

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
July 11, 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 Human Assistance, For The Period Of October 1, 2015, To February 28, 2017  
Supervisory District(s): All  
Contact: Joyce Renison, Assistant Auditor-Controller, 874-6454

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**RECOMMENDATION**

Receive and file the attached agreed upon procedures report, *Procurement Card Program’s Annual Compliance Review of the Department of Human Assistance, for the Period of October 1, 2015, to February 28, 2017*

Respectively submitted,

**Ben Lamera**  
Director of Finance

Attachments

ATT 1 - Procurement Card Program’s Annual Compliance Review of the Department of Human Assistance, for the Period of October 1, 2015, to February 28, 2017

**Department of Finance**

Ben Lamera,  
Director



Agenda Date: July 11, 2017

ATT 1

**Auditor-Controller Division**

Joyce Renison,  
Assistant Auditor-Controller

**County of Sacramento**

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*Inter-Office Memorandum*

May 30, 2017

To: Ann Edwards, Director  
Department of Human Assistance

From: Ben Lamera  
Director of Finance

By: Alan A. Matré  
Chief of Audits

A handwritten signature in black ink, appearing to read "Alan A. Matré".

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

In accordance with the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual and County of Sacramento Procurement Card Program Policy, we have performed the procedures enumerated below to the County of Sacramento, Department of Human Assistance's (DHA) participation in the program for the period of October 1, 2015 to February 28, 2017. The criteria for reviewing compliance with the program were based on the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and County of Sacramento Procurement Card Program Policy.

The procedures we performed are summarized as follows below and on the next page:

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

Finding: We noted an issue regarding internal controls over supporting documentation. See Attachment II, *Current Findings and Recommendations*.

- We reviewed purchases for the period of October 1, 2015 to February 28, 2017 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted issues regarding prohibited purchases and the single transaction limit. See Attachment II, *Current Findings and Recommendations*.

Ann Edwards, Director

May 30, 2017

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- We determined the current status of prior findings and recommendations noted in the prior procurement card review report for the period July 1, 2013 to September 30, 2015, dated January 25, 2016.

Finding: The current status of prior report findings and recommendations can be seen at Attachment I, *Current Status of Prior Findings and Recommendations*.

Because the procedures above and on page 1 of this report 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 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.

DHA'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 DHA's responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

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

Our report is intended solely for the use by Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and DHA's 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.

Enclosures

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

Attachment II, *Current Findings and Recommendations*

COUNTY OF SACRAMENTO  
DEPARTMENT OF HUMAN ASSISTANCE  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF OCTOBER 1, 2015 TO FEBRUARY 28, 2017

**FROM THE PRIOR PROCUREMENT CARD REVIEW FOR THE PERIOD  
JULY 1, 2013 TO SEPTEMBER 30, 2015, REPORT DATED JANUARY 25, 2016**

**1. Purchasing Card Security & Home Shipping**

Prior Comment

During our review of the Department of Human Assistance (DHA), we noted DHA stored procurement card information on an online merchant account. Per the County of Sacramento Procurement Card Program (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.

During our review of DHA, we also noted a purchase for \$36.24 that was mistakenly shipped to the cardholder's personal address. The County of Sacramento Procurement Card Program Guidelines and Procedures Manual, Appendix J, Code of Ethics mandates *"The employee avoids activities that would compromise or give the perception of compromising the best interest of the County."* Goods and services mistakenly delivered to a cardholder's personal address can be perceived by the public as unethical and should be avoided.

Prior Recommendation

We recommend DHA 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 DHA have its Cardholders not provide their account information to any merchants, where the account information is not encrypted and could be subject to theft. We also recommend DHA does not have any goods or services delivered to a cardholder's personal address to avoid a public misperception of compromising the best interest of the County.

DHA's Prior Response

Recommendation about online storage of information is noted. The staff was new to the Procurement Card (P-Card) program and did not realize that the information was being automatically saved on the merchant's site. Staff has been trained on how to remove saved information and has since been vigilant about removing P-Card information from the websites after each purchase transaction. Also, an Announcement Bulletin (AB) is being sent out to all staff participating in the P-Card program to remind them of their responsibility in safeguarding P-Card information.

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(CONTINUED)**

We wish to note the finding of shipment to a personal address was an exception. Staff inadvertently clicked on home address for shipping rather than the work address on a merchant's website staff uses frequently. The items were immediately taken to the office and distributed as appropriate.

