

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



ITEM: 2.2
(ID # 12942)

MEETING DATE:
Tuesday, July 07, 2020

FROM : AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2020-017: Riverside County
Veteran's Services, Countywide Procurement Card Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2020-017: Riverside County Veteran's Services,
Countywide Procurement Card Audit


ACTION: Consent


Paul A. Angulo, County Auditor-Controller 6/22/2020

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: July 07, 2020
xc: Auditor

Kecia R. Harper
Clerk of the Board
By: 
Deputy

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

BACKGROUND:

Summary

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Veteran's Services. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over the usage of procurement cards.

Please refer to audit report for conclusion on the results of our audit.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: n/a			Budget Adjustment:	No
			For Fiscal Year:	n/a

C.E.O. RECOMMENDATION: Approve

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 2020-017: Riverside County Veteran's Services, Countywide Procurement Card Audit


 Stephanie Perez, Principal Management Analyst 6/29/2020

Internal Audit Report 2020-017

**Riverside County Department of Veteran's Services
County Procurement Card Audit**

Report Date: June 22, 2020



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(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

ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

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

**Oscar Valdez
Assistant Auditor-Controller**

June 22, 2020

Grant Gautsche
Director
Riverside County Department of Veteran's Services
4360 Orange Street
Riverside, CA 92501

Subject: Internal Audit Report 2020-017: Riverside County Department of Veteran's Services, Countywide Procurement Card Audit

Dear Mr. Gautsche:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Department of Veteran's Services to provide management and the Board of Supervisors with an independent assessment of internal controls over the and usage of the procurement cards.

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.

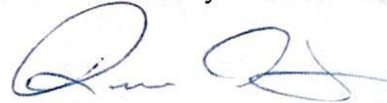
Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls. Our responsibility is to evaluate the internal controls.

Based upon the results of our audit, we identified opportunities for improvement of internal controls over the authorization and usage of the procurement cards.

**Internal Audit Report 2020-017: Riverside County Department of Veteran's Services,
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As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to each reported condition and recommendation contained in our report. Management's responses are included in the report. We will follow-up to verify that management implemented the corrective actions.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

Table of Contents

	Page
Executive Summary	4
Results:	
Procurement Cards	6

Executive Summary

Overview

The County's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the cost associated with making purchases and processing vendor payments. The program requires compliance with current statutes and county procurement procedures and is intended to improve the timely delivery of products and services.

The Riverside County Purchasing & Fleet Services Department (Purchasing) is responsible for managing and monitoring the overall program. Additionally, Purchasing administers the training required for all program participants, establishes and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between U. S. Bank and the county. Cardholders are required to comply with the Procurement Card Manual as written by Purchasing. Additionally, cardholders must complete the training prior to being provided with a procurement card.

The procurement card policy has controls developed and implemented that are different than traditional credit cards. The controls ensure the cards can be used only for specific types of purchases with established dollar limits. Additionally, approving officials assigned to each cardholder are required to provide prior approval on the purchases. The cardholder is responsible to verify all purchases once card statement is obtained.

As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

Purchasing authorized approximately 398 procurement cards to cardholders located in 33 departments, 276 of which were assigned to the 12 departments included in the countywide procurement card audit. Each card holder is granted a single transaction amount, number of transactions per day and a monthly spending limit. Limits are established for each cardholder at the single transaction amount, number of transactions per day, and monthly transaction amount by department management requesting the procurement cards. Certain goods and services are excluded with the merchant category

