

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
May 9, 2017
“*Communications Received and Filed*”

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Program’s Annual Compliance Review Of Conflict Criminal Defenders, For The Period Of March 1, 2015, To January 31, 2017
Supervisory 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 Annual Compliance Review of Conflict Criminal Defenders, for the Period of March 1, 2015, to January 31, 2017*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - Procurement Card Program’s Annual Compliance Review of Conflict Criminal Defenders, for the Period of March 1, 2015, to January 31, 2017

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

Inter-Departmental Correspondence

April 4, 2017

To: Theresa Huff, Executive Director
Department of Conflict Criminal Defenders

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits



Subject: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF
MARCH 1, 2015 TO JANUARY 31, 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 County of Sacramento, Department of Conflict Criminal Defenders' (CCD) participation in the program for the period of March 1, 2015 to January 31, 2017. CCD'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 CCD's other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

Finding: We noted issues regarding the security of the procurement card and one prohibited transaction. See Attachment II, *Current Findings and Recommendations*.

- We reviewed purchases for the period of March 1, 2015 to January 31, 2017 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several issues regarding the sales/use tax. See Attachment II, *Current 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 CDD'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 CDD's operations as a whole.

CCD'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 CCD'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 CCD'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, *Current Status of Prior Findings and Recommendations*
Attachment II, *Current Findings and Recommendations*

cc: Jill Steinhofer, Administrative Services Officer II, CCD

COUNTY OF SACRAMENTO
DEPARTMENT OF CONFLICT CRIMINAL DEFENDERS
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO JANUARY 31, 2017

**CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report
Dated April 14, 2015 for the period July 1, 2012 to February 28, 2015)**

1. Out of State/Internet Tax Logs

Comment

During our records' review of the Department of Conflict Criminal Defenders (Conflict Criminal Defenders), we noted Out of State/Internet Tax Logs were not completed and retained with the Cardholder's monthly reconciliation packets. Per the program's guidelines and procedures "*CARDHOLDERS must complete an Out-of-State/Internet Sales Tax Log for any purchases from merchants located outside the state of California or on the Internet in which the merchant does not charge California sales tax. Attach this log to the monthly STATEMENTS along with the other documentation and forward it to your APPROVING OFFICIAL.*"

Recommendation

We recommend Conflict Criminal Defenders comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholder complete the Out of State/Internet Tax Log monthly for out of state or internet purchases where sales tax was not paid. We further recommend Conflict Criminal Defenders retain the Out of State/Internet Tax Logs with the Cardholder's monthly reconciliation packets.

Management Response

Out of State/Internet Tax Logs are now being completed and attached to monthly statements.

Current Status

During our current review, we did not note any issues regarding the Out of State/Internet Tax Logs not being completed.

2. Missing Receipts

Comment

During our purchases' review of Conflict Criminal Defenders, we noted a purchase that did not have its sales receipt support. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*CARDHOLDERS must obtain an itemized listing of all items purchased at the time of purchase.*" Therefore, Conflict Criminal Defenders was not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

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**CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report
Dated April 14, 2015 for the period July 1, 2012 to February 28, 2015)
(Continued)**

Recommendation

We recommend Conflict Criminal Defenders comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and confirm that its cardholder maintain supporting documentation for all purchases. If merchant does not automatically provide an itemized receipt, the cardholder should request itemized receipt from the merchant.

Management Response

Procedures have been reviewed to assure supporting documentation for all purchases are retained.

Current Status

During our review, we did not note any missing receipts.

3. Sales/Internet Use Tax

Comment

During our purchases' review of Conflict Criminal Defenders, we noted 1 internet purchase where the internet merchant charged Conflict Criminal Defenders the incorrect tax rate, resulting in an underpayment of sales tax. We further noted 2 internet purchases where the internet merchant charged Conflict Criminal Defenders the incorrect tax rate, resulting in an overpayment of sales tax. We noted 3 internet purchases where the merchant did not charge sales tax, and Conflict Criminal Defenders 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 Conflict Criminal Defenders to 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, Conflict Criminal Defenders needs to pay the difference in COMPASS, or resolve the difference with the merchant, respectively.

