

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



ITEM: 2.10  
(ID # 20599)

**MEETING DATE:**

Tuesday, December 13, 2022

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2023-302 Riverside County Children and Families Commission, Follow-up Audit

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

1. Receive and file Internal Audit Report 2023-302: Riverside County Children and Families Commission, Follow-up Audit

**ACTION:Consent**

*Tanya Harris*  
Tanya Harris, Assistant Auditor Controller 11/29/2022

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

Ayes: Jeffries, Spiegel, Washington, and Hewitt  
Nays: None  
Absent: Perez  
Date: December 13, 2022  
xc: Auditor

Kecia R. Harper  
Clerk of the Board

By: *Cindy Jandy*  
Deputy

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

<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	\$ 0.0	\$ 0.0
<b>NET COUNTY COST</b>	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	n/a

**C.E.O. RECOMMENDATION:** Approve

**BACKGROUND:**

**Summary**

We completed a follow-up audit of the Riverside County Children and Families Commission. Our audit was limited to reviewing actions taken as of June 01, 2022, to correct findings noted in our original audit report 2021-002 dated March 2, 2021. The original audit report contained three recommendations, all of which required implementation to help correct the reported findings.

Based on the results of our audit, we found that of the three recommendations:

- The three recommendations were implemented.

For an in-depth understanding of the original audit, please refer to the Internal Audit 2021-002 at [www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports).

**Impact on Citizens and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENTS:**

A: Riverside County Auditor-Controller - Internal Audit Report 2023-302: Riverside County Children and Families Commission, Follow-up Audit.

  
 Stephanie Perez, Principal Management Analyst 12/1/2022

**Internal Audit Report 2023-302**

**Riverside County  
Children and Families Commission  
Follow-up Audit**

**Report Date: November 29, 2022**



**Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller**  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800

[www.auditorcontroller.org](http://www.auditorcontroller.org)



**COUNTY OF RIVERSIDE**  
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**ACC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

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

November 29, 2022

Tammi Graham  
Executive Director  
Riverside County Children and Families Commission  
585 Technology Court  
Riverside, CA 92501

**Subject: Internal Audit Report 2023-302: Riverside County Children and Families Commission, Follow-up Audit**

Dear Ms. Graham:

We completed the follow-up audit of Riverside County Children and Families Commission. Our audit was limited to reviewing actions taken as of June 1, 2022, to help correct the findings noted in our original audit report 2021-002 dated March 2, 2021.


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 reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained three recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that all three recommendations were implemented.

**Internal Audit Report 2023-302: Riverside County Children and Families Commission,  
Follow-up Audit**

Summary of the conditions from the original audit and the results of our review on the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2021-002 [www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports](http://www.auditorcontroller.org/Divisions/AuditsandSpecializedAccounting/InternalAuditReports).

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA  
Deputy Auditor-Controller

cc: Board of Supervisors  
Jeff A. Van Wagenen, County Executive Officer  
Dave Rogers, Chief Administrative Officer  
Grand Jury

Internal Audit Report 2023-302: Riverside County Children and Families Commission,  
Follow-up Audit

Table of Contents

	Page
<b>Results:</b>	
Compliance with Procurement Card Policies.....	4
<b>Attachments:</b>	
A. Internal Audit Report 2021-002	
B. Status of Findings as Reported by Riverside County Children and Families Commission on June 1, 2021.	

Internal Audit Report 2023-302: Riverside County Children and Families Commission,  
Follow-up Audit

Compliance with Procurement Card Policies

Finding 1: Compliance with Procurement Card Policies

First 5 Riverside is not in compliance with the procurement card procedures. We identified the following in our review of procurement cardholder expenditures and supporting documentation:

- Observed 12 instances out of 16 (75%) cardholder monthly statements reviewed in which department approvers did not sign the cardholders' monthly statement of account. Additionally, 16 instances out of 16 cardholder monthly statements reviewed in which department approvers did not sign the cardholders' procurement payment package. According to Procurement Card Program Procedure Handbook, "The Approver's signatures on the Cardholder's Statement of account and the Cardholder's Procurement Payment Package will be evidence of the Approvers acceptance."
- Identified five instances in which expenditures were split between two or more cardholders and as a result, circumvented the procurement card single purchase dollar limit. Per the Procurement Card Program Procedure Handbook, "Purchases must not be split to circumvent dollar limitations."
- Identified a cardholder agreement which listed the same individual as the cardholder and the approver. Per the Procurement Card Program Procedure Handbook, "the certification of all purchases is required by each Cardholder with verification performed by the Cardholders approver before payment is made." Adequate segregation of duties does not exist as the cardholder would be approving their own procurement card expenditures. Per Standard Practice Manual 1001, Internal Control, "duties are divided or segregated so that no one person has complete control over a key function or activity." Allowing employees to be their own approver for expenditures increases the risk of fraud and misappropriation of county funds.

