

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



ITEM: 2.11  
(ID # 13299)

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

**FROM:** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2020-013: Riverside County Transportation and Land Management Agency, Countywide Procurement Card Audit, District: All. [\$0]

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

1. Receive and file Internal Audit Report 2020-013: Riverside County Transportation and Land Management Agency, Countywide Procurement Card Audit

**ACTION: Consent**

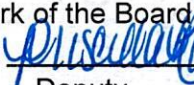
  
Paul A. Angulo, County Auditor-Controller 8/14/2020

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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 audited the Riverside County Transportation and Land Management Agency. Our objective is to provide an independent assessment of internal controls over the use 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 2020-013: Riverside County Transportation and Land Management Agency, Countywide Procurement Card Audit

  
 Stephanie Pe..., Principal Management Analyst 8/17/2020

**Internal Audit Report 2020-014**

**Riverside County Transportation and Land  
Management Agency  
County Procurement Card Audit**

**Report Date: August 25, 2020**



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

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

August 25, 2020

Juan Perez  
Director  
Riverside County Transportation and Land Management Agency  
4080 Lemon Street, 14<sup>th</sup> Floor  
Riverside, CA 92507

**Subject: Internal Audit Report 2020-013: Riverside County Transportation and Land Management Agency, Countywide Procurement Card Audit**

Dear Mr. Perez:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Transportation and Land Management Agency. Our objective is to provide an independent assessment of internal controls over the use 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 determined internal controls over the usage of procurement cards provide reasonable assurance that its objectives relating to this area

**Internal Audit Report 2020-013: Riverside County Transportation and Land Management Agency, Countywide Procurement Card Audit**

will be achieved. Reasonable assurance recognized internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

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.

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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Management Agency, Countywide 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.

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

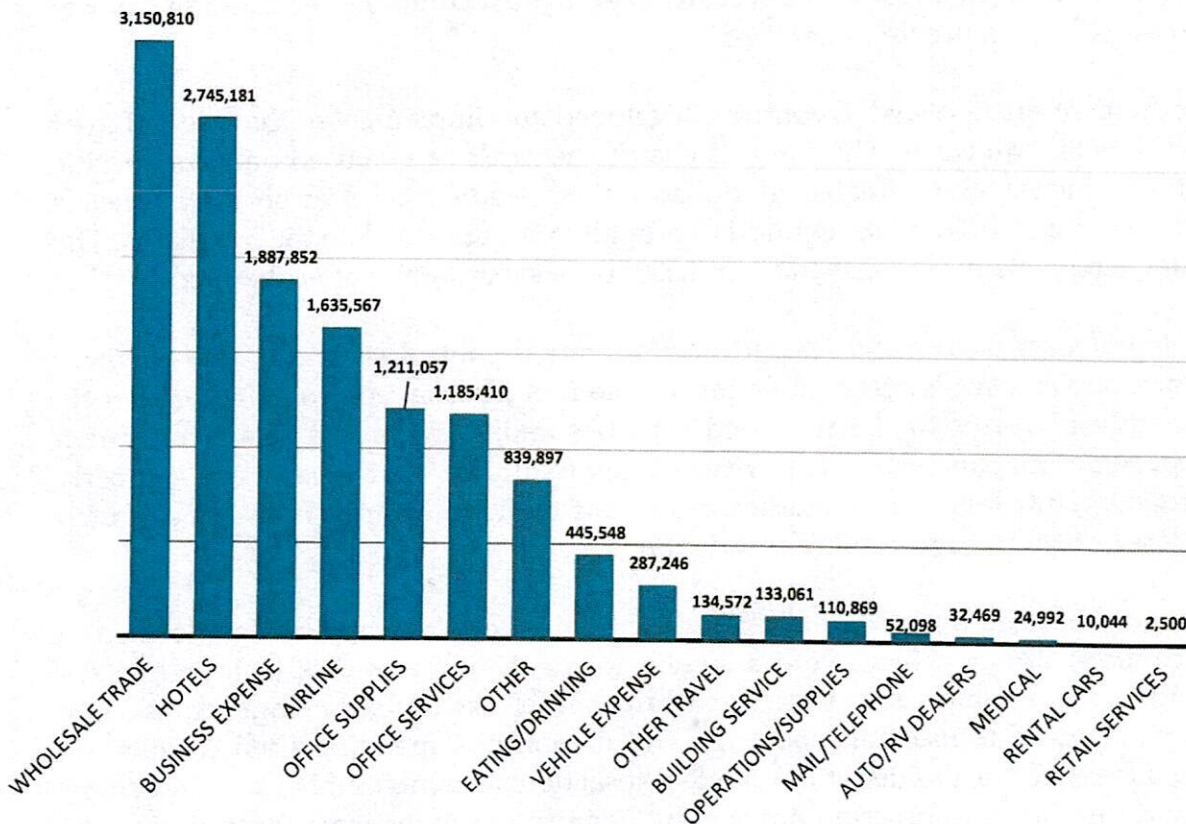
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code, which is a four-digit code assigned to a merchant by its merchant bank. This code identifies the type of business the merchant conducts.

