

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



**ITEM: 2.9  
(ID # 13293)**

**MEETING DATE:**  
Tuesday, August 25, 2020

**FROM:** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit, District: All. [\$0]

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

1. Receive and file Internal Audit Report 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit

**ACTION: Consent**

  
Paul A. Angulo, County Auditor-Controller 8/13/2020

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: Jeffries  
Date: August 25, 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 Fire Department to provide management and the Board of Supervisors with an independent assessment of internal controls over the usage of procurement cards.

<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
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment: No</b>	
			<b>For Fiscal Year: N/A</b>	

**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.**

Internal Audit Report 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit

  
 Stephanie Perez, Principal Management Analyst 8/17/2020



**Internal Audit Report 2020-008**

**Riverside County Fire Department,  
Countywide Procurement Card Audit**

**Report Date: August 25, 2020**



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**COUNTY OF RIVERSIDE  
OFFICE OF THE  
AUDITOR-CONTROLLER**

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

**Tanya S. Harris, DPA, CPA  
Assistant Auditor-Controller**

August 25, 2020

Bill Weiser  
Fire Chief  
Riverside County Fire Department  
210 W. San Jacinto Avenue  
Perris, CA 92570

**Subject: Internal Audit Report 2020-008: Riverside County Fire Department,  
Countywide Procurement Card Audit**

Dear Chief Weiser:

In accordance with Board of Supervisors Resolution 83-338, we completed an audit of the Riverside County Fire Department to provide management and the Board of Supervisors with an independent assessment of internal controls over the use of 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.

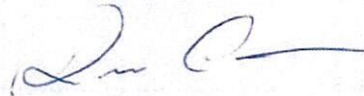
Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls.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

Based upon the results of our audit, we identified improvement opportunities for internal controls over payment processing of monthly procurement card invoices.

**Internal Audit Report 2020-008: Riverside County Fire Department, Countywide  
Procurement Card Audit**

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



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Procurement Card Audit**

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## **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.

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



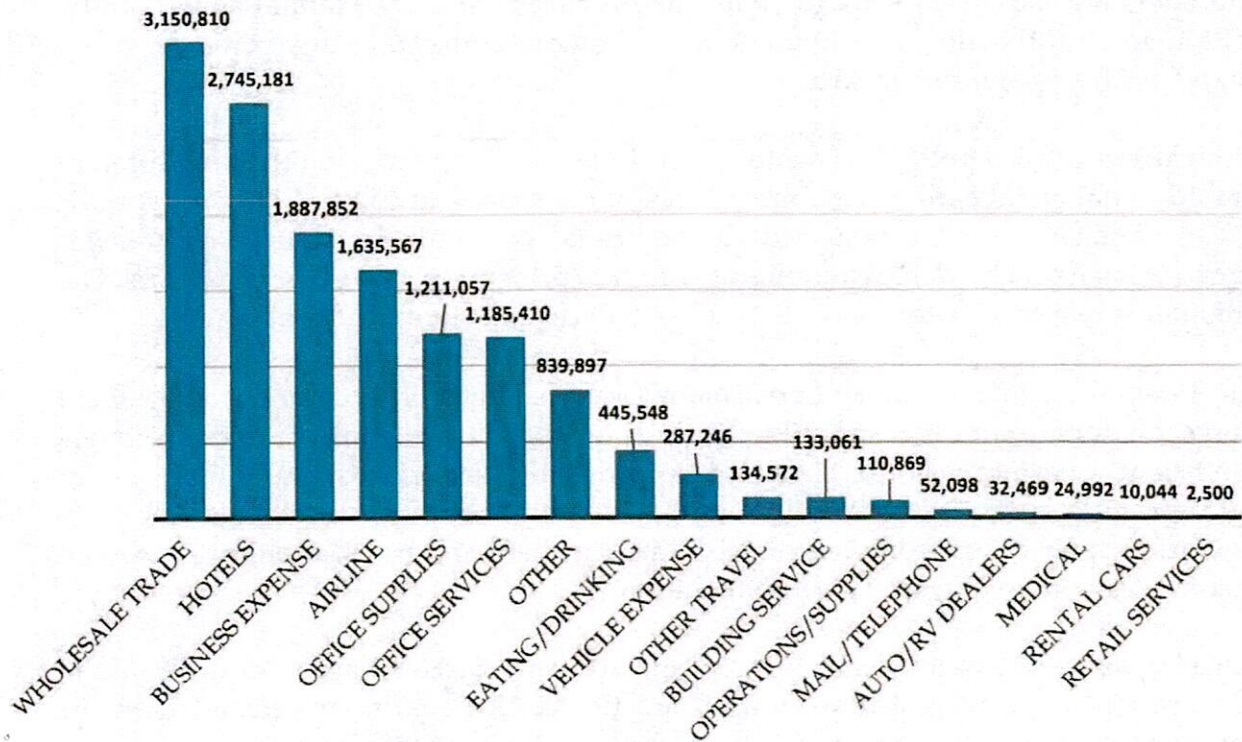
**Internal Audit Report 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit**

procurement cards. Certain goods and services are excluded with the merchant category 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 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 county's 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 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit**

