

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 11, 2017
“*Communications Received and Filed*”

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Program’s Annual Compliance Review Of The District Attorney’s Office, For The Period Of July 1, 2015, To February 28, 2017
Supervisory District(s): All
Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Annual Compliance Review of the District Attorney’s Office, for the Period of July 1, 2015, to February 28, 2017*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - Procurement Card Program’s Annual Compliance Review of the District Attorney’s Office, for the Period of July 1, 2015, to February 28, 2017

Department of Finance

Ben Lamera,
Director



AgendaDate: July 11, 2017

ATT 1

Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

May 25, 2017

To: Anne Marie Schubert, District Attorney
District Attorney's Office

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

A handwritten signature in black ink, appearing to read "Alan A. Matré", is written over the printed name.

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

In accordance with the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual and County of Sacramento Procurement Card Program Policy, we have performed the procedures enumerated below to the County of Sacramento, District Attorney's Office's (DA) participation in the program for the period of July 1, 2015 to February 28, 2017. 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.

The procedures we performed are summarized as follows:

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

Finding: We did not note any exceptions as a result of our procedures.

- We reviewed the DA's purchases for the period of July 1, 2015 to February 28, 2017 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several concerns. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations noted in the prior procurement card review report for the period July 1, 2012 to June 30, 2015, dated November 3, 2015.

Finding: The current status of prior report findings and recommendations can be seen at Attachment I, *Current Status of Prior Findings and Recommendations*.

Because the procedures on page 1 of this report 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.

The DA'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 DA's responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

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

This report is intended solely for the use by Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and the DA's 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.

Enclosures

Attachment I, *Current Status of Prior Findings and Recommendations*

Attachment II, *Current Findings and Recommendations*

COUNTY OF SACRAMENTO
DISTRICT ATTORNEY'S OFFICE
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**FROM THE PRIOR PROCUREMENT CARD REVIEW FOR THE PERIOD
JULY 1, 2012 TO JUNE 30, 2015, REPORT DATED NOVEMBER 3, 2015**

1. Unit Billing Office Contact

Prior Comment

During our review of the District Attorney's Office (District Attorney), we noted Cardholders were performing the duties of the Unit Billing Office Contact. Per County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, "*The UNIT BILLING OFFICE CONTACT (Accounts Payable Clerk) is responsible for making sure that the final posting to the County financial and accounting system is paid on time...A CARDHOLDER may not be appointed to this position.*" Since the Cardholders were performing the duties of the Unit Billing Office Contact, the District Attorney was not in compliance with the program's guidelines and procedures manual.

Prior Recommendation

We recommend the District Attorney comply with the program's guidelines and procedures manual and have the Unit Billing Office Contact perform its designated duties as specified in the program's guidelines and procedures manual.

District Attorney's Prior Response

The District Attorney has procedures in place to ensure that Cardholders will no longer notify Payment Services Unit of the Department of Finance that their procurement card is ready to be paid, as well as prepare their own goods receipts. The Unit Billing Office Contact will prepare goods receipts and notify Payment Services Unit of the Department of Finance when the procurement card is ready to be paid.

Current Status

It appears that our recommendation has been implemented.

2. Missing Supporting Documentation

Prior Comment

During our review, we noted the District Attorney did not retain Master Statements for the period of July 23, 2012 to June 24, 2013. According to the program's guidelines and procedures manual, "*Purchasing Documents (eg. Reconciliation packets) are retained for the current Fiscal Year plus five (5) years. (Gov. Code 26907)*"

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We further noted one transaction was missing a receipt. We were informed that this transaction was a credit card processing fee. According to the program's guidelines and procedures manual, "*Cardholders must obtain an itemized listing of all items purchased at the time of purchase.*" Since a receipt was not provided, the District Attorney was not in compliance with the program's guidelines and procedures manual.

Prior Recommendation

We recommend the District Attorney comply with the program's guidelines and procedures manual and retain the Master Statements with the reconciliation packets for the current Fiscal Year plus five years, and obtain and retain itemized receipts for all transactions on the procurement cards.

District Attorney's Prior Response

The current Deputy Auditor-Controller is unable to locate the Master Statements for the period July 23, 2012 to June 24, 2013. All Master Statements that have been received since the start date of the new Deputy Auditor-Controller have been retained.

Missing Receipt-The Superior Court of Yolo charges a \$1.95 transaction fee for every item ordered on line. The charges appear on the statement but the Court does not provide any documentation or invoice for these charges. The District Attorney's Office has contacted the Court in order to receive documentation or an invoice but has been unsuccessful.

