

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 26, 2016
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: Procurement Card Program’s Annual Compliance Review Of The Department Of Community Development, For The Period Of March 1, 2015, To February 29, 2016

Supervisory District: All

Contact: Ben Lamera, Interim Director of Finance, 874-7450

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Annual Compliance Review of the Department of Community Development, for the Period of March 1, 2015, to February 29, 2016.*

Respectively submitted,

Ben Lamera
Interim Director of Finance

Attachment 1, Procurement Card Program’s Annual Compliance Review of the Department of Community Development, for the Period of March 1, 2015, to February 29, 2016

**COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER**

Inter-Departmental Correspondence

May 24, 2016

To: Michael J. Penrose, Acting Director
Department of Community Development

From: Ben Lamera
Interim Director of Finance

By: Alan A. Matré
Chief of Audits



Subject: **ANNUAL REVIEW OF PROCUREMENT CARD USAGE**

In accordance with the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, County of Sacramento Procurement Card Program Policy, and County of Sacramento Travel Policy, we have performed the procedures enumerated below to the County of Sacramento, Department of Community Development's participation in the program for the period of March 1, 2015 to February 29, 2016. The criteria for reviewing compliance with the program were based on the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, and County of Sacramento Procurement Card Program Policy, and County of Sacramento Travel Policy.

The procedures we performed are summarized as follows:

- We reviewed the Department of Community Development's records to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted a missing Approving Official's signature and a missing Cardholder's statement. See Attachment II, *Current Findings and Recommendations*.

- We reviewed purchases for the period of March 1, 2015 to February 29, 2016 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several issues related to the sales/internet use tax, issues regarding internal controls, and an issue regarding travel reimbursement. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of findings and recommendations reported on the Department of Community Development's prior procurement card program review report for the period July 1, 2012 to February 28, 2015, dated May 8, 2015.

Michael J. Penrose, Acting Director

May 24, 2016

Page 2 of 2

Finding: The current status of prior findings and recommendations for the Department of Community Development is at Attachment I, *Current Status of Prior Findings and Recommendations*.

Because the above procedures do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. Had we made an examination in accordance with generally accepted auditing standards other matters may have come to our attention that would have been reported to you.

Department of Community Development's responses to the findings identified during our engagement are described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate Department of Community Development's responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report relates only to the Department of Community Development's participation in the program and does not extend to any financial statements of the Department of Community Development as a whole.

Our report is intended solely for the use by Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and the Department of Community Development management, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

**FROM THE PRIOR PROCUREMENT CARD PROGRAM REVIEW REPORT FOR
THE PERIOD JULY 1, 2012 TO FEBRUARY 28, 2015, DATED MAY 8, 2015**

1. Missing Approving Officials' Signatures on Monthly Statements

Prior Comment

During our review of the Department of Community Development, we noted missing signatures from Approving Officials on Cardholders' statements. Per the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, "*THE APPROVING OFFICIAL will sign and date each CARDHOLDER STATEMENT...in order to ensure that all purchases are appropriate, based on local ordinance and/or State and federal regulations*". Therefore, the Department of Community Development was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Prior Recommendation

We recommend the Department of Community Development comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have Approving Officials sign the Cardholders' monthly statements attesting the charges are appropriate within the program. We further recommend the Department of Community Development to review the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and implement procedures to ensure the Department of Community Development is in compliance with the program.

Prior Management's Response

We agree with the finding, and we are actively updating procedures to require Approving Officials' signatures on the Cardholders' statements.

Current Status

During our review, we noted that one Approving Official did not sign a Cardholder's monthly statement. See Finding #1 in Attachment II: *Current Findings and Recommendations*.

2. Sales/Internet Use Tax

Prior Comment

During our purchases' review of the Department of Community Development, we noted one internet purchase where the internet merchant charged the Department of Community Development the incorrect tax rate, resulting in an underpayment of sales tax. We further

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

**FROM THE PRIOR PROCUREMENT CARD PROGRAM REVIEW REPORT FOR
THE PERIOD JULY 1, 2012 TO FEBRUARY 28, 2015, DATED MAY 8, 2015
(CONTINUED)**

noted five internet purchases where the internet merchant charged the Department of Community Development the incorrect tax rate, resulting in an overpayment of sales tax. We noted one internet purchases where the merchant did not charge sales tax, and the Department of Community Development did not accrue the internet use tax in COMPASS. Per California Law and the program's guidelines and procedures, if the merchant does not charge sales tax, sales/internet use tax must be paid by the purchaser when items are purchased on the internet or out of state with the intent to be used in California.

