

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

**AGREED-UPON PROCEDURES FOR
PROCUREMENT CARD PROGRAM**

COUNTY OF SACRAMENTO

DEPARTMENT OF ANIMAL CARE SERVICES

**FOR THE PERIOD JULY 1, 2021,
TO AUGUST 31, 2023**



Audit Committee Submittal Date: 05/16/2024

SUMMARY

Background

The County of Sacramento (County), Department of Animal Care Services (Animal Care), participates in the County Procurement Card Program (Program). The Program for Animal Care was previously reviewed for the period of October 1, 2016, to January 31, 2018, dated March 1, 2018. The Department of Finance, Internal Audit Unit selected Animal Care for the Program agreed-upon procedures.

Audit Objective

To verify that Animal Care's Program activities are in compliance with the County Program Guidelines and Procedures Manual, County Program Policy, County Travel Guidelines and Procedures, and County Travel Policy for the period July 1, 2021, to August 31, 2023.

Summary

We noted several exceptions relating to Animal Care's internal controls over compliance with the Program.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

April 26, 2024

Annette Bedsworth, Director
Department of Animal Care Services
3839 Bradshaw Road
Sacramento, CA 95827

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Ms. Bedsworth:

In accordance with the County of Sacramento (County) Procurement Card Program (Program) Guidelines and Procedures Manual, County Program Policy, County Travel Guidelines and Procedures, and County Travel Policy, we have performed the procedures enumerated below related to the Department of Animal Care Services (Animal Care) participation in the Program for period July 1, 2021, to August 31, 2023.

Animal Care's management is responsible for establishing and maintaining effective internal controls, and compliance with the Program and Travel guidelines, policies and procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of Animal Care. Consequently, we make no representation regarding the sufficiency of the procedures described below, and on the following page, either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the procedures referred to below, and on page 2, and is not intended to pertain to any of Animal Care's other operations, procedures, or compliance with laws and regulations.

Our procedures and the results are summarized as follows:

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

Result: We noted several exceptions. See ATT 1 - *Current Findings and Recommendations*.

- We selected and tested a total 30 procurement card purchases for the months of September 2021, November 2021, July 2022, December 2022, April 2023, and June 2023 to identify any non-compliance with the above cited guidelines, policies, and procedures.

Annette Bedsworth, Director
April 26, 2024

Result: We noted several exceptions. See ATT 1 - *Current Findings and Recommendations*.

- We updated the current status of prior findings and recommendations reported on Animal Care's procurement card agreed-upon procedures report for the period October 1, 2016, to January 31, 2018, Dated March 1, 2018.

Result: Three of the six prior recommendations have not been fully implemented. See ATT 2 - *Current Status of Prior 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 of America. 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 the Animal Care'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 on the previous page, and does not extend to Animal Care's operations as a whole.

Animal Care's responses to the findings identified during our procedures are described in ATT 1 – *Current Findings and Recommendations*. We did not perform procedures to validate Animal Care'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 the Animal Care'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.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachments:

ATT 1 – *Current Findings and Recommendations*
ATT 2 – *Current Status of Prior Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

1. Internal Controls Over Program

Condition

The County of Sacramento (County), Department of Animal Care Services (Animal Care) does not have written policies or procedures over the County Procurement Card Program (Program) processes. As a result, we noted several issues as described in Findings #2 through #6.

Criteria

Animal Care should maintain written policies and procedures over the Program processes to ensure proper management controls are maintained over the authorization and use of the Procurement Cards and be in compliance with the County Program guidelines, policies, procedures, and other applicable laws, regulations, and statutory requirements.

Effect

Due to lack of written internal control policies and procedures over the Program processes, Animal Care did not meet the compliance requirements with the County Program guidelines, policies, procedures, and other applicable laws, regulations, and statutory requirements as described in Findings #2 through #6.

Recommendation

We recommend Animal Care establish and implement internal control policies and procedures over the Program processes to ensure proper management controls over the authorization and use of the Procurement Cards and be in compliance with the County Program guidelines, policies, procedures, and other applicable laws, regulations, and statutory requirements.

Management Response

Animal Care will update and implement internal control policies over the program processes to ensure proper management controls over the authorization process and the use of procurement cards follow the County program guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

2. Purchase of Contracted Item from Non-Contracted Vendor

Condition

During our testing of 30 Procurement Card purchase transactions, we noted that one of the 30 items purchased by Animal Care was from a non-contracted vendor.

