

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



ITEM: 2.16
(ID # 12919)

MEETING DATE:
Tuesday, June 30, 2020

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit

ACTION:Consent


Paul A. Angulo, County Auditor-Controller 6/19/2020

MINUTES OF THE BOARD OF SUPERVISORS

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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Clerk of the Board. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over the usage of procurement cards.

Please refer to audit report for conclusion on the results of our audit.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: n/a			Budget Adjustment:	No
			For Fiscal Year:	n/a

C.E.O. RECOMMENDATION: Approve

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not Applicable

ATTACHMENT A.

Riverside County Auditor-Controller – Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit



Stephanie Perera, Principal Management Analyst 6/23/2020

Internal Audit Report 2020-015

**Riverside County Clerk of the Board
Countywide Procurement Card Audit**

Report Date: June 16, 2020



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

www.auditorcontroller.org

**Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide
Procurement Card Audit**

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury



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

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



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

**Oscar Valdez
Assistant Auditor-Controller**

June 16, 2020

Kecia Harper
Clerk of the Board
Riverside County Clerk of the Board
4080 Lemon Street, 1st Floor
Riverside, CA 92501

**Subject: Internal Audit Report 2020-015: Riverside County Clerk of the Board,
Countywide Procurement Card Audit**

Dear Ms. Harper:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Clerk of the Board to provide management and the Board of Supervisors with an independent assessment of internal controls over the usage of procurement 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 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 compliance with the Riverside County Procurement Card Program Procedures Handbook.

Table of Contents

	Page
Executive Summary	4
 Results:	
Procurement Cards	6

Executive Summary

Overview

The County of Riverside's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the cost associated with making purchases and processing vendor payments. The program requires compliance with current county procurement procedures and is intended to improve the timely delivery of products and services.

The Riverside County Purchasing & Fleet Services Department (Purchasing) is responsible for managing and monitoring the overall program. Additionally, Purchasing administers the training required for all program participants, establishes and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between U. S. Bank and the county. Cardholders are required to comply with the Procurement Card Manual as written by Purchasing. Additionally, cardholders must complete the training prior to being provided with a procurement card.

The procurement card policy has controls developed and implemented that are different than traditional credit cards. The controls ensure the cards can be used only for specific types of purchases with established dollar limits. Additionally, approving officials assigned to each cardholder are required to provide prior approval on the purchases. The cardholder is responsible to verify all purchases once card statement is obtained.

As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

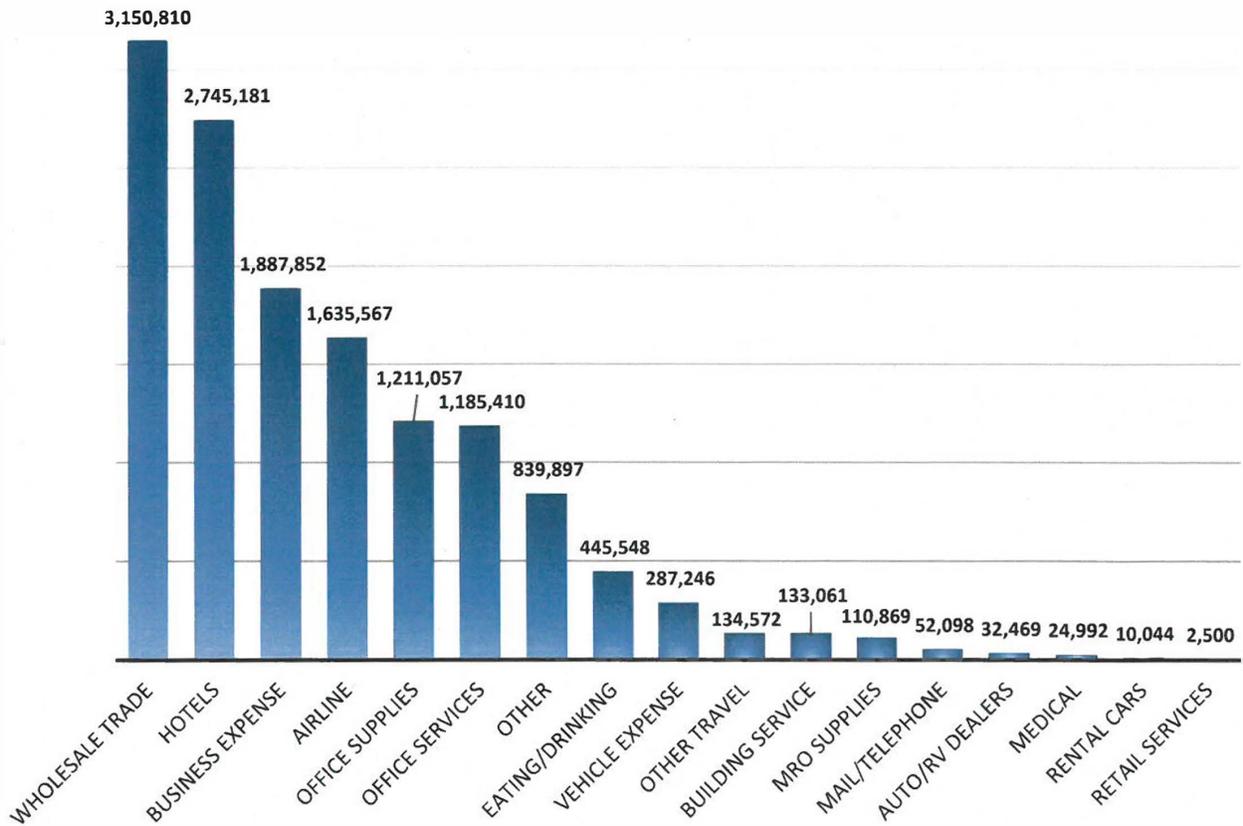
Purchasing authorized approximately 398 procurement cards to cardholders located in 33 departments, 276 of which were assigned to the 12 departments included in the countywide procurement card audit. Each card holder is granted a single transaction amount, number of transactions per day, and a monthly spending limit. Limits are established for each cardholder at the single transaction amount, number of transactions per day, and monthly transaction amount by department management requesting the procurement cards. Certain goods and services are excluded with the merchant category code, which is a four digit code assigned to a merchant by its merchant bank. This code identifies the type of business the merchant conducts.

Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit

For the period July 1, 2017, through December 31, 2019 (audit period), the countywide procurement card program had expenditures totaling \$13,889,173 (See Table 1 for total countywide expenditures by merchant category) for 33 departments. We selected 12 departments with procurement card expenditures in the audit period and were reported to the Auditor-Controller’s Office for review. These 12 departments represent \$9,720,423 of the \$13,889,173 expended through the procurement card program during July 1, 2017, through December 31, 2019.

Table 1: Countywide Procurement Card Transactions

**Countywide Procurement Card Transactions
(July 1, 2017 through December 31, 2019)**



Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit

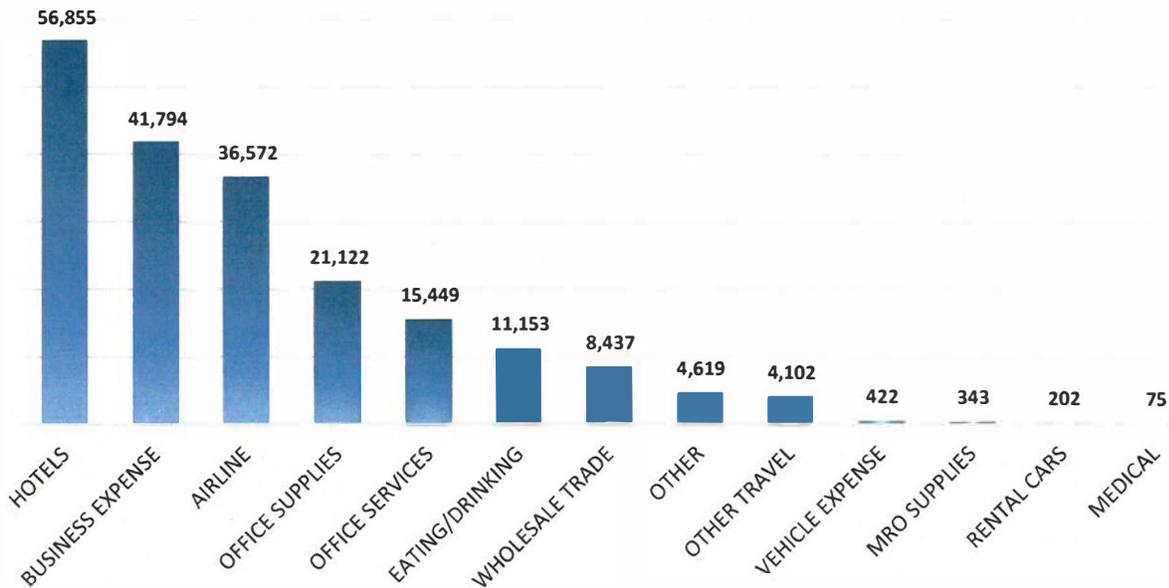
Procurement Cards

Background

Riverside County Clerk of the Board (Clerk of the Board) had seven procurement cardholders as of December 30, 2019. Procurement card expenditures for the audit period July 1, 2017, through December 31, 2019, included 1,073 transactions totaling \$201,145.