Prior Recommendation

We recommend the Department of Community Development confirm California sales tax charged by the merchant is for the correct amount. If California sales tax charged by the merchant is incorrect and the difference is due to an under charge or over charge of California sales tax, the Department of Community Development needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively.

Prior Management's Response

We agree with the finding, and have updated our procedures to include verification of CA use tax process. We have also communicated these changes to our cardholders and approving officials.

Current Status

During our review, we noted various issues related to tax. See Finding #3 in Attachment II: *Current Findings and Recommendations*.

3. Unauthorized Transaction

Prior Comment

During our purchases' review of the Department of Community Development, we noted one purchase was for an Amazon Prime membership account. Per the Sacramento County Procurement Card Program Guidelines and Procedures, "*Prohibited Purchases...j) big store memberships on behalf of the County*"; therefore, the Amazon prime membership purchase would be considered a prohibited purchase.

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

**FROM THE PRIOR PROCUREMENT CARD PROGRAM REVIEW REPORT FOR
THE PERIOD JULY 1, 2012 TO FEBRUARY 28, 2015, DATED MAY 8, 2015
(CONTINUED)**

Prior Recommendation

We recommend the Department of Community Development comply with Sacramento County Procurement Card Program and not purchase big store memberships on the procurement card.

Prior Management's Response

Management disagrees with the recommendation to discontinue Amazon prime membership. Having this membership drastically reduces shipping costs for Economic Development.

Current Status

During our review, we did not note any unauthorized transactions.

4. Missing Supporting Documentation

Prior Comment

During our purchases' review of the Department of Community Development, we noted one food purchase's approval request form was missing. In addition, we noted that the Department of Community Development did not retain supporting documentation for the period of July 2012 to December 2013. We further noted one transaction, where late fees were assessed on the invoice and payment was made for the total invoice amount, including the late fees. We were informed that the late fees would be credited on the following invoice. However, we were not able to determine that the late fees were credited on the following invoice because an itemized invoice was not provided at the time of our testing.

According to the County of Sacramento Procurement Guidelines and Procedures Manual, "*All charges must be supported with sufficient documentation. Purchasing Documents (eg. Reconciliation packets) are retained for the current Fiscal Year plus five (5) years.*" Since sufficient supporting documentation was not obtained and maintained, the Department of Community Development was not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

Prior Recommendation

We recommend the Department of Community Development comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and maintain

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

**FROM THE PRIOR PROCUREMENT CARD PROGRAM REVIEW REPORT FOR
THE PERIOD JULY 1, 2012 TO FEBRUARY 28, 2015, DATED MAY 8, 2015
(CONTINUED)**

sufficient supporting documentation for all procurement card purchases for the current fiscal year plus five years.

Prior Management's Response

We agree with the finding, and will ensure all required documents are maintained.

Current Status

During our review, we noted Department of Community Development did not retain a Cardholder's monthly statement. See Finding #2 in Attachment II: *Current Findings and Recommendations*.

5. Purchasing Card Security

Prior Comment

We noted the Department of Community Development stored procurement card information on an online account. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*It is the CARDHOLDER'S responsibility to safeguard the PURCHASING CARD records and PURCHASING CARD account number at all times.*" Since the Cardholder's purchasing card information was stored on an online merchant's account to be used for future purchases, the purchasing card could be subject to theft or misuse by someone other than the Cardholder.

Prior Recommendation

We recommend the Department of Community Development comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholders safeguard their purchasing cards account information at all times by not storing the account information online. We further recommend the Department of Community Development have its Cardholders not provide their account information to any merchants, where the account information is not encrypted and could be subject to theft.

Prior Management's Response

We have communicated this change to the affected personnel. Cardholders are no longer saving card information online.

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

**FROM THE PRIOR PROCUREMENT CARD PROGRAM REVIEW REPORT FOR
THE PERIOD JULY 1, 2012 TO FEBRUARY 28, 2015, DATED MAY 8, 2015
(CONTINUED)**

Current Status

During our review, auditor confirmed that Cardholders are not storing procurement card information on online accounts.