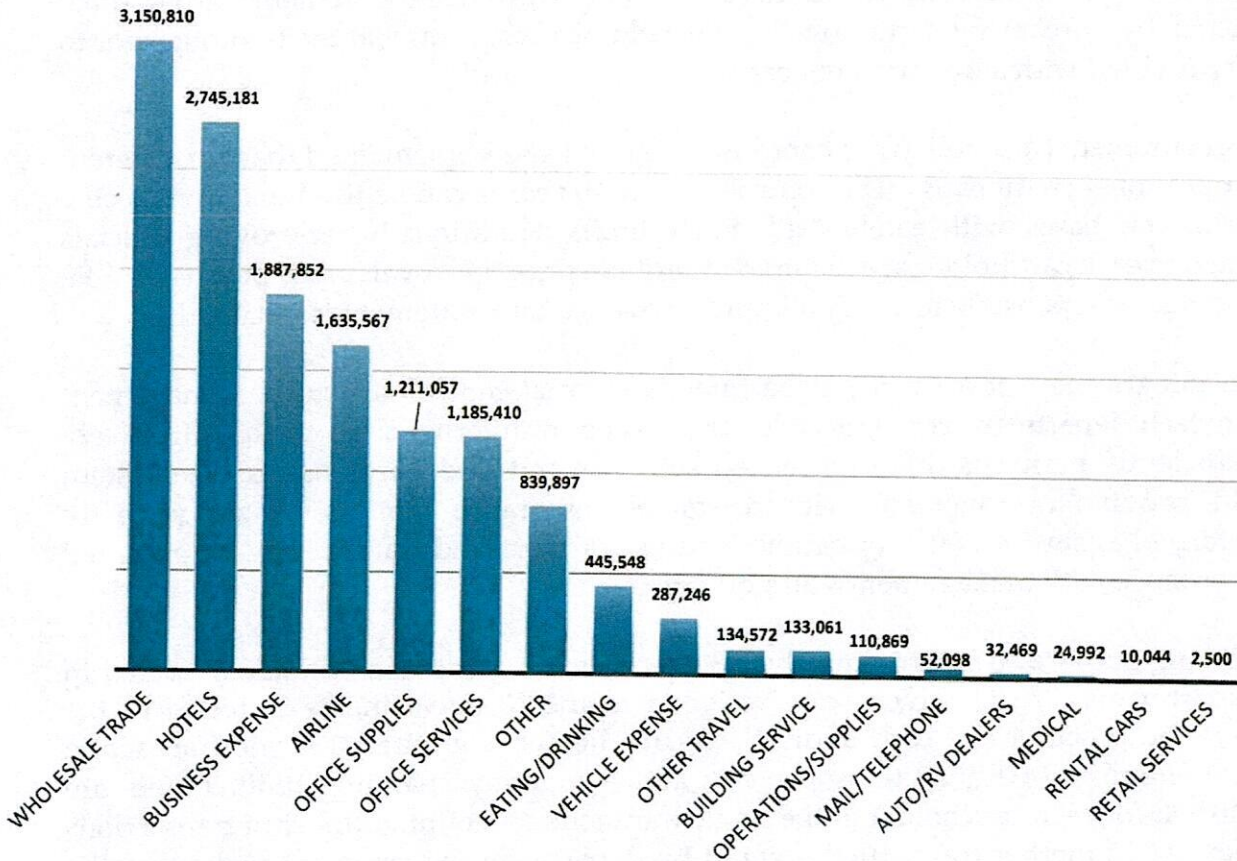
**Internal Audit Report 2020-017: Riverside County Department of Veteran’s Services,
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code, which is a four digit code assigned to a merchant by its merchant bank. This code identifies the type of business the merchant conducts.

For the period July 1, 2017, through December 31, 2019, the procurement card program had expenditures totaling \$13,889,173 (See Table 1 for total countywide expenditures by merchant category) for 33 departments. We selected 12 departments with expenditures in the audit period. These 12 departments represent \$9,720,423 of the \$13,889,173 expended through the procurement card program during July 1, 2017, through December 31, 2019.

