

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
January 10, 2017  
“*Communications Received and Filed*” Item

To: Board of Supervisors  
From: Department of Finance  
Subject: Procurement Card Program’s Annual Compliance Review Of The Sheriff’s Department, For The Period Of July 1, 2015, To July 31, 2016  
Supervisorial District: 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 Sheriff’s Department, for the Period of July 1, 2015, to July 31, 2016*

Respectively submitted,

**Ben Lamera**  
Director of Finance

Attachment 1, Procurement Card Program’s Annual Compliance Review of the Sheriff’s Department, for the Period of July 1, 2015, to July 31, 2016

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

*Inter-Departmental Correspondence*

December 6, 2016

To: Scott Jones, Sheriff  
Sheriff's Department

From: Ben Lamera  
Director of Finance

By: Alan A. Matré  
Chief of Audits



Subject: **PROCUREMENT CARD REVIEW FOR THE PERIOD OF JULY 1, 2015  
TO JULY 31, 2016**

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, Sheriff's Department's (Sheriff) participation in the program for the period of July 1, 2015 to July 31, 2016. Sheriff'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 Sheriff's other operations, procedures, or compliance with laws and regulations.

The procedures we performed are summarized as follows:

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

Finding: We noted an exception with a non-sworn individual performing duties of a Deputy Auditor-Controller. See Attachment II, *Current Findings and Recommendations*.

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

Finding: We noted several exceptions regarding purchases. See Attachment II, *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on Sheriff's procurement card review report for the period July 1, 2012 to June 30, 2015, dated November 3, 2015.

Finding: The current status of prior findings and recommendations for the Sheriff 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 Sheriff'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 Sheriff's operations as a whole.

Sheriff'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 Sheriff's responses to the findings and, accordingly, we do not express an opinion 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 Sheriff'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*

cc: Anita Peden, Chief of Administrative Services, Sheriff

COUNTY OF SACRAMENTO  
SHERIFF'S DEPARTMENT  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO JULY 31, 2016

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED NOVEMBER 3, 2015**

**1. Missing Cardholder's Signature on Monthly Statement**

Comment

During our review of the Sheriff's Department (Sheriff), we noted a missing signature from a Cardholder statement. Per the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, "To reconcile CARDHOLDER accounts, CARDHOLDERS must: *(f) sign and date the monthly STATEMENT attesting to the accuracy and validity of charges incurred and forward the statement with all SUPPORTING DOCUMENTATION to their APPROVING OFFICIAL for review.*" Therefore, the Sheriff was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend the Sheriff comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholders sign the Cardholders' monthly statements attesting the charges are appropriate within the program.

Management Response

The employee with the missing signature on the statement was out of the office for an extended period of time (over six weeks). There was no way to obtain a signature. We have consulted with County Purchasing; and in the event something like this happens in the future, we will have the Approving Official sign on behalf of the cardholder with a notation that the employee was out of the office for an extended period of time.

Current Status

It appears our recommendation has been implemented.

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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO JULY 31, 2016

**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED NOVEMBER 3, 2015  
(Continued)**

**2. Missing Supporting Documentation**

Comment

During our records and purchases' review of the Sheriff, we noted missing supporting documentation. We noted a food purchase's approval request form was missing. In addition, we noted that the Sheriff did not maintain Master Statements for the months of September 24, 2012 and from November 23, 2012 to June 24, 2013. We further noted a missing itemized receipt. Per the County of Sacramento Procurement Guidelines and Procedures Manual, "*All charges must be supported with sufficient documentation. Purchasing Documents (eg. Reconciliation packets) are retained for the current Fiscal Year plus five (5) years.*" Since sufficient supporting documentation was not obtained and maintained, the Sheriff was not in compliance with the County of Sacramento Procurement Card Program and Procedures Manual.

Recommendation

We recommend the Sheriff comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and maintain sufficient supporting documentation for all procurement card purchases for the current fiscal year plus five years.

Management Response

Cardholders will be reminded to include food approvals and receipts for all purchases in their monthly cardholder packets. For the missing master statements, the Deputy Auditor-Controller (DAC) at the time was receiving original statements by mail. The DAC has the original statements filed; however, that DAC is out an extended leave and is not expected to return to work until January 2016 at the earliest. We will not be able to get copies of the statements until he returns to work.

Current Status

It appears our recommendation has been implemented.

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**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED NOVEMBER 3, 2015  
(Continued)**

**3. Sales/Internet Use Tax**

Comment

During our purchases' review of the Sheriff, we noted one internet purchase where the internet merchant charged the Sheriff the incorrect tax rate, resulting in an underpayment of sales tax. We further noted five internet purchases where the internet merchant charged the Sheriff the incorrect tax rate, resulting in an overpayment of sales tax. We noted one internet purchase where the merchant did not charge sales tax, and the Sheriff did not accrue the internet use tax in COMPASS. We also noted transactions where the tax was not accrued for shipping and handling, and tax was incorrectly accrued on shipping charges 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 the Sheriff 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, the Sheriff needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively. We further recommend 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

As part of the DAC review process, all purchases are now being reviewed for proper sales tax. If the proper sales tax was not charged corrective action is taken.

