

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



**ITEM: 2.14
(ID # 13304)**

MEETING DATE:
Tuesday, August 25, 2020

FROM: AUDITOR CONTROLLER:

SUBJECT: AUDITOR-CONTROLLER: Internal Audit Report 2020-014: Riverside County Department of Business and Community Services, Riverside Department of Facilities Management, Riverside County Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit, District: All. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2020-014: Riverside County Department of Business and Community Services, Riverside County Department of Facilities Management, Riverside County Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit

ACTION: Consent


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

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 Department of Business and Community Services, Riverside County Department of Facilities Management, Riverside County Housing, Homelessness Prevention and Workforce Solutions. This audit is conducted to provide an independent assessment of internal controls over the usage of procurement cards.

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.

Internal Audit Report 2020-014: Riverside County Department of Business and Community Services, Riverside County Department of Facilities Management, Riverside County Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit


 Stephanie Perez, Principal Management Analyst 8/17/2020

Internal Audit Report 2020-014

**Riverside County
Department of Business and Community Services,
Department of Facilities Management,
Housing, Homelessness Prevention and
Workforce Solutions
County Procurement Card Audit**

Report Date: August 25, 2020



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ACC | **AUDITOR
CONTROLLER**
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Tanya Harris, DPA, CPA
Assistant Auditor-Controller

August 25, 2020

Suzanne Holland,
Director of Riverside County Department of Business and Community Services
Rose Salgado,
Director of Riverside County Department of Facilities Management
Heidi Marshall,
Director of Housing, Homelessness Prevention and Workforce Solutions
3133 Mission Inn Avenue
Riverside, CA 92507

Subject: Internal Audit Report 2020-014: Riverside County Economic Development Agency Presently Restructured as Business and Community Services, Facilities Management and Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit

Dear Ms. Holland, Ms. Salgado, & Ms. Marshall:

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

The scope of our audit included procurement card transactions for operations starting in July 1, 2017, through December 31, 2019. Included in our scope were transactions for operations from procurement card holders of all divisions and departments under the Economic Development Agency during the audit period. These departments included Housing Authority, Workforce Development, Aviation, Facilities Management that have now been reorganized into separate independent departments.

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

Internal Audit Report 2020-014: Riverside County Economic Development Agency Presently Restructured as Business and Community Services, Facilities Management, and Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card 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 Program Procedures Handbook.

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. With the restructuring complete, each management responded to recommendation applicable to their department. On the other hand, if none of the findings were applicable a response was not necessary. 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'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 County 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

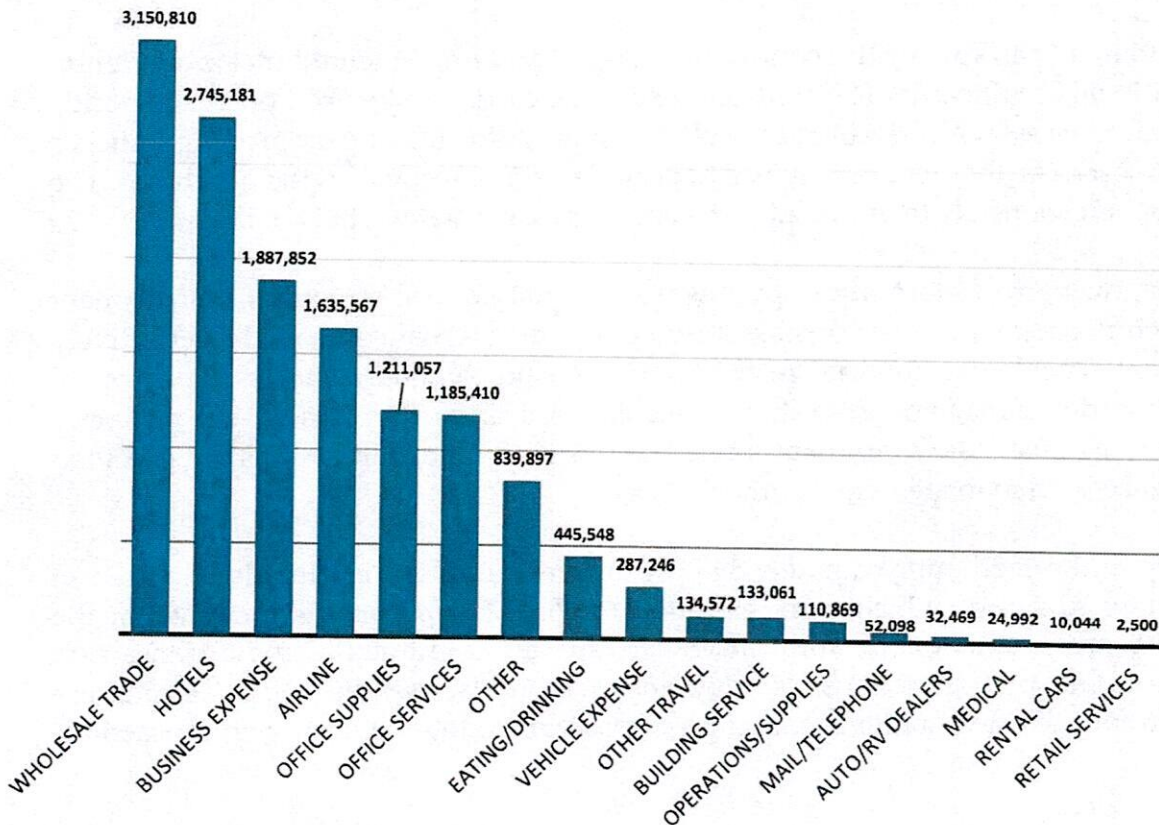
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per day, and monthly transaction amount by department management requesting the procurement cards. Certain goods and services are excluded with the merchant category code, which is a four digit code assigned to a merchant by its merchant bank. This 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 countywide expenditures by merchant category) for 33 departments. We selected 12 departments with expenditures in the period which were reported to the Auditor-Controller's Office for review. 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)**



