

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT
PROCUREMENT CARD COMPLIANCE
DEPARTMENT OF REGIONAL PARKS



Audit Committee Submittal Date: 12/21/2018

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 Department of Regional Parks' purchases and records are in compliance with the Program's guidelines and procedures.

Summary

We noted issues related to prohibited transactions and insufficient supporting documentation.



County of Sacramento

November 27, 2018

To: Liz Bellas, Deputy Director
Department of Regional Parks

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

A blue ink signature of Alan A. Matré, Chief of Audits.

Subject: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF
MARCH 1, 2017 TO APRIL 30, 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 the County of Sacramento, Department of Regional Parks' (Regional Parks) participation in the program for the period of March 1, 2017 to April 30, 2018. Regional Parks' 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 Regional Parks. 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 Regional Parks' 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 Regional Parks' records to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted incidents of insufficient supporting documentation for Regional Parks' purchases. See Attachment II, *Current Findings and Recommendations*.

- We tested purchases for the period of March 1, 2017 to April 30, 2018 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted exceptions regarding prohibited transactions and insufficient supporting documentation. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on Regional Parks' procurement card agreed-upon procedures report for the period of July 1, 2015 to February 28, 2017, dated June 2, 2017.

Finding: The current status of prior findings and recommendations for Regional Parks 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 Regional Parks' 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 Regional Parks' operations as a whole.

Regional Parks' responses to the findings identified during our procedures are described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate Regional Parks' 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 Regional Parks' 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*

County of Sacramento
Department of Regional Parks
Procurement Card Program Review
Current Status of Prior Findings and Recommendations

Period March 1, 2017 To April 30, 2018

Current Status of Prior Findings and Recommendations (Report Dated June 2, 2017 for the period July 1, 2015 to February 28, 2017)

1. Prohibited Transactions

Prior Comment

During our review of the Department of Regional Parks (Regional Parks), we noted several prohibited food purchases in the Cardholder's monthly statements of September 22, 2015, December 22, 2015, and April 22, 2016. According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines), food, unless for purchases authorized by the Board of Supervisors approved "Official Policy for Use of County Funds for Employee Recognition, Food/Refreshments and Related Expenses," is not authorized to be purchased with the procurement card. Food purchases can be made with the Procurement Card if the department has an exemption. Regional Parks requested an exemption for food purchases but was not approved by the Director of General Services and the Director of Finance until April 8, 2016.

We also noted one prohibited transaction to pay for a Costco membership in the Cardholder's monthly statement of December 22, 2016. According to the Program Guidelines, big store memberships on behalf of the County are prohibited transactions and are not authorized with the Procurement Card.

We further noted several prohibited transactions that were made to pay for goods, materials, and equipment services from a single vendor that exceeds \$10,000 in one fiscal year. According to the Program Guidelines, goods, materials, and equipment services from a single vendor that exceed \$10,000 in one fiscal year are prohibited transactions and are not authorized with the Procurement Card.

Since Regional Parks made prohibited transactions that are not authorized with the Procurement Card, Regional Parks is not in compliance with the Program Guidelines.

Prior Recommendation

We recommend Regional Parks to comply with the Program Guidelines and stop making prohibited transactions that are not authorized with the Procurement Card. We further recommend Regional Parks to review the list of prohibited transactions that are listed in the Program Guidelines.

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Prior Management Response

Finding regarding food purchases:

The Department adamantly disagrees with the finding regarding the purchase of food. The Department has had a historic exemption for food purchases, as evidenced by the approved purchases of food for several years prior to this finding. However, the previous P-card administrator did not properly document this exemption. The Department has been working with the current P-Card administrator since 2014 to properly document this already existing exemption. The fact that it was not formalized until April 2016 is outside the Department's control.

Finding regarding Costco Membership:

The Department will send out a memo to all P-card holders, reminding them that big box memberships are not allowed. The Department strongly encourages the Department of Finance to reconsider this guideline, as our Department has been able to save County funds by making purchases at Costco for our Recreation Programs.

Finding regarding purchases exceeding the annual \$10,000 limit:

The Department disagrees with this finding. As per the P-card guidelines established in 2014 and available on the County intranet site, an exemption is provided for recurring purchases that exceed \$10,000 in one fiscal year when the purchase is made on an established County contract. The Department utilized P-cards to purchase uniforms and equipment from Galls/Blumenthals which is on contract.

The second company which exceeded the \$10,000 limit is Southern Links. This company provides specialized equipment necessary for the operations of the County golf courses. In the past, the Department has requested a contract with this company through County Purchasing. However, a contract was never established, forcing the Department to continue to utilize the P-card for these purchases. The Department encourages the Department of Finance to consider raising the ceiling of the annual limit per company.

Current Status

Our recommendation has not been fully implemented. See Finding #1 on *Attachment II, Current Findings and Recommendations*.