The chart below illustrates procurement card expenditures for the audit period, categorized in the following areas: airline, business expenses, eating/drinking, hotels, medical, maintenance, repair, operations (MRO) supplies, office supplies, other, other travel, rental cars, vehicle expense, and wholesale trade. Expenditures for the top three merchant groups include hotels (\$56,854), business expense (\$41,794), and airline (\$36,572).

**Clerk of the Board
 Procurement Card Transactions
 (July 1, 2017 through December 31, 2019)**



Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide Procurement Card Audit

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over the use of the procurement cards. 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.

Audit Scope and Methodology

We conducted the audit from December 5, 2019, through April 9, 2020, for operations from July 1, 2017, through December 31, 2019. To accomplish our objectives, we performed the following:

- Identified the policies, procedures, and board policies, specifically:
 - County of Riverside Procurement Card Program, Procedure Handbook (8/1/2016)
 - Board Policy A-62, Credit Card Use
 - Board Policy D-1, Reimbursement for General Travel and Other Actual and Necessary Expenses
- Obtained and analyzed department policies and other documents to confirm compliance with county's procurement card policies and procedures.
- Obtained a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- Analyzed procurement card data pulled from Riverside County financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Selected a sample of purchased items for physical existence of items.
- Verified whether appropriate levels of management review and approval existed and were exercised.
- Interviewed key personnel regarding procurement card internal controls and their processes.

**Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide
Procurement Card Audit**

Audit Highlights

Existing Conditions

The current processes have not mitigated the following areas:

- Riverside County Clerk of the Board is not in compliance with the Riverside County Procurement Card Program.

Improvement Opportunities

The improvement opportunities are in the following areas:

- Ensure procurement cardholders comply with the Procurement Card Program Procedure Handbook.

Audit Conclusion

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to compliance with the Riverside County Procurement Card Program Procedures Handbook.

**Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide
Procurement Card Audit**

Finding 1: Compliance with Procurement Card Policies

We identified the following deficits in review of procurement card expenditures and supporting documentation:

- Three procurement card purchases totaling \$1,306 for airfare were cancelled or not used by staff and credit for the cost was not made to the procurement card balance. The department stated airfare credit was received. Although supporting documentation was requested, we were unable to verify that the department received credit for the airfare.
- One procurement card purchase in the amount of \$202 for airfare was booked in error, and was not cancelled in time for the department to receive airfare credit.
- Two expenditures for travel extended beyond conference dates. Supporting documentation was not provided to indicate procurement cardholder was on official county business for those additional charges.
- Two instances of personal purchases, which were reimbursed by the cardholder. The Riverside County Procurement Card Program Procedure Handbook prohibits this type of purchase. Procurement card holder should be using their non-county cards for personal transactions.

The Riverside County Procurement Card Program Procedure Handbook, *Department Accounting Office Responsibilities*, states, "The Department Accounting Office is to review supporting documentation to ensure that it is adequate to justify each purchase, and that all purchases comply with County and Department procedures," and the *Controls* section states, "This procurement card at no time is to be used for personal purchases." Excess expenditures and personal purchases occurred as a result of oversight of procurement card policies. Noncompliance with procurement card and travel policies increases the risk of theft, non-compliance with county policies, misuse of county funds and decreases efficiency in established procurement card procedures. Also, using the procurement card for personal use with the intent to pay the expenses later, is an inefficient use of county resources as it takes time and effort to obtain the payment from the procurement card holder, and then processing, recording, and tracking of the payment for these type of transactions.

**Internal Audit Report 2020-015: Riverside County Clerk of the Board, Countywide
Procurement Card Audit**

Recommendation 1

Ensure procurement cardholders comply with the Procurement Card Program Procedure Handbook.

Management's Response

"Concur. Will contact current cardholders to ensure they are aware of and in compliance with the Procurement Card Program Procedure Handbook as well as provide an updated copy for their reference."

Actual/estimated Date of Corrective Action: **June 30, 2020**