

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

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

DEPARTMENT OF GENERAL SERVICES

**FOR THE PERIOD FEBRUARY 1, 2018 TO
NOVEMBER 30, 2021**



Audit Committee Submittal Date: 08/16/2022

SUMMARY

Background

The Department of General Services (General Services) provides facility and fleet maintenance services as well as centralized services including purchasing, contracting, and support services for all County departments. General Services is responsible for Facility Planning & Management, Facility Operations, Fleet Operations, Department Administration, and Contract and Purchasing Services Division (CAPSD).

General Services participates in the Sacramento County Procurement Card Program (Program) to improve efficiency related to its purchasing functions. As part of the General Services' participation in the Program, General Services 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 the General Services' procurement card Program for agreed-upon procedures.

Audit Objective

To review that General Services' procurement card controls are in compliance with Sacramento County Procurement Card Program policy, guidelines, and procedures for the period February 1, 2018 to November 30, 2021.

Summary

We noted five (5) exceptions related to General Services' Procurement Program's Cardholder and Approving Official's signatures, sales/internet use tax and Procurement Summary, payment deadline, purchasing card security, and missing supporting documentation and purchasing authorization.



County of Sacramento

Inter-Departmental Memorandum

July 13, 2022

To: Jeff Gasaway, Director
Department of General Services

From: Ben Lamera
Director of Finance

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

A handwritten signature in black ink, appearing to be "H. Yu", written over the name of the sender.

Subject: **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - DEPARTMENT OF GENERAL SERVICES PROCUREMENT CARD PROGRAM FOR PERIOD FEBRUARY 1, 2018 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 General Services' (General Services) participation in the Program for period February 1, 2018 to November 30, 2021. General Services' 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 General Services. 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 General Services other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

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

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

- We selected and tested 60 procurement card purchases to identify any non-compliance with the above cited guidelines, policy, and procedures.

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

- We determined the current status of prior findings and recommendations reported on General Services' procurement card agreed-upon procedures report for the period March 1, 2017 to January 31, 2018, dated April 20, 2018.

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

General Services' responses to the findings identified during our engagement are described in ATT 1 - *Current Findings and Recommendations*. We did not perform procedures to validate General Services' 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' Contract and Purchasing Services Division, and General Services' 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*

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

1. Cardholder and Approving Officials' Signatures

Condition:

We noted 2 out of 49 Department of General Services' (General Services) Cardholder's Procurement Summary forms where the Deputy Auditor-Controller (Deputy A-C) approved and dated without the Cardholders and Approving Official's signatures and dates for the months of August 2019 and March 2021.

Criteria:

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines and Procedures Manual):

- *"Cardholders must sign and date the monthly statement and Procurement Summary form attesting to the accuracy and validity of charges incurred."*
- *"Approving Officials will review all cardholder 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 and Procurement Summary form, and forward all statements and supporting documentation to the Deputy A-C."*
- *"The Deputy A-C performs the pre-audit of cardholder transactions to verify that all purchases are legal and do not violate County purchasing policies and procedures or purchasing regulations."*
- *"The Deputy A-C will use the Managing Account Statement and the Procurement Summary form to ensure that all Cardholder transactions have been accounted for. If the transactions appear to be in order, the Deputy A-C will sign the Procurement Summary form and attach it and the Master Statement to the Cardholder statements."*

Effect:

Since the Cardholders did not sign and date the Procurement Summary form attesting to the accuracy and validity of charges incurred, we cannot determine if proper review was performed; and since the Approving Official did not sign the Cardholder's Procurement Summary form, we cannot determine if the Approving Official reviewed the Cardholder's transactions. Furthermore, we cannot determine if the Deputy A-C performed the pre-audit review. Without proper review, unauthorized transactions could occur, not be detected, and not be corrected in a timely manner. In addition, General Services was not in compliance with Procurement Guidelines and Procedures Manual.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

Recommendation:

General Services should comply with Program Guidelines and Procedures Manual and have its cardholders and Approving Officials sign and date the Procurement Summary form. We further recommend the Deputy A-C verify the Cardholder and Approving Official's signatures and dates prior to perform pre-audit review and sign appropriate documentation to indicate that proper review was performed.

