

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

619



**FROM:** Auditor-Controller

**SUBMITTAL DATE:**  
December 4, 2014

**SUBJECT:** Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land Management Agency, Planning Department, [District: All]: [\$0]

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land Management Agency, Planning Department

**BACKGROUND:**

**Summary**

We have completed an audit of the Transportation and Land Management Agency, Planning Department 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, Planning Department's internal controls over the purchase order process provide reasonable assurance that the Commission will achieve its objectives.

(Continue on page 2)

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

Departmental Concurrence

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

**C.E.O. RECOMMENDATION:**

APPROVE

BY:   
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:

**2-10**

**BACKGROUND:**

**Summary (continued)**

Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

**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 Transportation and Land Management Agency, Planning Department

# **Internal Audit Report**

## **Audit 2014-004**

**Transportation and Land Management  
Agency, Planning Department**

**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

Juan Perez  
Interim Director of Planning  
Riverside County Planning Department  
4080 Lemon Street, 12<sup>th</sup> Floor  
Riverside, CA 92502

**Subject: Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land Management Agency, Planning Department**

Dear Mr. Perez:

The Internal Audit Division of the Auditor-Controller's Office has completed a County Purchase Order Compliance Audit that included the Transportation and Land Management Agency, Planning Department (Planning Department). 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 Planning Department's internal controls over the purchase order process provide reasonable assurance that the Department will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.

**Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land  
Management, Planning Department**

We thank the Planning Department'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

*Mark W. Cousineau*

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

cc: Board of Supervisors  
Executive Office  
District Attorney  
Grand Jury

## Table of Contents

	<b>Page</b>
Executive Summary .....	4
 <b>Audit Results:</b>	
Planning Department .....	6

## **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 for the department staff they will contact the purchasing department who will create and authorize the purchase order. Some purchase order types require no requisition if they are below a specified dollar threshold.

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 Planning Department had a total of 17 purchase orders valued at \$192,432. The audit scope for the Planning focused on purchase orders created for expense account 525440 (professional services).

### **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.

**Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land Management, Planning Department**

**Audit Conclusion**

Based upon the results of our audit, the Planning Department's internal controls over the purchase order process provide reasonable assurance that the Planning Department will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and internal efforts to bypass internal controls.



## Planning Department

### Background

The Planning Department is responsible for Riverside County's General Plan, a comprehensive long-range plan intended to guide the growth and development of unincorporated areas within the County. The department formulates growth management plans and zoning for the County. Staff approves proposals for land development for open space, agricultural preserves, housing characteristics, local government boundaries, environmental features, air and water quality, energy, earthquake potential, and hazardous waste.

The Planning Department strives to provide timely, responsive and helpful service to the public and to promote innovative development that efficiently accommodates a balance of housing, employment, and service opportunities.

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 Planning Department created a total of 17 purchase orders valued at \$192,432 in account code 525440 – Professional Services which were not placed against contracts. Our audit focused on testing 15 purchase orders valued at \$188,189 (98%), 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.
- Conducted interviews and performed walk-throughs with Planning Department personnel.

**Internal Audit Report 2014-004: Purchase Order Compliance Transportation and Land Management, Planning Department**

- 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.
- Verified that the expenditure was incurred after the purchase order was approved.

**Results**

Based upon the results of our audit, the Planning Department's internal controls over the purchase order process provide reasonable assurance that the Planning Department will achieve its objectives. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and internal efforts to bypass internal controls.