Current Status

It appears that our recommendation has been implemented.

**2. Sales/Internet Use Tax**

Prior Comment

During our purchases' review of DHA, we noted six purchases where DHA did not accrue sales or use taxes in the Sacramento County Financial System (COMPASS) when it was required. We also noted six purchases where the merchant did not charge the correct sales tax at the time of sale, and DHA did not accrue the difference in COMPASS. We further noted three transactions where DHA accrued sales or use tax in COMPASS when it was not required. Per California Law and the program's guidelines and procedures, if the merchant does not charge the correct 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.

Prior Recommendation

We recommend DHA accrue tax in COMPASS when the internet merchant does not charge sales tax and not accrue sales tax when tax is not required. We further recommend DHA 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 or over charge of California sales tax, DHA needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively.

DHA's Prior Response

Staff followed the normal process for entering transactions when taxes needed to be accrued. We now understand there was a change in the Countywide P-Card process related to the sales tax accruals effective on July 2014 which was not communicated to DHA. Department of

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(CONTINUED)**

Finance and General Services have since provided guidance and information on the new process. The new process is now being used to accrue taxes and corrective measures have been incorporated into our department procedures to ensure that the correct amounts of taxes are being accrued.

Current Status

It appears that our recommendation has been implemented.

**3. Missing Supporting Documentation & Prohibited Purchases**

Prior Comment

During our review, we noted the DHA did not retain supporting documentation for one transaction on the Procurement Card in the amount of \$107.99 (credit). We also noted missing approval documents for two flower/plant purchases in the amount of \$10.84 and \$5.43. According to the program's guidelines and procedures manual, "*Purchasing Documents (eg. Reconciliation packets) are retained for the current Fiscal Year plus five (5) years. (Gov. Code 26907)*" and "*Cardholders must obtain an itemized listing of all items purchased at the time of purchase.*"

We also noted a \$100.00 purchase of an Apple Store gift card using the Procurement Card. No back-up documentation stating how the card was used was retained by DHA. Gift card purchases are listed as a prohibited item in the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and therefore should not be purchased using the procurement card.

We further noted that no appropriate action was taken by the Deputy Auditor-Controller regarding the missing supporting documentation, approval documents and prohibited purchase. The County of Sacramento Procurement Card Program Guidelines and Procedures Manual mandates that "*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*" and "*any misuse found by the Approving Official, Deputy Auditor-Controller or Unit Program Coordinator will be reported to the department Head and the Contracts and Purchasing Services Division for appropriate action.*"

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Prior Recommendation

We recommend the DHA comply with the program's guidelines and procedures manual and retain and obtain itemized receipts for all transactions on the procurement cards for the current Fiscal Year plus five years. We further recommend DHA obtain written approval for all food and flower/plant purchases prior to Cardholder making the purchase.

We also recommend DHA avoid making prohibited purchases using the Procurement Card as defined in the program's guidelines and procedures manual. In the event a gift card is mistakenly purchased, we further recommend DHA maintain a gift card log that can be reconciled against.

We further recommend the Deputy Auditor-Controller to take appropriate action to ensure all transactions have proper supporting documentation, approvals and no prohibited purchases.

DHA's Prior Response

The \$107.99 credit was an automatic reversal of the initial charge made when the purchased item was restocked by the merchant. There was no credit memo issued in this case as it was not a return.

Purchases of plant and flower were made by our Senior Volunteer Program staff (now transferred to DHHS) for 2 office volunteers on their birthdays. Staff was not aware that prior approval was needed as this type of expenditure is an allowable expense under the program grant.

The gift card purchase was made on behalf of DTECH staff to perform some testing and deployment of Business Intelligence Applications (Performance Measures Dashboard) for iPads purchased for DHA Director/Deputies. The purchase of the software used could only be done through the apple app store while DTECH staff was logged into the application. The supporting document showing that \$29.99 was used has been obtained by DHA and the unused balance of \$70.01 on the gift card has since been refunded and deposited back into the DHA account.

The Deputy Auditor Controller (DAC) will ensure that appropriate action is taken on any purchases that do not comply with County purchasing policies.

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(CONTINUED)**

Current Status

It appears that our recommendation has been partially implemented. We did not note any exceptions regarding missing approvals or missing supporting documentation; however, we noted an exception regarding prohibited purchases during our current review. See Attachment II, *Current Findings and Recommendations*.

