

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
February 28, 2017
“Communications Received and Filed”

To: Board of Supervisors

From: Department of Finance

Subject: Procurement Card Program’s Annual Compliance Review Of The Department Of Animal Care And Regulation, For The Period Of July 1, 2015, To September 30, 2016

Supervisorial
District(s): All

Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

RECOMMENDATION

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Annual Compliance Review of the Department of Animal Care and Regulation, for the Period of July 1, 2015, to September 30, 2016*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - Procurement Card Program’s Annual Compliance Review of the Department of Animal Care and Regulation, for the Period of July 1, 2015, to September 30, 2016

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

Inter-Departmental Correspondence

January 31, 2017

To: Dave Dickinson, Director
Department of Animal Care and Regulation

From: Ben Lamera
Director of Finance

By: Alan A. Matré, C.P.A.
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 review the County of Sacramento, Department of Animal Care and Regulation (Animal Care) participation in the program for the period of July 1, 2015 to September 30, 2016. Animal Care's management is responsible for establishing and maintaining effective internal controls, and compliance with the program's guidelines, policy, and procedures, and all other applicable laws, regulations, and statutory requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. 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 to below and is not intended to pertain to any of Animal Care's other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows:

1. We reviewed procurement card purchases to verify purchases were valid and within authorized purchase spending limits.

Finding: We noted one exception regarding a prohibited unauthorized transaction. See Attachment II, *Current Findings and Recommendations*.

2. We inspected procurement card receipts for all information required by the program policy.

Finding: We noted one issue regarding an incomplete itemized receipt, missing supporting documentation, and various issues regarding tax. See Attachment II, *Current Findings and Recommendations*.

3. We verified procurement card purchases agreed to monthly procurement card statements.

Finding: We did not note any exceptions as a result of our procedures.

4. We reviewed monthly procurement card statements for evidence of review and proper cardholder and approving official signatures.

Finding: We noted one issue regarding proper internal controls.

5. We reviewed Animal Care's "Deputy Auditor-Controller Certification Forms" to ensure they were signed by the Deputy Auditor-Controller and the approving official.

Finding: We did not note any exceptions as a result of our procedures.

6. We reviewed the security over procurement card account information.

Finding: We did not note any exceptions as a result of our procedures.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of opinions on the accounting records, compliance, or results of our procedures referred above. Accordingly, we do not express such opinions. 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 Animal Care procurement card program as a whole.

Animal Care's responses to the findings identified during our engagement are described in Attachment II, *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 of the Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and 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.

Attachments

Attachment I, *Current Status of Prior Findings and Recommendations*
Attachment II, *Current Findings and Recommendations*

COUNTY OF SACRAMENTO
DEPARTMENT OF ANIMAL CARE AND REGULATION
PROCUREMENT CARD PROGRAM REVIEW
FINDINGS AND RECOMMENDATIONS

PERIOD OF JANUARY 1, 2013 TO JUNE 30, 2015

CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report dated September 21, 2015 for the period January 1, 2013 to June 30, 2015)

1. Deputy Auditor-Controller Pre-Audit Review

Comment

During our review, we noted that the Department of Animal Care and Regulation (Animal Care and Regulation) completed and signed the "Deputy Auditor-Controller (A-C) Certification Form," after the US Bank payment was processed. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*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. This step must be completed prior to inputting the "GOODS receipt" or notifying the Department of Finance that payment is ready to be sent to US BANK.*" The Deputy A-C completed and signed the "Deputy A-C Certification Form" indicating that the Deputy A-C performed the pre-audit after the US Bank payment was processed; therefore, Animal Care and Regulation was not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend Animal Care and Regulation comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and has its Deputy A-C complete the Deputy A-C pre-audit review and sign the "Deputy A-C Certification Form" prior to authorizing payment to US Bank.

Management Response

Prior to April 2014, the DAC responsibilities were held by an Administrative Services Officer II who left county service in January 2014. The current DAC, Susan Wright, assumed responsibilities in April 2014, and conducts pre-audit of the US Bank statements prior to payment processing.

Current Status

During our current review, we did not note any issues regarding the Deputy Auditor-Controller Pre-Audit review.