The procurement card program was developed to improve the efficiency of department daily operations and requires compliance with current county policies and procurement procedures. When adequate controls are not in place to ensure compliance with county policies and procedures, there is the potential for misuse or misappropriation of public resources.

Internal Audit Report 2023-302: Riverside County Children and Families Commission,  
Follow-up Audit

**Recommendation 1.1**

Provide training for cardholders and approvers who are not in compliance with the procurement card program to ensure compliance with policies and procedures.

**Current Status 1.1: Implemented**

**Recommendation 1.2**

Ensure procurement cardholders are in compliance with all aspects of the Riverside County Procurement Card Program Procedure Handbook.

**Current Status 1.2: Implemented**

**Recommendation 1.3**

Ensure proper segregation of duties are in place for the authorization of expenditures, mitigate the risk of inappropriate transactions, and adequately safeguard county resources.

**Current Status 1.3: Implemented**



Attachment A

Internal Audit Report 2021-002

Riverside County  
Children and Families Commission  
Audit

Report Date: March 2, 2021



Office of Paul Angulo, CPA, MA  
Riverside County Auditor-Controller  
4080 Lemon Street, 11th Floor  
Riverside, CA 92509  
(951) 955-3800

[www.auditorcontroller.org](http://www.auditorcontroller.org)



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**ACC** | AUDITOR  
CONTROLLER  
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA  
Riverside County Auditor-Controller

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

March 2, 2021

Tammi Graham  
Executive Director  
Riverside County Children and Families Commission  
585 Technology Court  
Riverside, CA 92501

Subject: **Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

Dear Ms. Graham:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Children and Families Commission 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.

Our conclusions and details of our audit are documented in the body of this audit report.

**Internal Audit Report 2021-002: Riverside County Children and Families Commission  
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  
Juan Perez, Interim County Executive Officer  
Grand Jury

**Internal Audit Report 2021-002: Riverside County Children and Families Commission  
Audit**

**Table of Contents**

	<b>Page</b>
<b>Executive Summary .....</b>	<b>4</b>
<b>Results:</b>	
<b>Procurement Cards.....</b>	<b>6</b>



**Internal Audit Report 2021-002: Riverside County Children and Families Commission  
Audit**

## **Executive Summary**

### **Overview**

Riverside County Children and Families Commission (First 5 Riverside) provides support to children from prenatal through age five. First 5 Riverside receives funding from the California Children and Families Act (Proposition 10), which placed a statewide tax on cigarettes and other tobacco products to support and promote early childhood development programs.

First 5 Riverside has an adopted budget of \$33.3 million for FY 2020-21 and 63 authorized positions to execute its responsibilities. *County of Riverside, Fiscal Year 2020-21 Adopted Budget, 185.*

### **Audit Objective**

Our 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 information.

### **Audit Scope and Methodology**

We conducted the audit from July 29, 2020, through October 19, 2020, for operations from July 1, 2018, through October 19, 2020. Following a risk-based approach, our scope initially included the following:

- Procurement Cards
- Service Eligibility
- Subcontractor Monitoring

Through inquiry, observations, and examination of relevant documentation, related to service eligibility and subcontractor monitoring, we concluded that internal controls over these areas are sufficient to provide reasonable assurance that the objectives as described above are achieved. We focused our scope to internal controls over procurement cards.

**Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

**Audit Highlights**

*Summary of Existing Conditions*

The current processes have not mitigated the following risk areas:

- Procurement Card transactions were not adequately approved by designated approving officials. When these transactions are not approved by approving officials it increases the potential of county resources being misused.
- Procurement Card usage for single purchase dollar limits are not in compliance with the Procurement Card Program. Expenditures were split between two or more cardholders and circumvented the procurement card single purchase dollar limit.
- Procurement Card purchases review and approval are not adequately separated. Allowing employees to approve their own expenditures increases the risk of inadequate use of county resources.