Current Status

It appears our recommendation has not been implemented. See finding #2 (Sales/Internet Use Tax) at Attachment II, *Current Findings and Recommendations*.

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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

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**CURRENT STATUS OF PRIOR REVIEW FINDINGS FOR THE PERIOD JULY 1, 2012  
TO JUNE 30, 2015, DATED NOVEMBER 3, 2015  
(Continued)**

**4. Purchasing Card Security**

Comment

During our review, we noted the Sheriff did not properly safeguard procurement card information. We noted the Sheriff allowed ten people to have access to cardholders' card numbers and addresses (purchasing card information). We further noted the Sheriff 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 available to multiple people and was stored on an online merchant's account to be used for future purchases, the purchasing card information could be subject to theft or misuse by someone other than the Cardholder.

Recommendation

We recommend the Sheriff comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and limit access of procurement card information to appropriate personnel. We further recommend the Sheriff have its Cardholders safeguard their purchasing cards account information for unauthorized personnel at all times by not storing the account information online. In addition, we recommend the Sheriff 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

Cardholders will be reminded to not share their card information with any other employee. They will also be reminded to not store account information online.

Current Status

It appears our recommendation has been partially implemented. See finding #3 (Purchasing Card Security) at Attachment II, *Current Findings and Recommendations*.

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SHERIFF'S DEPARTMENT  
PROCUREMENT CARD PROGRAM REVIEW  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD OF JULY 1, 2015 TO JULY 31, 2016

**CURRENT FINDINGS**

**1. Prohibited Purchases**

Comment

During our review of the County of Sacramento (County), Sheriff's Department (Sheriff), we noted:

- several vendors were used to pay for recurring cable, telephone, internet, and wireless services. We further noted these recurring purchases exceeded \$10,000 in one fiscal year and were not purchased from an established County contract. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, listed under section P.) Permitted Purchases, "*The PROCUREMENT CARD may be used for recurring purchases ONLY when those purchases are made on established county contracts.*"
- veterinary service was paid on a procurement card. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, listed under section Q.) Prohibited Purchases, "*o) professional SERVICES*".

Therefore, the Sheriff was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual as noted above.

Recommendation

We recommend the Sheriff comply with County of Sacramento Procurement Card Program Guidelines and Procedures Manual and request Department of General Services establish a County contract for these recurring cable, telephone, internet, and wireless services for the Sheriff's Department or have these recurring services, veterinary service, metered parking be paid through the regular claims/parked invoice process.



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**CURRENT FINDINGS**  
**(Continued)**

Management Response

The Sheriff's Department received conflicting information from the Department of General Services and the Department of Finance on the use of the procurement card for cable and other recurring services. During a conference call with General Services and Finance on November 3, 2016, the Sheriff's Department was told that it was allowable and appropriate to pay for recurring charges on the procurement card as long as the charges did not exceed \$10,000 (department wide) in a one-year period. All of the purchases were under this \$10,000 limit with the exception of DirecTV. The Sheriff's Department was told on several occasions by the Department of General Services that paying for cable services on a procurement card was allowable. For DirecTV purchases, the Sheriff's Department was told to request a contract through the Department of General Services, Contract and Purchasing Services Division. Requisition RC33674242 was created in the Sacramento County Financial System (a.k.a. COMPASS) on November 14, 2016. The County Purchasing Agent gave the Sheriff's Department direction via email on November 28, 2016, that it was allowable to pay for DirecTV services via a procurement card (even if the charges exceeded \$10,000) while General Services pursued a contract with DirecTV. The Sheriff's Department is in agreement that the procurement card should not be used for professional services (veterinary services). The use of the procurement card for veterinary services has been discussed with the Cardholder and appropriate personnel actions have been taken. Additionally, the procurement Cardholder and the Approving Official for these transactions will be required to attend supplemental procurement card training on December 1, 2016.

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**CURRENT FINDINGS**  
**(Continued)**

**2. Sales/Internet Use Tax**

Comment

During our purchases' review of the Sheriff, we noted:

- four purchases where the merchant charged the Sheriff the incorrect tax rate and the difference of tax was not accrued in COMPASS, resulting in an underpayment of tax.
- one purchase where shipping and handling was not accrued in COMPASS, resulting in an underpayment of tax.
- two purchases where the merchant charged the Sheriff the incorrect tax rate and the Cardholder did not request a refund for the overpayment, resulting in an overpayment of tax.
- one purchase where the Sheriff incorrectly accrued tax in COMPASS on a non-taxable fee, resulting in an overpayment of tax.

