

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

813



FROM: Auditor-Controller

SUBMITTAL DATE:
December 16, 2014

SUBJECT: Internal Audit Report 2014-004: Treasurer-Tax Collector Purchase Order Compliance, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-004: Treasurer-Tax Collector Purchase Order Compliance

BACKGROUND:

Summary

We have completed an audit of the Treasurer-Tax Collector 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, the Treasurer-Tax Collector's internal controls over the purchase order process provide reasonable assurance its objectives will be achieved. 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
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	<input type="checkbox"/>

SOURCE OF FUNDS: N/A Budget Adjustment: No
For Fiscal Year: n/a

C.E.O. RECOMMENDATION: APPROVE

BY: *Samuel Wong* 1/26/15
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Tavaglione and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione and Ashley
Nays: None
Absent: Benoit
Date: January 27, 2015
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *[Signature]*
Deputy

- A-30
- Positions Added
- 4/5 Vote
- Change Order

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 – Treasurer-Tax Collector,

[District: All]: [\$0]

DATE: December 16, 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: Treasurer-Tax Collector Purchase Order Compliance

Internal Audit Report 2014-004

**Treasurer-Tax Collector
Purchase Order Compliance**

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

Don Kent
Treasurer-Tax Collector
Riverside County Treasurer-Tax Collector
4080 Lemon Street, 1ST Floor
Riverside, CA 92502

Subject: Internal Audit Report 2014-004: Treasurer-Tax Collector Purchase Order Compliance

Dear Mr. Kent:

The Internal Audit Division of the Auditor-Controller's Office has completed a County Purchase Order Compliance Audit, which included the Riverside County Office of the Treasurer-Tax Collector (Treasurer-Tax Collector). 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 Treasurer-Tax Collector's internal controls over the purchase order process provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2014-004: Treasurer-Tax Collector Purchase Order Compliance

We thank the Treasurer-Tax Collector'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

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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 of Riverside 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 of Riverside (County) uses a variety of methods to procure goods and services, including low value purchase orders and extended low value purchase orders, among others.

The Board of Supervisors delegated the authority to purchase or contract to the Purchasing Agent, via County Ordinance No. 459, as amended through 459.4, *Establishing Purchasing Policies and Procedures* (County Ordinance No. 459). The Purchasing Agent has delegated her authority to her staff with varying limitations. Depending on the size and complexity of the department, the Purchasing Agent may assign staff to the department, or a department may hire their own staff to carry out 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.

Riverside County Ordinance No. 459, Section (3) Central Purchasing; Exceptions, states "No purchase 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..."

We performed a countywide audit that included five County departments and focused on purchase orders created for the following expenditure 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 896 purchase orders valued at \$43 million, not related to a contract, created through the County PeopleSoft Financial System (PeopleSoft) for the five selected 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 Treasurer-Tax Collector created 48 non-contract purchase orders valued at \$189,783 for expenditure account 525440 – Professional Services during the audit period.

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: Treasurer-Tax Collector Purchase Order Compliance

Audit Conclusion

Based upon the results of our audit, the Treasurer-Tax Collector's internal controls over the purchase order process provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.

Treasurer Tax Collector

Background

The Riverside County Office of the Treasurer-Tax Collector (Treasurer-Tax Collector) combines the state of California mandated functions of treasurer and tax collector. The combined office is a countywide elective office.

The Riverside County Treasurer serves as the chief investment officer with fiduciary responsibility of all funds in the County treasury. The treasury receives, invests, and safeguards all public monies in the Treasurer's Pooled Investment Fund, which includes Riverside County, school and community college districts, special districts, and discretionary depositors. Depositors withdraw cash to pay their expenditures.

The Riverside County Tax Collector is responsible for the billing and collection of secured, unsecured, supplemental, transient occupancy tax, and various other special assessments for the County, school and community college districts, and special districts.

For the period of July 1, 2011 through June 30, 2013, the Treasurer-Tax Collector created 48 purchase orders for professional services, expenditure account 525440, valued at \$189,783. We tested 30 purchase orders valued at \$113,839 (60%) of the total expenditures, to ensure compliance with purchasing policies and procedures.

Based upon the results of our audit, purchase orders were 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 Treasurer-Tax Collector personnel.
- Reviewed financial information from PeopleSoft for the period of July 1, 2011 through June 30, 2013.
- Selected a statistical, random sample of 30 purchase orders valued at \$113,839.

Internal Audit Report 2014-004: Treasurer-Tax Collector Purchase Order Compliance

- Reviewed purchase orders and verified that they had been approved by the appropriate personnel.
- Verified an approved requisition was on file for each purchase order.
- Verified that the expenditure was incurred after the purchase order was approved.

Results

Based upon the results of our audit, the Treasurer-Tax Collector's internal controls over the purchase order process provide reasonable assurance that its objectives will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including costs, mistakes, and intentional efforts to bypass internal controls.