

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



ITEM: 2.10  
(ID # 13297)

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

**FROM:** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2020-019: Riverside County Office of the District Attorney, Countywide Procurement Card Audit, District: All. [\$0]

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

1. Receive and file Internal Audit Report 2020-019: Riverside County Office of the District Attorney, 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 Riverside County Office of the District Attorney. This audit is conducted to provide 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:** Audit

**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 2020-019: Riverside County Office of the District Attorney, Countywide Procurement Card Audit

  
 Stephanie Perez, Principal Management Analyst 8/17/2020

**Internal Audit Report 2020-019**

**Riverside County Office of the District Attorney  
Countywide Procurement Card Audit**

**Report Date: August 25, 2020**



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Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

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

August 25, 2020

Michael Hestrin  
District Attorney  
Riverside County Office of the District Attorney  
3960 Orange Street  
Riverside, CA 92501

**Subject: Internal Audit Report 2020-019: Riverside County Office of the District Attorney, Countywide Procurement Card Audit**

Dear Mr. Hestrin:

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

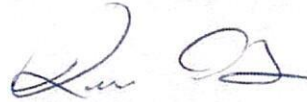
Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information. Management is responsible for establishing and maintaining adequate internal controls.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

Based upon the results of our audit, we identified improvement opportunities for internal controls over compliance with the Riverside County Procurement Card Procedure Manual.

**Internal Audit Report 2020-019: Riverside County Office of the District Attorney, 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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## Executive Summary

### Overview

The County of Riverside'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 (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

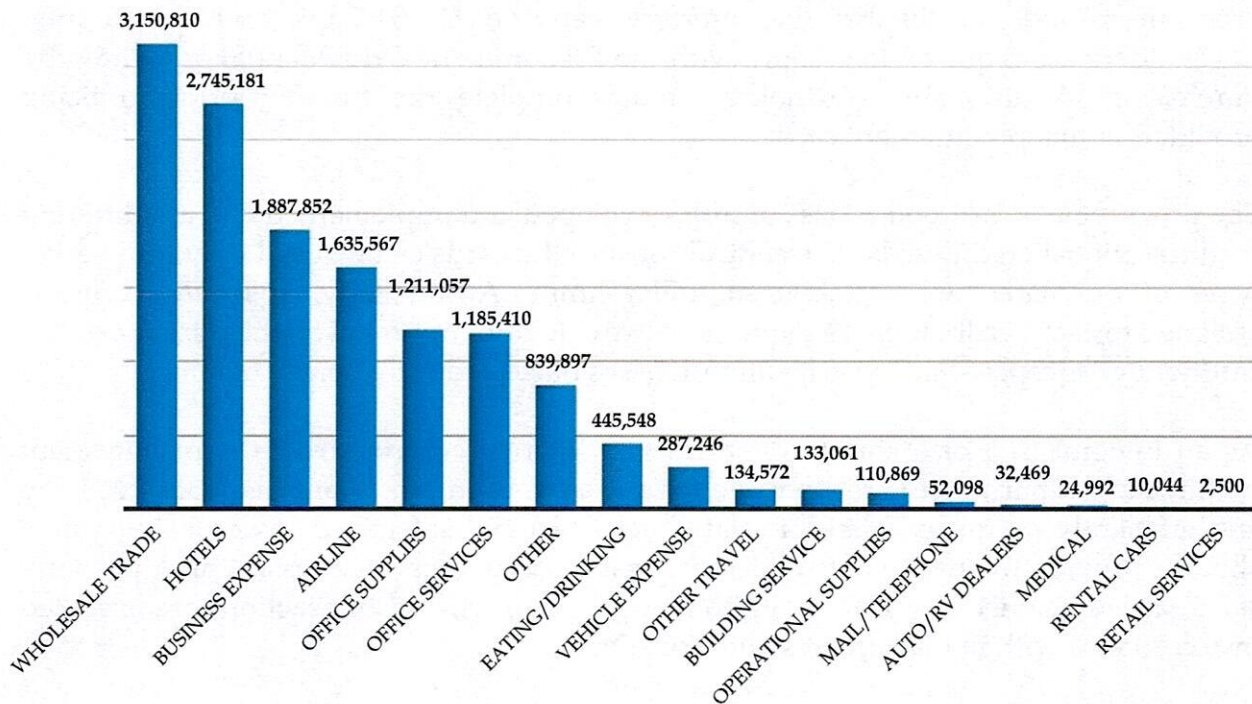
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code, which is a four-digit code assigned to a merchant by its merchant bank. This code identifies the type of business the merchant conducts.