*Summary of Improvement Opportunities*

The improvement opportunities are in the following areas:

- Provide training for cardholders and approvers who are not in compliance with the Procurement Card Program to ensure compliance with policies and procedures.
- Ensure procurement cardholders are in compliance with the Riverside County Procurement Card Program Procedure Handbook to maintain the integrity of the program.
- Ensure proper segregation of duties between the review and approval of Procurement Card transactions to mitigate the risk of inappropriate transactions and adequately safeguard county resources.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to the use of procurement cards.

**Internal Audit Report 2021-002: Riverside County Children and Families Commission  
Audit**

**Procurement Card**

The County's Procurement Card program was developed to improve efficiencies associated with the procurement process and reduce the costs 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 and 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.

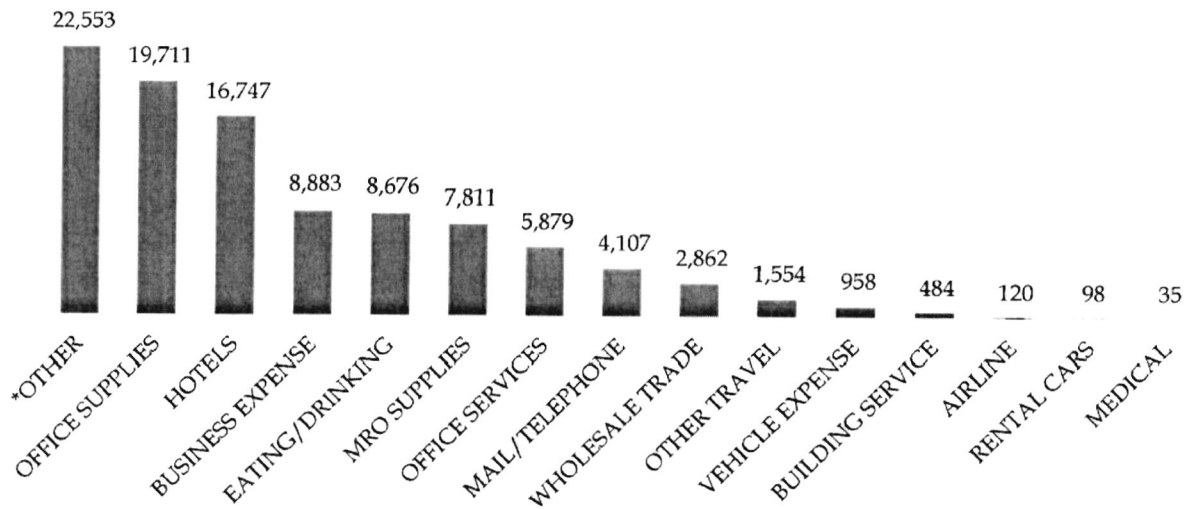
First 5 Riverside had nine procurement cardholders, as of July 31, 2020. Procurement card expenditures for the period July 1, 2019, through July 31, 2020, included 365 transactions totaling \$100,478.

The chart below illustrates First 5 Riverside expenditures for the period of July 1, 2019, through July 31, 2020, categorized in the following: airlines, hotels, business expense, office supplies, eating/drinking, office services, wholesale trade, other travel, other, and vehicle expense. The three largest expenditure categories for First 5 Riverside were made up of other program

**Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

expenses at \$22,553, office supplies at \$19,711, and hotels at \$16,747 for a total of \$59,011. These categories make up 59% of the total procurement card transactions.

**First 5 Riverside Procurement Card Transactions  
 (July 1, 2019, through July 31, 2020)**



\* *Other* expenses category is used by US Bank for transactions that are not matched to any of their other categories.

**Audit Methodology**

To accomplish these objectives, we:

- 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 reviewed department policies and other documents to determine compliance with Riverside County’s procurement card policies and procedures.
  
- Obtained and reviewed a listing of all cardholder agreements.



**Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

- Analyzed procurement card data pulled from Riverside County financial systems and U.S. Bank for audit period.
- Examined cardholder transaction logs, receipts, and credit card statements.
- Verified for appropriate levels of management review and approval.
- Interviewed key personnel regarding procurement card internal controls and their processes.
- Reviewed supporting documentation for procurement card expenditures.

