

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT

PROCUREMENT CARD
AGREED-UPON PROCEDURES

DEPARTMENT OF TECHNOLOGY



Audit Committee Submittal Date: 11/16/2018

SUMMARY

Background

In order to assist with carrying out their core objectives, County of Sacramento Departments (Departments) participate in the County's Procurement Card Program (Program). Some of the objectives of the Program include streamlining small dollar purchases, improving departmental efficiency related to purchases, and assisting Departments with their core mission of delivering governmental services to County citizens. As part of their participation in the Program, Departments are subject to regular procurement card audits to ensure compliance with the Program's guidelines and procedures.

Audit Objective

To confirm DTech's purchases and records are in compliance with the Program's guidelines and procedures.

Summary

We noted the following issues:

1. We noted DTech was not able to provide its procurement card records within 48 hours of auditors request and their procurement card records for the monthly statements of April 22, 2018 and May 23, 2018 were not available when we visited DTech on June 12, 2018.
2. We noted missing Cardholder's Statements for the monthly statements of August 22, 2017 and December 22, 2017.
3. We noted a missing Master Statement for the monthly statement of October 22, 2017 and missing Procurement card Summaries for three Cardholders from the February 22, 2018 statement.
4. We noted missing itemized receipts and credit memos for several transactions.
5. We noted an unauthorized individual was performing the duties of the Unit Billing Office Contact.
6. We noted missing signatures from their supporting documentations.
7. We noted issues related to DTech's sales and internet use tax.
8. We noted DTech was not submitting its payment for the procurement card statement within the 45 day deadline.
9. We noted DTech did not obtain and retain approved County Travel Requests for its travel transactions.
10. We noted several of these findings were repeat findings from the prior procurement card program review report.



County of Sacramento

Inter-Departmental Memorandum

October 26, 2018

To: Rami Zakaria
Chief Information Officer, Department of Technology

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".

Subject: **PROCUREMENT CARD AGREED-UPON PROCEDURES FOR THE PERIOD OF APRIL 1, 2017 TO MAY 31, 2018**

In accordance with the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, County of Sacramento Procurement Card Program Policy, County of Sacramento Travel (travel) Policy, and County of Sacramento Travel Guidelines and Procedures, we have performed the procedures enumerated below to County of Sacramento, Department of Technology's (DTech) participation in the program for the period of April 1, 2017 to May 31, 2018. DTech's management is responsible for establishing and maintaining effective internal controls, and compliance with the program and travel's guidelines, policy, and procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of DTech. 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 DTech's other operations, procedures, or compliance with laws and regulations.

The procedures and associate findings are as follows below and on the next page:

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

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

- We tested purchases for the period of April 1, 2017 to May 31, 2018 to identify any non-compliance with the above cited guidelines, policy, and procedures.

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

- We determined the current status of prior findings and recommendations reported on DTech's procurement card agreed-upon procedures report for the period of July 1, 2015 to March 31, 2017, dated August 21, 2017.

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on DTech's accounting records, compliance, or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. 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 DTech's operations as a whole.

DTech'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 DTech'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, Sacramento County Audit Committee, Department of Finance, Department of General Services, and DTech'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*

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1. Security Over Procurement Card Information

Comment

During our review of the Department of Technology (DTech), we noted Procurement Card information packets (Procurement packets) are stored on Filenet and are available to multiple individuals that are not part of the Procurement Card program. Per 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 number at all times” and Procurement Card statements with supporting documentation will be filed in a locked, fireproof container or other secured method. Since the Procurement Card packets are stored on Filenet where multiple individuals have access to them, Procurement Card information could be subject to theft or misused by an individual other than the Cardholder. Therefore, DTech is not in compliance with the Program Guidelines.

Recommendation

We recommend DTech comply with the Program Guidelines and safeguard the Procurement Card information at all times. We further recommend DTech to limit the Procurement Card information to individuals that are part of the Procurement Card program.