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 County’s procurement card program during July 1, 2017, through December 31, 2019.

**Table 1: Countywide Procurement Card Transactions, Audit Period**

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





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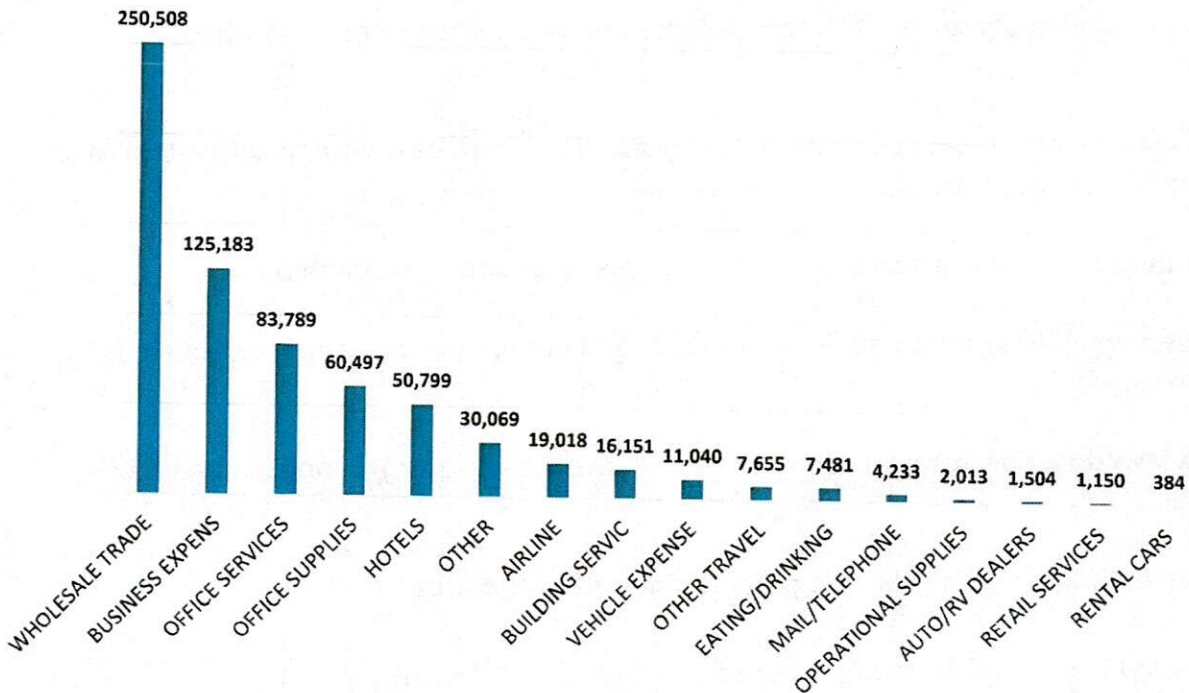
**Procurement Card**

**Background**

Riverside County Transportation and Land Management Agency (Agency) had 11 procurement cardholders as of December 31, 2019. The total expenditures from periods July 1, 2017, through December 31, 2019 totaled \$671,474.

As shown in the chart below, for the period of July 1, 2017, through December 31, 2019, the Agency used the procurement card in following categories: Airline, auto/recreational vehicle dealers, building services, business expense, eating/drinking, hotels, maintenance, repair and operation supplies, office services, office supplies, other travel, rental cars, vehicle expense, wholesale trade, and other. The top three merchant spending groups within the Agency were wholesale trade (\$250,508), business expenses (\$125,183), and office services (\$83,789).

**Procurement Card Transactions for Agency Services  
 (July 1, 2017, through December 31, 2019)**



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**Audit Objective**

Our audit objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over the authorizations and 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 included 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*.
- Obtained and analyzed department policies and other documents to confirm compliance.
- 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.
- Verified whether appropriate levels of management review and approval existed and were exercised.
- Interviewed key personnel regarding procurement card internal controls and their processes.
- Reviewed internal controls over daily and monthly spending limits.
- Reviewed a list of all current procurement cardholders for the Agency

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**Audit Conclusion**

Based upon the results of our audit, we determined internal controls over the use of procurement cards provide reasonable assurance that its objectives relating to this area will be achieved. Reasonable assurance recognized internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.