Table 1: Countywide Procurement Card Transactions

**Countywide Procurement Card Transactions
 (July 1, 2017, through December 31, 2019)**



**Internal Audit Report 2020-017: Riverside County Department of Veteran's Services,
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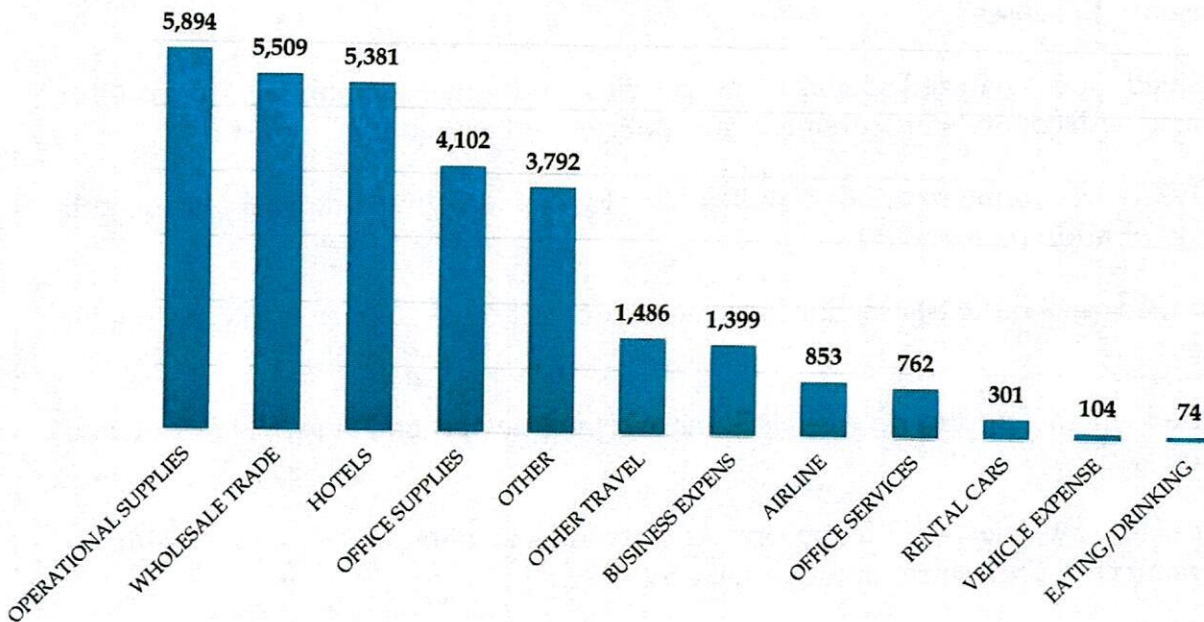
Procurement Card

Background

Riverside County Department of Veteran's Services (Veteran's Services) had three procurement cardholders as of December 31, 2019. The total expenditures from periods July 1, 2017, through December 31, 2019, totaled \$29,657.

As shown in the chart below, for the period of July 1, 2017, through December 31, 2019, Veteran's Services used the procurement card in following categories: Airline, business expense, eating/drinking, hotels, maintenance, repair and operations supplies, office services, office supplies, other travel, rental cars, vehicle expense, wholesale trade, and other. The top three merchant spending groups within Veteran's Services were hotels at \$5,356, wholesale trade at \$5,269, and operational supplies at \$4,432.

**Total Procurement Card Transactions for Veteran's Services
 (July 1, 2017 2017, through December 31, 2017, 2019)**



**Internal Audit Report 2020-017: Riverside County Department of Veteran's Services,
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Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment about the adequacy and effectiveness of internal of internal controls over the use of the procurement cards. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information.

Audit Scope and Methodology

We conducted the audit from December 3, 2019, through March 30, 2020, for operations from July 1, 2017, through December 31, 2019. To accomplish our objectives, we performed the following:

- Reviewed county and department policies and procedures, specifically:
 - County of Riverside Procurement Card Program, Procedure Handbook (8/1/2016)
 - Board Policy A-62, Credit Card Use
 - Board Policy D-1, Reimbursement for General Travel and Other Actual and Necessary Expenses
- Obtained and analyzed department policies and other documents to confirm compliance with county's procurement card policies and procedures.
- Analyzed procurement card data pulled from Riverside County financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, credit card statements and cardholder agreements.
- Verified whether appropriate levels of management review and approval existed and were exercised.
- Conducted interviews with appropriate personnel to obtain an understanding of procurement card procedures and internal controls.
- Reviewed internal controls over daily and monthly spending limits.
- Verified voucher payments made to U.S. bank.

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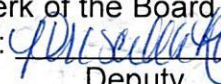
ACTION:Consent


Paul A. Angulo, County Auditor-Controller 6/22/2020

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 Stephanie P..., Principal Management Analyst 6/29/2020