**4. Split Transactions**

Prior Comment

During our purchases' review of DHA, we noted two transactions in the amounts of \$999.75 and \$377.95 that appear to be split purchases due to similar purchased items. According to the County of Sacramento Procurement Guidelines and Procedures Manual, "The CARDHOLDER cannot SPLIT the purchase into multiple charges to circumvent TRANSACTION LIMITS." Therefore, DHA was not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

We did not note appropriate action taken by the Deputy Auditor-Controller regarding the split purchase. The County of Sacramento Procurement Card Program Guidelines and Procedures Manual mandates that "*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*" and "*any misuse found by the Approving Official, Deputy Auditor-Controller or Unit Program Coordinator will be reported to the department Head and the Contracts and Purchasing Services Division for appropriate action.*"

Prior Recommendation

We recommend DHA comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and prohibit its cardholders from splitting transactions. We also recommend DHA use a contract shipping order (CSO) if necessary equipment purchases would exceed the procurement card single transaction limit.

We further recommend the Deputy Auditor-Controller to take appropriate action for all split transactions to remain compliant with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.



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DHA's Prior Response

These were not split purchases even though it might appear so. They were two separate requests/transactions that happened to be purchased on the same day for two completely different purposes. One was for the purchase of regular mouse and keyboards for use with the SmartBoards located in the Department's conference rooms and the other purchase was a request by the safety office for ergonomic type mouse to accommodate staff and comply with requirements under the Americans with Disabilities Act (ADA).

Current Status

It appears that our recommendation has been implemented.

**5. Single Transaction Limit Exceeded**

Prior Comment

During our purchases review, we noted a transaction in the amount of \$1,323.00 to pay for training for several employees resulting in exceeding the single transaction limit of \$1,000.00. The County of Sacramento Procurement Card Guidelines and Procedures Manual states "*Cardholders are authorized to use the procurement card for registering multiple attendees for memberships and training. If the fees for each person are within the per transaction limit, the cardholder may issue multiple transactions without it being considered a 'split purchase.'*" DHA is permitted to perform split transactions to pay for training for multiple employees but is not permitted to exceed the single transaction limit.

We further noted that no appropriate action was taken by the Deputy Auditor-Controller for the single transaction limit exceeded. The County of Sacramento Procurement Card Program Guidelines and Procedures Manual mandates that "*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*" and "*any misuse found by the Approving Official, Deputy Auditor-Controller or Unit Program Coordinator will be reported to the department Head and the Contracts and Purchasing Services Division for appropriate action.*"

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Prior Recommendation

We recommend DHA's management review the Cardholders' statements and their spending limits to ensure Cardholders do not go over their spending limits. We also recommend DHA split training and membership purchases, if possible, to avoid exceeding the single transaction limit as allowed in the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

We further recommend the Deputy Auditor-Controller take appropriate action when transaction limits are exceeded to remain compliant with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

DHA's Prior Response

The \$1,323.00 balance is the total registration fees for 7 employees for training at \$189.00 each which is below the single transaction limit of \$1,000.00 per person. The vendor however charged the total amount for all participants on card as if it was a single transaction.

Also, during the P-Card training, there might have been some misunderstanding regarding the exemption for registrations for conferences or trainings. Our understanding at that time was that as long as each transaction does not exceed the \$1,000.00 limit per person, staff can register up to the \$5,000 daily limit. However, we have since received further clarification that the exemption relates to "Split Transaction" and the cardholder has been informed to ensure the single transaction limit of \$1,000 is not exceeded on any transaction. In addition, an Announcement Bulletin (AB) will be sent out to the P-Card holders clarifying the exemption and to remind them not to exceed the single transaction limit.

The Deputy Auditor Controller (DAC) will ensure that appropriate action is taken on any purchases that do not comply with County purchasing policies.

Current Status

It appears that our recommendation has been partially implemented. We noted a transaction that exceeded the single transaction limit; however, we noted appropriate action was taken by the Deputy Auditor-Controller during our current review.

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CURRENT FINDINGS AND RECOMMENDATIONS

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## CURRENT FINDINGS AND RECOMMENDATIONS

### 1. Prohibited Purchases (Online Store Memberships)

#### Comment

During our review of the County of Sacramento (County) Department of Human Assistance's (DHA) procurement card purchases, we noted two online store membership fees were charged to the procurement card: An Amazon Prime annual fee in the amount of \$107.42 and a Stamps.com monthly fee in the amount of \$15.99. Both fees were subsequently refunded to the procurement card.

