



County of Sacramento

Inter-Departmental Memorandum

May 2, 2018

To: Richard Johnson
Executive Director, Sacramento Area Flood Control Agency

From: Ben Lamera
Director of Finance

By: Alan A. Matré
Chief of Audits

A handwritten signature in blue ink, appearing to read "Alan A. Matré", is written over the printed name.

Subject: **PROCUREMENT CARD AGREED-UPON PROCEDURES FOR THE PERIOD OF MAY 01, 2015 TO JANUARY 31, 2018**

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 Sacramento Area Flood Control Agency's (SAFCA) participation in the program for the period of May 1, 2015 to January 31, 2018. SAFCA's management is responsible for establishing and maintaining effective internal controls, and compliance with the program and travel's guidelines, policy, and 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 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 SAFCA's other operations, procedures, or compliance with laws and regulations.

The procedures and associate findings are as follows below and on the next page:

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

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

- We tested purchases for the period of May 1, 2015 to January 31, 2018 to identify any non-compliance with the above cited guidelines, policy, and procedures.

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

- We determined the current status of prior finding and recommendation reported on SAFCA's procurement card agreed-upon procedures report for the period of July 1, 2012 to April 30, 2015, dated June 9, 2015.

Finding: The current status of prior finding and recommendation for SAFCA is at Attachment I, *Current Status of Prior Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 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 Attachment II, *Current Findings and Recommendations*. We did not perform procedures to validate SAFCA'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, Sacramento County Audit Committee, Department of Finance, Department of General Services, and SAFCA'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 Finding and Recommendation*
Attachment II, *Current Findings and Recommendations*

cc: Members, Board of Supervisors
Nancy Newton, Assistant County Executive
David Villanueva, Deputy County Executive, Administrative Services
Britt Ferguson, Chief Fiscal Officer, Office of Budget and Debt Management
Dianna Baird, Procurement Card Program Administrator, General Services
Jason Campbell, Deputy Executive Director, SAFCA
Remedios Diva, Administrative Officer, SAFCA

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SACRAMENTO AREA FLOOD CONTROL AGENCY
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CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION

PERIOD OF MAY 1, 2015 TO JANUARY 31, 2018

**CURRENT STATUS OF PRIOR FINDING AND RECOMMENDATION (Report Date
June 9, 2015 for the period July 1, 2012 to April 30, 2015)**

1. Missing Cardholder's Signature on Monthly Statements

Comment

During our review of the Sacramento Area Flood Control Agency (SAFCA), we noted missing Cardholder's signature on its monthly statements. According to the County of Sacramento Procurement Card Program (program) Guidelines and Procedures Manual, "*Cardholders must 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.*" Since the Cardholder did not sign its monthly statements, SAFCA was not in compliance with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual.

Recommendation

We recommend SAFCA comply with the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and has its cardholder sign its monthly. We further recommend SAFCA review the County of Sacramento Procurement Card Program Guidelines and Procedures Manual and implement procedures to ensure SAFCA is in compliance with the program.

Management Response

No response received from management.

Current Status

During our review, we noted several issues regarding missing signatures from Cardholders and Approving Official on monthly Cardholder's statements. See Finding #1 on Attachment II, *Current Findings and Recommendations*.

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CURRENT FINDINGS AND RECOMMENDATIONS

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1. Missing Signatures

Comment

During our review of Sacramento Flood Control Agency (SAFCA), we noted several missing signatures on the monthly Cardholder's statements (statements) of May 23, 2016, November 22, 2016, and January 23, 2017. For the month of May 23, 2016, we noted that the Approving Official did not sign the statement. For the months of November 22, 2016 and January 23, 2017, we noted the Cardholder and Approving Official did not sign the statement. Per the County of Sacramento Procurement Program Guidelines and Procedures Manual (Program Guidelines and Procedures Manual), "Cardholders must sign and date the statement attesting the accuracy and validity of charges incurred." Also, per the Program Guidelines and Procedures Manual, "Approving Officials will review all Cardholders 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." Since the Cardholder and Approving Official did not sign the statement, we cannot determine if the transactions are accurate or if the Cardholder and Approving Official reviewed the transactions listed on the statement.

Recommendation

We recommend SAFCA comply with the Program Guidelines and Procedures Manual and have Cardholders and Approving Officials sign statements and all other appropriate documentation. We further recommend SAFCA to review the Program Guidelines and Procedures Manual.

Management Response

Concur with recommendation. SAFCA will review and comply with the Program and Guidelines and Procedures Manual and have all cardholders and approving officials sign statements and all other appropriate documentation.

2. No Cardholder's Statements and Master Statements

Comment

During our review, we noted SAFCA did not obtain and retain Managing Account Statements (Master Statements) for the following months: May 22, 2015, October 22, 2015, December 22, 2015, January 22, 2016, and February 22, 2016. Since the Master Statements or other appropriate documentation were not obtained for the months noted, we cannot determine the activity for those months.