Management's Response:

The Department of General Services concurs with this recommendation and will endeavor to improve performance in this area.

2. Sales/Internet Use Tax and Procurement Summary

Condition:

We tested a total of 60 transactions and within the 60 transactions, 42 transactions included sales/use tax. We noted the following tax issues:

- One transaction where General Services overpaid sales/use tax and did not accrue the proper sales/use tax in the Procurement Summary form and County of Sacramento Financial System (a.k.a. COMPASS).
- One transaction where there was a discrepancy between the individual Cardholder's Procurement Summary form that reported 8.75% sales/use tax and Division's combined Procurement Summary form reported 7.75% sales/use tax. Due to the discrepancy, General Services was unable to determine the appropriate sales/use tax of this transaction.

Criteria:

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 underpay and overpay tax.

Effect:

It is General Service's responsibility to ensure the appropriate sales/use tax are reported. Proper sales/use tax should be reported and accrued in Procurement Summary form and COMPASS when the merchant charged the incorrect sales/use tax rate resulting in sales/use tax being underpaid or overpaid and to pay the correct

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

sales/use tax amount. Therefore, DGS was not in compliance with California law and the Program Guidelines and Procedures Manual.

Recommendation:

General Services should carefully review invoices/receipts and verify what items need sales/use tax accruals to avoid overpayment and discrepancy of sales/use tax. We further recommend General Services to validate the appropriate sales/use tax are charged and reported when reviewing and approving the Procurement Summary. If California sales tax charged by the merchant is incorrect, General Services should report the proper sales/use tax amount in the Procurement Summary form and COMPASS or resolve the issue with the merchant, respectively.

Management's Response:

The Department of General Services concurs with this recommendation and will endeavor to improve performance in this area.

3. Payment Deadline

Condition:

We noted General Services did not make Procurement Card payments on time for the October 2018 statement paying 5 days late, the August 2019 statement paying 1 day late, and the March 2021 statement paying 1 day late.

Criteria:

According to the Program Guidelines and Procedures Manual, *"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" and "US Bank must receive payment of departmental Procurement Card billings no later than 45 days from the date of the billing statement."*

Effect:

Since the payments were not made within the 45 days of the billing date, General Services was not in compliance with Program Guidelines and Procedures Manual and the County could potentially lose money.

Recommendation:

General Services should comply with Program Guidelines and Procedures Manual and make all US Bank payments within the 45 day US Bank payment deadline.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

Management's Response:

The Department of General Services concurs with this recommendation and will continue to endeavor to improve performance in this area.

4. Purchasing Card Security

Condition:

We noted General Services stored procurement card information on an online merchant account for membership renewal.

Criteria:

According to the Program Guidelines and Procedures Manual, *"It is the Cardholder's responsibility to safeguard the Purchasing Card records and Purchasing Card account number at all times."*

Effect:

Since the Cardholder's procurement card information was stored on an online merchant's account for future membership renewal, the purchasing card could be subject to theft, or misuse by someone other than the Cardholder, or the merchant can charge the membership renewal or any item without prior approval. Therefore, General Services was not in compliance with Program Guidelines and Procedures Manual.

Recommendation:

General Services should comply with the Program's Guidelines and Procedures Manual and have its Cardholders safeguard their purchasing cards account information at all times by not storing the account information online. We further recommend General Services have its Cardholder to not provide their account information to any merchants, where the account information may not be encrypted and could be subject to theft; and all purchased items, including membership renewal, must be preapproved prior to purchasing.

Management Response:

The Department of General Services concurs with this recommendation. The cardholder's information has been removed from the vendor's website.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

5. Supporting Documentation and Purchasing Authorization

Condition:

We noted two (2) Procurement Card transactions were paid by General Services without supporting documentation and approvals. These transactions were in the amounts of \$0.01 in the August 2019 statement and \$10.00 in the March 2021 statement, respectively.