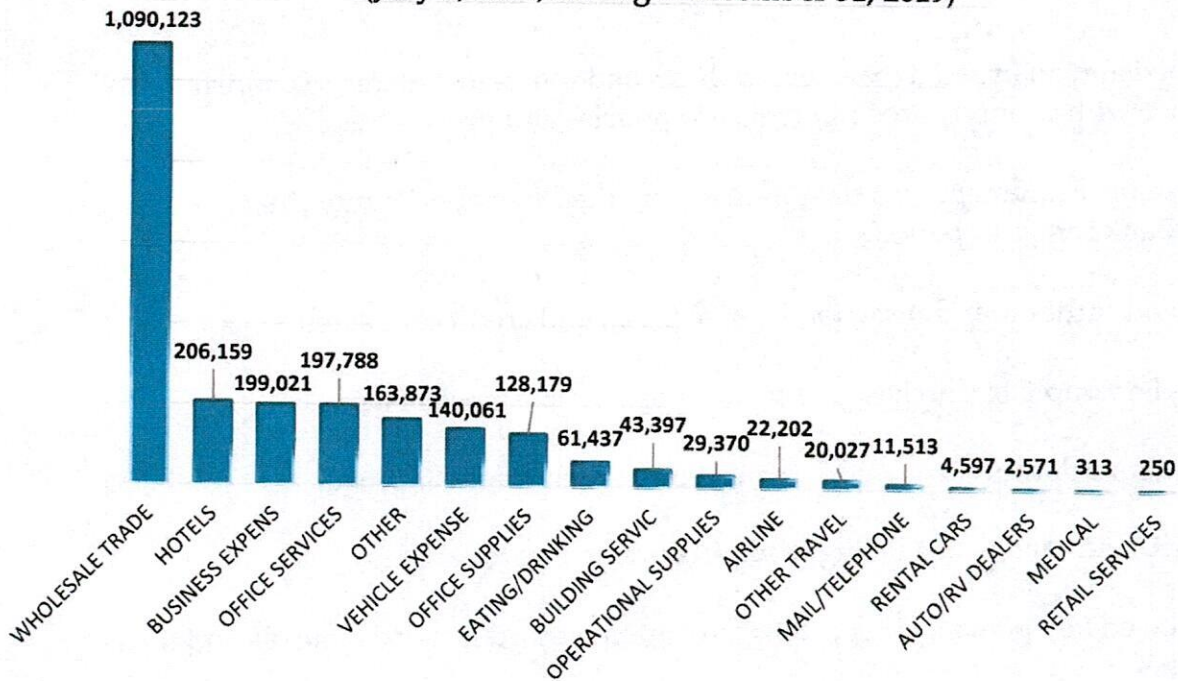
Procurement Card

Background

Riverside County Department of Business and Community Services (Economic Development Agency) had 91 procurement cardholders as of December 31, 2019. Procurement card expenditures for the period July 1, 2017, through December 31, 2019, totaled \$2,320,880, with 1,782 transactions reviewed.

The chart below illustrates procurement card expenditures for the audit period of July 1, 2017, through December 31, 2019, categorized 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. Expenditures for the top three merchant groups include wholesale trade (\$1,090,123), hotels (\$206,159), and business expenses (\$199,021).