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During our review, we also noted that the Deputy Auditor-Controller (A-C) did not obtain and retained the Master Statements for May 23, 2016, February 22, 2017, March 22, 2017, June 22, 2017, July 24, 2017, May 23, 2017, and November 22, 2017. Per the Program Guidelines and Procedures Manual, Master Statements are used to ensure that all Cardholder's transactions are accounted for. In addition, the Master Statements are used to obtain the amount of US Bank payment that SAFCA should make for the month. Since the Master Statements were not obtained and retained for the months just mentioned, the Deputy A-C could miss unauthorized transactions and US Bank payment could be made for the incorrect amount and not be corrected in a timely manner.

We further noted that SAFCA did not retain and obtained statements for a Cardholder for the months of October 24, 2016 and November 22, 2016. Per the Program Guidelines and Procedures Manual, as mentioned in finding #1, "Cardholders must sign and date the statement attesting the accuracy and validity of charges incurred." Since the statements were not obtained, the Cardholders did not attest the accuracy and validity of the transactions made for the month.

Recommendation

We recommend SAFCA comply with the Program Guidelines and Procedures Manual and obtain all Master Statements to perform the Deputy A-C pre-audit review and obtain the US Bank payment amount.

Management Response

Concur with recommendation. SAFCA will comply with the Program Guidelines and Procedures Manual and obtain and review all Master Statements.

3. Individual Acting As Deputy A-C

Comment

During our review, we noted that another individual acted as the Deputy A-C and signed the Procurement Card summaries. In addition, we noted that the individual who signed the Procurement Card summaries was not deputized and not authorized to approve the summaries. Per the Procurement Guidelines and Procedures Manual, the Deputy A-C should verify the transactions and sign all the Procurement Card summaries indicating that all transactions have been verified. Also, per the Program Guidelines and Procedures Manual,

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the Deputy A-C receives Procurement Card training related to the specific duties of their position along with the duties of Cardholders and other Procurement Card staff.

Since the Deputy A-C did not sign the Procurement Card summaries and another individual signed, we cannot determine if proper review was conducted since the individual signing as the Deputy A-C is not deputized and has not received proper training. In addition, unauthorized transactions could be missed and not be corrected in a timely manner.

Recommendation

We recommend SAFCA comply with Procurement Guidelines and Procedures Manual and have the Deputy A-C sign all Procurement Card Summaries to indicate that proper review was made. Also, the individual signing as the Deputy A-C should be deputized. If the Deputy A-C is going to be absent for a short duration (less than three weeks), SAFCA may request the Department of Finance to provide pre-audit services. If the Deputy A-C is absent for more than one payment period, SAFCA should nominate a new Deputy A-C for appointment. SAFCA has the option to deputize another individual to serve as a back-up Deputy A-C.

Management Response

Concur with recommendation. SAFCA will comply with Procurement Guidelines and Procedure Manual and have Deputy A-C sign all Procurement Card Summaries.

4. Split Transactions

Comment

During our review, we noted that it appears that two Cardholders split one invoice into three transactions to circumvent spending limits. The two Cardholders who appear to have split the transactions have a single transaction limit of \$1,000. The total invoice amount of \$2,230 was split into the charges of \$1,000 made on September 29, 2017, \$230 made on October 3, 2017, and \$1,000 made on October 3, 2017 by another Cardholder.

We further noted another invoice that appears to have been split into two transactions. The invoice was for a total amount of \$1,225 with a cancelation of \$175 that left a new invoice total of \$1,050. The \$1,050 was split into two transactions. One transaction was made on

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October 10, 2017 in the amount of \$1,000 and the other one was made on October 11, 2017 in the amount of \$50.

Per the Sacramento County Code Section 2.56.260, splitting purchases is prohibited. Purchases cannot be split between Cardholders or over several days to circumvent the single transactions spending limit. Since it appears that the Cardholders split transactions, SAFCA is not in compliance with Sacramento County Code Section 2.56.260.

Recommendation

We recommend SAFCA comply with Sacramento County Code Section 2.56.260 and have all Procurement Card participants review the sections regarding split transactions in the Program Guidelines and Procedures Manual.

Management Response

Concur with recommendation. SAFCA will comply with Sacramento County Code Section 2.56.260 and will have all procurement card participants review the Program Guidelines and Procedures Manual.

5. Missing Documentation

Comment

During our review, we noted the total of the Cardholder's charges was \$147.87 but the total of "purchases & other charges" noted on the Master Statement was \$150.72. SAFCA was unable to provide a reason to why that charge was noted on the Master Statement and no supporting documentation was provided for the "CR.BAL.REV" charge noted on the corporate account activity section in the Master Statement of August 24, 2015. The charge was for the amount of \$2.85.

Supporting documentation should be obtained and retained for all charges on the account and an investigation should be conducted for charges appearing on the corporate account activity section on the Master Statement. If no investigation is conducted, unauthorized transactions could be charged to the account and not be corrected in a timely manner.

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Recommendation

We recommend SAFCA to investigate all charges on the Master Statement and obtain and retain supporting documentation for all charges.