Current Status

It appears that our recommendation has been implemented.

3. Deputy Auditor-Controller

Prior Comment

During our review, we noted an individual performed the duties of a Deputy Auditor-Controller and this individual was not deputized. According to the program's guidelines and procedures manual, "*The DEPUTY AUDITOR-CONTROLLER duties and responsibilities are to: 1) Perform Pre-Audit of All OPERATING UNIT CARDHOLDER packets, original supporting sales drafts and transaction documentation, and sign the DEPUTY AUDITOR-CONTROLLER Certification Form (Attachment 5) prior to authorizing payment for any PROCUREMENT CARD*

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charges.” Since the individual performing the duties of the Deputy Auditor-Controller was not deputized, the District Attorney was not in compliance with the program’s guidelines and procedures manual.

Prior Recommendation

We recommend the District Attorney comply with program’s guidelines and procedures manual and have only deputized individuals perform the duties of a Deputy Auditor-Controller. If the Deputy Auditor-Controller is absent and unable to perform its duties, the District Attorney should contact the Payment Services Unit of the Department of Finance, Auditor-Controller Division for further guidance

District Attorney’s Prior Response

The prior Deputy Auditor-Controller retired and there was a period of time that there was no Deputy Auditor-Controller at the District Attorney’s Office. Management wanted to ensure that all procurement card charges were reviewed and approved and was unaware that the Deputy Auditor-Controller must be deputized. Upon learning this, management contacted the Payment Services Unit at Department of Finance, Auditor Controller Division, for assistance.

Current Status

It appears that our recommendation has been implemented.

4. Sales/Internet Use Tax

Prior Comment

During our purchases’ review of the District Attorney, we noted five internet purchases where the internet merchant did not charge the District Attorney sales/use tax and the sales/use tax was not accrued in COMPASS. We further noted ten purchases where the merchant did not charge the District Attorney the correct tax rate. From these ten purchases, nine purchases resulted in an underpayment of tax, and one purchase resulted in an overpayment of tax. We also noted two purchases where the District Attorney accrued tax when they were not taxable, and eleven purchases where the District Attorney incorrectly accrued tax on shipping charges in COMPASS. Per California Law and the program’s guidelines and procedures manual, if the merchant does not charge sales tax, sales/use tax

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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 District Attorney accrue tax when the merchant fails to charge the District Attorney sales/use tax. We further recommend the District Attorney 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, the District Attorney needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively. We also recommend the District Attorney to not accrue tax on "shipping" or "freight" when "shipping" or "freight" is listed as a separate line item. Also, the District Attorney should not accrue tax in COMPASS when tax is not required.

District Attorney's Prior Response

The District Attorney's Office has reviewed and discussed sales tax matters with Cardholders regarding shipping, shipping and handling, and the correct sales tax rate regarding place of delivery. They have put in place procedures to comply with sales tax regulations and accruing the correct sales tax.

Current Status

It appears that our recommendation has not been implemented. See Finding Number 4 in Attachment II, *Current Findings and Recommendations*.

5. Prohibited Transaction

Prior Comment

During our purchases' review of the District Attorney, we noted one purchase was made to pay a late fee with the procurement card. Per the California Government Code Section 926.10, late fees are to be assessed at .50 percent per month starting the 61st day an invoice is late. After review of the invoice, it appears that the invoice was not 61 days past due. Since the District Attorney paid a late fee when the invoice was not 61 days past due, the District Attorney was not in compliance with Government Code Section 926.10.

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Prior Recommendation

We recommend the District Attorney comply with Government Code Section 926.10 by not paying late fees with the procurement card when the late fees assessed are not in compliance with Government Code Section 926.10.

District Attorney's Prior Response

The District Attorney's Office has discussed late fees with card holders and will comply with Government Code Section 926.10.

Current Status

It appears that our recommendation has been implemented.

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CURRENT FINDINGS AND RECOMMENDATIONS

1. Prohibited Purchase (Store Membership)

Comment

During our review of the District Attorney's Office's (DA) purchases, we noted an Amazon Prime membership fee was charged to the procurement card in the amount of \$107.42. The fee was subsequently refunded, and appropriate corrective action was taken by the Deputy Auditor-Controller.

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (a.k.a. Procurement Card Policies), "*big store memberships on behalf of the County*" is considered a prohibited purchase. Therefore, the DA is not in compliance with the Procurement Card Policies.