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

First 5 Riverside is not in compliance with the procurement card procedures. We identified the following in our review of procurement cardholder expenditures and supporting documentation:

- Observed 12 instances out of 16 (75%) cardholder monthly statements reviewed in which department approvers did not sign the cardholders' monthly statement of account. Additionally, 16 instances out of 16 cardholder monthly statements reviewed in which department approvers did not sign the cardholders' procurement payment package. According to Procurement Card Program Procedure Handbook, "The Approver's signatures on the Cardholder's Statement of account and the Cardholder's Procurement Payment Package will be evidence of the Approvers acceptance."
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**Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

The procurement card program was developed to improve the efficiency of department daily operations and requires compliance with current county policies and procurement procedures. When adequate controls are not in place to ensure compliance with county policies and procedures, there is the potential for misuse or misappropriation of public resources.

**Recommendation 1.1**

Provide training for cardholders and approvers who are not in compliance with the procurement card program to ensure compliance with policies and procedures.

**Management's Response**

**"Concur.** From July 1, 2019 through February 13, 2020, previously designated P-Card Approvers did not consistently sign the appropriate documentation. Also, from February 2020 through August 12, 2020, due to limited staff capacity a replacement Approver was not designated until August 13, 2020. Since August, any non-compliance was addressed and resolved."

**Actual/estimated Date of Corrective Action:** "All P-Card holders will complete annual P-Card training required by the department. Additionally, as of 12/17/2020, designation of Approver and Billing Official was revised and submitted to Purchasing. If either designation changes, management will immediately notify Purchasing to request an adjustment of designated roles."

**Recommendation 1.2**

Ensure procurement cardholders are in compliance with all aspects of the Riverside County Procurement Card Program Procedure Handbook.

**Management's Response**

**"Partially Concur.** The instances identified as potential splits did not take place to circumvent the procurement process. Two of the instances in April and June of 2020 resulted from an immediate need to purchase PPEs for community stakeholders due to the COVID pandemic. As the pandemic unfolded and the immediate need arose, card limits on P-Card holders were not high enough to secure the items on one card. The purchase had Executive Approval. Additionally, during the pandemic, the Purchasing Department relaxed the quote requirements to allow departments to purchase PPE

**Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit**

supplies without delays. Therefore, there was no circumvention of the procurement process to avoid the quote process.”

**Actual/estimated Date of Corrective Action:** “By the end of January 2021, all P-Card holders will review the P-Card Manual to ensure compliance with all rules that apply as the purchasing agent. Department will track and document annual review to include dated/signed acknowledgement for each P-Card holder.”

**Auditor Comment:**

We want to remind the department that the Riverside County PeopleSoft Financial System can accommodate rush request and overnight payments. It is recommended for department to utilize this method of payment when reasonably possible for transparency and to not circumvent county purchasing policies and procedures.

**Recommendation 1.3**

Ensure proper segregation of duties are in place for the authorization of expenditures, mitigate the risk of inappropriate transactions, and adequately safeguard county resources.

**Management’s Response**

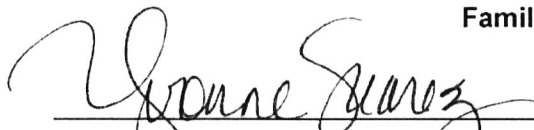
“**Partially Concur.** Due to the limited number of staff available within the department and fiscal unit, mitigating controls are considered and applied when appropriate. For purchasing during this audit period, purchasing requests were approved by immediate supervisor and/or the executive team. Additionally, expenditures were reconciled by a separate fiscal team member and transactions identified for reimbursement from CARES Act funding. When designated Approver and/or Billing Official roles are vacant due to staffing issues, the department will immediately reassign roles to ensure separation of duties.”

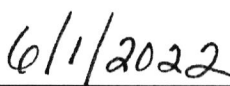
**Actual/estimated Date of Corrective Action:** “Segregation of duties addressed in August 2020 with the designation of the Approver role. In December 2020, further segregation addressed with reassignment of Approver and Billing Official, both incumbents of these roles are not P-Card holders.”