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (a.k.a. Procurement Card Policies), "...*store memberships on behalf of the County...*" are prohibited purchases. As such, we consider the online store membership fees to be prohibited purchases. Therefore, DHA is not in compliance with the Procurement Card Policies.

#### Recommendation

We recommend DHA ensure its cardholders do not sign up for or authorize recurring online store memberships using the procurement card.

#### DHA Management's Response

Amazon Prime – The charge was as a result of the cardholder trying to save the department some shipping costs with the intention of cancelling the account within 30 days. However, the cardholder was not aware that signing up for the "free" trials would result in an immediate charge to the account before the expiration of the 30 day trial period, so the intention was not to sign up for store membership.

Stamps.com – The cardholder also did not intentionally sign-up for the membership. Apparently, the vendor's site automatically defaults to sign-up customers once they visit the site and the cardholder was not aware at the time of transaction.

As noted, the cardholder promptly contacted both vendors and the amounts were refunded.

An Announcement Bulletin (AB) will be sent out to procurement cardholders every fourth Monday of the month to remind them not to sign-up for store memberships under any circumstance and to ensure that they are aware of auto sign-ups when making online purchases.

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**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

**2. Internal Controls Over Supporting Documentation**

Comment

During our review, we noted a cardholder corrected the supporting documentation of a procurement card purchase using white-out. We also noted the cardholder did not initial or date the correction made. We noted that corrective action was taken by the Deputy Auditor-Controller.

Proper internal controls indicate that corrections to supporting documents should not be made using white-out. In addition, any corrections made should be initialed and dated by the individual making the correction. By using white-out and not initialing and dating corrections, DHA cannot properly review its supporting documentation and cannot identify individuals making the corrections if further investigation is required.

Recommendation

We recommend DHA prohibit its procurement card program participants from making corrections to procurement card supporting documentation using white-out. Any inaccurate entries in the supporting documentation should be corrected by striking a single line through the entry, and write the correct entry next to it. In addition, corrections made to supporting documentation should be dated and initialed.

DHA Management's Response

Recommendation about correction of supporting documents is noted.

An AB will be sent out every fourth Monday of the month to remind procurement cardholders of the proper process for making corrections to documents.

**3. Single Transaction Limit**

Comment

During our review, we noted a single transaction in the amount \$1,751 was made using the procurement card. We also noted that corrective action was taken by the Deputy Auditor-Controller; however, DHA did not notify the Department of Finance, Chief of Audits.

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**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

According to the Procurement Card Policies, *“the total cost per transaction must not exceed \$1,000 including sales tax and any additional charges... Items exceeding \$1,000 shall not be purchased by means of the procurement card...”* and *“if the Deputy Auditor-Controller discovers any policy violations during their review, those violations will be... forwarded to the Chief, Audits Division, Department of Finance...”* Therefore, DHA is not in compliance with the Procurement Card Policies.

Recommendation

We recommend DHA prohibit its cardholders from making purchases over the single transaction limit using the procurement card. In addition, we recommend DHA ensure that it notifies the Department of Finance, Chief of Audits when policy violations are discovered during their review of procurement card purchases.

DHA Management’s Response

The staff was new to the procurement card Program and has since been advised of the other options available to pay for transactions exceeding \$1,000.

An AB will be sent out every fourth Monday of the month to procurement cardholders to remind them not to exceed the single transaction limit.

The Deputy Auditor-Controller will also ensure that the Department of Finance, Chief of Audits is notified of violations of the Procurement Card Policies.

**4. Repeat Findings**

Comment

We noted that Finding Numbers 1 and 3 of this attachment are repeat findings. See Attachment I, *Current Status of Prior Findings and Recommendations*. Proper internal controls indicate that prior recommendations be implemented in a timely manner.

Recommendation

We recommend DHA implement the recommendations noted in Finding Numbers 1 and 3 in a timely manner.

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**CURRENT FINDINGS AND RECOMMENDATIONS**  
**(Continued)**

DHA Management's Response

Recommendation is noted.

The AB sent out to procurement cardholders every fourth Monday of the month will include reminders on prohibited purchases as well as the single transaction limit.