2. Split Purchases

Prior Comment

During our review, we noted several transactions that appear to be split purchases. The first transactions were made in the monthly statement of September 22, 2015. For this month,

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two transactions were made on the same day in the amounts of \$320.80 and \$732.38 to the same vendor. If the transactions were made together as a single transaction, the total amount of \$1,053.18 would have exceeded the single transaction limit of \$1,000. The other transactions were made in the monthly statement of December 22, 2016. The transactions were made on the same day in the amounts of \$2,046.90, \$928.11, and \$291.13 to the same vendor. The Cardholder who made these transactions has a higher single transaction limit but if the transactions would have been made together as a single transaction, the total amount of \$3,266.14 would have exceeded the single transaction limit of \$2,500. According to County of Sacramento Code Section 2.56.260, Cardholders cannot split purchases into multiple charges to avoid transaction limits. Since the above transactions appear to be split purchases, Regional Parks is not in compliance with the County of Sacramento Code Section 2.56.260 and the Program Guidelines.

Prior Recommendation

We recommend Regional Parks to comply with the Program Guidelines and have the Cardholder's review the sections regarding split transactions. We also recommend Regional Parks to have their Cardholders review County of Sacramento Code Section 2.56.260. We further recommend Regional Parks to use a different purchasing method if the total purchase will go over the Cardholder's single transaction limit.

Prior Management Response

The Department disagrees with this finding. The first transactions were for a ballistic vest (\$732.38) and duty belt equipment (\$320.80). Although these purchases were made from the same vendor, they are for distinctly different purposes, and therefore do not qualify as a split purchase. The second transactions were made to SK Steel, for two separate projects: Parking Pay Stations (\$2,046.90 and \$291.13, respectively, which does not exceed the cardholder's \$2,500 limit) and steel for work on the PCA Bridge (\$928.11). Again, these are separate and distinct projects, and therefore do not qualify as a split purchase.

Current Status

We did not note any split purchases during current review period. It appeared that Regional Parks implemented our recommendations.

3. Missing Documentation

Prior Comment

During our review, we noted missing documentation. Regional Parks is exempted and authorized to make transportation purchases with the Procurement Card. As part of the exemption, Regional Parks must submit quarterly reports to the Department of General

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Services and the Department of Finance (Departments). During our review, we noted that Regional Parks made transportation purchases but did not submit quarterly reports to the Departments. Since the exemption states that “Quarterly reports must be submitted to the Departments,” and Regional Parks did not submit the reports, Regional Parks is not in compliance.

Prior Recommendation

We recommend Regional Parks to comply and submit quarterly reports of their transportation transactions to the Departments.

Prior Management Response

The Department has questioned the purpose of these quarterly reports which were arbitrarily included in the exemption, and have not received an adequate response as to their need, nor what the Department of General Services and Department of Finance would do with such information. Regional Parks has requested this language be removed from the existing exemption.

Current Status

Quarterly reporting to the Departments is no longer required; therefore, this noncompliance issue is considered to be resolved.

4. Purchasing Violations

Prior Comment

During our review, we noted that Regional Parks had three purchase violations. The Cardholders were counseled regarding the violations and the violations were documented. As stated in Finding #2, per County of Sacramento Code Section 2.56.260, Cardholders cannot split purchases into multiple charges to avoid transaction limits. Also, according to the Program Guidelines, “The Procurement Card may not be used for any personal purchases.”

Two of these violations were due to splitting transactions to avoid the single transaction limit. The first violation occurred in the Cardholder’s monthly statement of September 22, 2015 when the Cardholder split transactions in the amounts of \$911.65, \$925.90, and \$916.64. Regional Parks noted that the total purchase exceeded the \$1,000 limit and that a different purchasing method should have been used. The second violation occurred on the Cardholder’s monthly statement of March 22, 2016 when the Cardholder split transactions in the amounts of \$925.93 and \$248.29. Regional Parks noted that even

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though the transactions were for different projects, the total purchase exceeded \$1,000 and a different purchasing method should have been used.

The other purchase violation was due to a personal transaction performed in the Cardholder's monthly statement of May 22, 2016 in the amount of \$13.23. The County was reimbursed for this personal purchase.

Prior Recommendation

As stated in Finding #1, we recommend Regional Parks to have their Cardholders review the section regarding prohibited transactions in the Program Guidelines. We also recommend Regional Parks to have their Cardholders review the sections regarding split transaction in the Program Guidelines and review County of Sacramento Code Section 2.56.260, as stated in Finding #2.

Prior Management Response

The Department agrees with this finding and would like to note that for the transactions detailed for March 22, 2016 the cardholder was counseled to utilize a different purchasing method even though the purchases were for different projects because the commodity purchased was the same.

Current Status

We did not note any personal transactions made on Cardholders monthly statements. It appeared that Regional Parks implemented our recommendations.