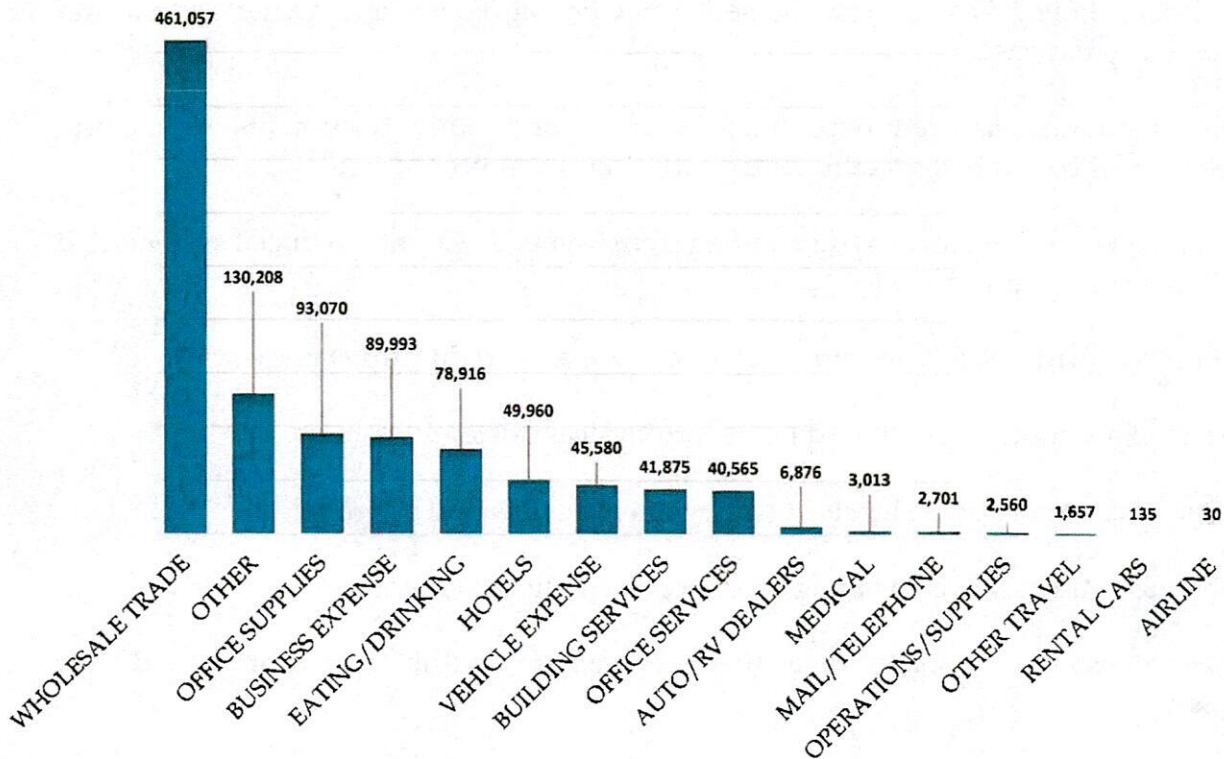
**Procurement Cards**

**Background**

As of December 30, 2019, Riverside County Fire Department (Fire Department) had 46 procurement cardholders. Procurement card expenditures for the audit period July 1, 2017, through December 31, 2019, included 3,006 transactions totaling \$1,048,196.

The chart below illustrates procurement card expenditures by category for the audit period in the following categories: wholesale trade, other, office supplies, business expense, eating/drinking, hotels, vehicle expense, building services, auto/RV dealers, medical, mail/telephone, operations/supplies, other travel, rental cards, airline. The three largest expenditure categories were made up of wholesale trade at \$461,057, other at \$130,208, and office supplies at \$93,070.

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



**Internal Audit Report 2020-008: Riverside County Fire Department, Countywide Procurement Card Audit**

**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 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 and nonfinancial information.

**Audit Scope and Methodology**

We conducted the audit from December 2, 2019, through June 22, 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 (last revised 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 the audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Selected a sample of purchased items for physical existence of items.
- Verified for appropriate levels of management review and approval.
- Obtained and reviewed a listing of all procurement card holders.
- Interviewed key personnel regarding procurement card internal controls and their processes.



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**Audit Conclusion**

Based upon the results of our audit, we identified improvement opportunities for internal controls over payment processing of monthly procurement card invoices.

**Finding 1: Compliance with Procurement Card Policy**

Based on our review of 25 monthly procurement card invoices, we identified 21 (84%) of procurement card invoices containing late fees totaling \$7,339. Additionally, for 23 of the 25 (92%) payments reviewed, Fire Department submitted payment approval request to the Auditor-Controllers' Office 45 days after the procurement card invoice due dates. The Riverside County Procurement Card Program Manual requires invoices to be paid in-full every 45 days per invoiced amount. Fire Department is incurring late fees and misusing taxpayer funds by not processing procurement card invoices in a timely manner.

**Recommendation 1**

Ensure procurement card payments are made in a timely manner to ensure no late charge fees are incurred.

**Management's Response**

**"Concur.** The Department acknowledges the issue and has begun making changes in payment processes to ensure prompt payment. The changes include additional training, employee accountability, and better communication among P-Cardholders."

Actual/estimated Date of Corrective Action: **August 1, 2020**