

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



**ITEM: 2.3**  
(ID # 14998)

**MEETING DATE:**  
Tuesday, April 20, 2021

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** AUDITOR-CONTROLLER: Internal Audit Report 2021-007 Riverside County Office of County Counsel, All Districts. [\$0]

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

1. Receive and file Internal Audit Report 2021-007: Riverside County Office of County Counsel, Procurement Card Audit

**ACTION:Consent**

*Tanya Harris*  
Tanya Harris, Assistant Auditor Controller

4/14/2021

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**MINUTES OF THE BOARD OF SUPERVISORS**

**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
<b>NET COUNTY COST</b>	\$0	\$0	\$ 0	\$0
<b>SOURCE OF FUNDS: N/A</b>			<b>Budget Adjustment:</b>	<b>NO</b>
			<b>For Fiscal Year:</b>	N/A

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

**BACKGROUND:**

**Summary**

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of County Counsel. This audit is conducted to provide management and the Board of Supervisors with an independent assessment of internal controls over procurement cards.

Please see report for audit results.

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**ATTACHMENT A:**

Riverside County Auditor-Controller's Office - Internal Audit Report 2021-007: Riverside County Office of County Counsel, Procurement Card Audit

  
Stephanie P., Principal Management Analyst 4/12/2021

**Internal Audit Report 2021-007**

**Riverside County  
Office of County Counsel  
Procurement Card Audit**

**Report Date: April 20, 2021**



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

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

April 20, 2021

Gregory Priamos  
County Counsel  
Riverside County Office of County Counsel  
3960 Orange Street, Suite 500  
Riverside, CA 92501

**Subject: Internal Audit Report 2021-007: Riverside County Office of County Counsel,  
Procurement Card Audit**

Dear Mr. Priamos:

In accordance with Board of Supervisors Resolution 83-338, we audited the Riverside County Office of County Counsel 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.

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

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  
Jeff Van Wagenen, County Executive Officer  
Grand Jury

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Procurement Card Audit**

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## **Executive Summary**

### **Overview**

Riverside County Office of County Counsel (County Counsel) provides a broad range of legal services in civil matters to the County of Riverside. County Counsel's primary clients include the Board of Supervisors, county agencies, departments, commissions, officers, and other public entities within the county. The department consists of the following divisions:

- Land Use and Code Enforcement Division
- Contracts, Public Works, and Financing Division
- Public Safety and Litigation Division
- Child Welfare Division
- Health and Adult Welfare Division

County Counsel has an adopted budget of \$7 million for FY 2020-21 and 84 authorized positions. *County of Riverside, Fiscal Year 2020/21 Adopted Budget, June 2020, 107.*

### **Audit Objective**

Our audit objective is to provide an independent assessment about the adequacy and effectiveness of internal controls over payment processing, monthly procurement card invoices, and compliance with Riverside County Procurement Card Program Procedures Handbook. 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.

### **Audit Scope and Methodology**

We conducted the audit from July 29, 2019, through November 25, 2020, for operations from July 1, 2019, through July 31, 2020. Following a risk-based approach, our scope initially included the following:

- Contract and lease approvals
- Procurement Card authorizations and usage

Through inquiry, observations and examination of relevant documentation related to contract and lease approvals, we concluded that internal controls over these areas are

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sufficient to provide reasonable assurance the objectives as described are achieved. We focused our scope on internal controls over procurement cards.

**Audit Highlights*****Summary of Existing Conditions***

- Procurement card expenditures resulted in non-compliance due to personal purchases and insufficient authorization for a travel expense. Ineligible transactions and lack of proper documentation can result in program inefficiencies.
- Procurement card transaction review and approval responsibilities are not adequately designated. Lack of segregation of duties increases the potential of county resources being misused.

***Summary of Improvement Opportunities***

- Ensure procurement cardholders comply with restricted uses as they relate to the Riverside County Procurement Card Program Procedure Manual. This will ensure integrity of the procurement card program is maintained.
- Adequately designate procurement card responsibilities and ensure the review and approval of expenditures are completed by authorized personnel.

**Audit Conclusion**

Based upon the results of our audit, we identified opportunities for improvement of internal controls relating to restricted use and the approval process of procurement card expenditures.

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## **Procurement Cards**

### **Background**

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.