Management Response

All staff that supports the Pcard process in any manner will only be allowed to do so after completing the General Services Procurement Card training program. This will include any staff performing any administrative duties that could have access to the cardholder’s account information, ensuring compliance to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Current Status

During our review, we were unable to verify if the Procurement Card Information is safeguarded and is only available to individuals that are part of the Procurement Card program. See finding #1 in Attachment II, *Current Findings and Recommendations*.

2. Missing Approving Official’s Signature

Comment

During our review, we noted the Approving Official did not sign three Cardholder’s statements for the monthly statement of August 22, 2016. We further noted the Approving

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Official did not sign a Cardholder's monthly statement for the month of September 22, 2015. Per the Program Guidelines, "Approving Officials will review all Cardholders Statements to ensure that all purchases are valid, are approved, and have sufficient supporting documentation. If all is correct, the Approving Official will sign and date each Cardholder Statement." Since the Approving Official did not sign the Cardholders' statement, we cannot determine if the Approving Official reviewed the Cardholder's transactions. Without proper review, unauthorized transactions could be missed. Therefore, DTech is not in compliance with Program Guidelines.

Recommendation

We recommend DTech comply with the Program Guidelines and have the Approving Official sign all Cardholder's statements after their review.

Management Response

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and acknowledges the 2 examples presented for the September 22, 2015 and the August 22, 2016 statements which lacked the Approving Official's signature as failures to be compliant.

The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

Current Status

During our review, we noted several issues related to missing signatures. See finding #6 in Attachment II, *Current Findings and Recommendations*.

3. Sales/Internet Use Tax

Comment

During our review, we noted one transaction where the merchant did not assess tax on the transaction and DTech did not accrue tax in the County of Sacramento Financial System (a.k.a. COMPASS) resulting in a tax underpayment. We further noted one transaction where DTech accrued tax on a transaction that was not taxable resulting in a tax overpayment. We also noted DTech netted the transactions that got overcharged tax with the transactions that got undercharged tax to calculate the amount of additional tax DTech needed to accrue in COMPASS.

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Per California law and the Program Guidelines, if the merchant does not charge sales/use tax, 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. In addition, training courses are not taxable. Since DTech did not accrue tax appropriately, DTech is not in compliance with California law and the Program Guidelines.

Recommendation

We recommend DTech comply with California law and the Program Guidelines and accrue tax on transactions where the merchant does not charge tax. We further recommend DTech to not accrue tax on nontaxable transactions. We also recommend DTech to not net transactions that are being overcharged and undercharged and treat each transaction individually to ensure the proper tax amount is being paid.

Management Response

The Department of Technology accepts its fiduciary obligations to adhere to California Law and the Program Guidelines and acknowledges the 2 examples presented in which DTech had a transaction with a Tax Overpayment and also had another transaction with a Tax Underpayment.

The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

Current Status

During our review, we noted DTech netted transactions that got overcharged tax with transactions that got undercharged tax to calculate the amount of additional tax that needed to be accrued. See finding #7 in Attachment II, *Current Findings and Recommendations*.

4. Payment Deadline

Comment

During our review, we noted DTech did not make US Bank Payment on time for 11 months. Per the Program Guidelines, "US Bank must receive payment of the departmental Procurement Card billings no later than 45 days from the date of billing statement" and "The County loses money when all statements are not paid within 45 days of the billing date. Departments must establish procedures and meet the 45 day deadline." Since DTech did not

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make US bank Payment within 45 days of the billing date, DTech is not in compliance with the Program Guidelines.

Recommendation

We recommend DTech comply with the Program Guidelines and make US Bank payment within 45 days of the billing date.

Management Response

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and acknowledges the finding that DTech has made 11 consecutive payments which exceeded the 45 day limit set by US Bank.

The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

Current Status

During our review, we noted several US Bank payments were not made within the 45 days of the billing date. See finding #8 in Attachment II, *Current Findings and Recommendations*.

