

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



**ITEM**  
**2.11**  
**(ID # 3660)**

**MEETING DATE:**

Tuesday, March 7, 2017

**FROM : AUDITOR CONTROLLER:**

**SUBJECT: AUDITOR-CONTROLLER:** Internal Audit Report 2016-004 Riverside County  
District Attorney's Office, Countywide Purchase Order Process [District: All]; [\$0]

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

1. Receive and file Internal Audit Report 2016-004 Riverside County District Attorney's Office, Countywide Purchase Order Process.

**ACTION: Consent**

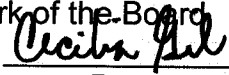
  
Paul Angulo, Director of Auditor Controller 2/22/2017

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Tavaglione, Washington and Ashley  
Nays: None  
Absent: None  
Date: March 7, 2017  
xc: Auditor

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost:</b>
<b>COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<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: 2013-2015</b>	

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

**BACKGROUND:**

**Summary**

We have completed an audit of the Riverside County District Attorney's Office to provide management and the Board of Supervisors with an independent assessment of internal controls over the purchase order process. We conducted the audit from August 4, 2016, through September 21, 2016, for operations from July 1, 2013, through April 30, 2016.

Based upon the results of our audit, we detected a strong interest to implement adequate internal controls over their purchase order process. However, we identified opportunities for improvement over internal controls relating to the timely issuance and proper coding of purchase orders. Adequate internal controls may have inherent limitations, including cost, mistakes and intentional efforts to bypass internal controls.

We will follow-up to determine if actions were taken to correct the findings noted.

**Impact on Residents and Businesses**

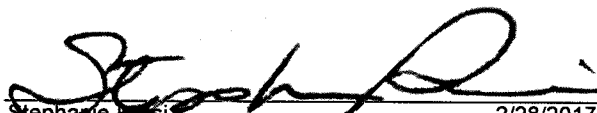
Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENT A.** Riverside County Auditor-Controller Internal Audit Report 2016-004  
Riverside County District Attorney's Office, Countywide Purchase Order Process.

  
Stephanie Pasi 2/28/2017

**Internal Audit Report 2016-004**

**Riverside County District Attorney's Office,  
Countywide Purchase Order Process**

**Report Date: December 28, 2016**



**Office of Paul Angulo, CPA, MA  
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OFFICE OF THE  
AUDITOR-CONTROLLER**

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**ACC | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE**

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

**Frankie Ezzat, MPA**  
Assistant Auditor-Controller

December 28, 2016

Mike Hestrin  
District Attorney  
Riverside County District Attorney's Office  
3960 Orange Street  
Riverside, CA 92501

**Subject: Internal Audit Report 2016-004: Riverside County District Attorney's Office,  
Countywide Purchase Order Process**

Dear Mr. Hestrin:

We have completed an audit of the Riverside County District Attorney's Office to provide management and the Board of Supervisors with an independent assessment of internal controls over the purchase order process. We conducted the audit from August 4, 2016, through September 21, 2016, for operations from July 1, 2013, through April 30, 2016.

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 detected a strong interest to implement adequate internal controls over their purchase order process. However, we identified opportunities for improvement over internal controls relating to the timely issuance and proper coding of purchase orders. Adequate internal controls may have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

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



**Internal Audit Report 2016-004: Riverside County District Attorney's Office, Countywide Purchase Order Process**

We thank the Riverside County District Attorney's Office management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA  
Interim Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

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## Executive Summary

### Overview

The Riverside County District Attorney's Office (DA) is the prosecuting officer for the County of Riverside. "The DA protects the community and serves the public interest by providing prosecutorial, investigative, and victim services. The DA supports innovative crime suppression and remediation by assigning investigators to countywide task forces and teams. Special areas of investigation and prosecution include real estate and other types of fraud, abuse, public integrity, and environmental crime. An integral piece of the DA's mission is to guard the rights of victims and witnesses to crime." *Riverside County Board of Supervisors, FY 2015-2016 Adopted Budget, About the County - Budget and Financial, County of Riverside website, accessed November 28, 2016, [www.countyofriverside.us/Portals/0/Government/Budget%20Information/2015-2016%20Recommended%20Budget/Riverside County FY15-16 Adopted Budget-FINAL-Electronic%20\(2\).pdf](http://www.countyofriverside.us/Portals/0/Government/Budget%20Information/2015-2016%20Recommended%20Budget/Riverside%20County%20FY15-16%20Adopted%20Budget-FINAL-Electronic%20(2).pdf)*

The DA provides services through four divisions: Administration, Eastern, Southwestern, and Western. The Administration Division consists of Accounting, Human Resources, and Revenue Management units. The Buyer in the Accounting unit is responsible for all aspects of the purchase order process and typically prepares purchase orders for commodities such as, computers, copiers, weapons, ammunition, bulletproof vests, and office supplies; and for professional services such as, background services, expert witnesses, and security services.

### Audit Objective

Our objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal controls over the purchase order process.

