

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
August 22, 2017
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Program’s Compliance Review Of Carmichael Recreation And Park District, For The Period Of March 1, 2014, To February 28, 2017
Supervisorial District(s): All
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Compliance Review of Carmichael Recreation and Park District, for the Period of March 1, 2014, to February 28, 2017*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Procurement Card Program’s Compliance Review of Carmichael Recreation and Park District, for the Period of March 1, 2014, to February 28, 2017

Department of Finance

Ben Lamera,
Director



Agenda Date: August 22, 2017

ATT 1
Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

July 27, 2017

To: Tarry Smith, District Administrator
Carmichael Recreation and Park District

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

A handwritten signature in blue ink, appearing to read "Alan A. Matré", is placed over the printed name and title.

Subject: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF
MARCH 1, 2014 TO FEBRUARY 28, 2017**

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 Carmichael Recreation and Park District's (District) participation in the program for the period of March 1, 2014 to February 28, 2017. The District's management is responsible for establishing and maintaining effective internal controls, and compliance with the program's guidelines, policy, and procedures, and all other applicable laws, regulations, and statutory requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to procedures referred below and is not intended to pertain to any of the District's other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

Finding: We noted issues regarding management oversight and the security over the Procurement Card information. See Attachment I, *Findings and Recommendations*.

- We reviewed purchases for the period of March 1, 2014 to February 28, 2017 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several issues regarding sales/use tax, prohibited transactions, incomplete itemized receipts, missing itemized receipts, split transactions, and the missing signature of a Cardholder. See Attachment I, *Findings and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on the District's accounting records, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the results of our procedures referred to above, and does not extend to the District's operations as a whole.

The District'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 the District's responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use by the Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and the District's management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachments

Attachment I, *Findings and Recommendations*

cc: Ingrid Penney, Administrative Services Manager, District

COUNTY OF SACRAMENTO
CARMICHAEL RECREATION AND PARK DISTRICT
PROCUREMENT CARD PROGRAM REVIEW
FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2014 TO FEBRUARY 28, 2017

1. Purchasing Account Information

Comment

During our review of Carmichael Recreation and Park District (District), we noted the District delivers Purchasing Card documentation to the Department of Finance without redacting the Cardholder's Purchasing Card account numbers. We further noted Mission Oaks Recreation and Park District delivers the Procurement Card documentation on behalf the District. According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines), "it is the Cardholder's responsibility to safeguard the Purchasing Card records and Purchasing Card account numbers at all times." Since the Cardholders did not safeguard the Purchasing Card account numbers, the Purchasing Card account information could be subject to theft or misuse by someone other than the Cardholder. Therefore, the District is not in compliance with the Program Guidelines.

Recommendation

We recommend the District comply with the Program Guidelines and redact the purchasing card account numbers before they send them to the Department of Finance.

Management Response

In regards to the comment about Mission Oaks Recreation and Park District delivering the Procurement Card claims transmittal, we offer that on rare occasions they have delivered the monthly Procurement Card claims transmittal. We rotate, sharing delivery and pick up of documents to and from the County with our neighboring district to reduce staff time and mileage costs.

We were previously advised by payment services to submit the cardholders' statements without redaction. We agree and have now implemented the recommendation to redact the purchasing card account numbers on the cardholder statements to safeguard the account numbers before we send them to the Department of Finance for processing of payment.

2. Splitting Purchases and Management Oversight

Comment

During our review, we noted that a Cardholder knowingly split transactions to avoid the \$1,000 single transaction limit. The purchase was made on February 9, 2017 in the total amount of \$1,500. As noted on the receipt, \$1,000 was charged on February 9, 2017 and \$500 was charged the next day due to the single transaction limit of \$1,000. According to

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the County of Sacramento Code Section 2.56.260 and Program Guidelines, a single purchase amount may not be split between two or more transactions to avoid transaction limits. Therefore, the District is not in compliance with County of Sacramento Code Section 2.56.260 and Program Guidelines.

