

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
June 6, 2017  
“*Communications Received and Filed*”

To: Board of Supervisors  
From: Department of Finance  
Subject: Procurement Card Program’s Annual Compliance Review Of The Department Of Transportation, For The Period Of July 1, 2015, 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 Annual Compliance Review of the Department of Transportation, 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 Department of Transportation, for the Period of July 1, 2015, to February 28, 2017

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

*Inter-Departmental Correspondence*

May 2, 2017

To: Michael Penrose, Director  
Department of Transportation

From: Ben Lamera  
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 Department of Transportation's (Transportation) participation in the program for the period of July 1, 2015 to February 28, 2017. Transportation'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 Transportation's other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows below and on the next page:

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

Finding: We noted an exception regarding a missing cardholder statement. See Attachment II, *Current Findings and Recommendations*.

Michael Penrose, Director

May 2, 2017

Page 2 of 2

- We reviewed Transportation'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 exceptions regarding an inappropriate purchase, a split purchase, and sales and use tax accruals. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on Transportation's procurement card review report for the period July 1, 2012 to June 30, 2015, dated September 29, 2015.

Finding: The current status of prior findings and recommendations for Transportation is at Attachment I, *Current Status of Prior 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 Transportation'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.

Transportation'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 Transportation'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 results of our procedures referred to above, and does not extend to Transportation's operations as a whole.

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 Transportation'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*

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED SEPTEMBER 29, 2015**

**1. Purchasing Card Security**

Prior Comment

During our review of the Department of Transportation (Transportation), we noted Transportation stored procurement card information on an online merchant account. Per the County of Sacramento Procurement Card Program (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 Transportation 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 Transportation have its Cardholders not provide their account information to any merchants, where the account information is not encrypted and could be subject to theft.

Transportation's Prior Response

The Department of Transportation will continue to comply with all aspects of the “County of Sacramento Procurement Card Program Guidelines and Procedures Manual”, and will instruct cardholders to safeguard their account numbers at all times.

Current Status

It appears that our recommendation has been implemented.

**2. Missing Deputy Auditor-Controller Signatures and Dates on Monthly Statements**

Prior Comment

During our review, we noted missing signatures/dates from the Deputy Auditor-Controller Certification Forms for August 22, 2012, March 24, 2014, and January 22, 2015's monthly statements. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, *“If the transactions appear to be in order, the DEPUTY AUDITOR-*

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED SEPTEMBER 29, 2015  
(Continued)**

*CONTROLLER will complete the DEPUTY AUDITOR-CONTROLLER Certification Form.*” Therefore, Transportation was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Prior Recommendation

We recommend Transportation comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Deputy Auditor-Controller sign and date the “Deputy Auditor-Controller Certification Form.”

Transportation’s Prior Response

The Department of Transportation will continue to comply with all aspects of the “County of Sacramento Procurement Card Program Guidelines and Procedures Manual”, and will put measures in place to ensure all required signatures are acquired.

Current Status

It appears that our recommendation has been implemented; we did not note any missing signatures or dates on the Deputy Auditor-Controller Certification Forms. However, we noted a missing cardholder statement and cardholder and approving official signatures during our current review. See Finding Number 3 in Attachment II, *Current Findings and Recommendations*.

**3. Sales/Internet Use Tax**

Prior Comment

During our purchases’ review of Transportation, we noted one internet purchase where tax was incorrectly accrued on a shipping charge. If the itemized receipt indicates “shipping” or “freight” on a separate line item, tax should not be accrued on the shipping/freight charge. We further noted one purchase where tax was accrued on a non-taxable item, resulting in an overpayment of tax.

Prior Recommendation

We recommend Transportation to not accrue tax where the itemized receipt shows “shipping” or “freight” charge on a separate line item. We further recommend Transportation to ensure taxes are accrued only on taxable purchases.

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED SEPTEMBER 29, 2015  
(Continued)**

Transportation's Prior Response

The Department of Transportation will continue efforts to accurately accrue sales tax.

Current Status

It appears that our recommendation has been implemented; we did not note any exceptions regarding the accrual of taxes on "shipping" or "freight" charges. However, we noted an exception regarding the accrual of use tax for an online purchase during our current review. See Finding Number 4 in Attachment II, *Current Findings and Recommendations*.

**4. Incorrect Usage of Travel Card**

Prior Comment

During our purchases' review of Transportation, we noted three purchases that were made on the travel card that were not travel purchases. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*TRAVEL CARDS may be used for securing travel arrangements and are not to be used for making purchases.*" Therefore, Transportation was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Prior Recommendation

We recommend Transportation have its Cardholders ensure the designated travel card is used for travel arrangements.

Transportation's Prior Response

The Department of Transportation will ensure that designated travel cards are utilized exclusively for travel arrangements.

Current Status

It appears that our recommendation has not been implemented. See Finding Number 1 in Attachment II, *Current Findings and Recommendations*.

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED SEPTEMBER 29, 2015  
(Continued)**

**5. No Parking Validation Stamp Log**

Prior Comment

During our purchases' review of Transportation, we noted Transportation used procurement card to purchase parking validation stamps from Priority Parking for a parking garage located in downtown Sacramento. Transportation did not maintain a log to track and ensure all parking validation stamps were accounted for. Therefore, the parking validation stamps could have been subject to theft or misappropriation without management's knowledge.

Prior Recommendation

We recommend Transportation maintain a log for parking validation stamps, and reconcile the log to the parking validation stamps on hand to ensure all parking validation stamps are accounted for. If there are any discrepancies, they should be noted and investigated in a timely manner.

