

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

AGREED-UPON PROCEDURES FOR PROCUREMENT CARD PROGRAM

SACRAMENTO AREA FLOOD CONTROL AGENCY

FOR THE PERIOD DECEMBER 1, 2020 TO
MARCH 31, 2023



Audit Committee Submittal Date: 01/16/2024

SUMMARY

Background

The Sacramento Area Flood Control Agency (SAFCA), a Joint Power Authority, participates in the County of Sacramento Procurement Card Program (Program). The Program for SAFCA was previously reviewed for the period of February 1, 2018 to November 30, 2020, with a report date of March 10, 2021. The Department of Finance, Internal Audit Unit selected SAFCA for a current agreed-upon procedures procurement card program review.

Audit Objective

To verify that SAFCA's Procurement Card Program activities were in compliance with the County of Sacramento (County) Procurement Card Program (Program) Guidelines and Procedures Manual, Program Policy, County Travel (Travel) Guidelines and Procedures, and Travel Policy for the period December 1, 2020, to March 31, 2023.

Summary

Based on our procedures, we noted five exceptions related to internal controls, compliance, and sales/use tax calculations over the Program.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

December 14, 2023

Richard Johnson, Executive Director
Sacramento Area Flood Control Agency
1325 J Street Suite 1700
Sacramento, CA 95814

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Mr. Johnson:

In accordance with the County of Sacramento (County) Procurement Card Program (Program) Guidelines and Procedures Manual, Program Policy, County Travel (Travel) Guidelines and Procedures, and Travel Policy, we have performed the procedures enumerated below to the Sacramento Area Flood Control Agency's (SAFCA) participation in the Program for the period December 1, 2020 to March 31, 2023.

SAFCA's management is responsible for establishing and maintaining effective internal controls and compliance with the Program and Travel guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of SAFCA. Consequently, we make no representation regarding the sufficiency of the procedures described below, and on page 2, 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 on page 2, and is not intended to pertain to any of SAFCA's other operations, procedures, or compliance with laws and regulations.

The procedures and associated results are as follows:

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

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

- We selected and tested all 16 procurement card transactions for the months of December 2020, May 2021, April 2022, August 2022, and March 2023 to identify any non-compliance with the above cited guidelines, policy, and procedures.

Richard Johnson, Executive Director
December 14, 2023

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

- We determined the current status of prior findings and recommendations reported on SAFCA's procurement card agreed-upon procedures report issued for the period February 1, 2018, to November 30, 2020, dated March 10, 2021.

Result: No prior findings and recommendations were reported during our review.

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 of America. We were not engaged to, and did not perform an audit, examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on SAFCA'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 SAFCA's operations as a whole.

SAFCA's responses to the findings identified during our procedures are described in ATT 1 – *Current Findings and Recommendations*. We did not perform procedures to validate SAFCA'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, Sacramento County Audit Committee, Sacramento County Executive, and management of Department of Finance, Department of General Services, and SAFCA. 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.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Tae-Young Kang, CPA
Audit Manager

Attachment:
ATT 1 - *Current Findings and Recommendations*

COUNTY OF SACRAMENTO
SACRAMENTO FLOOD CONTROL AGENCY
PROCUREMENT CARD PROGRAM
CURRENT FINDINGS AND RECOMMENDATIONS

PERIOD DECEMBER 1, 2020 TO MARCH 31, 2023

1. Internal Controls Over Program

Condition

Sacramento Area Flood Control Agency (SAFCA) does not have written policies or procedures over the County of Sacramento (County) Procurement Card Program (Program) processes. As a result, we noted several issues as described in Findings #2 through #5.

Criteria

SAFCA should maintain written policies and procedures over the Program processes to ensure proper management controls are maintained over the authorization and use of the Procurement Cards and be in compliance with the County Program guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements.

Effect

Due to lack of written internal control policies and procedures over the Program processes, SAFCA did not meet the compliance requirements with the County Program guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements as described in Findings #2 through #5.

Recommendation

We recommend SAFCA establish and implement internal control policies and procedures over the Program processes to ensure proper management controls over the authorization and use of the Procurement Cards and be in compliance with the County Program guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements.

Management Response

SAFCA will establish and implement internal control policies and procedures over the Program processes to ensure proper management controls over the authorization and use of the Procurement Cards and be in compliance with the County Program guidelines, policies, procedures, and all other applicable laws, regulations, and statutory requirements.

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2. Retention of Procurement Card/Master Statements

Condition

We requested Procurement Card statements with supporting documentation for a sample of five months (December 2020, May 2021, April 2022, August 2022, and March 2023). We noted one Cardholder did not have a statement for May 2021 and two Master Statements for December 2020 and May 2021 were not retained as required by the Program Guidelines and Procedures Manual (Manual). As a result, we were not able to determine whether there were any purchases for May 2021 of the one Cardholder and whether the accurate payment total was made for that month.

Criteria

Per the Manual, SAFCA must obtain Master Statements and compare the total amounts to amounts of the Cardholder statements and payment totals. In addition, SAFCA must retain Procurement Card statements and all supporting documentation for the current Fiscal Year plus five years per Government Code 26907. Missing or incomplete supporting documentation is considered misuse of the Program and may result in the suspension of card privileges.

