



# County of Riverside

## INTERNAL AUDIT REPORT

2009-302

### Countywide Credit Cards, Follow-up

May 17, 2010

Office of  
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May 17, 2010

Subject: Internal Audit Report 2009-302: Countywide Credit Cards, Follow-up

Honorable Board of Supervisors:

We have completed a follow-up audit of county's credit cards. Our audit included six county departments that utilized credit cards other than the county issued procurement card during the audit period. We conducted the follow-up audit fieldwork during the period March 1, 2009, through September 30, 2009, for operations of July 1, 2008, through June 30, 2009. After completion of the audit, we continued to work with Purchasing and Fleet Services Department to improve and streamline the county procurement card process.

Our objective was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the activation, assignment, management, use, payment and record maintenance of credit cards. This audit is the second audit of the credit cards. The first audit resulted in the issuance of Board Policy A-62 (Credit Card Use). For more information on the original report, see Internal Audit Report 2007-005, Countywide Credit Cards.

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 reasonable assurance that our objective as described above is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable government codes and regulations, and performing such other procedures as we considered necessary. We believe the 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 information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express a conclusion on the internal controls based upon our audit.

The original audit report contained two findings, both of which 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 Audit Report 2007-005 at [www.auditorcontroller.org](http://www.auditorcontroller.org).

This follow-up audit found both findings from the original audit report were partially corrected. Below is a detailed status of our follow-up results:

### **Overview**

After the initial audit report, Board Policy A-62 (Credit Card Use) was established to provide guidelines for the activation, management and use of credit cards in the conduct of official county business. Any credit account other than the county issued procurement card must be approved and updated annually by the Board of Supervisors via the Form 11 process. The policy also requires departments to establish internal controls over the assignment, payment and record maintenance of credit cards to ensure the appropriate use of county credit cards.

### **Follow-up Results**

**Finding 1:** County departments did not obtain the purchasing agent's or the Board of Supervisors' approval to contract for the establishment and use of credit cards.

**Current Status:** **Partially Corrected.** Of the six departments utilizing credit cards during the review period, two obtained Board of Supervisors' approval, two closed their cards and the remaining two did not obtain the purchasing agent or the Board of Supervisors' approval to contract for the establishment and use of credit cards.

**Finding 2:** Internal controls in place were not adequate over the use of retailers' and financial institutions' credit cards. As a result, we noted finance charges were incurred due to late payment, prior approval for payments/purchases was not obtained, physical control of credit cards was not maintained, proper supporting documentation was not obtained; reconciliations between the merchandise receipts and the monthly statements were not conducted, and payments were made based on merchandise receipts rather than reconciled monthly statements.

**Current Status:** **Partially Corrected.** Of the six departments, two closed their credit card accounts and one had adequate internal controls in place over the use of their credit cards. The remaining did not have adequate internal controls in place over the credit cards as required by Board Policy A-62. The inadequacy of internal controls was attributable to the inefficiency of the payment process, which was based on merchandise receipts rather than reconciled monthly statements. As a result unnecessary voucher processing cost amounting to about \$27,000 was incurred annually. Opportunities exist for gaining efficiencies over small dollar purchases, if the departments would have utilized the county issued procurement card.

### **Procurement Card Process Enhancements**

In conjunction with the Purchasing and Fleet Services Department, the Auditor-Controller's Office conducted a survey of all procurement card users. We received 14 responses to the survey. Respondents shared the following concerns about the current procurement card process: the process is too cumbersome (too many forms are required, some of which require duplicate information); the lack of the ability to prepare and process paperwork electronically; and duplication of tasks (i.e. obtaining prior purchase approval and after-purchase reviews performed by the approving official and accounting department). As a result of the survey, the Auditor-Controller's Office and the Purchasing and Fleet Services Department are currently in

the process of reviewing and updating the procurement card process to improve the process while maintaining an adequate system of internal controls.

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

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Auditor-Controller



By: Melissa S. Bender, CIA  
Audit Manager

cc: Board of Supervisors  
Executive Office  
Grand Jury