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 expenditures by merchant category) for 33 departments. We selected 12 departments with expenditures in the 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)**





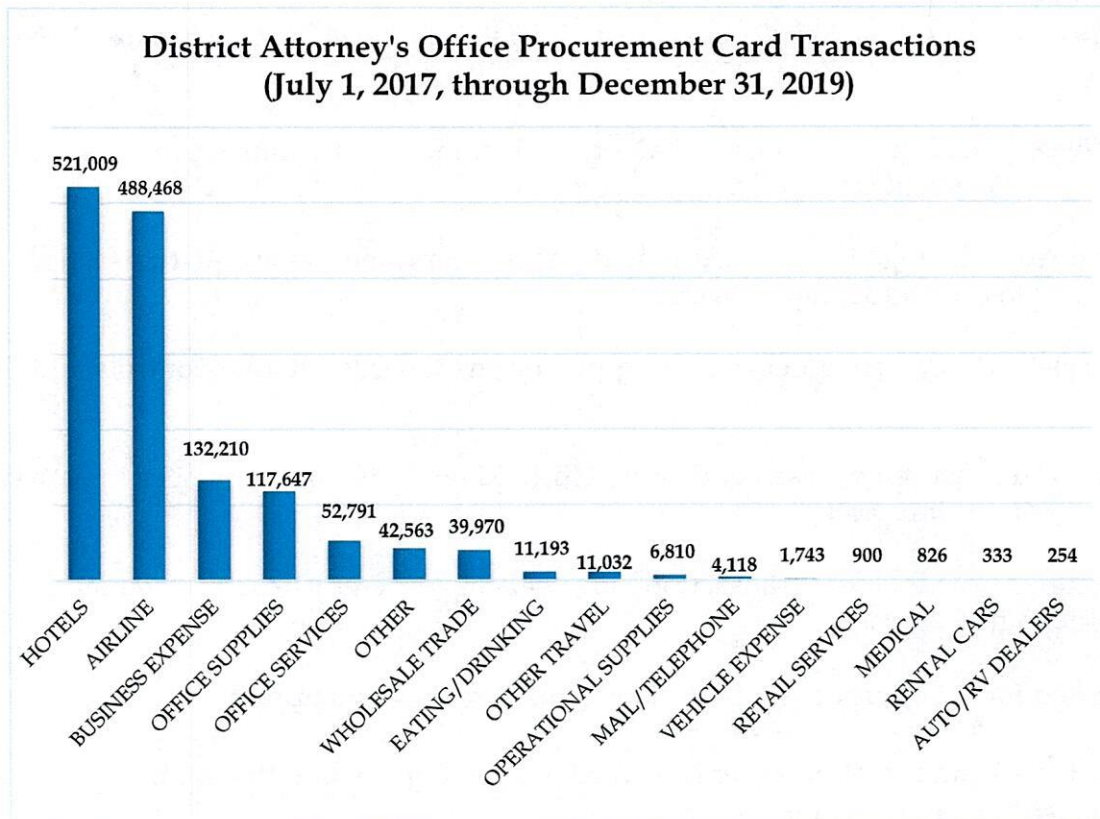
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**Procurement Card**

**Background**

As of December 31, 2019, Riverside County Office of The District Attorney (District Attorney) had 14 active procurement cardholders. For the audit period July 1, 2017, through December 31, 2019, District Attorney had 4,745 procurement card transactions totaling \$1,431,867.

