

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



ITEM
2.15
(ID # 3683)

MEETING DATE:

Tuesday, March 7, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2017-316: County Procurement Card, Riverside County Fire Department Follow-up Audit, [District: All]; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2017-316: County Procurement Card, Riverside County fire Department follow-up Audit.

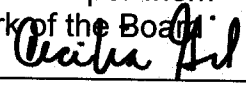
ACTION: Consent


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

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 County Procurement Card, Riverside County Fire Department. Our audit was limited to reviewing actions taken as of September 22, 2016, to correct the findings noted in our original audit report 2014-010 dated January 12, 2016.

The original audit report contained three recommendations, all of which required implementation to help correct the reported findings. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-010 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports. This follow-up audit found that the three recommendations were implemented.

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: County Procurement Card, Riverside County Fire Department Follow-Up Audit.


Stephanie Pasi 2/28/2017

Internal Audit Report 2017-316

**County Procurement Card,
Riverside County Fire Department
Follow-up Audit**

Report Date: January 3, 2017



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92501
(951) 955-3800**

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

ACO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

January 3, 2017

John R. Hawkins
County Fire Chief
Riverside County Fire Department
210 W. San Jacinto Avenue
Perris, CA 92570

Subject: Internal Audit Report 2017-316: County Procurement Card, Riverside County Fire Department Follow-Up Audit

Dear Chief Hawkins:

We have completed a follow-up audit of the County Procurement Card, Riverside County Fire Department. Our audit was limited to reviewing actions taken as of September 22, 2016, to correct the findings noted in our original audit report 2014-010 dated January 12, 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.

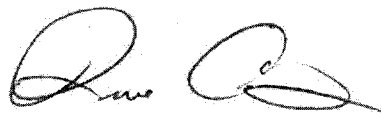
The original audit report contained three recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that the three recommendations were implemented.

Details of the findings identified in the original audit and the status of the implementation of respective recommendations are provided in the body of this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2014-010 at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

**Internal Audit Report 2017-316: County Procurement Cards – Riverside County Fire
Department Follow-up Audit**

We appreciate the cooperation and assistance extended to us by staff of the District Attorney's Office 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

Internal Audit Report 2017-316: County Procurement Cards – Riverside County Fire Department Follow-up Audit

Procurement Cards

Finding 1: Monitoring Compliance with Procurement Policies

The Riverside County Fire Department's (Fire Department) procedure to ensure procurement card usage complies with purchasing policies was not operating as designed. Our review of the three highest dollar value months of transactions, June 2012, April 2013 and July 2013 reported to the Auditor-Controller's Office, disclosed Fire Department made 228 purchases totaling \$122,780 (62%) of the \$198,883 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 since the Fire Department was not following procurement procedures. Specifically, the appropriate staff were not reviewing the items prior to the procurement card purchase nor engaging in corrective action with the cardholder. The specific categories of non-compliance follow:

- Communication related equipment; 13 transactions valued at \$4,369.
- Computer/IT related equipment; 14 transactions valued at \$3,436.
- Rental of real property; one transaction valued at \$2,600.
- Maintenance contract and service; four transactions valued at \$2,469.
- Equipment Rentals; one transaction valued at \$990.
- Bid splitting occurred and competitive bid documentation was not found; 23 transactions valued at \$16,210.
- Prior approval of purchase; 172 transactions valued at \$92,706.

Oversight of purchases by the appropriate levels of management would 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 not all Riverside County departments participate, as these discounts are based on the volume of goods and services purchased. Transparency and 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."

We performed additional testing for May 2015 to determine if the previously noted conditions have been corrected. As of May 31, 2015, the Fire Department had 60 procurement cardholders. We found the department had significantly reduced procurement card transactions in the month selected.

Internal Audit Report 2017-316: County Procurement Cards – Riverside County Fire Department Follow-up Audit

Further, of the 16 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

The Fire Department has corrected all issues related to this finding. It was accomplished through internal trainings and the update of the *County of Riverside Procurement Card Procedure Handbook*. The recommendation for this finding was implemented during the additional testing the original audit and verified by the auditor.

Finding 2: Cardholder Agreements

The Fire Department could not provide completed cardholder agreements for 9 of the 47 (19%) cardholders which had purchases during the months reviewed. Cardholder agreements document that issued cards were properly authorized and are used to verify cardholder signature. The cardholder agreement indicates the following: cardholder and their approving official acknowledges the use of the card is for official Riverside County business only, the disciplinary actions that result for unauthorized charges, safekeeping of the card at all times, and the county has the right to cancel at any time. Once the agreements are signed, the documents should be submitted and retained by the Division to document compliance with procurement card policies. Missing or unavailable cardholder agreements impair the Fire Department's ability to monitor and enforce its policies.

We reviewed the cardholder agreements during our additional testing. We found two of the nine incomplete agreements previously identified had been signed by the cardholders. Additionally, all new cardholders for the Fire Department have completed the cardholder agreements.

Recommendation 2:

Ensure all procurement cardholders have completed cardholder agreements on file as required by the *County of Riverside Procurement Card Program Procedure Handbook*.

Current Status 2: Implemented

The Fire Department conducts quarterly self-audits to ensure all files are complete and accurate. Missing cardholders' agreements are requested from the purchasing department as necessary.

Internal Audit Report 2017-316: County Procurement Cards – Riverside County Fire Department Follow-up Audit

Finding 3: Approvers

The list of approvers designated by the department to authorize procurement cardholder transactions has not been revised. Specifically, the list of current procurement cardholders and their assigned approvers obtained during our additional testing in August 2015, shows an approver listed who is no longer with the department. One of the unique controls developed for the Procurement Card Program is the certification of cardholder purchases by an Approver. Though there is no policy requiring Purchasing Services to be notified, this internal control is negated if the information is not communicated to the county procurement card coordinator. Inaccurate information on who is responsible for the verification of cardholder charges could lead to improper purchases going undetected.

Recommendation 3:

Ensure changes in personnel assigned approver responsibilities are reported and all cardholder agreements are revised to reflect the changes.

Current Status 3: Implemented

All agreements are reviewed quarterly to ensure any changes of assigned approvers is reflected on the cardholder agreements.