5. Oversight on Review Process

Comment

During our review, we noted one Cardholder exceed the 30-day spending limit of \$5,000 for 9 months. We further noted that no proper documentation was maintained indicating when the 30 day-spending limit increase of \$10,000 became effective. Per the Program Guidelines, Cardholders need to stay within the 30-day spending limit.

During the time of the review, DTech provided a “Procurement Card Program Key Contact” form that stated the 30 day spending of \$10,000 with an effective day of August 22, 2014. DTech also provided other “Procurement Card Program Contact” forms with effective dates after August 22, 2014 that stated the 30 day spending limit of \$5,000. It appears that DTech’s noncompliance of its Procurement Card program was due to the oversight of reviewing its Cardholder’s 30-day spending limits along with the information on its “Procurement Card Program Key Contact” form on a monthly basis.

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Recommendation

We recommend DTEch's management review the Cardholder's statements and their 30-day spending limits to ensure Cardholders do not go over their 30-day spending limits. We further recommend DTEch to review "Procurement Card Program Key Contact" forms before sending them to the Program Administrator to ensure that all information on the form is accurate and up to date. We also recommend DTEch to obtain and maintain documentation that is necessary to verify information stated on "Procurement Card Program Key Contact" forms.

Management Response

None of DTEch's cardholders exceeded their monthly limits with US Bank throughout the review's timeline. Each cardholder reviews their bank statements and maintains their spending within their individual limits. However, DTEch cannot provide an explanation as to why one cardholder had their limit reduced on the Key Contact form but acknowledges the limit was indeed reduced on the Key Contact Form submitted to the Pcard Administration and can only state the reduction was unintentional. The reduction on the Key Contact form was also not processed by Pcard Admin, meaning US Bank was not informed of the reduction and the cardholder's account had no limit reduction.

To correct this finding in the future, in addition to actively monitoring the spending limits set by US Bank going forward the Unit Program Coordinator will reconcile US Bank statements to the Key Contact form in order to ensure monthly limits are not exceeded.

Current Status

During our review, we noted missing information on the Key Contact Form regarding the spending limits for a Cardholder. See finding #1 in Attachment II, *Current Findings and Recommendations*.

6. Food Purchases and Missing Documentation

Comment

During our review, we noted three food purchases made in the monthly statement of July 22, 2016 where it cannot be determined if appropriate approval was obtained for the food purchase due to DTEch not submitting appropriate documentation to the Department of Finance.

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County of Sacramento Employee Recognition Policy, Procedures and Guidelines state that departments must submit their own policy regarding food purchase and department policies must delegate levels of approval for expenditure of these funds. To track delegated levels of approval, policies should state a list of authorized individuals with approval authority. Departments must provide list of individuals with approval authority to the Director of Finance, Auditor-Controller Division, annually on or before July 15th with updates as necessary.

DTech did not submit list of authorized individuals with the approved authority to appropriate individuals and it cannot be determined if the three food purchases made in the monthly statement of July 22, 2016 were approved appropriately.

Recommendation

We recommend DTech to submit list of authorized individuals with approval authority to appropriate individuals in the Department of Finance annually on or before July 15th.

Management Response

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and acknowledges DTech did not submit a list of authorized individuals with the approved authority to appropriate individuals.

The missing signature form has been submitted for fiscal year 2017-18 and will continue to be submitted annually going forward.

Current Status

It appears as the recommendation has been implemented.

7. County Travel Requests

Comment

During our review, we noted that the Travel Cardholder did not obtain and retain approved County Travel Requests for all travel transactions tested made with the Travel Procurement Card during the period reviewed. There were a total of 48 transactions tested. Per County of Sacramento Travel Guidelines and Procedures, Cardholders may not book airplane tickets and make hotel reservations without an approved County Travel Request. Since DTech did

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not obtain an approved County Travel Request for travel transactions, DTech is not in compliance with County of Sacramento Travel Guideline and Procedures.

Recommendation

We recommend DTech comply with County of Sacramento Travel Guideline and Procedures and obtain and retain approved County Travel Requests for all transactions made with the Travel Procurement Card.