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Dated April 14, 2015 for the period July 1, 2012 to February 28, 2015)
(Continued)**

Management Response

Sales/Internet tax guidelines have been reviewed, and Conflict Criminal Defender will review and confirm sales tax charged is correct and take appropriate action if it is incorrect.

Current Status

During our review, we noted several issues regarding Sales/Internet Use tax, see Finding #3 in Attachment II, *Current Findings and Recommendations*.

4. Purchasing Card Security

Comment

We noted Conflict Criminal Defenders 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 account, the purchasing card could be subject to theft or misuse by someone other than the Cardholder.

Recommendation

We recommend Conflict Criminal Defenders 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 Conflict Criminal Defenders has its Cardholders not provide their account information to any merchants, where the account information is not encrypted and could be subject to theft.

Management Response

Card information will not be stored.

Current Status

During our review, we noted an issue regarding purchasing card security, see Finding #1 in Attachment II, *Current Findings and Recommendations*.

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DEPARTMENT OF CONFLICT CRIMINAL DEFENDERS
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF MARCH 1, 2015 TO JANUARY 31, 2017

1. Procurement Card Security

Comment

During our review of the Department of Conflict Criminal Defenders (CCD), we noted CCD stores procurement card statements in unlocked filing cabinets where all CCD's staff has access to it. According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, procurement card statements with supporting documentation will be filed in a locked, fireproof container or other secured method. Since procurement card information was stored in an unlocked filing cabinet, CCD is not in compliance and procurement card information can be obtained and misused by someone other than the Cardholder.

Recommendation

We recommend CCD to secure procurement card statements with supporting documentation in a locked, fireproof container. We further recommend CCD to review the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and implement procedures to ensure CCD is in compliance with the program.

Management's Response

CCD has secured Procurement card statements and supporting documentation in a locked secure file cabinet.

2. Prohibited Purchase

Comment

During our review, we noted CCD performed one prohibited transaction to pay for equipment that was rented for longer than 90 days. According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, transactions for the rental of equipment are prohibited and are not authorized with the procurement card if the equipment is rented for longer than 90 days. Since CCD rented the equipment for longer than 90 days, CCD is not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend CCD to comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and not pay for the rental of equipment when the equipment will be rented for longer than 90 days. We further recommend CCD to review the

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list of prohibited purchases in the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Management's Response

CCD has reviewed the list of prohibited purchases.

3. Sales/Internet Use Tax

Comment

During our review of the Department of Conflict Criminal Defenders (CCD), we noted the following tax issues:

- One transaction where tax was not assessed by the merchant and CCD did not accrue sales/use tax in the County of Sacramento Financial System (a.k.a. COMPASS)
- One transaction where the merchant assessed 7.5% tax and CCD did not accrue the additional 1.0% in COMPASS
- Two transactions where CCD accrued tax on shipping when shipping was listed as a separate line item on the receipt/invoice
- Three transactions where CCD accrued additional 8.5% in COMPASS on the purchase price when it was not necessary
- Seven transactions where CCD accrued tax in COMPASS for purchases that were not taxable

Per California law and the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, 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 to avoid underpaying tax. Since CCD did not accrue the appropriate tax and accrued tax on purchases that were not taxable, CCD is not in compliance with the County of Sacramento Procurement Guidelines and Procedures Manual.

Recommendation

We recommend CCD to review the invoices/receipts and accrue sales/use tax on purchases where the merchant did not assess the correct tax rate. We further recommend CCD to review the invoices/receipts and not accrue tax on shipping/freight charges when shipping/freight is listed as a separate line item on the invoice/receipt. Also, CCD should not

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accrue tax on purchases where the correct tax rate has been assessed by the merchant and where purchases are not taxable.

Management's Response

CCD will review tax rates on every purchase.

4. Repeat Finding

Comment

During our review, we noted that Findings #1 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 CCD to implement the recommendations noted on Finding #1 and Finding #3 in this attachment.

Management's Response

CCD will implement the recommendations noted.