Criteria

According to the County Program Guidelines and Procedures Manual (Manual), "*No contracted items are to be purchased from non-contracted sources*".

Effect

Animal Care did not comply with the Manual. Violation of the Manual may result in the suspension of procurement card privileges.

Recommendation

We recommend that Animal Care establish written internal control policies and procedures over the Program processes to ensure that no contracted items are purchased from non-contracted sources when using procurement card.

Also, see recommendation for Finding #1.

Management Response

The cardholder will provide the appropriate documentation for all purchases and submit them within the defined timeframe for each cycle period.

3. FasTrak Account Activities and Quarterly Reports

Condition

During our review, we noted Animal Care did not track account activities and did not provide quarterly usage reports to the Department of Finance (DOF) for FasTrak purchases as required by the Manual.

Criteria

Per the Manual, it is the Program participants' responsibility on FasTrak purchases to "*track account activity (inc. driver, passengers, destination, toll tag numbers and license plates)*" and "*provide quarterly usage report of activity matching the FasTrak statements to DOF.*"

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

Effect

Animal Care was non-compliant with tracking and reviewing FasTrak account activities documenting required information per the Manual, Animal Care could not determine whether the FasTrak purchases were for authorized activities.

Recommendation

Animal Care should track, and review its FasTrak account activities and provide quarterly usage reports of activities reconciled to FasTrak statement to DOF to adequately support the FasTrak purchases and comply with the Manual.

Also, see recommendation for Finding #1.

Management Response

Staff endorses the recommendation and will provide quarterly reconciled reports to DOF.

4. Approvals and Required Signatures

Comment

During our review of Animal Care's Procurement Card Statements and the supporting documentation for 6 sample months (September and November 2021, July and December 2022, and April and June 2023), we noted:

- 13 of 16 Cardholder statements were not signed and dated by the Approving Official.
- 15 of 16 Procurement Summary forms were not signed and dated by the Cardholder.
- No written pre-approvals were documented for all purchases tested. As such, we could not determine if the purchases were approved prior to the purchases.

Criteria

Per the Manual:

- Approving Official should sign and date each Cardholder statement and Procurement Summary form evidencing review and approval.
- Cardholder must sign and date Procurement Summary form attesting to the accuracy and validity of charges incurred.
- Cardholder should obtain pre-approval of all purchases.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
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AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

Effect

Animal Care did not comply with the Manual. Without proper review of required forms and written pre-approval of purchases evidenced by signatures and dates, inappropriate purchases and inaccurate payment data may not be detected in a timely manner.

Recommendation

We recommend Animal Care have their Procurement Card participants review their responsibilities of the Procurement Card purchase, reconciliation, and review process per the Manual.

Animal Care should ensure that all required forms are signed and dated by the appropriate personnel as prescribed by the Manual. In addition, Animal Care's Cardholders should obtain written approval, prior to making any purchases.

Also, see recommendation for Finding #1.

Management Response

The recommendation was implemented.

5. Sales/Use Tax

Condition

During our testing of 30 Procurement Card purchase transactions, we noted that Animal Care incorrectly calculated sales tax liability for one purchase in the Procurement Card Summary form. In addition, we noted that Animal Care made incorrect entries of the calculated tax liabilities into the County's Financial System (COMPASS) for 2 out of 6 master statements tested.

It appeared that sales tax calculation on Procurement Card Summary forms and the input of the tax liabilities to COMPASS were not thoroughly reviewed by the reviewer.

Criteria

Per California law and the 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 or out of state with the intent to be used in California.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
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CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

In addition, COMPASS entries of sales/use tax liabilities or receivables should be thoroughly reviewed before releasing the entries.

Effect

Animal Care did not comply with California law and the Manual. The incorrect calculation of sales tax liability on the Procurement Summary form and incorrect entries of the calculated sales tax liability in COMPASS resulted in an under accrued and outstanding tax liability in the amount of \$64.59.

Without thorough review processes, Animal Care may under or over accrue future sales/use tax liabilities without detecting the errors in a timely manner.

Recommendation

We recommend that Animal Care provide proper training on sales/use tax calculation and COMPASS data input to its procurement card users and staff who are involved in Procurement Card payment processes. In addition, Animal Care should perform thorough reviews of Procurement Card Summary forms, supporting documentation, and COMPASS entries prior to notifying DOF, Payment Services staff that procurement payment is ready for processing.