Management Response

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento's Travel Policy and acknowledges DTech did not obtain and retain approved County Travel Requests for all transactions.

Sacramento County is implementing new travel software, Concur, which will aid in the travel request process. If Concur can satisfy all the travel needs of DTech, a more formalized process could be developed and a singular Travel Request form would be adopted.

Current Status

During our review, we noted several issues related to County Travel Requests. See finding #9 in Attachment II, *Current Findings and Recommendations*.

8. Repeat Finding

Comment

During our review, we noted that findings #1, 2, 3, and 5 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 DTech to implement the recommendation on findings #1, 2, 3, and 5 of this attachment.

Management Response

It is DTech's opinion Finding #1 is not a repeat finding. Previously the finding was based on the storage of credit card information by cardholders on the vendor's end that could be used

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for unapproved recurring charges or other misconduct by external threats. Now, all vendors that DTech conducts business with through the Pcard process are instructed by the cardholders to remove any and all of the credit card information so that no unintended activities should occur by an external entity. DTech's updated process of removing the credit card information has completely resolved and satisfied the previous finding so that Sacramento County is better secured against external threats. The previous #1 finding made no mention of internal risks while the current finding is focused on internal controls and exposure to threats within DTech.

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and acknowledges Finding #2 has repeated. The 2 examples presented for the September 22, 2015 and the August 22, 2016 statements which lacked the Approving Official's signature are evidence at failures to be compliant. The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

The Department of Technology accepts its fiduciary obligations to adhere to California Law and the Program Guidelines and acknowledges Finding #3 has repeated. The 2 examples presented in which DTech had a transaction with a Tax Overpayment and also had another transaction with a Tax Underpayment are proof of the repetition. The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

The Department of Technology accepts its fiduciary obligations to adhere to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and acknowledges Finding #5 has repeated. While DTech has maintained spending within US Bank's spending limits, the limit set for one cardholder on the Key Contact form was exceeded. The Fiscal/Admin unit anticipates future findings will be avoided as the unit expects to be fully staffed which will help ensure the avoidance.

Current Status

During our review, we noted that findings #1, 2, 3, and 5 have not been corrected. See findings # 1, 6, and 7 in Attachment II, *Current Findings and Recommendations*.

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1. Availability of Procurement Card Records

Comment

During our review of Department of Technology (DTech), documentation was not provided to Auditor after 48 hours of request. Per the County of Sacramento Procurement Card Program Policy (Procurement Card Policy), “all records must be filed in a manner easily retrievable with all supporting documentation attached. To reduce storage space, Departments may scan Procurement Card statements; however, scanned records must be available within 48 hours for audit purposes.” DTech was given over three weeks to provide supporting documentation and the documentation/information was not provided.

Due to the lack of documentation/information, we were unable to perform the following procedures:

- determine if DTech has limited the availability of Procurement Card Information only to individuals that are part of the Procurement Card program
- determine if a Cardholder made transactions within their spending limits
- determine if tax was accrued in the County of Sacramento Financial System (a.k.a. COMPASS) for several transactions

In addition, we noted that Procurement Card statements and supporting documentation for the monthly statements of April 22, 2018 and May 23, 2018 were not available when Auditor visited DTech on June 12, 2018.

Since documentation was not provided to auditor within 48 hours of request, we are unable to perform several procedures and DTech is not in compliance with the Procurement Card Policy.

Recommendation

We recommend DTech comply with the Procurement Card Policy and obtain and retain all Procurement Card documentation in a manner that is easily retrievable and provide within 48 hours of initial request. We further recommend DTech to review the Procurement Card Policy and the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Procurement Guidelines and Procedures Manual).

Management Response

DTech fully acknowledges its response time to address the pending items brought forward by the auditor exceeded 48 hours. In the event a comprehensive response is unachievable within 48 hours, DTech intends to communicate any hardship or complication within the 48 hours.

