50-cent tax per pack of cigarettes and a comparable tax on other tobacco products.

Riverside County Children and Families Commission's vision is that all children in Riverside County are healthy and thrive in supportive, nurturing and loving environments, and enter school ready to learn and embrace lifelong learning. The Commission invests in partnerships that deliver results in the areas of: physical health, social-emotional health, cognitive development, a stable home environment, and schools that are prepared to nourish the development of entering kindergartners.

Riverside County Ordinance No. 459.4 *Establishing Purchasing Policies and Procedures*, The Board of Supervisors of the County of Riverside, State of California, do ordains as follows...Section (3) Central Purchasing; Exceptions, states "No purchases as described in Section 2 shall be made by any County officer or employee without a purchase order or other written authority first obtained from the Purchasing Agent..."

For the period of July 1, 2011 through June 30, 2013, the Commission created a total of 299 purchase orders valued at \$39 million in account codes 525440 – Professional Services and 527980 – Contracts. Our audit focused on testing 25 purchase orders valued at \$6,137,369 (15%), of the total expenditures, to ensure compliance with purchasing policies and procedures.

Based upon the results of our audit, purchase orders are initiated based on an approved requisition and expenditures were incurred after the purchase order was approved.

Objective

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

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed laws, codes, and regulations, Board of Supervisors' ordinances, applicable policies and procedures.

Internal Audit Report 2014-004: Purchase Order Compliance Riverside County Children and Families Commission

- Conducted interviews and performed walk-throughs with Commission personnel.
- Reviewed financial information from PeopleSoft for the period of July 1, 2011 through June 30, 2013.
- Reviewed purchase orders and verified that they had been approved by the appropriate personnel.
- Verified that there was an approved requisition on file for the purchase order, if needed.
- Verified that the expenditure was incurred after the purchase order was approved.

Results

Based upon the results of our audit, the Riverside County Children and Families Commission's internal controls over the purchase order process provide reasonable assurance that the Commission will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.