

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
July 25, 2017
“Communications Received and Filed” Item

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Annual Compliance Review Of Department Of Waste Management And Recycling For The Period April 1, 2014 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 Annual Compliance Review of Department of Waste Management and Recycling for the Period April 1, 2014 to February 28, 2017*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment

ATT 1 - Procurement Card Annual Compliance Review of Department of Waste Management and Recycling for the Period April 1, 2014 to February 28, 2017

Department of Finance

Ben Lamera,
Director



Agenda Date: July 25, 2017

ATT 1

Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller

County of Sacramento

Inter-Office Memorandum

June 16, 2017

To: Doug Sloan, Interim Director
Department of Waste Management and Recycling

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

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

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, Department of Waste Management and Recycling's (DWMR) participation in the program for the period of April 1, 2014 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 below and on the next page:

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

Finding: We noted an issue regarding sales tax accruals. See Attachment II, *Current Findings and Recommendations*.

Doug Sloan, Interim Director

June 16, 2017

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- We determined the current status of prior findings and recommendations noted in the prior procurement card review report for the period July 1, 2011 to March 31, 2014, dated April 30, 2014.

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 above and 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.

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

This report relates only to DWMR's participation in the program and does not extend to any financial statements of DWMR 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 DWMR'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 Finding and Recommendation*

Attachment II, *Current Findings and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION

PERIOD OF APRIL 1, 2014 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2011
TO MARCH 31, 2014, DATED APRIL 30, 2014**

1. Accrual of Sales Tax Difference

Prior Comment

During our review, we noted that the Department of Waste Management and Recycling's (DWMR) five online purchases' sales tax amounts charged by merchants were calculated with incorrect sales tax rates resulting in sales tax being underpaid. Per County of Sacramento Procurement Card Program Procedures and Guidelines, the correct sales tax must be paid by DWMR for online purchases.

Prior Recommendation

We recommend DWMR comply with the County of Sacramento Procurement Card Program Procedures and Guidelines and accrue the sales tax differences for online purchases when sales tax is underpaid.

DWMR's Prior Response

DWMR will comply with the County of Sacramento Procurement Card Program Procedures and Guidelines and accrue the sales tax differences for any purchases when sales tax is determined to have been underpaid.

Current Status

It appears that our recommendation has been partially implemented; during our current review, we noted one transaction with sales tax issues. See Finding Number 1 in Attachment II, *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF APRIL 1, 2014 TO FEBRUARY 28, 2017

CURRENT FINDINGS AND RECOMMENDATIONS

1. Sales/Internet Use Tax

Comment

During our review of the Department of Waste Management and Recycling's (DWMR) procurement card purchases, we noted a purchase was assessed the incorrect sales tax at the time of the transaction by the merchant. The difference in tax due was not accrued in the Sacramento County Financial System (a.k.a. COMPASS).

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (a.k.a. Procurement Card Policies), "*if the purchase is made... within California and the vendor did not collect the Sacramento County District tax then the difference is due at the current rate...*" Therefore, DWMR was not in compliance with the Procurement Card Policies.

Recommendation

We recommend DWMR confirm the California sales tax charged by online and out-of-state merchants is for the correct amount. If the California sales tax charged by the merchant is incorrect due to an under charge or an over charge of tax, DWMR should accrue the difference in COMPASS, or resolve the difference with the merchant, respectively.

DWMR Management's Response

To comply with the County of Sacramento Procurement Card Program Procedures and Guidelines and accrue the sales tax differences for any purchases when sales tax is determined to have been underpaid, DWMR has started using the Procurement Summary form which forces the calculation of the tax rate applied to a transaction and better allow for the accrual of any underpayments or resolve any differences with the merchant.

2. 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 DWMR implement our recommendation noted in Finding Number 1 in a timely manner.

COUNTY OF SACRAMENTO
DEPARTMENT OF WASTE MANAGEMENT AND RECYCLING
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF APRIL 1, 2014 TO FEBRUARY 28, 2017

CURRENT FINDINGS AND RECOMMENDATIONS
(Continued)

DWMR Management's Response

DWMR began using the Procurement Summary form, which forces the calculation of the tax rate applied to a transaction, in January of 2016.