

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

**INTERNAL AUDIT REPORT**

**AGREED-UPON PROCEDURES  
PROCUREMENT CARD PROGRAM REVIEW**

**DEPARTMENT OF TECHNOLOGY**

**FOR THE PERIOD JUNE 1, 2018 TO  
NOVEMBER 30, 2021**



**Audit Committee Submittal Date: 08/16/2022**

## **SUMMARY**

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### **Background**

The Department of Technology (DTech) provides central information technology (IT) and telecommunications service for the County of Sacramento and delivers a broad range of Countywide shared IT services to employees, departments and regional partners. DTech is responsible for the County-wide area network that connects all County departments; operates the County Voice over IP Telephone system; provides services for the County's criminal justice information system; and other support services such as the County's human resources and financial systems, geographic information systems, the County communications center and the service desk; a state of-the-art data center, the public safety Sacramento Regional Radio Communications System, the County's web portals, and e-government program.

DTech participates in the Sacramento County Procurement Card Program (Program) to improve efficiency related to its purchasing functions. As part of the DTech's participation in the Program, DTech is subject to regular procurement card audits to ensure compliance with the Program's guidelines, policy, and procedures. The Department of Finance, Internal Audit Unit, randomly selected the DTech's procurement card Program for agreed-upon procedures.

### **Audit Objective**

To review DTech's procurement card controls are in compliance with Sacramento County Procurement Card Program policy, guidelines, and procedures for the period June 1, 2018 to November 30, 2021.

### **Summary**

We noted five (5) exceptions related to the DTech's Procurement Program's Cardholders' Procurement Card Summary, Cardholder and Approving Official's signatures, undercharge and overcharge of sales/internet use tax, payment deadline, and Procurement Summary form records.



County of Sacramento

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*Inter-Departmental Memorandum*

July 7, 2022

To: Rami Zakaria  
Chief Information Officer, Department of Technology

From: Ben Lamera  
Director of Finance

By: Hong Lun (Andy) Yu, CPA  
Senior Audit Manager

A handwritten signature in black ink, appearing to be "H. Yu", written over the name of the author.

Subject: **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - DEPARTMENT OF TECHNOLOGY PROCUREMENT CARD PROGRAM FOR PERIOD JUNE 1, 2018 TO NOVEMBER 30, 2021**

In accordance with the County of Sacramento Procurement Card Program (Program) Guidelines and Procedures Manual, County of Sacramento Procurement Card Program Policy, County of Sacramento Travel (Travel) Policy, and County of Sacramento Travel Guidelines and Procedures, we have performed the procedures enumerated below to Department of Technology's (DTech) participation in the Program for period June 1, 2018 to November 30, 2021. DTech's management is responsible for establishing and maintaining effective internal controls and compliance with the Program and Travel guidelines, policy, and procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of DTech. 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 DTech's other operations, procedures, or compliance with laws and regulations.

The procedures and associated findings are as follows:

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

Finding: We noted several exceptions. See ATT 1 - *Current Findings and Recommendations*.

- We selected and tested 60 procurement card purchases to identify any non-compliance with the above cited guidelines, policy, and procedures.

Finding: We noted several exceptions. See ATT 1 - *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on DTech's procurement card agreed-upon procedures report for period April 1, 2017 to May 31, 2018, dated October 26, 2018.

Finding: The current status of prior findings and recommendations for DTech is at ATT 2 - *Current Status of Prior Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on DTech's accounting records, compliance, or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. 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 DTech's operations as a whole.

DTech's responses to the findings identified during our engagement are described in ATT 1 - *Current Findings and Recommendations*. We did not perform procedures to validate DTech'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, those charged with governance, Sacramento County Audit Committee, Department of Finance, Department of General Services' Contract and Purchasing Services Division, and DTech'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:

ATT 1 - *Current Findings and Recommendations*

ATT 2 - *Current Status of Prior Findings and Recommendations*

COUNTY OF SACRAMENTO  
DEPARTMENT OF TECHNOLOGY  
PROCUREMENT CARD PROGRAM  
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD JUNE 1, 2018 TO NOVEMBER 30, 2021

## 1. Cardholder's Procurement Summary

### Condition

We noted 8 out of 26 Cardholder's Procurement Summaries selected were missing, three (3) for August 2018, two (2) for September 2019, one (1) for March 2020, and two (2) for October 2021. In addition, we cannot determine if the Cardholders' used the most current Procurement Summary forms due to the Cardholder's columns for printed name, signature, and date not being available on the forms.