We further noted the Deputy Auditor-Controller did not give a written warning to the Cardholder for the Procurement Card violation of splitting transactions. Per the Program Guidelines, if a Cardholder splits transaction they should receive a written warning. Furthermore, documentation of the violation will be maintained with the Procurement Card records and a copy will be forwarded to the Director of Finance, Assistant Auditor-Controller, Chief of Audits, and the Program Administrator.

Recommendation

We recommend the District comply with the County of Sacramento Code Section 2.56.260 and Program Guidelines and have their Cardholder's stop splitting transactions to avoid the Cardholder's transaction limits. We also recommend the District have the Cardholder's review County of Sacramento Code Section 2.56.260 and Program Guidelines and review the sections regarding split transactions. We further recommend the District to have its Deputy Auditor-Controller write-up the Cardholders for Procurement Card violations and notify the Director of Finance, Assistant Auditor-Controller, Chief of Audits, and the Program Administrator.

Management Response

We acknowledge that the transactions represent a split purchase due to the cardholder's transaction limit of \$1,000. The cardholder made the purchase of \$1,500 to respond to an emergency situation. We had made an investment of over \$215,000 for new flooring in the Gymnasiums. There was water/moisture percolating up from the ground through the gap from excessive rains causing the floors to buckle. The purchase of industrial fans was made to mitigate/prevent permanent damage.

We have submitted a request for a higher transaction limit of \$2,500 for the cardholder in the Park Services Division. In the future, we will follow up with the Program Administrator and the Department of Finance when an emergency purchase greater than a cardholder's limit is necessary.

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3. Incomplete Itemized Receipt and Missing Receipts

Comment

During our review, we noted two purchases with incomplete itemized receipts. These two receipts had the dollar amounts of the items but did not have the descriptions of the items purchased. We further noted the District did not obtain and retain an itemized receipt for four transactions. According to the Program Guidelines, “For those enterprises that do not provide itemized receipts, the Cardholder will attach the sales receipt to a piece of standard paper and describe the items purchased adjacent to the dollar amount on the receipt” and “Cardholders must review all entries that appear on the monthly statement and ensure that they have an itemized receipt or credit slip for all entries appearing on their statement for all transactions. Therefore, the District is not in compliance with the Program Guidelines.

Recommendation

We recommend the District comply with the Program Guidelines and attach a description of the items purchased when an incomplete itemized receipt is obtained and obtain itemized receipt/credit slips for all transactions on the Cardholder’s statement.

Management Response

Said purchases were made for our summer kids’ carnival. The cardholder purchased arts and crafts supplies and 1,000’s of small trinkets, i.e. bouncy balls, stickers, toys, novelties.

We agree to implement the recommendation to require the Cardholder to attach the sales receipt, a photograph of the items purchased or a piece of standard paper describing the items purchased adjacent to the dollar amount on the receipt for those Vendors that do not provide an itemized receipt.

4. Prohibited Transactions

Comment

During our review, we noted the following prohibited transactions:

- 2 transactions that are travel or related travel expenses (hotel reservations)
- 2 transactions that paid for the rental/lease of equipment rented for more than 90 days
- 1 transaction to pay for auto fuel
- 12 transactions that appear to be deposits

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According to the Program Guidelines, travel/travel related expenses, rental/lease of land or buildings, including storage facilities, or equipment for more than 90 days, auto fuel, and deposits are not authorized to with the Procurement Card. Transactions to pay for travel or travel related expenses should be paid with the Travel Procurement Card and the District should use a Purchase Order for deposits. Therefore, the District is not in compliance.

Recommendation

We recommend the District comply with the Program Guidelines and stop making prohibited transactions that are not authorized with the Procurement Card. We also recommend the District to review the list of prohibited transactions that are listed in the Program Guidelines. We further recommend the District to use a Travel Procurement Card for travel expenses and use a Purchase Order for deposits.