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

1. Missing Approving Officials' Signatures on Monthly Statement

Comment

During our review of the Department of Community Development, we noted a missing signature from the Approving Official on a Cardholders' statement. Per the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, "*THE APPROVING OFFICIAL will sign and date each CARDHOLDER STATEMENT...in order to ensure that all purchases are appropriate, based on local ordinance and/or State and federal regulations*". Therefore, the Department of Community Development was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend the Department of Community Development comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have Approving Officials sign the Cardholders' monthly statements attesting the charges are appropriate within the program. We further recommend the Department of Community Development review the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and implement procedures to ensure the Department of Community Development is in compliance with the program.

Management's Response

Department of Community Development will ensure that all cardholder statements are properly signed by the cardholder and the approving official per the established procedures.

2. Missing Cardholders' Statement

Comment

During our review, we noted Department of Community Development did not retain a Cardholders' monthly statement with supporting documentation (reconciliation packet) for the month of March 23, 2015. Per the County of Sacramento Procurement Card Program Guideline and Procedures Manual, "*Purchasing Documents (eg. Reconciliation packets) are retained for the current Fiscal Year plus five (5) years.*" Since reconciliation packet was not retained for a Cardholder, the Department of Community Development was not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

Recommendation

We recommend the Department of Community Development comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and maintain

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

Cardholders' reconciliation packets for all procurement Cardholders for the current fiscal year plus five years.

Management's Response

Department of Community Development will retain all purchasing documents for the required duration per the procurement card program guideline and procedures manual.

3. Sales/Internet Use Tax

Comment

During our purchases' review, we noted one internet purchase where the internet merchant charged the Department of Community Development the incorrect tax rate, resulting in an underpayment of sales tax. We noted four internet purchases where the merchant did not charge sales tax, and the Department of Community Development did not accrue the internet use tax in COMPASS. Per California Law and the program's guidelines and procedures, if the merchant does not charge sales tax, sales/internet use tax must be paid by the purchaser when items are purchased on the internet or out of state with the intent to be used in California.

Recommendation

We recommend the Department of Community Development confirm California sales tax charged by the merchant is for the correct amount. If California sales tax charged by the merchant is incorrect and the difference is due to an under charge or over charge of California sales tax, the Department of Community Development needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively.

Management's Response

Department of Community Development will review sales/internet use tax procedures and make adjustments per the audit recommendations.

4. Proper Internal Controls

Comment

Department of Community Development requires Cardholders to complete a requisition form and obtain approval from management for Procurement Card transactions. During our purchases' review, we noted missing signatures on three requisition forms indicating proper approval was not obtained. Since requisition forms were not signed by management

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

indicating approval, proper internal controls were not followed and misappropriation could occur.

Also, Department of Community Development does not have proper internal controls in place to detect overpayment to employees (travelers). See Finding #5 for more details.

Recommendation

We recommend the Department of Community Development establish proper internal controls to detect overpayment to travelers and require staff follow all procedures and controls.

Management's Response

Department of Community Development has updated Pcard procedures to include travelers reimbursement. The department will also ensure all approved requisition forms are signed by management.

5. Travel Reimbursement

Comment

Department of Community Development on occasion makes travel arrangements for its employees and reserves the first night hotel reservation with the Travel Procurement Card. During our purchases' review, we noted one instance where the Department of Community Development paid in advance for the first night hotel reservation and reimbursed the traveler the full amount of lodging expenses, including the first night hotel reservation paid in advance by the Department of Community Development. Since the first night hotel reservation was paid in advance, the traveler claimed and received an overpayment of the lodging expenses submitted on the Travel Reimbursement packet.

Recommendation

We recommend Department of Community Development reimburse travelers for expenses paid by the travelers. We also recommend Department of Community Development request a reimbursement from the traveler who claimed and received the overpayment.

As mentioned in Finding #4, we further recommend Department of Community Development place proper internal controls to detect overpayment to travelers.

COUNTY OF SACRAMENTO
DEPARTMENT OF COMMUNITY DEVELOPMENT
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO FEBRUARY 29, 2016

Management's Response

The travel overpayment was resolved. The employee has already reimbursed the county for the overpayment.

6. Repeat Findings

Comment

We noted that Findings #1, 2, and 3 of this attachment are repeat findings from the prior procurement card program review report, see Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that these findings be resolved in a timely manner.

Recommendation

We recommend Department of Community Development implement all recommendations that are noted in this attachment.

Management's Response

All audit recommendations have been implemented.