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2. Cardholder Statement

Comment

During our review of DTech, we noted missing Cardholder's Statements for the monthly statements of August 22, 2017 and December 22, 2017. Per the Procurement Guidelines and Procedures Manual, "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" and "sign and date the monthly statement attesting to the accuracy and validity of charges incurred and forward the statement with all supporting documentation to their Approving Official for review. Without a Cardholder statement, Cardholders are unable to determine what transactions were charged to the Procurement Card, the validity of the transactions, and unauthorized transactions could be missed and not be corrected in a timely manner. Therefore, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with the Procurement Guidelines and Procedures Manual and obtain and retain statements for all Cardholders.

Management Response

In response to the missing Cardholder statements for the months of August 22, 2017 and December 22, 2017, all Cardholder statements were provided for both August 2017 and December 2017. August 2017 had 7 Cardholders with activity and the associated scanned pdf has 7 separate cardholder statements along with the Deputy Auditor Controller's master statement. December 2017 had 5 Cardholders with activity and the associated scanned pdf has 5 separate Cardholder statements along with the Deputy Auditor Controller's master statement. As such, DTech disagrees with the validity of this finding.

3. Managing Account Statement and Procurement Card Summary

Comment

During our review of DTech, we noted a missing Master Statement for the monthly statement of October 22, 2017 and missing Procurement Card Summaries for three Cardholders for the monthly statement of February 22, 2018. Per the Procurement Guidelines and Procedures Manual, "the Deputy Auditor-Controller (A-C) will use the Managing Account Statement (Master Statement) to ensure that all Cardholder's transactions have been accounted for. If

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the transactions appear to be in order, the Deputy A-C will complete the Deputy A-C Certification form (Procurement Card Summary) and attach it to the Master Statement to the Cardholder's Statements. In addition, the Master Statement is also used to determine the payment to US Bank. Without a Master Statement, unauthorized transactions could be missed and not be corrected in a timely manner. In addition, the US Bank payment could be made for an amount different than what is listed on the Master Statement.

Procurement Card Summaries are used to list all transactions and verify if tax was correctly charged. Without a Procurement Card Summary, we are unable to determine if the Approving Official and Deputy A-C reviewed the transactions and verified if the appropriate tax was charged to DTech.

Since DTech did not obtain and retain a Master Statement and did not complete Procurement Card Summaries, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with Procurement Guidelines and Procedures Manual and obtain and retain all Master Statements and Procurement Card Summaries for all Cardholders.

Management Response

DTech concurs the October 22, 2017 Master Statement is missing from the scanned pdf documents. It is DTech's belief that on occasion, the feeder of the scanning equipment could erroneously grab multiple pages and to address this possibility, a post-scanning audit will be performed by the Billing Office Contact to ensure all required documents have indeed been saved. However, the February 22, 2018 statement does possess a Procurement Card Summary for all 5 cardholders.

4. Itemized Invoice/Receipt and Credit Memo/Slip

Comment

During our review of DTech, we noted the following missing documentation:

- Credit memo for a transaction in the amount of \$337.71 appearing on the monthly statement of August 22, 2017

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- Credit memo for a transaction in the amount of \$322.99 appearing on the monthly statement of March 22, 2018
- Itemized receipt for a transaction in the amount of \$140.00 made in the monthly statement of March 22, 2018
- Itemized receipt for a transaction in the amount of \$1,650.00 made in the monthly statement of March 22, 2018
- Credit memo for a transaction in the amount of \$895.00 appearing on the monthly statement of March 22, 2018

Per the Procurement Guidelines and Procedures Manual, “Cardholders must obtain an itemized listing of all items purchased at the time of the purchase. For merchants that do not provide itemized receipts, “the Cardholder will attach a sales receipt to a piece of standard paper and describe the items purchased adjacent to the dollar amount on the receipt.” Without proper itemized invoice/receipt and credit memo/slip, it cannot be determined if the transaction is appropriate or if the correct tax was charged to DTech. Since DTech did not obtain itemized invoice/receipts and credit memos/slip, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with Procurement Guidelines and Procedures Manual and obtain and retain itemized invoices/receipts and credit memos/slips for all transactions made with the Procurement Card.