### Audit Conclusion

Based upon the results of our audit, we detected a strong interest to implement adequate internal controls over their purchase order process. However, we identified opportunities for improvement over internal controls relating to the timely issuance and proper coding of purchase orders. Adequate internal controls may have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

## Purchase Order Process

### Background

The purchase order process involves the acquisition of equipment, furnishings, supplies, maintenance, construction, and contractual services within pre-established budgetary constraints. Riverside County Purchasing Policy Manual provides uniform procedures for purchasing goods and services needed in the operation of County of Riverside departments and agencies. Purchase orders perform a key role in the acquisition process. A well-detailed purchase order clearly defines the item or service being purchased, vendor information, specific terms of the purchase, and specifications of cost, quantities and delivery terms. The County of Riverside uses a variety of purchase orders to procure supplies and services. Following is a list of purchase orders used by the County of Riverside:

<u>Types</u>	<u>Description</u>
BL-G	Blanket non-rollover purchase order for goods.
BL-S	Blanket non-rollover purchase order for services.
RBLG	Roll over blanket purchase order for goods.
RBSL	Roll over blanket purchase order for services.
REGG	Regular purchase order for goods.
REGS	Regular purchase order for services.
LVPA	Low value purchase order for goods.
LV-S	Low value purchase order for services.
LEAS	Lease purchase payment purchase order.
FIN	Purchase order to vendor when goods are financed through third party.
ELVP	Extended low value purchase order for goods.
ELVS	Extended low value purchase order for services.
CONV	Conversion purchase order from PeopleSoft 7.5 to 8.8.
PRNT	Printing purchase order for inventory business unit only.
SPLY	Supply purchase order for inventory business unit only.

The Board of Supervisors delegated the authority to purchase and contract to the Purchasing Agent, via Riverside County Ordinance No. 459, as amended through 459.5, *Establishing Purchasing Policies and Procedures*. The Director of Purchasing is the Purchasing Agent for the County of Riverside. 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 carryout purchasing duties.

Riverside County Ordinance No. 459, Section (3), *Exceptions*, indicates no purchases shall be made by any county officer or employee without a purchase order or other written authority first obtained from the Purchasing Agent.

Purchasing Policy Manual dated February 1, 2013, requires a purchase order for all purchases over \$400 and Purchasing Policy Manual dated August 1, 2015, requires a purchase order for



**Internal Audit Report 2016-004: Riverside County District Attorney's Office, Countywide Purchase Order Process**

all purchases unless the item or service was approved by the Board of Supervisors or exempted by Ordinance 459.

**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 applicable laws, codes, regulations, ordinances, policies, and procedures.
- Conducted interviews and performed walk-throughs with DA personnel.
- Reviewed financial information from the County of Riverside Financial System for the period of July 1, 2013, through April 30, 2016.
- Selected a judgmental sample of 75 purchase orders valued at \$630,528 for review.
- Reviewed purchase orders and verified they had been approved by the appropriate personnel.
- Verified there was no bid splitting of purchases.
- Verified expenditures were incurred after the purchase order was approved.

**Finding 1: Timely Issuance of Purchase Orders**

Our review of 75 purchase orders disclosed that five (7%), totaling \$22,844 were processed after invoices were received from vendors. Original purchase orders were reconciled and closed out at fiscal year-end and new purchase orders were not processed until invoices arrived. If items are still required the following fiscal year, a new purchase order should be processed on the first business day of the next fiscal year. Per Riverside County Purchasing Manual, no goods or services over \$400 should be authorized for purchase until a valid purchase order has been issued. This noncompliance with purchasing requirements could result in purchasing unauthorized or inappropriate supplies and services.

### **Recommendation 1**

Revise the fiscal year-end purchase order procedures to include issuing purchase orders promptly in the new fiscal year to ensure it's processed prior to receipt of invoices, if items are still required.

### **Management's Response**

"Concur. The District Attorney's Office will revise its internal procedures to include the timely processing of purchase orders as soon as possible in the subsequent fiscal year to avoid the incidence of receiving invoices prior to the issuance of the purchase orders. Where possible, as the budget allows, the office will roll over remaining balances to the subsequent fiscal year to cover already committed expenditures."

Estimated Date of Corrective Action: June 30, 2017.

### **Finding 2: Coding of Purchase Order**

Purchase order type codes were inaccurately recorded. Our review of 75 purchase orders disclosed 16 (21%), totaling \$210,639 contained inaccurate purchase order type codes. Procedures to verify the purchase order type code prior to approval are currently not in place. The Riverside County Purchasing Manual specifically states that different purchase order types require different approvals. Noncompliance with purchasing requirements could result in purchase requests improperly approved which, may result in purchasing unauthorized or inappropriate products and services.

### **Recommendation 2**

Revise the purchase order process to include verification of purchase order type codes prior to approval of a purchase order.

### **Management's Response**

"Concur. The District Attorney's Office currently has only one Buyer I position that is responsible for the coding of all purchase orders in the PeopleSoft system. With limited staffing in the purchasing function, it becomes critical for checks and balances to be in place to ensure countywide procedures are being followed including accuracy in the manual inputting of appropriate coding. To make certain proper segregation of duties are followed, the office will request additional approval roles in the PeopleSoft system which will include both the Deputy Director and Administration Deputy in order to review and approve all purchase orders created in the system prior to approval and finalization. The office will work with the Purchasing and RCIT to ensure the proper approval roles are created to ensure this change take effect as soon as possible."

Estimated Date of Corrective Action: June 30, 2017.