Also, see recommendation for Finding #1.

Management Response

Animal Care will ensure our staff is aware of the process for sales/use tax calculation. Our Fiscal supervisor will ensure staff receive training on sales/use tax calculation and COMPASS data input to its procurement card users. Animal Care will give special attention to the sales/use tax with a secondary review of the procurement card payment transaction.

6. Monthly Transaction Limit Exceeded

Comment

During our review of Animal Care Cardholder statements, we noted that one of the cardholders went over their transaction limit for June 2023 Procurement Card use by \$351.26, this may result in suspension of Procurement Card use.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

Criteria

Per the Manual, *“Department Unit Program Coordinators should notify the Pcard Program Administrator if it is anticipated that the Cardholder will likely exceed the monthly limits and recommend adjustments to the maximum limit on those cards. Any cards reaching the monthly limit will be frozen until the next billing cycle”.*

Effect

Animal Care did not comply with the Manual. Suspension of Procurement Card use due to reaching spending limit may disrupt Animal Care’s operation.

Recommendation

We recommend Animal Care properly monitor its Cardholders’ spending limits and purchase activities to avoid any disruption on its operation and comply with the Manual.

Management Response

Reemphasize to card holders the importance of complying with purchasing card policies and procedures and the possible suspension or loss of card privileges for continued violations.

7. Repeat Finding

Condition

During our review, we noted that findings #2 and #5 of this attachment are repeat findings from the prior Procurement Card program review report. See ATT 2 - *Current Status of Prior Recommendations*.

Criteria

Animal Care should maintain proper internal controls to resolve any findings identified during our review in a timely manner.

Effect

Not timely implementing review recommendations may result in non-compliance, risk of not detecting unauthorized activity, and the suspension of Animal Care’s Procurement Card privileges.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
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AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

Recommendation

We recommend Animal Care to implement all recommendations in this attachment in a timely manner.

Management Response

Staff endorses the recommendation. We reemphasized the policies to card holders and adjusted and updated our policies.

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE SERVICES
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

FROM THE PRIOR PROCUREMENT CARD AGREED-UPON PROCEDURES FOR THE PERIOD OF OCTOBER 1, 2016, TO JANUARY 31, 2018, DATED MARCH 1, 2018

1. County-Wide Contracts

Prior Recommendation

We recommended the Department of Animal Care Services (Animal Care) purchase items through established County contracts when items are available to purchase on the procurement cards at the contracted rate.

Current Status

It appears that the prior recommendation has not been fully implemented. See Finding #2 at ATT 1 – *Current Findings and Recommendations*.

2. Incomplete Itemized Receipt/Missing Supporting Documentation

Prior Recommendation

We recommended Animal Care comply with the Procurement Card Policies and obtain itemized receipts or attach a description of the items purchased when an incomplete itemized receipt is obtained.

Current Status

It appears that the prior recommendation has been implemented.

3. Sales and Use Tax Accruals

Prior Recommendation

We recommended Animal Care accrue sales/use tax in County's Financial System (COMPASS) when the merchant does not assess sales/use tax or does not assess enough sales/use tax. In addition, we recommended Animal Care not accrue tax on the shipping/freight charge when shipping/freight is listed as a separate line item on the receipt/invoice. We also recommended Animal Care not accrue tax when tax paid was for the correct amount.

Current Status

It appears that the prior recommendation has not been fully implemented. See Finding #5 at ATT 1 – *Current Findings and Recommendations*.

COUNTY OF SACRAMENTO
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CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

**FROM THE PRIOR PROCUREMENT CARD AGREED-UPON PROCEDURES FOR
THE PERIOD OF OCTOBER 1, 2016, TO JANUARY 31, 2018, DATED MARCH 1, 2018**

4. Purchasing Card Security

Prior Recommendation

We recommended Animal Care ensure that procurement card information is immediately deleted from merchant website user accounts after purchases are completed.

Current Status

It appears that the prior recommendation has been implemented.

5. Program Violation Notice

Prior Recommendation

We recommended Animal Care forward all written violation warnings to the Chief of Audits and Program Administrator.

Current Status

It appears that the prior recommendation has been implemented.

6. Repeat Findings

Prior Recommendation

We recommended Animal Care implement all recommendations that are noted in this attachment.

Current Status

It appears that the prior recommendation has been partially implemented. See Finding #7 at ATT 1 – *Current Findings and Recommendations*.