Management Response

We have reviewed the list of prohibited transactions that are listed in the Program Guidelines and agree to comply. We offer the following implementation:

- Travel or related travel expenses – We agree to apply for and use the new Travel Procurement Card for travel expenses or require the traveler to use their personal debit/credit card to reserve a hotel reservation.
- At the suggestion of the Department of Finance, we are no longer using the Procurement Card to pay the postage meter rental and have reclassified the meter rental as a “utility”, thereby ensuring timely payment to avoid a late penalty/fee.
- Regarding the \$7 auto fuel purchase, the District has an account with Chevron; therefore, this purchase should not have been paid through the Procurement Card. The employee was verbally reprimanded at the time. In the future, we will also notify the Program Administrator and the Department of Finance, as required, whenever a cardholder is reprimanded for prohibited use.
- The 12 transactions that appeared to be deposits were the first installment payments towards the ticket entrance fees for various entertainment venues (field trips for water theme parks, miniature golf, skating, etc.) We applied for and received an exemption for these types of merchants.

We have already used the Procurement Card for the Summer Day Camps this year. In the future we will work with the venues to invoice the first installment whenever possible. We will notify the Program Administrator and the Department of Finance of any exceptions.

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5. Missing Documentation

Comment

During our review, we noted missing documentation. The District is exempted and is authorized to purchase event tickets and food with the Procurement Card. As part of the exemption, the District must submit quarterly reports to the Department of General Services and the Department of Finance (Departments). During our review, we noted that the District made event tickets and food purchases but did not submit quarterly reports to the Departments. Since the exemption states that “Quarterly reports must be submitted to the Departments,” and the District did not submit the reports, the District is not in compliance.

Recommendation

We recommend the District to comply and submit quarterly reports of event tickets and food transactions to the Departments.

Management Response

We were unaware of the requirement to submit quarterly reports of authorized exempted purchases. We agree to comply with the recommendation to comply and submit quarterly reports of event tickets, food transactions, and any other exempted authorized purchases to the Department of General Services and the Department of Finance.

6. Sales/Internet Use Tax

Comment

During our review, we noted one transaction where the merchant did not assess sales/use tax and was not accrued on the County of Sacramento Financial System (a.k.a. COMPASS) by the District. Per California law and the Program Guidelines, if the merchant does not charge the correct tax, the correct sales/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. Since the District did not accrue the appropriate tax, the District is not in compliance with the Program Guidelines.

Recommendation

We recommend the District comply with California law and the Program Guidelines and review the invoices/receipts and accrue sales/use tax in COMPASS when the merchant does not charge tax.

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Management Response

We are unaware of a transaction where the required sales/use tax was not accrued in COMPASS. We acknowledge that we discovered and reported one instance when we did not initially accrue and park the required sales/use tax; however, the sales/use tax was accrued and posted by payment services and paid correctly.

We agree to comply with California law the Program Guidelines; and continue to review the invoices/receipts and accrue the sales/use tax in COMPASS when the merchant does not charge tax.

7. Missing Cardholder's Signature

Comment

During our review, we noted a Cardholder did not sign their June 22, 2015 monthly statement. Per the Program Guidelines, Cardholder must sign and date the monthly statement attesting to the accuracy and validity of charges incurred. Since the Cardholder did not sign and date the monthly statement attesting to the accuracy and validity of charges incurred, the District is not in compliance with the Program Guidelines.

Recommendation

We recommend the District comply with the Program Guidelines and have the Cardholders sign their statement. Furthermore, if the Cardholder anticipates a leave of absence, the Cardholder should sign their statement before they take the leave of absence. Cardholder's statements are delivered to the District by mail and if they do not receive it by the 5th of the following month, they could be obtained on the US Bank Website.

Management Response

The statement was not signed by the Cardholder because he was on leave and unavailable for signature when the statement arrived. Instead the Approving Official signed on his behalf so that timely payment to US Bank could be made.

As of July 1, all statements are not mailed but accessed through the US Bank Website. We will require all Cardholders to download, review, and sign their statements prior to any planned leave.