

# COUNTY OF SACRAMENTO

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

**INTERNAL AUDIT REPORT**  
**DEPARTMENT OF GENERAL SERVICES**  
**PERFORMANCE AUDIT**  
**PROCUREMENT CARD MANAGEMENT**



**Audit Committee Submittal Date: 05/16/2024**

## **SUMMARY**

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### **Background**

The Department of Finance performed a performance audit of the Sacramento County Department of General Services (DGS) procurement card (P-Card) management.

### **Audit Objective**

Our audit was conducted to examine DGS' P-Card management and evaluate the adequacy of DGS' internal controls over P-Card management for the period July 1, 2022 to June 30, 2023.

### **Summary**

We noted issues regarding periodic reviews, intranet site, training requirement, P-Card documentation maintenance, and manual update. No other issues noted.

**Department of Finance**

Chad Rinde  
Director



**County of Sacramento**

**Divisions**

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

April 29, 2024

Dr. Sylvester Fadal, Interim Director  
Department of General Services  
9660 Ecology Lane,  
Sacramento, California 95827

Dear Dr. Fadal:

The Sacramento Countywide Risk Assessment study assessed the Department of General Services (DGS)' management of the Procurement Card Program (P-Card) as a high-risk area. Accordingly, we have audited the key processes and controls related to DGS' P-Card management process for the period July 1, 2022 to June 30, 2023.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was conducted to assess and identify key processes and controls related to DGS' management of the P-Card Program, and design tests to verify that key controls are in place and functioning as intended.

DGS' management is responsible for the design, implementation, and maintenance of effective internal controls to ensure compliance with Sacramento County Procurement Card Program Guidelines and Procedures Manual, all applicable laws and regulations, and contractual agreements.

The scope of our audit included DGS' key processes and internal control activities related to the management of the P-Card Program from July 1, 2022 to June 30, 2023.

Dr. Sylvester Fadal, Interim Director  
April 29, 2024

The audit methodology utilized to conduct this performance audit included:

#### Internal Control Review

- We reviewed, identified, and evaluated key processes and controls over P-Card management.
- We interviewed staff and conducted a walk-through of procedures and internal controls related to P-Card management.

#### Fieldwork

- We verified the P-Card Program's compliance with current County P-Card Guidelines and Procedures.
- We verified the P-Card Program performed periodic reviews and selected a sample to test for compliance with current County P-Card Guidelines and Procedures.

Based on our audit, we noted four (4) exceptions related to DGS' internal control activities and processes over P-Card management. We also noted an observation that DGS should consider as a better practice for strengthening internal controls and effectiveness of managing P-Card operations. The exceptions and observation are described at ATT 1 - *Current Findings and Recommendations*.

DGS' management responses to the findings identified during our audit are described in ATT 1 - *Current Findings and Recommendations*. We did not perform procedures to validate DGS' management 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 of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DGS' management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

CHAD RINDE  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA  
Chief of Audits

Attachment:  
ATT 1 – *Current Findings, Observation, and Recommendations*

County of Sacramento  
Department of General Services (DGS)  
Procurement Card (P-Card) Management  
Risk-Based Performance Audit  
For the Period July 1, 2022 through June 30, 2023  
Current Findings, Observation, and Recommendations

## FINDINGS

### 1. Periodic Reviews

#### Condition

It appeared that DGS was not performing P-Card periodic reviews nor submitting the P-Card reports to the County Purchasing Agent for review.

#### Criteria

Per 3.12 of Appendix I of the County of Sacramento (County) Procurement Card Program Guidelines and Procedures Manual (Manual), the County Purchasing Agent should review the P-Card draft report and work papers submitted by the Program Administrator.

#### Effect

DGS is not performing periodic reviews nor submitting them to the County Purchasing Agent for review. As a result, DGS is not in compliance with the Manual. Additionally, inadequate review can result in fraud or misuse being undetected.