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2. Approving Official

Comment

During our review, we noted a subordinate of the cardholder was acting as the approving official. According to the Sacramento County Procurement Card Program Guidelines and Procedures Manual, the Approving Official should be the supervisor of the cardholder's operating unit. By having a subordinate act as the approving official increases the risk of misuse of the procurement card still being approved by the approving official.

Animal Care and Regulation provided an email indicating the Director's procurement card account was closed; however, we noted that the status of the procurement card account was still open as of August 14, 2015.

Recommendation

We recommend that the Director of Animal Care and Regulation not be a cardholder in the program to avoid any conflict for the procurement card approving process. We further recommend Animal Care and Regulation to confirm the Director's procurement card account is officially closed.

Management Response

Director Dave Dickinson is no longer a P-Card holder – the card has been shredded. The account remained open for a time after destruction of the card because there was a disputed transaction and credit still underway at that time. That has since been resolved, and we understood the account was closed after resolution. The DAC will work with the P-Card Program Administrator to assure closure of the account.

Current Status

During our current review, we did not note any issues regarding the Approving Official.

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3. Incomplete Itemized Receipt

Comment

During our purchases' review of Animal Care and Regulation, we noted five purchases with incomplete itemized receipts. These five receipts had the dollar amounts of the items but did not have the descriptions of the items purchased. According to the County of Sacramento Procurement Guidelines and Procedures Manual, *"For those enterprises that do not provide itemized receipts, the CARDHOLDER will attach the sales receipt to a piece of standard paper and describe the items purchases adjacent to the dollar amount on the receipt."* Since the Cardholder did not attach a description of the items purchased, Animal Care and Regulation was not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

Recommendation

We recommend Animal Care and Regulation comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and attach a description of the items purchased when an incomplete itemized receipt is obtained.

Management Response

Prior to April 2014, the DAC responsibilities were held by an Administrative Services Officer II who left county service in January 2014. The current DAC, Susan Wright, assumed responsibilities in April 2014, and is requiring description from the P-Card holders of items purchased when itemized receipts are not available.

Current Status

During our review, Animal Care and Regulation did not obtain a complete itemized receipt. See Finding # 2 in Attachment II, *Current Findings and Recommendations*.

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4. Sales/Internet Use Tax

Comment

During our purchases' review of Animal Care and Regulation, we noted fifteen purchases where the merchant charged Animal Care and Regulation the incorrect tax rate, resulting in an underpayment of sales tax. We also noted eight purchases where tax was incorrectly accrued for shipping. We noted one internet purchases where the merchant did not charge sales tax, and Animal Care and Regulation did not accrue the internet sales/use tax in COMPASS. Per California Law and the program's guidelines and procedures, if the merchant does not charge sales tax, sales/internet 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.

Recommendation

We recommend Animal Care and Regulation confirm California sales tax charged by the merchant is for the correct amount. If California sales tax charged by the merchant is incorrect and the difference is due to an under charge, Animal Care and Regulation needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively. If the merchant did not charge tax, Animal Care and Regulation needs to accrue tax in COMPASS. In addition, if the itemized receipt indicates "shipping" or "freight" on a separate line item, tax should not be accrued on the shipping/freight charge.

Management Response

The audit spans a period of time prior to assumption of responsibilities by the current DAC. Through this audit, we sought and have been provided from your staff, clarification on applicability of sales tax for various types of purchases (especially drugs, food, and in-person charges made outside county boundaries) and will more carefully monitor and report sales tax that is insufficiently charged.

Current Status

During our current review, we noted several issues regarding Sales/Internet Use tax. See finding #3 in Attachment II, *Current Findings and Recommendations*.

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5. Purchasing Card Security

Comment

We noted Animal Care and Regulation stored procurement card information on an online account. 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."* Since the Cardholder's purchasing card information was stored on an online merchant's account to be used for future purchases, the purchasing card could be subject to theft or misuse by someone other than the Cardholder.

Recommendation

We recommend Animal Care and Regulation comply with County of Sacramento Procurement Card Program 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 Animal Care and Regulation have its Cardholders not provide their account information to any merchants, where the account information is not encrypted and could be subject to theft.