### Criteria

Per the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Procurement Guidelines and Procedures Manual), *"Cardholders must sign and date the monthly statement and Procurement Summary form attesting to the accuracy and validity of charges incurred and forward the statement with all supporting documentation to their Approving Official for review."*

### Effect

Procurement Summaries are used to list all transactions and verify if sales/use tax was correctly charged. Without a Procurement Summary, we are unable to determine if the Approving Official and Deputy Auditor-Controller reviewed the transactions and verified if the appropriate sales/use tax was charged to Department of Technology (DTech). Since DTech's staff did not obtain and retain complete Procurement Summaries, DTech was not in compliance with Procurement Guidelines and Procedures Manual. Also see Findings #2 and #5.

### Recommendation

DTech should comply with Procurement Guidelines and Procedures Manual and obtain and retain all Procurement Summaries for all Cardholders. We further recommend DTech to utilize the most current Procurement Card Summary available in Department General Services intranet to prevent any missing information.

### Management Response

Cardholders prepare their monthly summary either using a spreadsheet or in SharePoint. Ultimately, all items are entered in SharePoint and the summary is prepared for the Department (including Sacramento Regional Radio Communications System, SRRCS) and one payment is facilitated using the combined summary. DTech will revise their process to ensure that all staff prepare, reconcile and sign their Procurement Summary using the current form.

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## 2. Cardholder and Approving Officials' Signatures

### Condition

We noted 7 out of 26 Cardholders' statements and 8 out of 26 Procurement Summaries had issues regarding missing signatures. We noted the following:

- One (1) Cardholder statement that was not signed and dated by the Cardholder.
- Six (6) Cardholders' statements that were not signed and dated by the Approving Official.
- Eight (8) Procurement Summaries that were not signed by the Cardholders.

The Cardholders did not sign the monthly statement and Procurement Summary form. We cannot determine if the Cardholder reviewed all entries that appeared on the monthly statement and Procurement Summary. In addition, since the Approving Official did not sign the Cardholders' statements, we cannot determine if Approving Official reviewed the Cardholder's transactions.

### Criteria

Per the Procurement Guidelines and Procedures Manual, *"Cardholders must sign and date the monthly statement and Procurement Summary form attesting to the accuracy and validity of charges incurred and forward the statement with all supporting documentation to their Approving Official for review."* In addition, per the Procurement Guidelines and Procedures Manual, *"Approving Officials will review all Cardholder statements to ensure that all purchases are valid, are approved, and have sufficient supporting documentation. If all is correct, the Approving Official will sign and date each Cardholder statement and Procurement Summary form."*

### Effect

Without proper review, unauthorized transactions could occur, and not be detected nor corrected in a timely manner. In addition, DTech was not in compliance with Procurement Guidelines and Procedures Manual. Also see Findings #1 and #5.

### Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and have all individuals sign appropriate documentation to indicate that proper review was performed.

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CURRENT FINDINGS AND RECOMMENDATIONS

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Management Response

Cardholders prepare their monthly summary either using a spreadsheet or in SharePoint. Ultimately, all items are entered in SharePoint and the summary is prepared for the Department (including SRRCS) and signed by approving officials. DTech will revise their process to ensure that all staff prepare, reconcile and sign their Procurement Summary and statement and that all statements and Procurement Summaries are signed by Approving Officials.

**3. Sales/Internet Use Tax**

Condition

We tested a total of 60 transactions and within the 60 transactions, 39 transactions included sales/use tax. We noted the following exceptions:

- One (1) purchase where DTech used the incorrect sales/user tax, resulting in an undercharge of California sales tax.
- One (1) purchase where the merchant charged DTech the incorrect tax rate, resulting in an overcharge of California sales tax.
- DTech did not accrue the proper tax differences indicated above in the County of Sacramento Financial System (a.k.a. COMPASS).

