

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

AGREED-UPON PROCEDURES FOR PROCUREMENT CARD PROGRAM

DEPARTMENT OF CHILD SUPPORT SERVICES

**FOR THE PERIOD APRIL 1, 2017 TO
NOVEMBER 30, 2021**



Audit Committee Submittal Date: 06/20/2022

SUMMARY

Background

The Department of Child Support Services (DCSS) is responsible for collecting child support payments for families. Additionally, DCSS provides various assistance to parents and to legal guardians in order to fulfill its mandated purpose. Provided services include locating parents, establishing parentage, establishing support orders, collecting on a support order, providing legal information, establishing medical support orders, providing assistance to open child support cases in court, and help with modifications to existing support orders.

DCSS participates in the Sacramento County Procurement Card Program to improve efficiency related to its purchasing functions. As part of DCSS's participation in the Program, DCSS is subject to regular procurement card audits to ensure compliance with the Program's guidelines, policy, and procedures. The Department of Finance, Internal Audit Unit, randomly selected DCSS's procurement card Program for agreed-upon procedures.

Audit Objective

To review DCSS's procurement card Program's compliance with Sacramento County Procurement Card Program guidelines, policy, and procedures for the period April 1, 2017 to November 30, 2021.

Summary

We noted two exceptions related to the Procurement Program's key contact form and the sales/internet use tax reporting.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

Inter-Departmental Memorandum

May 10, 2022

To: Dalen Fredrickson, Director
Department of Child Support Services

From: Ben Lamera
Director of Finance

By: Hong Lun (Andy) Yu, CPA
Audit Manager

A handwritten signature in blue ink, appearing to be "A Yu", is placed next to the name of the preparer.

Subject: **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - DEPARTMENT OF CHILD SUPPORT SERVICES PROCUREMENT CARD PROGRAM FOR THE PERIOD APRIL 1, 2017 TO NOVEMBER 30, 2021**

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 Department of Child Support Services (DCSS) participation in the Program for the period April 1, 2017 to November 30, 2021. DCSS's management is responsible for establishing and maintaining effective internal controls and compliance with the Program and Travel guidelines, policy, and procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of DCSS. 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 DCSS's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

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

Finding: We noted an issue related to the Program's key contact form. See ATT 1 - *Current Findings and Recommendations*.

Dalen Fredrickson, Director

May 10, 2022

Page 2 of 2

- We selected and tested 94 procurement card purchases to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted issues related to sales tax and key contact form. See ATT 1 - *Current Findings and Recommendations* and ATT 2 - *Current Status of Prior Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on DCSS's procurement card agreed-upon procedures report for the period July 1, 2015 to March 31, 2017 dated June 27, 2017.

Finding: The current status of prior findings and recommendations for DCSS is at ATT 2 - *Current Status of Prior Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. 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 DCSS'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 DCSS's operations as a whole.

DCSS's responses to the findings identified during our engagement are described in ATT 1, *Current Findings and Recommendations*. We did not perform procedures to validate DCSS's responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the information and use by the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Department of Finance, Department of General Services, and DCSS'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:

ATT 1 - *Current Findings and Recommendations*

ATT 2 - *Current Status of Prior Findings and Recommendations*

cc: Alison Santiago, Procurement Card Program Administrator, General Services
Marilyn Brereton, Assistant Director, DCSS
Mary Lawrence-Jones, Assistant Director, DCSS

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD SUPPORT SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD APRIL 1, 2017 TO NOVEMBER 30, 2021

1. Key Contact Form

Comment

We noted the Department of Child Support Services (DCSS) Procurement Program's key contact form was not updated to reflect the procurement official change. Per DCSS, there was an Approving Official transition between the period May 2, 2017 to November 15, 2017. The individual performing the duties of the Approving Official was not listed on the key contact form as the Approving Official to validate the cardholders' statements and procurement card summaries between the period May 2, 2017 to November 15, 2017.

In accordance to the County of Sacramento Procurement Card Program (Program) Guidelines and Procedures Manual, when an Approving Official leaves DCSS for any reason, the Unit Program Coordinator (UPC) shall notify the Program Administrator (PA) as soon as possible prior to any changes within DCSS. The position was filled temporarily and timely; however, the UPC did not update a new key contact form reflecting the change.