## Attachment B



The following are the current status of the reported findings and planned corrective actions contained in Internal Audit Report 2021-002: Riverside County Children and Families Commission Audit.

  
\_\_\_\_\_  
Yvonne Suarez, Deputy Director  
Authorized Signature

  
\_\_\_\_\_  
Date

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### Finding 1: Compliance with Procurement Card Policies

First 5 Riverside is not in compliance with the procurement card procedures. We identified the following in our review of procurement cardholder expenditures and supporting documentation:

- Observed 12 instances out of 16 (75%) cardholder monthly statements reviewed in which department approvers did not sign the cardholders' monthly statement of account. Additionally, 16 instances out of 16 cardholder monthly statements reviewed in which department approvers did not sign the cardholders' procurement payment package. According to Procurement Card Program Procedure Handbook, "The Approver's signatures on the Cardholder's Statement of account and the Cardholder's Procurement Payment Package will be evidence of the Approvers acceptance."
- Identified five instances in which expenditures were split between two or more cardholders and as a result, circumvented the procurement card single purchase dollar limit. Per the Procurement Card Program Procedure Handbook, "Purchases must not be split to circumvent dollar limitations."
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The procurement card program was developed to improve the efficiency of department daily operations and requires compliance with current county policies and procurement procedures. When adequate controls are not in place to ensure compliance with county policies and procedures, there is the potential for misuse or misappropriation of public resources.

**Current Status**

Reported Finding Corrected?  Yes  No

All findings have been addressed and corrective actions have been taken.

**Recommendation 1.1**

Provide training for cardholders and approvers who are not in compliance with the procurement card program to ensure compliance with policies and procedures.

**Management Reply**

"Concur. From July 1, 2019, through February 13, 2020, previously designated P-Card Approvers did not consistently sign the appropriate documentation. Also, from February 2020 through August 12, 2020, due to limited staff capacity a replacement Approver was not designated until August 13, 2020. Since August, any non-compliance was addressed and resolved."

Actual/estimated Date of Corrective Action: December 17, 2020

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

All P-Card holders and approval staff completed training. Additionally, fiscal staff has been trained to review accuracy of documentation and to sign all proper documents after review. Fiscal manager conducts second review to ensure all documents are sign.

**Recommendation 1.2**

Ensure procurement cardholders are in compliance with all aspects of the Riverside County Procurement Card Program Procedure Handbook.

**Management Reply**

"Partially Concur. The instances identified as potential splits did not take place to circumvent the procurement process. Two of the instances in April and June of 2020 resulted from an immediate need to purchase PPEs for community stakeholders due to the COVID pandemic. As the pandemic unfolded and the immediate need arose, card limits on P-Card holders were not high enough to secure the items on one card. The purchase had Executive Approval. Additionally, during the pandemic, the Purchasing Department relaxed the quote requirements to allow departments to purchase PPE supplies without delays. Therefore, there was no circumvention of the procurement process to avoid the quote process."

Actual/estimated Date of Corrective Action: By the end of January 2021

**Current Status**

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

To support future needs, purchase limits have been increased for designated P-Card holders. If there is circumstance requiring the need to adjust card limits, the Fiscal Manager will immediately contact Purchasing to request the increase.

### Recommendation 1.3

Ensure proper segregation of duties are in place for the authorization of expenditures, mitigate the risk of inappropriate transactions, and adequately safeguard county resources.

### Management Reply

"**Partially Concur.** Due to the limited number of staff available within the department and fiscal unit, mitigating controls are considered and applied when appropriate. For purchasing during this audit period, purchasing requests were approved by immediate supervisor and/ or the executive team. Additionally, expenditures were reconciled by a separate fiscal team member and transactions identified for reimbursement from CARPS Act funding. When designated Approver and/ or Billing Official roles are vacant due to staffing issues, the department will immediately reassign roles to ensure separation of duties."

**Actual/estimated Date of Corrective Action:** December 2020

### Current Status

Corrective Action:  Fully Implemented  Partially Implemented  Not Implemented

Description of the corrective action taken (or pending action and estimated date of completion for planned corrective action that is partially or not implemented).

Roles have been assigned to ensure separation of duties. Cardholders will certify all purchases made, then appropriate approver other than cardholder will review for accuracy. Fiscal Manager or the Administrative Service Manager will then conduct a final review before approval of payment.