Recommendation

Even though the fee was subsequently refunded and appropriate action was taken by the Deputy Auditor-Controller, we recommend the DA ensure its cardholders do not use the procurement card to purchase store memberships to be in compliance with the Procurement Card Policies.

DA's Response

This was an error in which the cardholder takes full responsibility. The cardholder was verbally counseled and an email was sent to the DA's Chief of Administration with a copy to the Chief of Audits describing the action taken. Cardholders have been provided Procurement Card Policies for their review.

2. Single Transaction Limit

Comment

During our review, we noted an international purchase was made using the procurement card. The purchase made was for a needed product that was not available for purchase in the United States. The original purchase amount was 865.00€ (Euros), but posted to the procurement card as \$1,004.89 after the exchange rate was applied. We consider the purchase amount to be the amount posted in United States Dollars after the applied exchange rate.

According to the Procurement Card Policies, "*the total cost per transaction must not exceed \$1,000 including sales tax and any additional charges... Items exceeding \$1,000 shall not be*

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purchased by means of the procurement card.” Therefore, the DA is not in compliance with the Procurement Card Policies.

Recommendation

We recommend the DA ensure international purchases made using the procurement card do not exceed the single transaction limit of \$1,000 after the exchange rate is applied to be in compliance with the Procurement Card Policies.

DA's Response

The cardholder purchased an item with the total purchase amount below the \$1,000 limit, according to the foreign exchange rate at the actual time of purchase. However, when the charge was processed by the vendor, the exchange rate changed and the amount charged exceeded the \$1,000 limit by \$4.89. Upon notification of the charge amount, the cardholder contacted the vendor immediately but was unable to rectify the situation. While we agree the amount charged exceeded the maximum amount allowed, foreign exchange rates cannot be controlled. The cardholder is very aware of the policy and had no intention of making a purchase over \$1,000 which is why the cardholder tried to take corrective action. Procurement cardholders have been provided Procurement Card Policies for their review.

3. Split Purchase

Comment

During our review, we noted a cardholder was instructed to conduct split purchases to circumvent procurement card transaction limits. The group of respective transactions occurred over a period of approximately one month, and the combined total of the purchases exceeded the single transaction limit of \$1,000. We consider the group of transactions to be split purchases.

According to the Procurement Card Policies, *“the cardholder cannot split the purchase into multiple charges to circumvent transaction limits... the cardholder should either use a different purchasing tool (e.g., [Delegated Purchase Order]) or negotiate a lower price.”* Cardholders should never be instructed to conduct split purchases. Any necessary purchases exceeding established procurement card limits should be acquired through alternative purchasing methods if a lower price cannot be negotiated. As such, the DA is not in compliance with the Procurement Card Policies.

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CURRENT FINDINGS AND RECOMMENDATIONS
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Recommendation

We recommend the DA prohibit its cardholders from making split purchases to be in compliance with the Procurement Card Policies.

DA's Response

The intent of the email instructing the cardholder to purchase items for the Human Trafficking program backpacks was not to split purchases. A variety of items were purchased using both procurement card and purchase orders; at no time was the same item purchased on two separate occasions to avoid the \$1,000 threshold. Cardholders have been provided Procurement Card Policies for their review.

4. Sales/Use Tax

Comment

During our review, we noted two purchases were not assessed any sales tax by the merchant, and the purchase amounts included "shipping only" charges. The DA accrued use tax on the "shipping only" charges in the Sacramento County Financial System (a.k.a. COMPASS).

According to the California State Board of Equalization, Publication 100, Shipping and Delivery Charges (a.k.a. BOE Guidelines), "shipping only" charges are not considered taxable. Therefore, the DA is not in compliance with BOE Guidelines and overpaid use tax.

Recommendation

We recommend the DA ensure it does not accrue use tax on "shipping only" charges in COMPASS to be in compliance with BOE Guidelines.

DA's Response

Cardholders and Approving Officials work diligently to ensure correct sales tax is paid or accrued, however, as noted, two instances of sales tax was not paid or accrued correctly during the current audit. The DA's Office has reviewed and discussed sales tax matters with cardholders regarding shipping, shipping and handling, and the correct sales tax rate regarding place of delivery.

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CURRENT FINDINGS AND RECOMMENDATIONS
(Continued)

5. Repeat Finding

Comment

We noted that Finding Number 4 of this attachment is a repeat finding from the prior procurement card review report. See Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that this finding be resolved in a timely manner.

Recommendation

We recommend the DA to implement the recommendation noted in Finding Number 4 of this attachment in a timely manner.

DA's Response

See response to Finding Number 4.