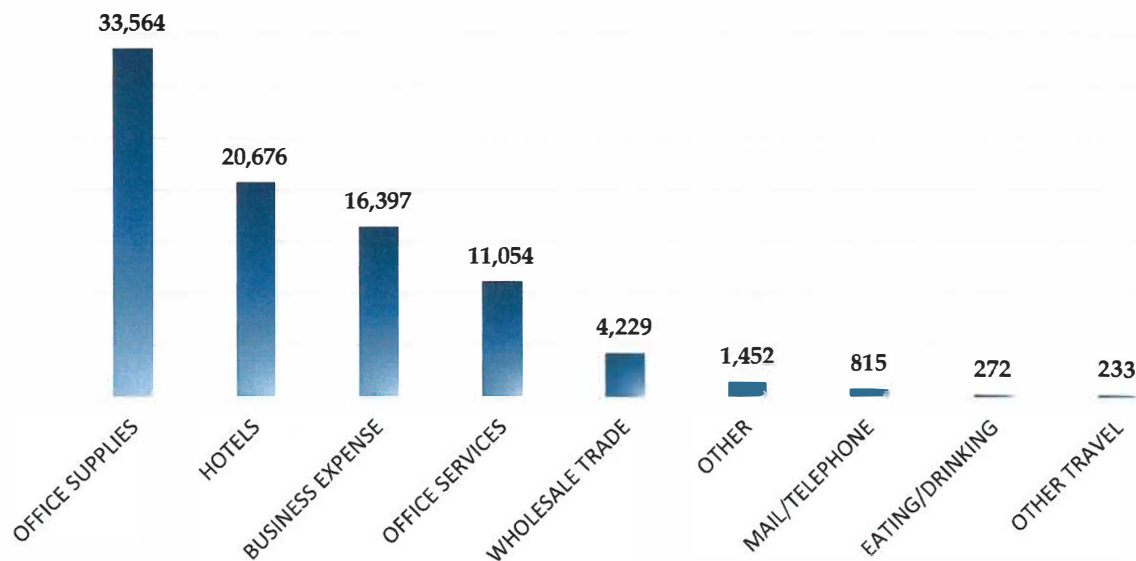
As an integral part of a county department's internal control structure, management within each department is responsible for a system of internal controls that effectively and efficiently performs financial related activities and safeguards assets. The system should provide management with reasonable assurance that assets are properly safeguarded against loss from unauthorized use or theft, and transactions are executed in accordance with management's authorization.

County Counsel had two procurement cardholders, as of July 31, 2020. Procurement card expenditures for the period July 1, 2019, through July 31, 2020, included 330 transactions totaling \$88,692.

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The chart below illustrates County Counsel procurement card expenditures for the period July 1, 2019, through July 31, 2020, utilizing the following categories: business expense, eating/drinking, hotels, mail/telephone, office services, office supplies, other, other travel, and wholesale trade. Expenditures for the top three merchant groups include office supplies at \$33,564, hotels at \$20,676, and business expense at \$16,397. These transactions make up 80% of the total procurement card transactions, for a total of \$70,637.

**County Counsel  
Procurement Card Transactions  
(July 1, 2019 through July 31, 2020)**



**Audit Methodology**

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*

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- 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 a listing of all procurement cardholders and reviewed transactions for compliance to cardholder agreements.
- 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**

Three monthly statements were tested and we found five instances of non-compliance with the procurement card policies and procedures. We identified the following deficits in the review of procurement card expenditures and supporting documentation:

- Two expenditures for travel extended beyond the conference dates. The Riverside County Procurement Card Program Procedure Handbook, *Department Accounting Office Responsibilities*, states, "The Department Accounting Office is to review supporting documentation to ensure that it is adequate to justify each purchase, and that all purchases comply with County and Department procedures," and the *Controls* section states, "This procurement card at no time is to be used for personal purchases."
- One travel authorization did not receive proper approval. Board Policy D-1, *Reimbursement for General Travel and Other Actual and Necessary Expenses*, travel expenses require prior authorization signed by the County Executive Officer/designee or the department head.

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- In one instance the department approver did not sign the monthly procurement card purchase report and statement of account.
- The department does not have a designated approving official that differs from the billing official.

Standard Practice Manual 1001, Internal Controls, states, "Duties are divided or segregated so that no one person has complete control over a key function or activity." It also states, "Well-documented policies and procedures are established and maintained to promote employee understanding." Procurement card non-compliance in travel expenditures and proper approvals occurred as a result of department oversight. When internal controls are not in place to ensure compliance with county policies and procedures, there is the potential for misuse or misappropriation of public resources, it reduces program efficiencies, and weakens the integrity of the procurement card program.

**Recommendation 1.1**

Ensure procurement cardholders comply with travel purchases as they relate to Board Policy, D-1.

**Management's Response:**

**"Concur.** The County Counsel's Office will ensure that procurement cardholders comply with travel purchases as they relate to Board Policy D-1. There are two procurement card holders in the office. County Counsel will ensure that the procurement card holders review Board Policy D-1 and that no travel extended beyond the conference dates shall be authorized for purchase without proper documentation, justification for such extended travel, and authorization by a member of the Management Team. Further, the procurement card holders will not process any travel request purchases without a fully executed travel authorization form with the proper Management Team approval."

Actual/estimated Date of Corrective Action: **March 31, 2021.**

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**Recommendation 1.2**

Ensure procurement card approval responsibilities are designated and approvals are completed by the authorized individuals.

**Management's Response:**

**"Concur.** The County Counsel's Office will ensure that procurement card approval responsibilities are designated, and approvals are completed by the authorized individuals. An additional designated approving official has already been trained and authorized to review, approve, and sign monthly procurement card purchase reports and statements of account so as to ensure that each report and statement are approved timely each month with the appropriate division of duties."

Actual/estimated Date of Corrective Action: Corrected prior to issuance of draft audit report.