**Economic Development Agency
 Procurement Card Transactions
 (July 1, 2017, through December 31, 2019)**



Internal Audit Report 2020-014: Riverside County Economic Development Agency Presently Restructured as Business and Community Services, Facilities Management, and Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit

Audit Objective

Our audit objective is to provide 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 objective, 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*
- 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 the Riverside County financial systems and U.S. Bank for 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
- Reviewed supporting documentation for procurement card expenditures

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Audit Highlights

Existing Conditions

The current processes have not mitigated the following risk areas:

- Economic Development Agency is not in compliance with the Riverside County Procurement Card Program. Specifically, termination of procurement cards when an employee leaves the county and restricted use purchases.

Improvement Opportunities

The improvement opportunities are in the following areas:

- Ensure procurement card are terminated immediately upon employee termination in accordance with Board Policy A-62, Credit Card Use.
- Ensure procurement cardholders comply with restricted uses as they related to the Riverside County Procurement Card Program Procedure Manual.

Audit Conclusion

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

Internal Audit Report 2020-014: Riverside County Economic Development Agency Presently Restructured as Business and Community Services, Facilities Management, and Housing, Homelessness Prevention and Workforce Solutions, Countywide Procurement Card Audit

Finding 1: Compliance with Procurement Card Policies

The Economic Development Agency is not in compliance with Riverside County Procurement Card policies. We identified the following in review of procurement card expenditures and supporting documentation:

- Two procurement cards from cardholders under Riverside County Business and Community Services Department who were no longer employees of the county, were not terminated immediately after departure. The closure of these procurement cards ranged between 349 and 367 days. Board Policy A-62, Sections *Management*, page 2, states, "Each department/agency shall develop and implement policies and procedures to ensure the immediate deactivation of cards/accounts assigned to employees who leave County employment for any reason, have transferred to another department/agency, or no longer require the use of the credit card." Department officials state the request for closure was submitted to Purchasing. However, documentation supporting their statement about the request was not available.
- There were three procurement transactions recorded on dates when the cardholder from Housing, Homelessness Prevention and Workforce Solutions was not at work. Although the cardholder reimbursed the department for the items purchased, the Procurement Card Program Procedure Handbook restricts cardholders' from using procurement cards for personal use. The Riverside County Procurement Card Program Procedure Handbook, *Restricted Uses*, states, "This procurement card at no time is to be used for personal purchases."

The Procurement Card program was developed to improve the efficiency of department daily operations and requires compliance with current county policies and procurement procedures. Noncompliance with procurement card increases the risk of theft, non-compliance with county policies, misuse of county funds, and decreases efficiency in established procurement card procedures. In addition, the use of the procurement card for personal use with the intent to pay the expenses later, is an inefficient use of county resources as it takes time and effort to obtain the payment from the procurement card holder, and then processing, recording, and tracking of the payment for these type of transactions.

Recommendation 1.1

Ensure procurement cards are terminated immediately when cardholders end employment with the department.

Management's Response from Business and Community Services:

"Concur. Upon termination, the County Airport Manager's procurement card was not cancelled in a timely manner. The Riverside County Business and Community Services Department will take the necessary actions to ensure that procurement cards are collected and cancelled immediately upon the termination of any cardholder."

Recommendation 1.2

Ensure procurement cardholders discontinue the use of their assigned cards for personal use and fully comply with the Procurement Card Program Procedure Handbook.

Management's Response: Housing, Homelessness Prevention, Workforce Solutions

"Partially Concur. Recommendation 1.1 pertained to all divisions under the Economic Development Agency, a department which ceased its operations effective the end of February 2020. Responsibility and oversight of P Cards are now under the responsibility of a newly formed team under the HHPWS.

Housing, Homelessness Prevention and Workforce Solutions (HHPWS) was formed on March 1, 2020. HHPWS will update processes and procedures to ensure cardholder's accounts are reported terminated to Central Purchasing within 30 days via email and will also request a confirmation email receipt of its closure.

Recommendation 1.2 cites the use of the procurement card during dates the employee was not at work. This occurred with one employee within our department and upon review is an isolated event that occurred as result of the P-Card info being stored in the Uber app which resulted in the erroneous charges on the P-Card. The employee traveled on behalf of the department immediately prior to this use and utilized Uber as an approved means of travel. The issue was rectified by the employee upon receipt of the P-Card statement with immediate payment of the charges and the deletion of the P-Card from the Uber app.

Our Department places a high priority on fiscal oversight and compliance with all County policies. We have implemented additional training and oversight to prevent future occurrences of this nature."

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

Management's Response from Business and Community Services: None required

Management's Response from Facilities Management: None required