Per California Law and County of Sacramento Procurement Card Program Guidelines and Procedures Manual, 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. This finding was also noted during our previous procurement card review. See finding #3 (Sales/Internet Use Tax) at Attachment I, *Current Status of Prior Findings and Recommendations*.

Recommendation

We recommend the Sheriff 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, the Sheriff needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively. We also recommend if the itemized receipt indicates "shipping and handling" as one line item, tax should be accrued on this amount. We further recommend tax should not be accrued on a non-taxable fee.

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**CURRENT FINDINGS**  
**(Continued)**

Management Response

The Sheriff's Department is in agreement with this recommendation. The importance of accurate sales tax accruals has been discussed with the Sheriff's Procurement Card Billing Unit Coordinator. Additionally, the Sheriff's Department Billing Unit Coordinator will be required to attend supplemental procurement card training on December 1, 2016.

**3. Purchasing Card Security**

Comment

During our review, we noted the Sheriff did not properly safeguard procurement card information. We noted the Sheriff stored procurement card information with a merchant for an automatic renewal. 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 with a merchant's account to be used for future purchases, the purchasing card information could be subject to theft or misuse by someone other than the Cardholder. This finding was also noted on our previous procurement card review. See finding #4 (Purchasing Card Security) at Attachment I, *Current Status of Prior Findings and Recommendations*.

Recommendation

We recommend the Sheriff comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholders safeguard their purchasing cards account at all times by not storing the account information with any merchant.

Management Response

The Sheriff's Department is in agreement with the recommendation. The practice of allowing a vendor to store the procurement card number has been discussed with the Cardholder and appropriate personnel actions have been taken. Additionally, the procurement Cardholder and the Approving Official for this transaction will be required to attend supplemental procurement card training on December 1, 2016.

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CURRENT FINDINGS AND RECOMMENDATIONS

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**CURRENT FINDINGS**  
**(Continued)**

**4. Unnecessary Purchases**

Comment

During our review, we noted the Sheriff purchased:

- protection plan for two different cable service locations
- one month Golf channel access for one cable service location
- training classes with two processing fees in the amount of \$16.62 each

Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, Appendix J. County of Sacramento Procurement Code of Ethics, "*The employee: ... Obtains the maximum benefit for funds spent as agents for the County*". The protection plan and Golf channel purchases were not necessary purchases and should not have been purchased on a procurement card. The processing fee total of \$33.24 (\$16.62 + \$16.62) for the training classes should have been paid through the regular parked invoice claim process to avoid payment of the processing fee. As such, these purchases do not appear to benefit the County and were not in compliance with County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend the Sheriff comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholders only spend funds where maximum benefit will be obtained for the County of Sacramento.

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**CURRENT FINDINGS**  
**(Continued)**

Management Response

The Sheriff's Department is not in agreement with the finding regarding payment of credit card processing fees via the procurement card. On February 4, 2016, one of the Sheriff's Department Cardholders contacted the County's Procurement card Program Administrator and inquired if it was allowable to pay credit card processing fees on the procurement card. The Procurement card Program Administrator replied via email on February 5, 2016, that this was allowable. The Sheriff's Department is in agreement with the other two items. Inappropriate purchases such as a protection plan for cable service or golf channel access has been discussed with the involved Cardholders, the purchases have been discontinued, and appropriate personnel actions have been taken. Additionally, the procurement Cardholders and the Approving Officials for these transactions will be required to attend supplemental procurement card training on December 1, 2016.

**5. Utilize Procurement Card for Established Contract**

Comment

During our review, we noted dog food and desks were available through established County vendor contracts. However, the Sheriff's Cardholders purchased these items through non-County vendors. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*If there is an established County contract for the needed GOODS or SERVICE, use of the PROCUREMENT CARD as a payment vehicle against the contract is encouraged and authorized*". As such, the Sheriff was not adhering to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend the Sheriff comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and have its Cardholders purchase items on established County contracts when there is one.

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**CURRENT FINDINGS**  
**(Continued)**

Management Response

The Sheriff's Department is in agreement with this recommendation. Purchasing items available on contract has been discussed with the involved Cardholders and appropriate personnel actions have been taken. Additionally, the procurement Cardholders and the Approving Officials for these transactions will be required to attend supplemental procurement card training on December 1, 2016.

**6. Late Fees**

Comment

During our purchases' review, we noted the Sheriff paid four late fees for its cable and internet purchases with the procurement cards. Per California Government Code Section 926.10, "*Any public entity as defined by Section 811.2 having a liquidated claim against any other public entity based on contract or statute of the State of California, or any person having such a claim against a public agency, shall be entitled to interest commencing the 61st day after such public entity or person files a liquidated claim known or agreed to be valid when filed pursuant to such statute or contract, and such claim is due and payable. Interest shall be 6 percent per annum.*" After review of the invoices, it appears that the invoices were not 61 days past due. Since the Sheriff paid late fees when the invoices were not 61 days past due, the Sheriff was not in compliance with Government Code Section 926.10.