Management Response

DTech acknowledge there is an insufficient amount of documentation for 3 of the 5 cited examples. DTech in some cases had been relying on internally created documents as supporting documentation, but whenever possible, credit memos created by the vendors will always be used going forward. In so doing future findings of this nature will be avoided.

5. Unit Billing Office Contact

Comment

During our review, we noted that another individual is performing the duties of the Unit Billing Office Contact. Per the Procurement Guidelines and Procedures Manual, “the Unit Billing Office Contact” is responsible for making sure that the final posting to the County financial and accounting system is paid on time.” We are unable to determine if the

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individual performing the duties of the Unit Billing Office Contact has received the proper training to perform the duties of the Unit Billing Office Contact. US Bank Payment could be incorrectly posted and not be corrected in a timely manner. Since another individual is performing the duties of the Unit Billing Office Contact, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with the Procurement Guidelines and Procedures Manual and have the individual assigned as the Unit Billing Office Contact perform their duties and responsibilities.

Management Response

As instructed by the auditor during the previous audit, DTech implemented a process where all staff that supports the Pcard process in any manner was only allowed to do so after completing the General Services Procurement Card training program. As DTech's current process is non-compliant, DTech will implement the current recommendation to avoid future findings of this nature.

6. Missing Signatures

Comment

During our review, we noted several issues regarding missing signatures. We noted the following:

- 14 Procurement Card Summaries that were not signed by the Deputy A-C and the Approving Official
- 8 Procurement Card Summaries that were not signed by the Approving Official
- 8 Cardholder's Statements that were not signed by the Approving Official
- 1 Procurement Card Summary that was not signed by the Deputy A-C

Per the Procurement Guidelines and Procedures Manual, "Approving Officials will review all Cardholders Statements to ensure that all purchases are valid, are approved, and have sufficient supporting documentation. If all is correct, the Approving Official will sign and date each Cardholder's Statement." Since the Approving Official did not sign the Cardholders' statements, we cannot determine if the Approving Official reviewed the Cardholder's transactions. Without proper review, unauthorized transactions could be

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missed and not be corrected in a timely manner. Therefore, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Per the Procurement Guidelines and Procedures Manual, “the Deputy Auditor-Controller duties and responsibilities are to... perform pre-audit of all operating unit cardholder packets, original supporting sales drafts and transaction documentation, and sign the Procurement Card Summary prior to authorizing payment for any Procurement Card charges.” Since the Deputy A-C did not sign the Procurement Card Summaries, we are unable to determine if the Deputy A-C performed pre-audit of the transactions prior to authorizing payment to US Bank. Therefore, DTech is not in compliance with Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with the Procurement Guidelines and Procedures Manual and have all individuals sign appropriate documentation to indicate that proper review was performed. We further recommend DTech staff involved with the Procurement Card Program to review the Procurement Card Policy and Procurement Guidelines and Procedures Manual.

Management Response

DTech’s Approving Officials were only signing the cardholder bank statements and were not additionally signing the Procurement Card summaries. To avoid future findings of this nature DTech’s Approving Officials have been signing Procurement Card summaries since the current audit began. Any other sort of missing signature will be ensured to be included in DTech’s documentation by the Billing Office Contact conducting a final audit of the documents after scanning.

7. Sales/Internet Use Tax

Comment

During our review, we noted DTech netted the transactions that got overcharged tax with the transactions that got undercharged tax to calculate the amount of additional tax DTech needed to accrue in COMPASS. As noted in finding #1 of this attachment, we were also unable to verify if DTech accrued appropriate tax for transactions for the monthly statement of August 22, 2017.

