



Professional Services Agreement Follow-up Audit Report

Internal Audit Division

Finance Committee

October 12, 2016

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BACKGROUND

On June 22, 2015 the Internal Audit Division issued a performance audit report on Professional Services Agreements (PSAs).

The report included two recommendations to strengthen internal controls, minimize financial risk and provide improved professional service contract management.

Per Government Auditing Standards, Internal Audit conducted a follow-up review of PSA transactions for FY 2015/16.



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SUMMARY

Departments are generally adhering to Professional Services Agreements (PSAs) administrative policies and procedures.

The use of purchase orders for PSAs has increased due to the communication and training efforts of the Finance Department/Purchasing Division.

On August 10, 2016 the Finance Committee approved a Finance/Purchasing Task Force to address the entire procurement processes and related administrative policies.



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SUMMARY of AUDIT FINDINGS

A department may have an immediate need for a consultant with expertise in a unique field of service or industry. In this instance, the City Manager may authorize the department to contract with only one qualified consultant.

Per Admin Policy 02.005.00 (PSAs less than \$50,000), a written recommendation and approval form is to be prepared by the department and forwarded to the City Manager.



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SUMMARY of AUDIT FINDINGS

In our sample testing of PSAs less than \$50,000 for fiscal year ending June 30, 2016 we found several examples where there was no single source approval form prepared/approved and on file with Purchasing.



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AUDIT RECOMMENDATION

To strengthen internal controls, Internal Audit recommends the following procedure be considered by the Finance/Purchasing Task Force when reviewing the *Contracting for Professional Services \$50,000 or Less* admin policy:

- 1) The approval form for a single source/consultant must be completed, approved and attached to the purchase requisition in the purchasing system before the requisition is routed for approval.



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RECOMMENDATION

That the Finance Committee:

Receive, review, provide input on,
and recommend to the City Council
approval of the Professional Services
Agreement Follow-Up Audit report.



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