

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



Item  
2.6

**SUBMITTAL DATE:**  
October 18, 2016

**FROM :** AUDITOR CONTROLLER:

**SUBJECT:** Internal Audit Report 2016-004: Riverside County Department of Child Support Services, Countywide Purchase Order Process [District: All]; [\$0]

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

1. Receive and file Internal Audit Report 2016-004: Riverside County Department of Child Support Services, Countywide Purchase Order Process

**Consent**

*Paul Angulo*

Paul Angulo, Director of Auditor Controller 10/19/2016

**BACKGROUND:**

**Summary**

We have completed an audit of the Riverside County Department of Child Support Services 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 May 25, 2016 through June 23, 2016 for operations from July 1, 2013 through April 30, 2016.

<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:</b>			<b>Budget Adjustment:</b>	<b>No</b>
			<b>For Fiscal Year:</b>	<b>N/A</b>

**C.E.O. RECOMMENDATION:** APPROVE

**BACKGROUND:**

**Summary (continued)**

Based upon our audit, we identified opportunities for improvement of internal controls relating to the purchase order process. We determined Riverside County Department of

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Child Support Services internal controls over the purchase order process did 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.

We will follow-up to determine if actions were taken to correct the findings noted.

**Impact on Residents and Businesses**

Provide an assessment of internal controls over the audited areas.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

Not applicable

**ATTACHMENT A.**

Riverside County Auditor-Controller's Office – Internal Audit Report 2016-004: Riverside County Department of Child Support Services, Countywide Purchase Order Process

**Internal Audit Report 2016-004**

**Riverside County Department of  
Child Support Services,  
Countywide Purchase Order Process**

**Report Date: September 7, 2016**



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**COUNTY OF RIVERSIDE**  
OFFICE OF THE  
AUDITOR-CONTROLLER

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

**Frankie Ezzat, MPA**  
Assistant Auditor-Controller

September 7, 2016

David Kilgore  
Director  
Riverside County Department of Child Support Services  
2041 Iowa Ave.  
Riverside, CA 92507

**Subject: Internal Audit Report 2016-004: Riverside County Department of Child Support Services, Countywide Purchase Order Process**

Dear Mr. Kilgore:

We have completed an audit of the Riverside County Department of Child Support Services 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 May 25, 2016 through June 23, 2016 for operations from July 1, 2013 through April 30, 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 our audit, we identified opportunities for improvement of internal controls relating to the purchase order process. We determined Riverside County Department of Child Support Services internal controls over the purchase order process did 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.

As requested, in accordance with paragraph III.C of the Board of Supervisors Resolution 83-338, management responded to the reported conditions and recommendations contained in our

**Internal Audit Report 2016-004: Riverside County Department of Child Support Services,  
Countywide Purchase Order Process**

report. Management's response is included in the report. We will follow-up to verify that management implemented the corrective actions.

We thank the Riverside County Department of Child Support Services 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 Child Support Enforcement Program, authorized under Title IV-D of the Social Security Act, provides services to assist parents in their mutual obligation to financially support and provide health insurance for their children. In 1999, Gov. Gray Davis signed comprehensive child support reform legislation, creating a new state agency known as the California Department of Child Support Services. This agency oversees the Child Support Enforcement Program at the state level. In addition, 58 new county departments throughout the State of California were mandated to manage the Child Support Enforcement Program at the county level.” *Riverside County Department of Child Support Services website, accessed September 7, 2016, <http://www.riversidechildsupport.com/Programs/CSServices/CSServices.asp>*

The Riverside County Department of Child Support Services (Department) provides a variety of child support services and programs for the community to help parents fulfill their responsibilities to their children. The Department has a mission to “enhance the well-being of children and the self-sufficiency of families by providing professional services to locate parents, establish paternity and establish/enforce orders for financial and medical support” in accordance with federal and state guidelines. Services include establishing paternity, locating parents, requesting support orders from the court, enforcing support orders, and collecting and sending child support.

The Department provides services through three divisions: Administrative Services, Child Support Services, and Legal Support Services. The Accounting and Supply Services units under Administration Services are responsible for all aspects of the purchase order process and typically prepare purchase orders for professional services such as paternity services, process serving, security guards, alarm systems, and products such as, computer equipment, furniture, printing supplies, and office supplies.

### 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 our audit, we identified opportunities for improvement of internal controls relating to the purchase order process. We determined Riverside County Department of Child Support Services internal controls over the purchase order process did 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 the purchasing of goods and services needed in operation by 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. Following is a list of purchase orders used by the County of Riverside:

<u>Types</u>	<u>Description</u>
BL-G	Blanket non-rollover purchase order for goods.
BL-S	Blanket non-rollover purchase order for services.
RBLG	Roll over blanket purchase order for goods.
RBLS	Roll over blanket purchase order for services.
REGG	Regular purchase order for goods.
REGS	Regular purchase order for services.
LVPA	Low value purchase order for goods.
LV-S	Low value purchase order for services.
LEAS	Lease purchase payment purchase order.
FIN	Purchase order to vendor when goods are financed through third party.
ELVP	Extended low value purchase order for goods.
ELVS	Extended low value purchase order for services.
CONV	Conversion purchase order from PeopleSoft 7.5 to 8.8.
PRNT	Printing purchase order for inventory business unit only.
SPLY	Supply purchase order for inventory business unit only.

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.

Depending on the size and complexity of the department, the Purchasing Agent may assign staff to the department, or a department may hire their own staff to carryout purchasing duties.

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.



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

### **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 laws, codes, and regulations, ordinances, applicable policies and procedures.
- Conducted interviews and performed walk-throughs with Department personnel.
- Reviewed financial information from the County of Riverside financial system (PeopleSoft) for the period of July 1, 2013 through April 30, 2016.
- Selected a statistical random sample of 113 purchase orders valued at \$1,230,937 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**

Purchase orders were not processed in a timely manner. Our review of 113 purchase orders disclosed that eighty-two (73%), totaling \$792,773 were processed after invoices were received from vendors. It was stated that the dollar value of professional services required were difficult to determine due to the type of services needed and it was believed that processing a purchase order would obligate funds. Since the Department's primary funds are from federal and state sources, it was understood they could not obligate the funds since they could not estimate the dollar value of the services needed. However, the Department could have used historical data to develop an estimated amount, use that amount on the processed purchase orders, and adjusted the dollar amounts if needed, with a change order. Per Riverside County Purchasing Manual, no goods or services over \$400 should be authorized for purchase until a valid

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purchase order has been issued. This noncompliance with purchasing requirements could result in purchasing unauthorized or inappropriate supplies and services.

**Recommendation 1:**

Revise the purchase order process to include issuing purchase orders for all requests over \$400, using historical data to determine the purchase order amount, and adjust the dollar amount if needed with a change order.

**Management's Response**

**“Concur.** The Department of Child Support Services (DCSS) is working with the Purchasing Department to set-up non-rollover blanket purchase orders for all departmental contracts. DCSS has taken immediate action in issuing purchase orders for all services and goods that exceed \$400 or more. To aid in this process, DCSS has established safeguards that consist of creating an email notification group along with a verification approval stamp for proper process of workflow for documentation; to ensure quotes and/or estimates are received.”

Estimated Date of Corrective Action: September 30, 2016.