COUNTY OF SACRAMENTO
DEPARTMENT OF TECHNOLOGY
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF APRIL 1, 2017 TO MAY 31, 2018

CURRENT FINDINGS AND RECOMMENDATIONS
(Continued)

Per California law and the Procurement Guidelines and Procedures Manual, if the merchant does not charge sales/use tax, sales/use tax must be paid by the purchaser when items are purchased on the internet our out of state with the intent to be used in California. Since DTech did not accrue tax appropriately, DTech is not in compliance with California law and the Procurement Guidelines and Procedures Manual.

Recommendation

We recommend DTech comply with California law and the Procurement Guidelines and Procedures Manual and not net transactions that are being overcharged and undercharged and treat each transaction individually to ensure the proper tax amount is being paid.

Management Response

DTech acknowledges taxes were improperly paid. The Fiscal/Admin unit anticipates all future findings of this nature will be avoided as DTech has discontinued netting tax over and under payments since notified by the Department of Finance during this audit period and DTech has been compliant to the current tax requirements since the notification and will continue to do so going forward.

8. Payment Deadline

Comment

As noted in finding #1 of this attachment, Procurement Card records were not provided during our review and we were only able to verify the payment deadline for 9 months out of 14 months. Information/documentation was not available for 5 months and we were unable to verify if the US Bank payment was processed on time.

During our review, we noted DTech did not make US Bank payments on time for 8 months. Per Procurement Guidelines and Procedures Manual, "US Bank must receive payment of the departmental Procurement Card billings no later than 45 days from the date of billing statement" and "the County loses money when all statements are not paid within 45 days of the billing date. Departments must establish procedures and meet the 45 day deadline." Not paying the US Bank payment on time can cause the County to incur late payment fees. Since DTech did not make US Bank payment within 45 days of the billing date, DTech is not in compliance with the Procurement Guidelines and Procedures Manual.

COUNTY OF SACRAMENTO
DEPARTMENT OF TECHNOLOGY
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

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CURRENT FINDINGS AND RECOMMENDATIONS
(Continued)

Recommendation

We recommend DTech comply with the Procurement Guidelines and Procedures Manual and make US Bank payment within 45 days of the billing date.

Management Response

DTech acknowledges the 45-day payment deadline was not met. DTech intends to implement and strictly follow the Procurement Card Administration's suggested due date timeline for Cardholders, Approving Officials, Deputy Auditor-Controllers and Accounts Payable staff as well as setting the payment deadline as a high priority. In so doing DTech will avoid future findings of this nature going forward.

9. County Travel Requests

Comment

During our review, we noted that the Travel Cardholder did not obtain and retain approved County Travel Requests for two transactions in the amount of \$293.37 and \$195.01 made in the monthly statement of June 22, 2017. Per County of Sacramento Travel Guidelines and Procedures, Cardholders may not book airplane tickets and make hotel reservations without an approved County Travel Request. Since DTech did not obtain an approved County Travel Request for travel transactions, we are unable to determine if the transactions are appropriate and DTech is not in compliance with County of Sacramento Travel Guidelines and Procedures.

Recommendation

We recommend DTech comply with County of Sacramento Travel Guidelines and Procedures and obtain and retain approved County Travel Requests for all transactions made with the Travel Procurement Card.

Management Response

DTech's travel cardholder lost a material amount of emails when their personal computer was refreshed. These lost emails included travel approvals. However, with the implementation of Concur for countywide travel, all approvals will now be documented in Concur and this type of finding should be avoided in the future.

COUNTY OF SACRAMENTO
DEPARTMENT OF TECHNOLOGY
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CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF APRIL 1, 2017 TO MAY 31, 2018

CURRENT FINDINGS AND RECOMMENDATIONS

(Continued)

10. Repeat Finding

Comment

During our review, we noted that findings #6, 7, 8, and 9 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 DTech to implement the recommendation on findings #6, 7, 8, and 9 of this attachment.

Management Response

The Department of Technology (DTech) intends to fully implement the recommendations to findings #6, 7, 8 and 9 to avoid future findings.