

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 6, 2017
“*Communications Received and Filed*”

To: Board of Supervisors
From: Department of Finance
Subject: Procurement Card Program’s Annual Compliance Review Of First 5 Sacramento Commission, For The Period Of December 1, 2014, To January 31, 2017
Supervisory 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 First 5 Sacramento Commission, for the Period of December 1, 2014, to January 31, 2017*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - Procurement Card Program’s Annual Compliance Review of First 5 Sacramento Commission, for the Period of December 1, 2014, to January 31, 2017

COUNTY OF SACRAMENTO
INTERNAL SERVICES
DEPARTMENT OF FINANCE
AUDITOR-CONTROLLER

Inter-Departmental Correspondence

May 4, 2017

To: Julie Gallelo, Executive Director
First 5 Sacramento Commission

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits



Subject: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF
DECEMBER 1, 2014 TO JANUARY 31, 2017**

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 First 5 Sacramento Commission's (Commission) participation in the program for the period of December 1, 2014 to January 31, 2017. The Commission'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 this 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 below and is not intended to pertain to any of the Commission's other operations, procedures, or compliance with laws and regulations.

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

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

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

- We reviewed purchases for the period of December 1, 2014 to January 31, 2017 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted an exception with sales and use tax and an inappropriate purchase. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on the Commission's procurement card review report for the period July 1, 2011 to November 30, 2014, dated January 15, 2015.

Finding: The current status of prior findings and recommendations for the Commission is at Attachment I, *Current Status of Prior Findings and Recommendations*.

We were not engaged to, and did not perform an audit or examination, the objectives of which would be the expression of opinions on the Commission's 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 the Commission's operations as a whole.

The Commission's responses to the findings identified during our procedures are described in Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate the Commission'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 by the Sacramento County Board of Supervisors, Department of Finance, Department of General Services, and the Commission'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
FIRST 5 SACRAMENTO COMMISSION
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF DECEMBER 1, 2014 TO JANUARY 31, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2011
TO NOVEMBER 30, 2014, DATED JANUARY 15, 2015**

1. Cardholders' Signatures on Monthly Statements

Prior Comment

During our records review of First 5 Sacramento Commission (Commission), we noted a Cardholder's monthly statement was not signed by the Cardholder. Per the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, the Cardholder must "*sign and date the monthly STATEMENT attesting to the accuracy and validity of charges incurred*". Therefore, the Commission was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Prior Recommendation

We recommend the Commission have all Cardholders sign their monthly statements attesting the charges are appropriate within the program.

Commission's Prior Response

Management concurs and for the past 12 months has insured that all invoices are signed by the cardholder before payment is made.

Current Status

It appears that our recommendation has been implemented.

2. Closing Cardholders' Accounts

Prior Comment

During our records and purchases review of the Commission, we noted a Cardholder, who was no longer employed by the Commission as of June 30, 2011, had a charge appear on its August 22, 2012 monthly statement. The charge was by Blue Hose in the amount of \$107.88 on August 9, 2012. We were informed by the Commission's staff that this charge was setup initially as an automatic, recurring, annual subscription to this Cardholder's account for the benefit of the Commission. We were also informed that they contacted the Program Administrator on July 1, 2011 to close the account. However, there was insufficient supporting documentation indicating the account was closed on July 1, 2011. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, Cardholders who are no longer employed by the County of Sacramento (County) should have their

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FIRST 5 SACRAMENTO COMMISSION
PROCUREMENT CARD PROGRAM REVIEW
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF DECEMBER 1, 2014 TO JANUARY 31, 2017

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2011
TO NOVEMBER 30, 2014, DATED JANUARY 15, 2015
(Continued)**

procurement card account closed as soon as possible and no charges should appear on their account once they have left County's employment.

Prior Recommendation

We recommend the Commission ensure Cardholders' accounts are closed when Cardholders are no longer employed by the County of Sacramento or when employees are no longer participating in the program.

Commission's Prior Response

Management concurs that requests should be followed up to insure that the requested action occurs. An on-line system has been implemented allowing departments to electronically verify the status of accounts and the department has been using this system since its inception.

Current Status

It appears that our recommendation has been implemented.

COUNTY OF SACRAMENTO
FIRST 5 SACRAMENTO COMMISSION
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF DECEMBER 1, 2014 TO JANUARY 31, 2017

CURRENT FINDINGS AND RECOMMENDATIONS

1. Sales/Internet Use Tax

Comment

During our review of First 5 Sacramento Commission's (Commission) procurement card purchases, we noted an internet merchant assessed the incorrect sales tax rate at the time of the transaction. The difference between the sales tax rate assessed by the merchant and the correct use tax rate was not accrued in the Sacramento County Financial System (a.k.a. COMPASS), resulting in an underpayment of use tax.

As stated in the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (a.k.a. Procurement Card Policies), Appendix A, *"If the purchase is made... within California and the vendor did not collect the Sacramento County District tax then the difference is due at the current rate..."* Any difference in tax should be accrued in COMPASS. Failure to accrue the correct sales or use taxes could result in an over or under payment of required taxes, and not be in compliance with Procurement Card Policies and California Law.

Recommendation

We recommend the Commission confirm the California sales tax charged by online and out-of-state merchants is for the correct amount. If the California sales tax charged by the merchant is incorrect due to an under charge or an over charge of tax, the Commission should accrue the difference in COMPASS, or resolve the difference with the merchant, respectively.

Commission's Response

The Commission agrees that confirmation of the correct amount of Sales and Use tax charged by internet and out-of-state companies should be performed, and any underpayment of tax should be accrued in COMPASS or have the merchant resolve the difference.

As of March 2017, management has revised the procurement card procedure to include a manual rate calculation and has added a second staff review of the tax.

COUNTY OF SACRAMENTO
FIRST 5 SACRAMENTO COMMISSION
PROCUREMENT CARD PROGRAM REVIEW
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF DECEMBER 1, 2014 TO JANUARY 31, 2017

CURRENT FINDINGS AND RECOMMENDATIONS
(Continued)

2. Inappropriate Purchase

Comment

During our review, we noted one transaction in the amount of \$353.81 for tickets to a local non-profit organization fundraiser event attended by the Commission's staff. Per our inquiry with management, the Commission was a sponsor of the event.

In accordance with the Sacramento County Code, Section 2.61.45(c), sponsorship of fundraising events is acceptable; however, the Commission could not provide any supporting documentation confirming their sponsorship. As such, we consider the purchase to be inappropriate.

Recommendation

We recommend the Commission ensure that any fundraising event they sponsor have adequate supporting documentation.

Commission's Response

The Commission agrees with this recommendation. Before a purchase of an entrance registration, the Commission will contact the Department of Finance and request guidance of specific documentation to be included with the purchase.