

Internal Audit Report 2017-010

**Riverside County Registrar of Voters
Purchase Order Process**

Report Date: September 5, 2017



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September 5, 2017

Rebecca Spencer, Registrar of Voters
Riverside County Registrar of Voters
2724 Gateway Drive
Riverside, CA 92507

Subject: Internal Audit Report 2017-010: Riverside County Registrar of Voters, Purchase Order Process

Dear Ms. Spencer:

We have completed an audit of Riverside County Registrar of Voters to provide management and the Board of Supervisors with an independent assessment of internal controls over the purchase order process. We conducted the audit from January 17, 2017, through March 21, 2017, for operations from July 1, 2014, through December 31, 2016.

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 opportunities for improvement of internal controls relating to the purchase order process. We determined that the Registrar of Voters internal controls over the purchase order process does not provide reasonable assurance that its objectives related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Internal Audit Report 2017-010: Riverside County Registrar of Voters, Purchase Order Process

We thank the Registrar of Voters management and staff for their cooperation. Their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

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Executive Summary

Overview

The Riverside County Registrar of Voters (Registrar) has a mission to "ensure the electoral process will be conducted professionally, consistently demonstrating neutrality and non-partisan decision-making, based upon thorough knowledge of and compliance with all election laws by administering them timely, responsively and with integrity on behalf of those we serve." *Riverside County Registrar of Voters Department, About Us, Mission Statement, County of Riverside website, accessed March 21, 2017, <http://www.election.co.riverside.ca.us/aboutUs.asp>*

The Registrar staff trains poll workers and ensures election polling locations are adequately staffed in preparation for elections. The department also provides election services for the following: Special Mail Ballot Elections, General District Elections, General Municipal Ballot Elections, General Municipal Elections, Governing Board Member Election, and General Municipal Elections under Uniform District Election Law, College Districts, Judicial Offices, and County Offices.

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 purchase order process.

Audit Conclusion

Based upon the results our audit, we identified opportunities for improvement of internal controls relating to the purchase order process. We determined that the Registrar's internal controls over the purchase order process does not provide reasonable assurance that its objectives related to this area will be achieved. Reasonable assurance recognizes internal controls have inherent limitations, including cost, mistakes, and intentional efforts to bypass internal controls.

Purchase Order Process

Background

The purchase order process involves the acquisition of equipment, furnishings, supplies, maintenance, construction, and contractual services within pre-established budgetary constraints. Riverside County Purchasing Policy Manual provides uniform procedures for purchasing goods and services needed in the operation of County of Riverside departments and agencies. Purchase orders perform a key role in the acquisition process. A well-detailed purchase order clearly defines the item or service being purchased, vendor information, specific terms of the purchase, and specifications of cost, quantities and delivery terms. The County of Riverside uses a variety of purchase orders to procure supplies and services.

The Board of Supervisors delegated the authority to purchase and contract to the Purchasing Agent, via Riverside County Ordinance No. 459, as amended through 459.5, *Establishing Purchasing Policies and Procedures*. The Director of Purchasing is the Purchasing Agent for the County of Riverside. The Purchasing Agent has delegated her authority to her staff with varying limitations and may assign staff to a department depending on the size and complexity of a department.

Purchasing Policy Manual dated February 1, 2013, requires a purchase order for all purchases over \$400 and Purchasing Policy Manual dated August 1, 2015, and September 1, 2016, requires a purchase order for all purchases unless the item or service was approved by the Board of Supervisors or exempted by Ordinance 459.

Riverside County Ordinance No. 459, Section (3), *Exceptions*, indicates no purchases shall be made by any county officer or employee without a purchase order or other written authority first obtained from the Purchasing Agent. An exception to this policy can be made for certain items, including election supplies.

Registrar's of Voters departmental policies and procedures Section No: G-8 Payment Vouchers Procedure states, "For non-election related items, if the invoice total is less than \$400.00 a purchase order is not required. If the invoice is more than \$399.99 but less than \$5,000.00 a purchase order is required. If the invoice total is over \$5,000.00, purchase order must be acquired from the Purchasing Department."

Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of internal controls over the purchase order process.

Audit Methodology

To accomplish our objectives, we:

- Identified and reviewed applicable laws, codes, regulations, ordinances, policies, and procedures
- Conducted interviews and performed walk-throughs with Registrar personnel
- Reviewed financial information from the County of Riverside Financial System for the period of July 1, 2014, through December 31, 2016
- Selected a judgmental sample of 32 purchase orders valued at \$1,001,428 in total for review
- Reviewed purchase orders and verified they had been approved by the appropriate personnel
- Verified there was no bid splitting of purchases
- Verified expenditures were incurred after the purchase order was approved

Finding 1: Timely Issuance of Purchase Orders

Our review of 32 purchase orders disclosed that 23, totaling \$649,337, were processed after invoices were received from vendors. Registrar staff did not follow departmental nor county procedures regarding purchase orders. Per Registrar departmental policies and procedures and Riverside County Purchasing Manual, no goods or services over \$400 should be authorized for purchase until a valid purchase order has been issued. Noncompliance with purchasing requirements could result in purchasing inappropriate or unauthorized supplies and services.

Recommendation 1

Ensure Register staff follow departmental and county policies and procedures by issuing a valid purchase order for all purchases over \$400 in advance of purchase.

Management's Response "Concur"

"The Registrar of Voters Office will ensure staff follow proper departmental and county policies and procedures by issuing a valid purchase order for all purchases over \$400."

Actual/Estimated Date of Corrective Action: June 30, 2017

Finding 2: Coding of Purchase Orders

Our review of 32 purchase orders disclosed 7, totaling \$448,800 contained inaccurate purchase order type codes. Procedures to verify the purchase order type code prior to approval are currently not in place. In addition, current departmental policies and procedures require staff to use the low value purchase authorization purchase order type, regardless of size and type. The Riverside County Purchasing Manual specifically states that different purchase order type codes should be used based on the size, type, and nature of the purchase order. Noncompliance with purchasing requirements could result in purchase requests improperly approved which, may result in purchasing unauthorized or inappropriate products and services.

Recommendation 2.1

Revise departmental policies and procedures over the purchase order process to include the various types of purchase order codes used by the county.

Management's Response "Concur"

"The Registrar of Voters Office will revise its internal procedures to include various types of purchase order codes so the buyer can follow the purchase requirements based on the size, type and nature of the purchase order when creating purchase orders in the PeopleSoft system."

Actual/Estimated Date of Corrective Action: June 30, 2017

Recommendation 2.2

Establish a process to verify the correct purchase order type codes prior to approval of a purchase order.

Management's Response "Concur"

"The Registrar of Voters Office has only one position that is responsible for the coding of all purchase orders in the PeopleSoft system. With limited staffing in the purchasing function, it becomes critical to ensure countywide procedures are being followed including accuracy in the manual inputting of appropriate coding. To ensure proper procedures are followed, the office will request additional approval roles in PeopleSoft system in order to review and approve all purchase orders created in the system prior to approval and finalization. The office will work with the Purchasing Department and RCIT to ensure the proper approval roles are created to ensure this change takes effect as soon as possible."

Actual/Estimated Date of Corrective Action: June 30, 2017