Effect

SAFCA did not comply with the Manual, and we were not able to determine whether the accurate payment was made for May 2021. SAFCA may be subject to suspension of card privileges.

Recommendation

SAFCA should obtain Master Statements and compare the totals to amounts of the Cardholder statements and payment totals. In addition, SAFCA should retain Procurement Card statements and all supporting documentation for the period specified by Government Code 26907 to comply with the Manual. Also, see recommendation for Finding #1.

Management Response

SAFCA will ensure that all Master Statements are obtained, and all Procurement Card statements and all supporting documentation is retained.

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3. Sales/Use Taxes and Secondary Review

Condition

We tested all 16 Procurement Card purchases for the five months sampled, where nine purchases were subject to sales/use taxes. During our testing, we noted that sales/use tax for six of the nine purchases were either incorrectly accrued using incorrect tax rates or not accrued at all by the Cardholders on their Procurement Summary forms. In addition, the tax liabilities were incorrectly entered into the County's Financial System (COMPASS) resulting in under/over accrual of tax liabilities. These errors were corrected by the County Department of Finance (DOF), Payment Services.

It appeared that sales/use tax calculation on Procurement Card Summary forms and the input of the tax liabilities to COMPASS were not thoroughly reviewed by the secondary reviewers.

Criteria

Per California law and the 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.

Per the Manual, Procurement Summary forms prepared by Cardholders and the supporting documentation must be reviewed by the Approving Official. In addition, the Deputy Auditor-Controller is required to perform the pre-audit of Cardholder purchases to verify that all purchases are legal and do not violate County purchasing policies and procedures or purchasing regulations.

In addition, COMPASS entries of sales/use tax liabilities/receivables should be thoroughly reviewed before releasing the entries.

Effect

SAFCA did not comply with California law and the Manual. The incorrect application of sales/use tax rates on the Procurement Summary forms and incorrect entries in COMPASS resulted in an under accrued and outstanding tax liability.

Without thorough review processes, SAFCA may under/over accrue future sales/user tax liabilities without detecting the errors in a timely manner.

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Recommendation

SAFCA should provide proper training on sales/use tax calculation and COMPASS data input to its Procurement Card users and staff who are involved in Procurement Card payment processes. In addition, SAFCA should perform thorough reviews of Procurement Summary forms, supporting documentation, and COMPASS entries prior to notifying DOF, Payment Services staff that payment is ready for processing to US Bank. Also, see recommendation for Finding #1.

Management Response

SAFCA has discussed the sales/use tax calculation and COMPASS data input with DOF, and clarification of errors was provided and has been corrected. SAFCA will also ensure that special attention is taken to sales/use tax during secondary reviews of Procurement Card payment transactions.

4. Access to Procurement Card Records and Supporting Documentation

Condition

During our fieldwork, we requested access to the Procurement Card records, including bank statements and supporting documentation to verify that Procurement Cards and records are safeguarded in a secure location. SAFCA has only one staff member who has access to the electronic folder and filing cabinet storing Procurement Card records and did not confirm an alternate in case that staff member is unavailable, therefore, we were not able to verify whether the statements and records were safeguarded securely, as the only staff member who has access to the records was on extended leave. As a result, we were not able to obtain access to the Procurement Card records.

Criteria

Per the Manual, Procurement Card records and account numbers must be safeguarded, and Purchasing Cards must always be kept in a secure location.

Per the Program Policy, all records must be filed in a manner easily retrieved with all supporting documentation, and scanned records must be available within 48 hours for audit purposes.

Effect

SAFCA did not comply with the Manual and Policy. We were not able to confirm Procurement Card records and account numbers were safeguarded and Purchasing

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Cards were stored in a secure location, readily available in a timely manner for audit purposes.

Recommendation

SAFCA should designate alternate individuals as the Program record keeper, providing coverage for the access to Procurement Card records and supporting documentation within 48 hours of initial request for audit purposes. Also, see recommendation for Finding #1.

Management Response

SAFCA will ensure that alternate individual as the Program record keeper is designated.

5. Contract Item in COMPASS

Condition

Department of General Services (DGS), Contract and Purchasing Services Division tracks purchase items requiring additional tax payments verses items not requiring additional tax payments using different line item numbers in COMPASS on a monthly basis for contract budget monitoring purposes.

During our review of payment processing, we noted that a purchase item not requiring additional tax payment was coded as an item requiring additional tax payment in in COMPASS for April 2022.

It appeared that the input of the tax liabilities to COMPASS were not thoroughly reviewed by the secondary reviewers.

Criteria

COMPASS entries, including Contract Item, should be thoroughly reviewed by a secondary reviewer before releasing the entries.

Effect

Inaccurate entries of amounts on incorrect Contract Items distorts data needed for contract budget monitoring purposes for DGS, Contract and Purchasing Services Division.

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Recommendation

SAFCA should perform thorough reviews of COMPASS entries to ensure payment data is coded accurately before releasing the entries. Also, see recommendation for Finding #1.

Management Response

SAFCA will ensure all COMPASS entries are thoroughly reviewed.