

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

1002



FROM: Executive Office

SUBMITTAL DATE:
August 19, 2010

SUBJECT: Follow-up to the Internal Audit Report 2009-302: Countywide Credit Cards

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the follow-up report from the Executive Office,
2. Direct the Executive Office to coordinate efforts with the Purchasing Department to identify and end purchase practices that violate Board of Supervisor Policy A-62, *Credit Card Use*, and
3. Direct the Purchasing Department and the Executive Office to report back to the Board in six months.

BACKGROUND: On August 10, 2010, the Auditor-Controller submitted follow-up audit report 2009-302, *County Credit Cards* to the Board of Supervisors. The report indicated that two of the eight county departments audited had not obtained the appropriate approval for use of a credit account and three of the departments audited did not have adequate internal controls in place over the use of its credit accounts. The Board of Supervisors expressed concern regarding the audit findings and directed the Executive Office to prepare a follow-up report within 30 days.

Karen L. Johnson, Management Analyst


FINANCIAL DATA	Current F.Y. Total Cost:	N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	N/A	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

BY: 

County Executive Office Signature 

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Buster and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended with report back.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: August 31, 2010
xc: EO, Purchasing

Kecia Harper-Ihem
Clerk of the Board

By: 
Deputy

3.12

Dep't Recomm.: ☐ Consent ☒ Policy
Per Exec. Ofc.: ☐ Consent ☒ Policy

Departmental Concurrence

The departments identified by the Auditor-Controller as having outstanding deficiencies in internal controls included Community Health Agency (CHA), Riverside County Regional Medical Center (RCRMC), and the Sheriff's Office. The Auditor-Controller audit fieldwork was completed on September 30, 2009.

The Executive Office undertook its own preliminary examination of all department activity during the last eight months. The examination included a review of payment transactions that occurred January 1 through August 10, 2010 and involved vendors previously known to honor unauthorized county credit accounts.

Based on the Executive Office preliminary review, it was determined that seven departments had transactions with these vendors that may indicate use of an unauthorized line of credit or purchasing practices with inadequate internal controls. Amounts shown are payments made to vendors between January and August 2010:

Assessor-Clerk-Recorder	Staples	\$3,768
DPSS	Costco	\$71,438
	Home Depot	\$555
Executive Office	Staples	\$101
Fire	Home Depot	\$12,919
	Smart & Final	\$59,177
CHA	Home Depot	\$919
	Lowes	\$14,565
	Smart & Final	\$4,648
Sheriff	Altura Credit Union	\$123,905
	Home Depot	\$37,649
	Smart & Final	\$1,385
	Staples	\$11,030
TLMA	Home Depot	\$6,796
	Smart & Final	\$20,232

Assessor-Clerk-Recorder, Department of Public Social Services (DPSS), Executive Office, and the Fire Department were not reviewed during the Auditor-Controller's audit.

For most of the departments, non-compliance appeared to be caused by a misinterpretation of the Board Policy. These departments believed that the policy prohibited use of credit cards but did not prohibit use of lines of credit without the use of a card. Many departments indicated these accounts were used to

purchase products immediately needed for business purposes. Prior to the revisions to Board Policy A-62, this was a widely accepted practice. There are several weaknesses to using these lines of credit. It promotes violation of purchasing regulations, weakens internal controls over the purchasing process, reduces the availability of discounts and rebates through countywide vendor agreements, and allows budget constraints to be exceeded without detection.

There were three departments that indicated these transactions did not represent lines of credit but purchases made in compliance with the Purchasing Department's policies. The Executive Office will work with the Purchasing Department to confirm these purchases were not from lines of credit and the department was in compliance with established Purchasing Department policies.

The Executive Office also reviewed transactions related to the use of fuel cards (Voyager Fleet System) to ensure purchases made were with cards awarded through the Purchasing Department. Although there were nine departments with fuel card use outside of the Purchasing Department, only three were actively working to comply with Board Policy A-67. Amounts shown are payments made to fuel vendors between January and August 2010. The following are departments that had fuel card use outside of the Purchasing Department:

District Attorney	\$8,159
Dept of Child Support Services	\$1,035
Dept of Public Social Services	\$6,841
Probation	\$6,084
Office on Aging	\$1,604
Assessor-Clerk-Recorder	\$4,769

The Executive Office is currently working to implement corrective action with departments indisputably out of compliance with Board Policy A-67. Corrective action includes closure of lines of credit and requests for authorization to use lines of credit that will go before the Board of Supervisors. The Executive Office will continue to work with County Purchasing to identify departments out of compliance and take the appropriate corrective action in each circumstance.