

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
November 1, 2016
“*Communications Received and Filed*” Item

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Program’s Annual Compliance Review Of Sacramento Office Of Emergency Services, For The Period Of February 1, 2015, To July 31, 2016
Supervisorial
District: All
Contact: Vacant, Assistant Auditor-Controller, 874-7450

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Annual Compliance Review Of Sacramento Office Of Emergency Services, For The Period Of February 1, 2015, To July 31, 2016.*

Respectively submitted,

Ben Lamera
Director of Finance

Attachment 1, Procurement Card Program’s Annual Compliance Review of Sacramento Office of Emergency Services, for the Period of February 1, 2015, to July 31, 2016

**COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER**

Inter-Departmental Correspondence

September 26, 2016

To: Stephen Cantelme, Chief
Sacramento Office of Emergency Services

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits



Subject: **ANNUAL REVIEW OF PROCUREMENT CARD USAGE**

In accordance with the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, County of Sacramento Procurement Card Program Policy, and County of Sacramento Travel Policy, we have performed the procedures enumerated below to the County of Sacramento, Sacramento Office of Emergency Services' (OES) participation in the program for the period of February 1, 2015 to July 31, 2016. The criteria for reviewing compliance with the program were based on the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, County of Sacramento Procurement Card Program Policy, and County of Sacramento Travel Policy.

The procedures we performed are summarized as follows:

- We reviewed OES' records to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several issues related to safeguarding the procurement card account information and the Deputy Auditor-Controller pre-audit review. See Attachment II, *Current Findings and Recommendations*.

- We reviewed purchases for the period of February 1, 2015 to July 31, 2016, to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several issues regarding sales/use tax. See Attachment II, *Current Findings and Recommendations*.

Because the above procedures do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or

Stephen Cantelme, Chief
September 26, 2016
Page 2 of 2

items referred to above. Had we made an examination in accordance with generally accepted auditing standards other matters may have come to our attention that would have been reported to you.

This report relates only to OES' participation in the program and does not extend to any financial statements of OES as a whole.

OES' response to the findings identified during our engagement is described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate OES' response to the findings and, accordingly, we do not express an opinion on the response to the findings.

Our report is intended solely for the use by Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and OES' management, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Attachments

COUNTY OF SACRAMENTO
SACRAMENTO OFFICE OF EMERGENCY SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF FEBRUARY 1, 2015 TO JULY 31, 2016

CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report dated February 1, 2013 for the period July 1, 2012 to January 31, 2015)

1. Purchasing Card Security

Comment

During our review, we noted that the Sacramento Office of Emergency Services (OES) did not redact purchasing card account numbers prior to storage on OES' network. Per the County of Sacramento Procurement Card 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.*" Therefore, OES was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend OES to comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and safeguard purchasing card account numbers at all times.

Management's Response

OES is now redacting the account numbers of all procurement card statements prior to scanning and storing in our e-file storage.

Current Status

During our review, we noted that OES did not redact procurement card information prior to storing procurement reconciliation packets on OES' network. See Finding #1 in Attachment II: *Current Findings and Recommendations*.

2. Unit Billing Office Contact Conflict

Comment

During our review, we noted that OES has the Unit Billing Office Contact assigned as a cardholder. Per County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*the Unit Program Coordinator, Billing Office Contact, and Dispute Office Contact duties may be assigned to one person in the unit, but they must not be assigned to cardholders*". Therefore, OES is not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

COUNTY OF SACRAMENTO
SACRAMENTO OFFICE OF EMERGENCY SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF FEBRUARY 1, 2015 TO JULY 31, 2016

**CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report dated
May 6, 2015 for the period July 1, 2012 to January 31, 2015)**

Recommendation

We recommend OES comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and assign the procurement card to an individual who is not the Unit Billing Office Contact.

Management's Response

OES has assigned a new Unit Billing Office Contact who does not have a procurement card. This individual is now responsible for processing statements, obtaining signatures and performing the functions as per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Current Status

During our review, we noted the Unit Billing Office Contact is not a cardholder.

COUNTY OF SACRAMENTO
SACRAMENTO OFFICE OF EMERGENCY SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF FEBRUARY 1, 2015 TO JULY 31, 2016

1. Purchasing Card Security

Comment

During our review, we noted that the Sacramento Office of Emergency Services (OES) did not redact purchasing card account numbers prior to storage on OES' network. Per the County of Sacramento Procurement Card 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.*" Therefore, OES was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend OES to comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and safeguard purchasing card account numbers at all times.

Management's Response

Credit card numbers are now being redacted upon receipt of the monthly statement, instead of later in the process. We have also instituted a secondary review of our statement packets prior to being sent to the Deputy Auditor-Controller (Deputy A-C) for approval.

2. Deputy Auditor-Controller Pre-Audit Review

Comment

During our review, we noted the Deputy A-C did not review Managing Account Statements (master statements) for the months of June 22, 2016 and July 22, 2016 when the Deputy A-C conducted pre-audit review. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*The Deputy-Auditor Controller will use the Managing Account Statement to ensure that all Cardholder transactions have been accounted for.*" In addition, the master statements were not maintained with the Cardholder statements for the months mentioned above. Since the Deputy A-C did not use the master statements when conducting the pre-audit review, OES was not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend OES comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have their Deputy A-C use the master statements when conducting the pre-audit review to ensure all Cardholder transactions are accounted.

COUNTY OF SACRAMENTO
SACRAMENTO OFFICE OF EMERGENCY SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF FEBRUARY 1, 2015 TO JULY 31, 2016

Management's Response

The Master Data monthly report is now being mailed directly to our Deputy A-C for review, and comparison to our monthly packet. The Deputy A-C will keep the reports in a locked filing cabinet.

3. Sales/Internet Use Tax

Comment

During our purchases' review of OES, we noted five transactions where additional tax was not accrued, one transaction where tax was not accrued on shipping and handling, and one transaction where tax was incorrectly accrued on a shipping charge. We further noted one transaction where tax was accrued at the full tax rate in COMPASS when tax was partially assessed by the merchant and where OES accrued the full tax rate twice. Per California law and the program's guidelines and procedures, if the merchant does not charge the correct tax, 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. In addition, if the merchant does not separate shipping and handling charges, but the shipping and handling charges are combined as one charge, the combined shipping and handling charge is subject to the internet use tax. Furthermore, if the itemized receipt indicates "shipping" or "freight" on a separate line item, tax should not be accrued on the shipping/freight charge.

Recommendation

We recommend that OES accrue the correct sales/use tax in COMPASS, accrue tax on shipping and handling combined charges, not accrue tax where the itemized receipt shows "shipping" or "freight" charge on a separate line item, and only accrue the correct tax rate on items once in COMPASS.

Management's Response

Sac OES will institute a secondary review of all invoices/receipts for the purposes of re-calculating tax and tax amounts due – prior to submitting for review by the Deputy A-C. Certain tax transactions, such as correcting the tax amount are done by Finance, with an email from Sac OES requesting the tax correction. We will incorporate these emails into our final approved monthly packets in the future.

COUNTY OF SACRAMENTO
SACRAMENTO OFFICE OF EMERGENCY SERVICES
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF FEBRUARY 1, 2015 TO JULY 31, 2016

4. Repeat Findings

Comment

We noted that Finding #1 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 these finding be resolved in a timely manner.

Recommendation

We recommend OES implement all recommendations that are noted in this attachment.

Management's Response

We have changed our process for redacting credit card numbers. Effective immediately, all credit card numbers will be redacted by the person who receives and processes our mail, instead of later in the payment process. We will also utilize a secondary review of all documents to ensure redaction has occurred.