#### Recommendation

DGS should implement additional internal controls, such as a second review of the periodic review report and workpapers and ensure to send P-Card reports to County Purchasing Agent for review and update the Manual accordingly.

#### Management Response

Contracts and Purchasing Services Division (CAPSD) agrees with implementing additional internal controls. We will further evaluate and develop when additional staff resources come online in FY 24/25. Currently CAPSD does not have adequate staffing or time to accommodate additional internal controls. The Administrator does perform informal reviews/audits at various times when assistance is requested with cardholder accounts and/or when single or monthly transaction increase requests are submitted. In these instances, the Administrator performs a 3-month statement review for the purpose of confirming that the cardholder is following the policies and procedures with their buying practices.

In addition, there are multiple roles in the program that provide for oversight to prevent fraud or misuse. The Approving Official (AO) is tasked with ensuring all

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charges are approved in advance and that they meet the guidelines of an allowable procurement. In addition, the Deputy Auditor Controller (DAC) is a sworn position whereby they are responsible to certify that all charges for a given department are valid and are in accordance with all County purchasing policies, procedures, and Code. When findings occur, the DACs issue violation notices to all impacted participants in the program including Finance, the Pcard Administrator, and the Purchasing Agent.

It is also important to note that the County's banking institution that issues the Pcard has safeguards in place to prevent fraud and misuse. A cardholder cannot purchase outside of their assigned merchant code authority without seeking Pcard Administrator approval; their card will be declined. If fraud is suspected, the banking institution will freeze and then close the cardholder's account immediately and the Pcard Administrator is notified.

CAPSD acknowledges the need for formal periodic review to take place and is working towards continuous improvement. Pending approval, CAPSD has submitted several staff growth requests to allow a dedicated Pcard Administrator time to perform thorough audit reviews. CAPSD is also undergoing a comprehensive review of the Pcard Manual and future recommendations will be presented once completed.

## 2. Intranet Site

### Condition

During our fieldwork, we noted that the County P-Card intranet site had not been updated to reflect the information from the June 2021 Manual and was still reflecting information from February 2020.

### Criteria

DGS should concurrently update the County intranet site with the information from the most current Manual. Section I Part D of the Manual states, "*The Manual will be updated and changed as necessary. Please refer to the CAPSD web site at [inside.dgs.saccounty.net/capsd/pcard.aspx](http://inside.dgs.saccounty.net/capsd/pcard.aspx) for the most current version of the Manual.*"

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Effect

DGS' intranet site should be updated to reflect current policies and procedures. Not updating the County P-Card intranet site with the latest Manual can lead to inconsistency and confusion among cardholders and may risk P-Card misuse if outdated procedures are followed.

Recommendation

We recommend DGS update its intranet site, ensuring it reflects the most current policies and procedures from the latest Manual.

Management Response

CAPSD agrees that this oversight should and will be corrected. We are planning for additional growth positions which will allow for a dedicated Pcard Administrator role in FY24/25, and with this, the intranet site will be updated to reflect the most current policies and procedures from the latest Manual appropriately.

3. Training Requirement

Condition

We noted that DGS did not check whether cardholders completed proper P-Card training annually. We selected 20 out of 400 total cardholders for testing, and during our testing, we noted one (1) instance of a cardholder making a purchase after their training had expired. DGS did not suspend the cardholder's P-Card privilege nor send any violation notification letter to the cardholder.

Criteria

Per Section II. Part G of the Manual, *"All Pcard Program Participants (Unit Program Coordinators, Deputy Auditor-Controllers, Approving Officials, Billing Office Contacts\* and Cardholders) are required to complete Pcard training prior to participation in the Program, and routinely every four (4) years thereafter."* Additionally, *"Failure of participant to satisfy the training requirement (either Instructor-Led or Online) will result in delay of entry into the Program (for new Participants), temporary suspension of the cardholder or department account (depending on the Participant role)."*

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Effect

DGS not verifying cardholders' training or suspending cardholders who are past due on their training, may lead to misuse if the cardholder is not aware of any new policies and procedures. Additionally, DGS is not in compliance with the manual.