Criteria

Per California law and the Procurement Guidelines and Procedures Manual, if the merchant does not charge sales/user tax, 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 to avoid underpaying and overpaying tax.

Effect

It is DTech's responsibility to ensure the appropriate sales/use taxes are reported in COMPASS. Proper sales/use tax should be reported in COMPASS when the merchant charged the incorrect sales/use tax rate resulting in sales/use tax being underpaid or overpaid. DTech was not in compliance with California law and the Procurement Guidelines and Procedures Manual.

Recommendation

DTech should review the invoices/receipts sales/use tax rate and confirm proper California sales tax were charged by the merchant. If California sales tax charged by the merchant is incorrect, DTech needs to report the proper sales/use tax amount in COMPASS, or resolve the issue with the merchant, respectively.

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Management Response

This was an oversight and DTech will work to ensure that a better job is done when reviewing Procurement Card transactions.

**4. Payment Deadline**

Condition

We noted DTech did not make Procurement Card payments on time for the March 2020 statement paying 32 days late and the October 2021 statement paying 22 days late.

Criteria

Per Procurement Guidelines and Procedures Manual, *“The County loses money when all statements are not paid within 45 days of the billing date. Departments must establish procedures and meet the 45 day deadline”* and *“US Bank must receive payment of departmental Procurement Card billings no later than 45 days from the date of the billing statement.”*

Effect

DTech was not in compliance with the Procurement Guidelines and Procedures Manual.

Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and make US Bank payment within 45 days of the billing date.

Management Response

We will ensure that future payments meet the 45 day deadline.

**5. Procurement Summary Form Records**

Condition

DTech was given more than 14 days to provide their Cardholder’s Procurement Summary forms for our testing procedures; however, DTech did not provide 8 out of 26 requested Cardholder’s Procurement Summary forms.

Criteria

Per the County of Sacramento Procurement Card Program Policy (Procurement Card Policy), *“All records must be filed in a manner easily retrievable with all*



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*supporting documentation attached. To reduce storage space, Departments may scan Procurement Card statements; however, scanned records must be available within 48 hours for audit purposes.”*

Effect

We were not able to verify 8 out of 26 of the Cardholder’s Procurement Summary forms and determine whether:

- the Cardholders’ signed and dated the Procurement Summary form attesting to the accuracy and validity of charges incurred;
- the Approving Officials adequately reviewed, approved, and certified for payment items purchased by the Cardholders’

DTech was not in compliance with the Procurement Card Policy; also see Findings #1 and #2.

Recommendation

DTech should comply with the Procurement Card Policy and obtain and retain all Procurement Card documentation in a manner that is easily retrievable and provide within 48 hours of initial request.

Management Response

DTech provided the Procurement Summary reflecting all charges for the entire department, signed by Approving Officials. Information included in the summary was provided and verified by cardholders. In the future we will ensure that all Procurement Summaries are signed by cardholders and Approving Officials.

**6. Repeat Finding**

Condition

We noted that current Findings #2, #3, #4, and #5 of this attachment, ATT 1 are repeat findings from the prior Procurement Card Program review report, see ATT 2 - *Current Status of Prior Findings and Recommendations*. Proper internal controls dictate that these findings be resolved in a timely manner.

Recommendation

DTech should implement all recommendations on current Findings #2, #3, #4, and #5 of this attachment, ATT 1 and initiate corrective action plans to resolve the issues in a timely manner.

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Management Response

DTech will ensure that all recommendations are implemented as quickly as possible.

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CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

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**Report Dated October 26, 2018 for period April 1, 2017 to May 31, 2018**

## **1. Availability of Procurement Card Records**

### Prior Recommendation

DTech should comply with the Procurement Card Policy and obtain and retain all Procurement Card documentation in a manner that is easily retrievable and provide within 48 hours of initial request. We further recommended DTech to review the Procurement Card Policy and the County of Sacramento Procurement Card Program Guidelines and Procedures Manual (Procurement Guidelines and Procedures Manual).