Transportation's Prior Response

The Department of Transportation no longer occupies offices in a facility requiring Priority Parking validation stamps. When the Department did maintain a small quantity of parking stamp validations they were maintained in a secure manor as to avoid theft or misappropriation.

Current Status

We noted that Transportation no longer maintains parking validation stamps during our current review.

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

## CURRENT FINDINGS AND RECOMMENDATIONS

### 1. Unauthorized Travel Card Purchase

#### Comment

During our review of the County of Sacramento (County) Department of Transportation's (Transportation) procurement card purchases, we noted their travel procurement card (a.k.a. travel card) was used to reserve a meeting room for training purposes at a local hotel in the amount of \$125. The charge was subsequently credited back to the travel card.

Per the County of Sacramento Travel Policy (a.k.a. Travel Policy), "*travel cards may be used for securing travel arrangements and are not to be used for making purchases.*" We consider the reservation charge to be a purchase and not an authorized travel arrangement. According to the County of Sacramento Procurement Card Program Guidelines and Procedures (a.k.a. Procurement Card Policies), "*the following types of purchases are not authorized with the Procurement Card: ... reservation of meeting rooms for off-site training...*" As such, we consider the reservation charge to be an inappropriate purchase.

The travel card should not be used to make non-travel purchases. In addition, the travel card and the procurement card should not be used to reserve meeting rooms for off-site training. Therefore, Transportation is not in compliance with the Travel Policy or the Procurement Card Policies.

#### Recommendation

We recommend Transportation prohibit its travel card participants from using the travel card to make non-travel purchases to be in compliance with the Travel Policy. We further recommend Transportation prohibit its procurement card participants from making inappropriate purchases using the travel card or the procurement card to be in compliance with the Procurement Card Policies.

#### Transportation's Response

The Department of Transportation will ensure that designated travel cards are utilized exclusively for travel arrangements.

### 2. Split Purchase

#### Comment

During our review, we noted a single invoice totaling \$1,559.53 was split into two payments in the amounts of \$1,000 and \$559.53 by a cardholder in order to circumvent the



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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

cardholder's single transaction limit of \$1,000. We noted that corrective action was taken by the Deputy Auditor-Controller; however, Transportation did not notify the Department of Finance, Chief of Audits.

According to the Procurement Card Policies, *"the cardholder cannot split a purchase into multiple charges to circumvent transaction limits"* and *"if the Deputy Auditor-Controller discovers any policy violations during their review, those violations will be... forwarded to the Chief, Audits Division, Department of Finance..."* Therefore, Transportation is not in compliance with the Procurement Card Policies.

Recommendation

We recommend Transportation prohibit its cardholders from making split purchases using the procurement card in order to circumvent transaction limits. In addition, we recommend Transportation ensure that it notifies the Department of Finance, Chief of Audits when policy violations are discovered during their review of procurement card purchases.

Transportation's Response

The Department of Transportation will continue to comply with all aspects of the "County of Sacramento Procurement Card Program Guidelines and Procedures Manual", and will put measures in place to ensure the Department of Finance, Chief of Audits, is notified if a split purchase is identified. The Department also recommends adding the requirement of notifying the Department of Finance, Chief of Audits, to the "Misuse of the Procurement Card" section of the "County of Sacramento Procurement Card Program Guideline and Procedures Manual".

**3. Missing Cardholder Statement**

Comment

During our review, we noted the August 2016 individual travel card statement signed by the cardholder and approving official could not be located by Transportation.

According to the Procurement Card Policies, *"the cardholder must sign and date the monthly statement attesting to the accuracy and validity of charges incurred and forward the statement... to their approving official for review... the approving official will sign and date each cardholder statement..."* By not maintaining the statement signed by the cardholder and approving official, Transportation is not in compliance with the Procurement Card Policies.

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

Recommendation

We recommend Transportation ensure that all procurement card statements are signed and dated by the cardholders and approving officials. If the original statement cannot be located, an online copy of the statement should be printed and signed by the cardholder and approving official attesting the accuracy and validity of charges incurred.

Transportation's Response

The Department of Transportation will continue to comply with all aspects of the "County of Sacramento Procurement Card Program Guidelines and Procedures Manual", and will utilize the US Bank Access Online to acquire a copy of the Travel Card Statement since they are no longer provided by mail.

**4. Sales/Internet Use Tax**

Comment

During our review, we noted an internet merchant did not assess sales tax rate at the time of purchase for a transaction in the amount of \$45. The use tax due was not accrued in the Sacramento County Financial System (a.k.a. COMPASS), resulting in an underpayment of use tax.

According to the Procurement Card Policies, "*all items purchased for use or consumption in the state of California are subject to California sales or use tax... If a purchase is made from an Out-of-State vendor, the full percentage is due.*" Therefore, Transportation is not in compliance with the Procurement Card Policies and California Law.

Recommendation

We recommend Transportation confirm the California sales tax charged by online and out-of-state merchants are for the correct amount. If the California sales tax is not assessed at the time of purchase, the use tax due should be accrued in COMPASS.

Transportation's Response

The Department of Transportation will continue efforts to accurately accrue sales tax.

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

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

**5. Repeat Finding**

Comment

We noted that Finding Number 1 in this attachment is a repeat finding. See Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that prior recommendations be implemented in a timely manner.

Recommendation

We recommend Transportation implement our recommendation noted in Finding Number 1 in a timely manner.

Transportation's Response

The Department of Transportation will ensure that designated travel cards are utilized exclusively for travel arrangements.