Since the key contact form was not updated to reflect the procurement official change, DCSS is not in compliance with the Program.

Recommendation

DCSS should comply with the Program and update the key contact form as the procurement official has changed to reflect the validation on the cardholders' statement and procurement card summaries.

Management Response

DCSS will update the key contact information whenever there are changes in the Department's Program personnel.

2. Sales/Internet Use Tax

Comment

We tested a total of 94 transactions and within the 94 transactions, 58 transactions included sales/use taxes. We noted a transaction where the cardholder used the incorrect sales tax rate in Procurement Summary for July 2021. The incident caused an understatement of sales tax. However, we verified Department of Finance,

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD SUPPORT SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD APRIL 1, 2017 TO NOVEMBER 30, 2021

Payment Services corrected the tax understatement and recorded the correct tax amount in the County of Sacramento Financial System (a.k.a. COMPASS).

In accordance with California law and the Program Guidelines and Procedures Manual, if the merchant does not charge the correct sales/use 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.

It is DCSS's responsibility to ensure the appropriate sales/use tax are reported. Therefore, DCSS is not in compliance with California law and the Program Guidelines and Procedures Manual.

Recommendation

DCSS should validate the correct sales/use tax are charged when reviewing and approving the Procurement Summary. We further recommend DCSS to confirm the correct California Sales tax was charged by the merchant. If sales tax charged is incorrect, DCSS needs to accrue the tax misstatement difference in the Procurement Summary, or resolve the misstatement with the merchant, respectively.

Management Response

DCSS validates the correct sales/use tax charges on the monthly sales tax log sheets prior to signing. The Approving Authority, and Deputy Audit Controller will be informed of any local sales tax changes when they occur.

Currently, the cardholder utilizes the same sales tax calculation template each month. The sales tax rate is prepopulated in the worksheet and remains static. When the tax rate changes, a new template with the updated tax rate will be developed and used.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD SUPPORT SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD APRIL 1, 2017 TO NOVEMBER 30, 2021

Report Dated June 27, 2017 for the period July 1, 2015 to March 31, 2017

1. Security Over Purchasing Card Information

Prior Recommendation

Department of Child Support Services (DCSS) should comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and safeguard the Procurement Card information at all times. We further recommended DCSS to store the Procurement Card information packets in a locked cabinet that is only accessible to individuals that are part of Procurement Card program.

Current Status

It appears that the recommendation has been implemented.

2. Missing Approving Officials' Signature

Prior Recommendation

DCSS should comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have the Approving Official sign all Cardholders' statements to indicate they reviewed and to attest the charges are allowable purchases.

Current Status

It appears that the recommendation has been implemented.

3. Incomplete Itemized Receipt

Prior Recommendation

DCSS should comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and obtain and retain itemized receipts with all necessary information. We further recommended DCSS to review the sections regarding itemized receipts on the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Current Status

It appears that the recommendation has been implemented.

COUNTY OF SACRAMENTO
DEPARTMENT OF CHILD SUPPORT SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD APRIL 1, 2017 TO NOVEMBER 30, 2021

Report Dated June 27, 2017 for the period July 1, 2015 to March 31, 2017

4. Sales/Internet Use Tax

Prior Recommendation

We recommended DCSS review the invoices/receipts and accrue the appropriate sales/use tax when the merchant does not charge the correct tax rate. We further recommended DCSS to not accrue sales/use tax on shipping charges when the shipping charge is listed as a separate line item on the invoice/receipt and to not accrue additional tax on purchases when it is not necessary.

Current Status

It appears that the recommendation has been partially implemented. We noted a sales tax issue from current procedures. See finding #2 in ATT 1 - *Current Findings and Recommendations*.

5. Payment Deadline

Prior Recommendation

We recommended DCSS complied with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and made US Bank payment within 45 days of the billing date.

Current Status

It appears that the recommendation has been implemented.

6. Repeat Finding

Prior Recommendation

We recommended DCSS to implement the recommendations from prior engagement for the period April 1, 2014 to June 30, 2015.

Current Status

It appears that the recommendation has been implemented. However, we noted DCSS did not implement all prior recommendations for the period July 1, 2015 to March 31, 2017. See item #4 of this attachment.