

**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 Regional Parks, For The Period Of July 1, 2015, To February 28, 2017  
Supervisory District(s): All  
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

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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 Regional Parks, for the Period of July 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 Regional Parks, for the Period of July 1, 2015, to February 31, 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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June 2, 2017

To: Jeff Leatherman, Director  
Department of Regional Parks

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: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF JULY 1, 2015  
TO FEBRUARY 28, 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 County of Sacramento, Department of Regional Parks' (Parks) participation in the program for the period of July 1, 2015 to February 28, 2017. Parks' 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 Parks' other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows:

- We reviewed Parks' 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.

Jeff Leatherman, Director

June 2, 2017

Page 2 of 2

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

Finding: We noted several issues regarding prohibited transactions, split purchases, missing documentation, and purchase violations. See Attachment II, *Current 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 Parks' 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 Parks' operations as a whole.

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 Parks' 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*

cc: Liz Bellas, Administrative Services Officer III, Parks  
Ellen Desvarro, Senior Accountant, Parks

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report  
Dated October 7, 2015 for the period April 1, 2014 to June 30, 2015)**

**1. Purchase Violations**

Comment

During our review, we noted that the Department of Regional Parks (Parks) had four purchase violations. The cardholders were counseled regarding the violations and the violations were documented. Per the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, Section Q. PROHIBITED PURCHASES are "... f) firearms and ammunition" and "*THE PROCUREMENT CARD MAY NOT BE USED FOR ANY PERSONAL PURCHASES.*"

One of the purchase violations was due to the purchase of ammunition. The purchase violation occurred on May 2015's statement in the amount of \$72.04. Based on the memorandum from the cardholder's reconciliation packet, the cardholder tried to obtain the ammunition through other means, but the ammunition did not arrive by the expected date for Parks' ranger training class. Therefore, the cardholder purchased the ammunition on the cardholder's procurement card.

The other three purchase violations were due to personal purchases. The personal purchases occurred due to the procurement card information being automatically stored on an online merchant's account (see Finding No. 2 at the *Current Findings and Recommendations* section of this attachment as it relates to this finding). Therefore, the cardholder purchased the three personal purchases on the County of Sacramento's (County) procurement card. The personal purchases occurred on May 2015's statement in the amount of \$34.00 (\$17 + \$17), and on June 2015's in the amount of \$7.50. The County was reimbursed for these personal purchases.

Recommendation

We recommend Parks prohibit the use of procurement cards for purchases that would violate the County of Sacramento Procurement Card Program Guidelines and Procedures Manual. We further recommend Parks have their cardholders delete procurement card information from online merchant accounts to avoid any future accidental personal purchases.

Management Response

The Department agrees with the finding regarding personal purchases, and has issued a memo to all P-card holders in the Department to this effect. The Department has previously issued a memo regarding the purchase of ammunition. It should be noted that the employee attempted to use ALL other means of purchasing the ammunition through the County

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS (Report  
Dated October 7, 2015 for the period April 1, 2014 to June 30, 2015)  
(Continued)**

process, and did so in a timely and reasonable manner. However, due to the urgency of providing ammunition so that Ranger staff could fulfill their sworn duty of protecting the safety of park visitors and the park environment, the P-card was used.

Current Status

During our review, we noted one personal purchase but did not note any ammunition purchases, see Finding #4 in Attachment II, *Current Findings and Recommendations*.

**2. Purchasing Card Security**

Comment

During our review of Parks, we noted Parks 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.

Recommendation

We recommend Parks 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 Parks 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

The Department agrees with this finding, and has issued a memo to all P-card holders in the Department to this effect.

Current Status

During our review, we did not note any issues regarding the security of the procurement card information.

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

**1. Prohibited Transactions**

Comment

During our review of the Department of Regional Parks (Parks), we noted several prohibited food purchases in the Cardholder's monthly statements of September 22, 2015, December 22, 2015, and April 22, 2016. According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Program Guidelines), food, unless for purchases authorized by the Board of Supervisors approved "Official Policy for Use of County Funds for Employee Recognition, Food/Refreshments and Related Expenses," is not authorized to be purchased with the procurement card. Food purchases can be made with the Procurement Card if the department has an exemption. Parks requested an exemption for food purchases but was not approved by the Director of General Services and the Director of Finance until April 8, 2016.

We also noted one prohibited transaction to pay for a Costco membership in the Cardholder's monthly statement of December 22, 2016. According to the Program Guidelines, big store memberships on behalf of the County are prohibited transactions and are not authorized with the Procurement Card.

We further noted several prohibited transactions that were made to pay for goods, materials, and equipment services from a single vendor that exceeds \$10,000 in one fiscal year. According to the Program Guidelines, goods, materials, and equipment services from a single vendor that exceed \$10,000 in one fiscal year are prohibited transactions and are not authorized with the Procurement Card.

Since Parks made prohibited transactions that are not authorized with the Procurement Card, Parks is not in compliance with the Program Guidelines.

Recommendation

We recommend Parks to comply with the Program Guidelines and stop making prohibited transactions that are not authorized with the Procurement Card. We further recommend Parks to review the list of prohibited transactions that are listed in the Program Guidelines.

Management Response

Finding regarding food purchases:

The Department adamantly disagrees with the finding regarding the purchase of food. The Department has had a historic exemption for food purchases, as evidenced by the approved purchases of food for several years prior to this finding. However, the previous P-card administrator did not properly document this exemption. The Department has been working

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

with the current P-Card administrator since 2014 to properly document this already existing exemption. The fact that it was not formalized until April 2016 is outside the Department's control.

Finding regarding Costco Membership:

The Department will send out a memo to all P-card holders, reminding them that big box memberships are not allowed. The Department strongly encourages the Department of Finance to reconsider this guideline, as our Department has been able to save County funds by making purchases at Costco for our Recreation Programs.