Management Response

P-Card holders have been counseled to edit account information at the end of each order to assure that card account data is deleted rather than stored for convenience.

Current Status

During our review, we did not note any issues regarding the security over the procurement cards.

6. Payment Deadline

Comment

We noted Animal Care and Regulation did not make US Bank Payment on time for three months. Per the County of Sacramento Procurement Card Program Guidelines and

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Procedures Manual, *“The County loses money when all STATEMENTS are not paid within 45 days of the BILLING DATE. Departments must establish payment procedures and meet the 45 day deadline.”* Since Animal Care did not make US Bank Payment within 45 days of the billing date, Animal Care and Regulation was not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend Animal Care and Regulation comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and make US Bank Payment within 45 days of the billing date.

Management Response

The department attempts to be as timely as possible. However, with only one Administrative Services Officer II and one Accounting Technician handling the entirety of budgeting, contracting and purchasing financial data for the department, timeliness with all payments may not occur.

Current Status

During our current review, we did not note any issues regarding the payment deadline.

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1. Prohibited Transaction

Comment

During our review of the Department of Animal Care and Regulation (Animal Care), we noted Animal Care used a Procurement Card to make a deposit for advertising in the amount of \$200.00. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, deposits are prohibited transactions and are not authorized to be charged on the Procurement Card. Therefore, Animal Care is not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend the Animal Care comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and use a Purchase Order, as instructed on the County of Sacramento Procurement Card Program Guidelines and Procedures Manual to make deposits. We further recommend Animal Care to review the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and implement procedures to ensure Animal Care is in compliance with the program.

Management's Response

Upon review, Animal Care acknowledges the mistake and recognizes this as a prohibited transaction.

2. Incomplete Itemized Receipt/Missing Supporting Documentation

Comment

During our purchases' review of Animal Care, we noted one purchase with an incomplete itemized receipt in the amount of \$474.00. The receipt had the dollar amount of the item but did not have the description of the item purchased. According to the County of Sacramento Procurement Guidelines and Procedures Manual, *"For those enterprises that do not provide itemized receipts, the CARDHOLDER will attach the sales receipt to a piece of standard paper and describe the items purchases adjacent to the dollar amount on the receipt."*

In addition, we further noted Animal Care did not retain supporting documentation for the transactions in the monthly Managing Account Statement of August 22, 2016. Since Animal Care did not attach a description of the item purchased and did not retain supporting documentation for transactions, Animal Care is not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

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Recommendation

We recommend Animal Care comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and attach a description of the items purchased when an incomplete itemized receipt is obtained. We further recommend Animal Care to obtain and retain supporting documentation for the current fiscal year plus five years.

Management's Response

The on-line company from which the purchase was made does not provide itemized receipts. The purchase was one item, identified by the cardholder in writing with submittal of the receipt. The explanation has now been written directly on the receipt.

3. Sales/Internet Use Tax

Comment

During our purchases' review, we noted two transactions where sales/use tax was not assessed by the merchant and was not accrued in COMPASS, two transactions where additional sales/use tax was not accrued in COMPASS, and six transactions where sales/use tax was accrued in COMPASS for the separate shipping/freight charge. 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, shipping/freight is not taxable when the merchant lists shipping/freight as a separate line item in the receipt/invoice. Therefore, Animal Care is not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend Animal Care to accrue sales/use tax in COMPASS when the merchant does not assess sales/use tax or does not assess enough sales/use tax. In addition, we recommend Animal Care to not accrue tax on the shipping/freight charge when shipping/freight is listed as a separate line item in the receipt/invoice.

Management's Response

The recent establishment and use of the summary tax accrual form is most helpful, and Animal Care anticipates improper accrual will no longer be an issue now that several versions of the form have been blended and all parties are using the same version.

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4. **Repeat Findings**

Comment

We noted that Findings #2 and #3 of this attachment are repeat findings from the prior procurement card program review report, see Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that these findings be resolved in a timely manner.

Recommendation

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

Management's Response

The department will be more particularly aware to explain incompletely itemized receipts more directly with the receipts. Departmental use of the summary tax accrual form should resolve improper accruals.