Management Response

Concur with recommendation. SAFCA will investigate all charges on master statement and obtain and retain supporting documentation for all charges.

6. US Bank Payment

Comment

During our review, we noted that US Bank payment was made past the 45 day period for the monthly statements of May 23, 2016 and March 22, 2017. Per the Program Guidelines and Procedures Manual, "US Bank must receive payment of departmental Procurement Card billing no later than 45 days from the date of billing statement." Also, per the Program Guidelines and Procedures Manual, "the County loses money when all statements are not paid within the 45 days of the billing date." Since not all payments are done within the 45 day payment deadline, the County of Sacramento could potentially lose money.

Recommendation

We recommend SAFCA comply with the Program Guidelines and Procedures Manual and make US Bank payments within the 45 day period. We further recommend SAFCA to review all sections regarding the 45 day period in the Program Guidelines and Procedures Manual.

Management Response

Concur with recommendation. SAFCA will comply with the Program Guidelines and Procedures Manual and all US Bank payments will be made within the 45 day period.

7. Sales/Use Tax

Comment

During our review, we noted two transactions where the merchant did not charge SAFCA tax and SAFCA did not accrue tax in the County of Sacramento Financial System (a.k.a.

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COMPASS). Per California law and the Program Guidelines and Procedures Manual, if the merchant does not charge the correct tax, the correct 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. Since SAFCA did not accrue tax in COMPASS, SAFCA is not in compliance with California law and Program Guidelines and Procedures Manual.

Recommendation

We recommend SAFCA comply with California law and Program Guidelines and Procedures Manual and accrue tax in COMPASS when the merchant does not charge SAFCA tax.

Management Response

SAFCA concurs with the recommendation.

8. Transaction Over Spending Limit

Comment

During our review, we noted one transaction that exceeded the Cardholder's spending limit of \$1,000. The transaction was for the total amount of \$1,050 made in the monthly statement of November 22, 2017. Per the Program Guidelines and Procedures Manual, "at the time of the transactions, the Cardholder and the merchant must reach an agreement and understanding regarding cost, sales tax, shipping, and freight or handling charges." Also, per the Program Guidelines and Procedures Manual, the Cardholders are notified of their spending limits when they apply and sign the Procurement Card application. Since the Cardholder did not stay within their spending limits, SAFCA is not in compliance with Program Guidelines and Procedures Manual.

Recommendation

We recommend SAFCA comply with Program Guidelines and Procedures Manual and have Cardholders verify the transaction total with the vendor before authorizing the transaction. Also, we recommend SAFCA's Cardholders to not rely on the transaction to be decline if the transaction is over their spending limits.

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Management Response

Concur with recommendation. SAFCA will comply with Program Guidelines and Procedures Manual and have cardholder verify transaction total with the vendor prior to authorizing the transaction.

9. Management Oversight (Deputy A-C)

Comment

During our review, we noted several issues regarding management oversight. During the month of May 22, 2016, we noted that the Deputy A-C did not document the amount of payment they were authorizing to US Bank. We further noted that the Deputy A-C did not give written warning to the Cardholders who appear to have split transactions (see finding #4 of this attachment). In addition, the Deputy A-C did not give written warning to the Cardholder for exceeding their spending limits (see finding #8 of this attachment). Furthermore, the Deputy A-C did not use Master Statements when conducting their Deputy A-C pre-audit review (see finding #2 of this attachment).

The Deputy A-C should be completing Procurement Card program forms appropriately to indicate proper review and approval was obtained. Furthermore, as noted in the Program Guidelines and Procedures Manual, the Deputy A-C has the responsibility to document Procurement Card violations and forward a copy of the violations to appropriate personnel in the Department of Finance.

Since the Deputy A-C did not complete forms appropriately, it can create confusion to the person processing US Bank payment and the payment could be incorrectly made and not be corrected in a timely manner. Also, since the Deputy A-C did not document Procurement Card violations and forward them to appropriate personnel in the Departments of Finance and General Services, the Cardholder could continue to misuse the Procurement Card and the Departments of Finance and General Services would not be able to take proper action.

Recommendation

We recommend SAFCA comply with Program Guidelines and Procedures Manual and have the Deputy A-C complete all Procurement Card forms appropriately. We further recommend SAFCA have the Deputy A-C be immediately retrained in their duties as the Deputy A-C. In

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addition, we recommend SAFCA have all individuals participating in the Procurement Card program immediately review the Program Guidelines and Procedures Manual.

Management Response

Concur with recommendation. SAFCA will comply with Program Guidelines and Procedures Manual and the Deputy A-C will complete all Procurement Card forms appropriately.

10. Repeat Finding

Comment

During our review, we noted that finding #1 of this attachment is a repeat finding from the prior Procurement Card program review report, see Attachment I, *Current Status of Prior Finding and Recommendation*. Proper internal controls dictate that this finding be resolved in a timely manner.

Recommendation

We recommend SAFCA to implement the recommendation on finding #1 of this attachment.

Management Response

Concur with recommendation. SAFCA will implement the recommendation on Finding #1 of this attachment.