Finding regarding purchases exceeding the annual \$10,000 limit:

The Department disagrees with this finding. As per the P-card guidelines established in 2014 and available on the County intranet site, an exemption is provided for recurring purchases that exceed \$10,000 in one fiscal year when the purchase is made on an established County contract. The Department utilized P-cards to purchase uniforms and equipment from Galls/Blumenthals which is on contract.

The second company which exceeded the \$10,000 limit is Southern Links. This company provides specialized equipment necessary for the operations of the County golf courses. In the past, the Department has requested a contract with this company through County Purchasing. However, a contract was never established, forcing the Department to continue to utilize the P-card for these purchases. The Department encourages the Department of Finance to consider raising the ceiling of the annual limit per company.

## 2. Split Purchases

### Comment

During our review, we noted several transactions that appear to be split purchases. The first transactions were made in the monthly statement of September 22, 2015. For this month, two transactions were made on the same day in the amounts of \$320.80 and \$732.38 to the same vendor. If the transactions were made together as a single transaction, the total amount of \$1,053.18 would have exceeded the single transaction limit of \$1,000. The other transactions were made in the monthly statement of December 22, 2016. The transactions were made on the same day in the amounts of \$2,046.90, \$928.11, and \$291.13 to the same vendor. The Cardholder who made these transactions has a higher single transaction limit but if the transactions would have been made together as a single transaction, the total amount of \$3,266.14 would have exceeded the single transaction limit of \$2,500. According

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

to County of Sacramento Code Section 2.56.260, Cardholders cannot split purchases into multiple charges to avoid transaction limits. Since the above transactions appear to be split purchases, Parks is not in compliance with the County of Sacramento Code Section 2.56.260 and the Program Guidelines.

Recommendation

We recommend Parks to comply with the Program Guidelines and have the Cardholder's review the sections regarding split transactions. We also recommend Parks to have their Cardholders review County of Sacramento Code Section 2.56.260. We further recommend Parks to use a different purchasing method if the total purchase will go over the Cardholder's single transaction limit.

Management Response

The Department disagrees with this finding. The first transactions were for a ballistic vest (\$732.38) and duty belt equipment (\$320.80). Although these purchases were made from the same vendor, they are for distinctly different purposes, and therefore do not qualify as a split purchase. The second transactions were made to SK Steel, for two separate projects: Parking Pay Stations (\$2,046.90 and \$291.13, respectively, which does not exceed the cardholder's \$2,500 limit) and steel for work on the PCA Bridge (\$928.11). Again, these are separate and distinct projects, and therefore do not qualify as a split purchase.

**3. Missing Documentation**

Comment

During our review, we noted missing documentation. Parks is exempted and authorized to make transportation purchases with the Procurement Card. As part of the exemption, Parks must submit quarterly reports to the Department of General Services and the Department of Finance (Departments). During our review, we noted that Parks made transportation purchases but did not submit quarterly reports to the Departments. Since the exemption states that "Quarterly reports must be submitted to the Departments," and Parks did not submit the reports, Parks is not in compliance.

Recommendation

We recommend Parks to comply and submit quarterly reports of their transportation transactions to the Departments.



COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

Management Response

The Department has questioned the purpose of these quarterly reports which were arbitrarily included in the exemption, and have not received an adequate response as to their need, nor what the Department of General Services and Department of Finance would do with such information. Regional Parks has requested this language be removed from the existing exemption.

**4. Purchasing Violations**

Comment

During our review, we noted that Parks had three purchase violations. The Cardholders were counseled regarding the violations and the violations were documented. As stated in Finding #2, per County of Sacramento Code Section 2.56.260, Cardholders cannot split purchases into multiple charges to avoid transaction limits. Also, according to the Program Guidelines, "The Procurement Card may not be used for any personal purchases."

Two of these violations were due to splitting transactions to avoid the single transaction limit. The first violation occurred in the Cardholder's monthly statement of September 22, 2015 when the Cardholder split transactions in the amounts of \$911.65, \$925.90, and \$916.64. Parks noted that the total purchase exceeded the \$1,000 limit and that a different purchasing method should have been used. The second violation occurred on the Cardholder's monthly statement of March 22, 2016 when the Cardholder split transactions in the amounts of \$925.93 and \$248.29. Parks noted that even though the transactions were for different projects, the total purchase exceeded \$1,000 and a different purchasing method should have been used.

The other purchase violation was due to a personal transaction performed in the Cardholder's monthly statement of May 22, 2016 in the amount of \$13.23. The County was reimbursed for this personal purchase.

Recommendation

As stated in Finding #1, we recommend Parks to have their Cardholders review the section regarding prohibited transactions in the Program Guidelines. We also recommend Parks to have their Cardholders review the sections regarding split transaction in the Program Guidelines and review County of Sacramento Code Section 2.56.260, as stated in Finding #2.

COUNTY OF SACRAMENTO  
DEPARTMENT OF REGIONAL PARKS  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO FEBRUARY 28, 2017

Management Response

The Department agrees with this finding and would like to note that for the transactions detailed for March 22, 2016 the cardholder was counseled to utilize a different purchasing method even though the purchases were for different projects because the commodity purchased was the same.

**5. Repeat Findings**

Comment

During our review, we noted that Finding #4 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 this finding be resolved in a timely manner.

Recommendation

We recommend Parks to implement the recommendation on Finding #4 of this attachment.

Management Response

The Department acquiesces that a cardholder made a personal purchase, which has happened before. However, this was the first offense from that cardholder, the cardholder immediately realized the mistake and repaid the County, and the Department also provided a first offense warning memo to the employee. This recommendation is worded as such to lead one to believe this is an on-going, regular occurrence which is simply not true.