5. Repeat Findings

Prior Comment

During our review, we noted that Finding #4 of this attachment is a repeat finding from the prior procurement card program review report. See Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that this finding be resolved in a timely manner.

Prior Recommendation

We recommend Regional Parks to implement the recommendation on Finding #4 of this attachment.

Prior Management Response

The Department acquiesces that a cardholder made a personal purchase, which has happened before. However, this was the first offense from that cardholder, the cardholder immediately

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realized the mistake and repaid the County, and the Department also provided a first offense warning memo to the employee. This recommendation is worded as such to lead one to believe this is an on-going, regular occurrence which is simply not true.

Current Status

We noted that our recommendations for Findings #1 in this attachment have not been fully implemented. See Finding #1 on *Attachment II, Current Findings and Recommendations*.

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1. **Prohibited Transactions**

Comment

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines), auto repair (including parts and services) and purchases from a single vendor that exceed \$10,000 in one fiscal year are prohibited to be purchased with procurement cards unless an exemption is requested to and granted by Procurement Card Program Administrator.

During our review of the Department of Regional Parks (Regional Parks)' purchases, we noted:

- Three incidents of purchases of parts and repairs for motorcycle, Alternative Terrain Vehicle, and boat, which are considered to be automobiles, in the amounts of \$143.94, \$994.39, and \$667.40, respectively.
- Purchases from a single vendor, VLG Nurseries, that exceeded \$10,000 annual limit. The total purchase amount was \$10,077.63 during fiscal year 2016/2017.

Therefore, Regional Parks is not in compliance with Program Guidelines. Similar finding was also noted during our previous procurement card review. See finding #1 at Attachment I, *Current Status of Prior Findings and Recommendations*.

Recommendation

We recommend Parks to review the list of prohibited transactions that are listed in the Program Guidelines to avoid making prohibited purchases and to comply with the Program Guidelines. We also recommend Regional Parks obtain exemption from Procurement Card Program Administrator when purchases, otherwise prohibited under the Program Guideline, are necessary for its operation.

Management Response

Regional Parks uses motorcycles, ATVs and a boat as part of our operations. This equipment requires occasional parts and repairs. The Department views these as operational equipment rather than automobiles, and therefore the maintenance repair and supplies were not considered prohibited purchases. However, these expenses have been categorized as having an "auto dealer" merchant authorization code, which can lead to confusion. Therefore, the Department has requested and received an exemption allowing purchases for parts and services for the Department's operational equipment.

In the past, Regional Parks has requested a contract for VLG Nurseries, and has been told the annual use did not meet the threshold to create a contract. However, it evident that our

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current annual use meets the contract threshold and Regional Parks has submitted a requisition for a contract.

2. Insufficient Documentation

Comment

According to the Program Guidelines, Cardholder must retain an original itemized receipt from merchant. The itemized receipts should include description of items purchased, quantities purchased, price per item, total dollar amount of transaction, total amount of sales tax if any, the total amount of shipping charges, freight, handling or other applicable charges if any, date of transaction, name of Cardholder and/or 12 x's and the last 4 digits of the credit card number, and name of merchant.

Also, food, unless authorized by the Board of Supervisors approved "Official Policy for Use of County Funds for Employee Recognition, Food/Refreshments and Related Expenses," is not permitted to be purchased with the procurement card. Food purchases can be made with the Procurement Card if the department has an exemption obtained from Procurement Card Program Administrator. Regional Parks has exemption for food purchases for TRS program; however, each purchase has to be authorized by its Director or Designee.

During our review of the Regional Parks' purchases, we noted:

- One purchase, in the amount of \$231.42, where the charge slip showed price per item but did not itemize fees and sales tax; therefore, the total dollar amount of transaction did not agree with sum of itemized amounts.
- One purchase, in the amount of \$15.88, where food was purchased but authorization from Director or Designee was not documented.

Therefore, Regional Parks is not in compliance with Program Guidelines.

Recommendation

We recommend Regional Parks ensure that its Cardholders obtain itemized receipts or document itemized amounts when merchant does not provide an itemized receipt and obtain/document prior authorization from Director or Designee for all food purchases to comply with the Program Guideline.

Management Response

The Department researched both of these items.

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For the purchase totaling \$231.42 (Dolphin Cruise), it was determined that the discount was applied to the gratuity. 14 tickets were purchased at \$14.25 each (\$199.50). A 6% gratuity (normally 15%) was applied (\$11.97), followed by the 10% tax to the ticket price (\$19.95). $\$199.50 + \$11.97 + \$19.95 = \231.42 , the amount of the receipt.

The food purchased in the amount of \$15.88 was for a well dedication event. Staff received verbal direction and approval from the Director to purchase food for the event. Staff have been counseled to ensure proper documentation is completed even after verbal approval is received.