Recommendation

We recommend DGS verify cardholders' training at least annually and suspend cardholders' P-Card privileges or take proper action if they are past-due.

Management Response

CAPSD agrees that cardholder's training should be regularly verified. To best address this condition, regular, automated audits should be made. LMS (My Learning System) is the master record keeper for all County training, including Pcard. It is automated and is managed by the Department of Personnel Services (DPS). LMS sends out computer generated notices to all participants that their renewal training is coming due. CAPSD recommends that we utilize this automated tool to verify cardholder's training compliance. CAPSD can then audit the LMS training reports annually. In addition, it is incumbent on the Unit Program Coordinator (UPC) in their role to manage the training of participants in the program whether they receive notices or not. Training is a shared responsibility beginning with the cardholders, DPS, Pcard Administrator and the UPC for each department.

4. P-Card Documentation Maintenance

Condition

During our fieldwork, we noted that DGS did not have all required or updated documents on file for the 19 out of 20 cardholders selected for testing. Except for one cardholder tested, all other 18 cardholders' documentation on file was not complete or not all updated. The missing and outdated documents included P-Card application files and Single Transaction Limit (STL) Increase Request forms prior to this audit period from July 1, 2022 to June 30, 2023.

Criteria

According to Appendix E Section X of the Manual, the Program Administrator's responsibilities include "*updating account information as necessary*" and "*maintaining the files and profiles of cardholders*".



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Effect

By not maintaining and updating required cardholder documents, DGS is not in compliance with the Manual. Additionally, the County may be at greater risk of not detecting P-Card misuse if DGS does not have the updated cardholder information on file.

Recommendation

We recommend DGS review all cardholder files and follow-up in regard to the missing and outdated documents on file. In addition, we recommend DGS perform routine checks of the cardholder documents on file at least annually.

Management Response

This finding #4 has now been revised, and as the revision indicates, all 20 applications reviewed were from a time period outside of the scope of this audit, which was July 1, 2022 to June 30, 2023, as noted. Because some of the missing information is from a time period prior to our current electronic storage process, it may be impossible to locate missing information since the Pcard program is now "paper free". CAPSD may need to revise prior required documents with new backup documentation, and this effort will take time and resources. We will further evaluate and develop when additional staff resources come on-line in FY 24/25.

CAPSD recognizes the need to update some of the application requirements to better reflect what is needed to process an application. For instance, the org chart requirement was not previously enforced, and was only added to help smaller departments with their role assignment. Also, any missing merchant authorization codes (MAC) on applications are automatically defaulted to 924 which is the most commonly requested code.

We will remove the requirement for the org chart and will clearly state in the application and in the procedure/guidelines that any MAC codes not provided will automatically default to 924. All other requirements will remain the same and will be corrected in the Manual update once staffing growth for FY 24/25 is in place.

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**OBSERVATION**

During our fieldwork, we observed a condition regarding a possible improvement to DGS' business practices presented below.

**Manual Update**Condition

During our fieldwork, we noted that DGS had not updated the Manual since June 2021.

Criteria

DGS should review and update the Manual with policies and procedures that accurately reflect the practices of the department.

Effect

DGS' Manual should be updated to reflect current practices. Outdated policies and procedures can lead to inconsistency and confusion among cardholders and are also not effective at preventing P-Card misuse.

Recommendation

We recommend DGS reviews its policies and practices annually and updates its Manual accordingly.

Management Response

CAPSD confirms that the Manual has not been updated since 2021. A revision is underway and anticipated to be completed after additional staffing has been approved and a dedicated Pcard Administrator is in place. We will update the intranet to reflect the 2021 manual and remove reference to 2020 immediately.