Recommendation

We recommend the Sheriff comply with California Government Code Section 926.10 by not paying late fees with the procurement cards when late fees assessed are not in compliance with Government Code Section 926.10.

Management Response

The Sheriff's Department is in agreement with this recommendation. Paying late fees has been discussed with the involved Cardholders. Additionally, the procurement Cardholders and the Approving Officials for these transactions will be required to attend supplemental procurement card training on December 1, 2016. Additionally, a reminder email was sent to all procurement Cardholders regarding the payment of late fees. Finally, the payment of late

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**(Continued)**

fees will be discussed at the Sheriff's Department Annual Division Budget Coordinators' meeting on December 7, 2016.

**7. Travel Card Approvals and Purchases**

Comment

During our purchases' review, we noted the Sheriff did not obtain a written travel advance request form for three travel card purchases for hotel reservations. Per the County of Sacramento Travel Policy, "*Cardholders may **not** book airline tickets or hotel reservations without having an approved County Travel Request.*" As such, the Sheriff was not in compliance with the County of Sacramento Travel Policy.

We further noted the first night's hotel reservation paid on the travel procurement card for two employees were also claimed and paid through the travel reimbursement claim process. Since the first night's hotel reservation was paid on the travel card, the first night's hotel reservation paid to the two employees' on their travel reimbursement claim was an overpayment of lodging expenses. We noted the two refunds for the first night's hotel reservation for these two employees were refunded to the travel card on October 25, 2016.

Recommendation

We recommend the Sheriff reimburse employees only for expenses paid by the employees. We also recommend the Sheriff develop and implement proper procedures to detect any hotel reservations or airline tickets paid on travel cards are also not claimed and paid through employees' travel reimbursement claims.

Management Response

The Sheriff's Department is in agreement with this recommendation. The Department asked all travel Cardholders to go back through their statements for the past two years to identify any situations where the employee was reimbursed even though the charge was placed on the travel card. This appears to have been an isolated incident with a single Cardholder as no other transactions of this type were identified as a result of our internal review. Nonetheless, the Sheriff's Department has asked the Department of Finance to provide a training session on travel specifically to Sheriff's Department travel coordinators. The Department of

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Finance has indicated they will do so once the revised travel policy has been approved by the Board of Supervisors.

**8. Residential Shipment**

Comment

During our purchases' review of the Sheriff, we noted Cardholder A utilized Cardholder B's online merchant account to take advantage of the shipping benefit provided to the merchant's members. The items purchased on Cardholder A's procurement card in the amount of \$934.80 was mistakenly shipped to Cardholder B's residential address. Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, Appendix J. County of Sacramento Procurement Code of Ethics, "*Avoids activities that would compromise or give the perception of compromising the best interest of the County.*" Items mistakenly delivered to a Cardholder's residential address can be perceived by the public as unethical and should be avoided.

Recommendation

We recommend the Sheriff's Cardholders to not have any items delivered to their residential address to avoid a public misperception of compromising the best interest of the County.

Management Response

The Sheriff's Department is in agreement with this finding. Shipping items to an employee's home address has been discussed with the Cardholder. Additionally, the procurement Cardholder and the Approving Official for this transaction will be required to attend supplemental procurement card training on December 1, 2016.

**9. Deputy Auditor-Controller**

Comment

According to the County of Sacramento Procurement Card Program Guidelines and Procedures Manual, "*California law requires the Auditor-Controller for governmental agencies to complete a pre-audit of all invoices prior to payment.*" During our review, we noted the individual that performed the pre-audit of its Cardholders procurement card



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**CURRENT FINDINGS**  
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statements for September 2015, October 2015, and November 2015 was not sworn in as Deputy Auditor-Controller for this period. Therefore, the Sheriff was not in compliance with the California Law and the County of Sacramento Procurement Card Program Procedures and Guidelines Manual.

Recommendation

We recommend the Sheriff comply with the California Law and the County of Sacramento Procurement Card Program Procedures and Guidelines Manual and have a sworn Deputy Auditor-Controller perform the pre-audit of Cardholders' charges on the procurement card statements for appropriateness prior to payment.

Management Response

The Deputy Auditor-Controller for the months of September, October, and November, 2015, had previously been sworn in by the Department of Finance. Unbeknownst to the Sheriff's Department, and without notice to this particular Deputy Auditor-Controller, this authority had been cancelled by the Department of Finance. The Sheriff's Department had intended for this person to be kept on as a backup Deputy Auditor-Controller, but this authority was removed by the Department of Finance without notice. This person has since been sworn in for a second time as a backup Deputy Auditor-Controller.