### Current Status

It appears that the recommendation has not been implemented. See current Findings #1 and #5 in ATT 1 - *Current Findings and Recommendations*.

## **2. Cardholder Statement**

### Prior Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and obtain and retain statements for all Cardholders.

### Current Status

It appears that the recommendation has been implemented.

## **3. Managing Account Statement and Procurement Card Summary**

### Prior Recommendation

DTech should comply with Procurement Guidelines and Procedures Manual and obtain and retain all Master Statements and Procurement Card Summaries for all Cardholders.

### Current Status

It appears that the recommendation has been partially implemented. DTech was able to retain all Master Statements; however, we noted issues related to the eight (8) missing cardholder's procurement summaries that DTech were unable to provide at the time of request. See current Findings #1 and #5 in ATT 1 - *Current Findings and Recommendations*.

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**Report Dated October 26, 2018 for period April 1, 2017 to May 31, 2018**

**4. Itemized Invoice/Receipt and Credit Memo/Slip**

Prior Recommendation

DTech should comply with Procurement Guidelines and Procedures Manual and obtain and retain itemized invoices/receipts and credit memos/slips for all transactions made with the Procurement Card.

Current Status

It appears that the recommendation has been implemented.

**5. Unit Billing Office Contact**

Prior Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and have the individual assigned as the Unit Billing Office Contact perform their duties and responsibilities.

Current Status

It appears that the recommendation has been implemented.

**6. Missing Signatures**

Prior Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and have all individuals sign appropriate documentation to indicate that proper review was performed. We further recommended DTech staff involved with the Procurement Card Program to review the Procurement Card Policy and Procurement Guidelines and Procedures Manual.

Current Status

It appears that the recommendation has not been implemented. Although, we noted some Procurement Summaries and Cardholder's Statements were signed by the Approving Official and Deputy Auditor-Controller; however, we still noted issues related to the Cardholders' and Approving Official signatures. See current Finding #2 in ATT 1 - *Current Findings and Recommendations*.

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**Report Dated October 26, 2018 for period April 1, 2017 to May 31, 2018**

**7. Sales/Internet Use Tax**

Prior Recommendation

DTech should comply with California law and the Procurement Guidelines and Procedures Manual and not net transactions that are being overcharged and undercharged and treat each transaction individually to ensure the proper tax amount is being paid.

Current Status

It appears that the recommendation has been partially implemented. We noted DTech did not net transactions that were overcharged tax with the transactions that were undercharged tax to calculate the amount of additional tax DTech needed to accrue in the County of Sacramento Financial System (a.k.a. COMPASS); however, we noted issues regarding incorrect sales/use taxes and tax reporting in COMPASS. See current Finding #3 in ATT 1 - *Current Findings and Recommendations*.

**8. Payment Deadline**

Prior Recommendation

DTech should comply with the Procurement Guidelines and Procedures Manual and make US Bank payment within 45 days of the billing date.

Current Status

It appears that the recommendation has not been implemented. We noted two (2) late payment deadlines. See current Finding #4 in ATT 1 - *Current Findings and Recommendations*.

**9. County Travel Requests**

Prior Recommendation

DTech should comply with County of Sacramento Travel Guidelines and Procedures and obtain and retain approved County Travel Requests for all transactions made with the Travel Procurement Card.

Current Status

It appears that the recommendation has been implemented.

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**Report Dated October 26, 2018 for period April 1, 2017 to May 31, 2018**

**10. Repeat Finding**

Prior Recommendation

DTech should implement the recommendations from prior engagement for period July 1, 2015 to March 31, 2017, dated August 21, 2017.

Current Status

It appears that the recommendations has been partially implemented. However, we noted DTech did not implement all prior recommendations for period April 1, 2017 to May 31, 2018, dated October 26, 2018. See prior Findings #1, #3, #6, #7, and #8 of this attachment, ATT 2.