

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



ITEM
2.14
(ID # 3681)

MEETING DATE:

Tuesday, March 7, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-316: Countywide Procurement Cards, Riverside County Department of Public Social Services Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-316: Countywide Procurement Cards, Riverside County Department of Public Social Services Follow-up Audit.


ACTION: Consent


Paul Angulo, Director of Auditor Controller 2/23/2017

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, DPSS

Kecia Harper-Ihem
Clerk of the Board,
By 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	2016

C.E.O. RECOMMENDATION: APPROVE

BACKGROUND:

Summary

We have completed a follow-up audit of the Countywide Procurement Cards, Riverside County Department of Public Social Services. Our audit was limited to reviewing actions taken as of September 20, 2016, to correct the findings noted in our original audit report 2014-010 dated January 7, 2016.

The original audit report contained two recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the two recommendations were implemented.

For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-013 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports

Impact on Residents and Businesses

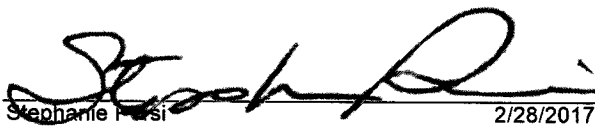
Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A. Internal Audit Report 2017-316: Countywide Procurement Cards, Riverside County Department of Public Social Services Follow-up Audit.


Stephanie Rossi 2/28/2017

Internal Audit Report 2017-316

**Countywide Procurement Cards,
Riverside County Department of Public
Social Services Follow-Up Audit**

Report Date: January 6, 2017



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
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OFFICE OF THE
AUDITOR-CONTROLLER

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CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

January 6, 2017

Susan von Zabern
Director
Department of Public Social Services
4060 County Circle Drive
Riverside, CA 92503

Subject: Internal Audit Report 2017-316: Countywide Procurement Cards, Riverside County Department of Public Social Services Follow-Up Audit

Dear Ms. Von Zabern:

We have completed a follow-up audit of the Countywide Procurement Cards, Riverside County Department of Public Social Services. Our audit was limited to reviewing actions taken as of September 20, 2016, to correct the findings noted in our original audit report 2014-010 dated January 7, 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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The original audit report contained two recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the two recommendations were implemented.

Details of the findings in the original audit and the status of the implementation of respective recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-013 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.



Internal Audit Report 2017-316: Countywide Procurement Cards, Riverside County Department of Public Social Services Follow-up Audit

We appreciate the cooperation and assistance extended to us by staff of the Riverside County Department of Public Social Services during this follow-up audit. Their assistance contributed significantly to the successful completion of the 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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Procurement Cards

Finding 1: Monitoring Compliance with Procurement Policies

The Riverside County Department of Public Social Services (DPSS) procedure to ensure procurement card (P-Card) usage is in compliance with purchasing policies was not operating as designed. Our review of three highest dollar value months of transactions, October 2012, November 2012, and August 2013 reported to the Auditor-Controller's Office, disclosed that DPSS had three transactions totaling \$5,463 of the \$181,211 in purchases reviewed that were not in compliance with purchasing policies. Existing controls neither prevented nor detected the exceptions to established policy and procedures.

These exceptions occurred because DPSS was not following procurement procedures. The specific category of non-compliance is as follows:

- Competitive bid documentation was inadequate; for three transactions valued at \$5,463.

Oversight of purchases by the appropriate levels of management could ensure the lowest costs are considered prior to making purchases. The opportunity to receive negotiated vendor discounts, based on the procurement card usage with pre-existing county approved vendors, is reduced when all Riverside County departments do not participate as these discounts are based on the volume of goods and services purchased. Riverside County's reputation for transparent, open, and fair competitive procurement is also impaired. The procurement card policy states, "Use of Procurement Card is not intended to replace effective procurement planning which enables volume discounts."

As mentioned earlier, we performed additional testing for May 2015 to determine if the previously noted conditions have been corrected. As of May 31, 2015, DPSS had 17 procurement cardholders. We found the department had improved in the specific categories noted above. Further, of the 241 transactions we reviewed for May, all complied with the *County of Riverside Procurement Card Program Procedure Handbook*.

Recommendation 1:

Continue the monitoring of procurement card usage to maintain compliance with the *County of Riverside Procurement Card Program Procedure Handbook*.

Current Status 1: Implemented

DPSS continues the monitoring of procurement card usage to maintain compliance with the *County of Riverside Procurement Card Program Procedure Handbook*.

Finding 2: Travel authorizations not approved in timely manner

There were four transactions where DPSS social workers and/or management staff did not obtain prior authorization for travel or used the procurement card for travel-related expenses after travel was completed. DPSS staff members are often required to travel to conduct business, such as transporting clients for visitations, and attending seminars. As such, all staff is required by DPSS Policy 10-013 *Reimbursement for County Business Expenses*, to complete a DPSS Form 3900, *Authorization for Travel*, which necessitates the approvals from appropriate levels of management. We observed travel purchases, such as airfares, hotel accommodations, meals, and rental cars that were not indicated on the Form 3900 or they occurred before or after the travel period. Though there are departmental travel policies, DPSS staff did not comply with requirements regarding the travel authorizations.

The potential for misappropriation of county funds or theft is present when prior approval does not occur for procurement card purchases.

Recommendation 2:

The Department of Public Social Services ensure controls are in place to monitor the completion of DPSS Form 3900, including but not limited to appropriate level of approvals and indication that travel expenditures will be incurred.

Current Status 2: Implemented

During our follow-up audit we noted that DPSS implemented a new procedure to its P-Card process. The procedure is now part of the department's P-Card approval and corrective action process which consists of two management reviews of monthly P-Card transactions.