Criteria:

According to the Program Guidelines and Procedures Manual:

- *“Cardholders must review all entries that appear on the monthly statement and ensure that they have an itemized receipt for all entries appearing on their statement for all transactions.”*
- *“Cardholders must attach any documentation that supports disputed charges, requests for receipts, or memos to file that explain unusual circumstances or events.”*
- *“Approving Officials will review all Cardholder 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 and Procurement Summary form, and forward all statements and supporting documentation to the Deputy Auditor-Controller for the pre-audit review.”*
- *“The Deputy Auditor-Controller performs the pre-audit of Cardholder transactions to verify that all purchases are legal and do not violate County purchasing policies and procedures or purchasing regulations.”*

Effect:

Without proper authorization, documentation, and review, unauthorized transactions could occur, not be detected, and not be corrected in a timely manner. Therefore, General Services was not in compliance with the Program Guidelines and Procedures Manual.

Recommendation:

General Services should comply with the Program Guidelines and Procedures Manual. We recommend General Services to properly review transactions are authorized and approved. We further recommend General Services' Cardholders to obtain and retain supporting documentation for any transactions made with the procurement cards.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

Management Response:

The Department of General Services concurs with this recommendation and will continue to work with cardholders to educate on properly retaining supporting documentation.

6. Repeat Findings

Condition:

We noted that current Findings #1, #2, and #3 of this attachment, ATT 1 are repeat findings from the prior engagement, see ATT 2 - *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that this finding be resolved in a timely manner.

Recommendation:

General Services should implement all the recommendations on current Findings #1, #2, and #3 of this attachment, ATT 1 and initiate corrective action plans to resolve the issues in a timely manner.

Management's Response:

The Department of General Services concurs with this recommendation with regard to repeat Findings #1 (Missing Signatures) and #3 (Payment to US Bank), and will continue to work on improvement. We believe that Finding #2 (Sales/Internet Use Tax) is an inherent risk of participating in the program and would be more accurately classified as a 'Recurring Finding'. With that being said, we will continue to endeavor to improve in this area.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

Report Dated April 20, 2018 for the period March 1, 2017 to January 31, 2018

1. Missing Signatures

Prior Recommendation:

Department of General Services (General Services) should comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines and Procedures Manual) and have its Cardholders sign and date their monthly statements. We further recommended the Deputy Auditor-Controller to perform the pre-audit review and sign appropriate documentation to indicate that proper review was performed.

Current Status:

It appears that the recommendation has not been implemented. See current Finding #1 in ATT 1 - *Current Findings and Recommendations*.

2. Sales/Internet Use Tax

Prior Recommendation:

General Services should carefully review invoices/receipts and verify what items need tax accruals to avoid overpayment of tax. We further recommended General Services not to accrue tax on labor when labor is not taxable. In addition, if "freight" is listed as a separate charge, tax should not be accrued in the Sacramento County Financial System (a.k.a. COMPASS) COMPASS for "freight."

Current Status:

It appears that the recommendation has been partially implemented. We noted General Services did not accrue tax for labor when it was nontaxable and accrue additional tax when the merchant charged tax at the time of purchase in COMPASS; however, we noted issues of an over reporting and discrepancy of sales/use tax from current procedures. See current Finding #3 at ATT 1 - *Current Findings and Recommendations*.

3. Payment to US Bank

Prior Recommendation:

General Services should comply with Program Guidelines and Procedures Manual and make all US Bank payments within the 45 day US Bank payment deadline.

COUNTY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES
PROCUREMENT CARD PROGRAM
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD FEBRUARY 1, 2018 TO NOVEMBER 30, 2021

Report Dated April 20, 2018 for the period March 1, 2017 to January 31, 2018

Current Status:

It appears that the recommendation has not been implemented. See current Finding #4 in ATT 1 - *Current Findings and Recommendations*.

4. Inter-Departmental Payments

Prior Recommendation:

General Services should not use its procurement cards to pay for inter-departmental invoices. For future inter-departmental invoices, General Services should contact the County's departments to record these payments through a journal voucher in COMPASS.

Current Status:

It appears that the recommendation has been implemented.

5. Repeat Findings

Prior Recommendation:

General Services should implement the recommendations from prior engagement for the period July 1, 2015 to February 28, 2017, dated June 7, 2017.

Current Status:

It appears that the recommendations has been implemented. However, we noted General Services did not implement all prior recommendations for the period March 1, 2017 to January 31, 2018, dated April 20, 2018. See prior Findings #1, #2, and #3 of this attachment, ATT 2.