The chart below illustrates procurement card expenditures for the audit period, categorized in the following categories: business expense, office supplies, office services, wholesale trade, eating/drinking, operational supplies, mail and telephone, vehicle expense, retail services, hotel, airlines and other. The four largest expenditure categories, which make up 88% (or \$1,259,334) of procurement card transactions, included hotels at \$521,009, airlines at \$488,468, business expense at \$132,210, and office supplies at \$117,647.



**Internal Audit Report 2020-019: Riverside County Office of the District Attorney, 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 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 3, 2019, through April 15, 2020, for operations from July 1, 2017, through December 31, 2019. To accomplish our objectives, we performed the following:

- Reviewed county 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*
- Reviewed department policies and other documents to confirm compliance with county's procurement card policies and procedures.
- Obtained a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- Interviewed key personnel regarding procurement cards internal controls and their processes.
- 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 for appropriate levels of management review and approval.
- Selected a sample of procurement card transactions from the audit period and reviewed supporting documentation.

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**Audit Conclusion**

Based upon the results of our audit, we identified improvement opportunities for internal controls over compliance with the Riverside County Procurement Card Procedure Manual.

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

We identified the following in our review of procurement cardholder expenditures and supporting documentation:

- Restricted merchant category codes such as gift cards and automotive repairs purchased with procurement cards that are not allowed under the Riverside County Procurement Card Program Procedure Handbook. According to the handbook, Purchasing requires each county department to establish merchant category codes which is a control, prior to the issuance of procurement cards to their cardholders. The control is implemented with “the desired code at account setup” with signatures in the cardholder agreement, an option to update at any time.
- One instance in which a cardholder’s expenditure was not categorized as an approved item in the cardholder agreement. Based on the handbook, the control established for the cardholder was not functioning as designed as the expenditure was able to be completed.

Department officials establish merchant categories with signatures in the cardholder agreement when procurement cards are issued. According to the cardholder agreement, “Any purchase that is in excess of the card dollar limits, or outside of the approved commodity or merchant categories is unauthorized...” In addition, the Riverside County Procurement Card Program Procedure Handbook, revised August 1, 2016, states, “Any exception granted from the Purchasing Agent or designee to the restricted uses must be documented in writing.” When adequate internal controls are not in place to ensure compliance with county policies and procedures, there is the potential for misuse, misappropriation or inefficient use of county resources.

**Recommendation 1.1**

Ensure procurement cardholders and department approvers are in compliance with the Riverside County Procurement Card Program Procedure Handbook for allowable purchases.

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**Management's Response**

**"Partially Concur.** All p-cardholders and department approvers of the District Attorney's Office (DAO) have previously attended the necessary training prior to the issuance of their p-cards and the approval of p-card packets. As part of that training, each holder was made aware of the authorized/restricted purchasing categories. In the case of the restricted categories, above the referenced automotive repairs were made as part of the California Victim/Witness Protection & Relocation Program which is generally reimbursable by the State. The cardholder agreements that provide this function will be updated to include miscellaneous categories of expenditures which will cover activity not specifically categorized as a given commodity. In the case of the gift cards those purchases were made in compliance with the grant award and future purchases will be made utilizing the existing PeopleSoft software vs. the P-card program maintaining compliance with the Procurement Card Program Procedure Handbook."

Actual/estimated Date of Corrective Action: 7/10/2020

**Recommendation 1.2**

Establish an effective system to monitor changes to cardholder agreement information for procurement cardholder, update changes when they occur, and submit to Purchasing.

**Management's Response**

**"Do Not Concur.** The office already monitors changes to cardholder agreement information for procurement cardholder and update changes when they occur. All cardholder agreements are submitted to County Purchasing. All cardholder agreements are currently monitored by the DAO's principal Accountant.

As part of the DAO's commitment to continuous improvement, the office will institute an annual review of existing p-card holders, agreements and applicable training in order to determine whether the needs of the holders have changed, and institute changes accordingly. This annual recertification will be completed as part of the fiscal year-end review processes by August 31 each year. "

Actual/estimated Date of Corrective Action: 8/31/2020