



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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February 5, 2014

Ms. Mary Dietrich, Director
Placer County Facility Services Department
11476 C Ave
Auburn, CA 95603

Re: Credit Card Review

Dear Ms. Dietrich:

The Internal Audit Division of the Auditor-Controller's Office performed a review of credit card purchases made by the Facility Services Department (Department) during the period from December 1, 2012 through May 31, 2013. The objectives of our review were to determine whether (a) proper department internal controls regarding the use of county credit cards have been designed to prevent and/or detect fraud or abuse from occurring, and whether those internal controls have been placed into operation and are operating as designed; (b) credit card purchases were made in accordance with the County's Credit Card Program Policies and Procedures Manual; (c) credit card purchases were valid and had proper supporting documentation substantiating the expenditure; (d) proper review and approval of monthly department credit card charges were made by the approving official; and (e) department credit card charges were properly reconciled and recorded to the appropriate general ledger account via department journal vouchers.

The Department made 126 purchases, totaling approximately \$21,600, during our review period. Based on our review, which consisted of inquiries of accounting staff regarding current processes and procedures employed by the Department and physical inspection of supporting credit card documentation, except as noted below, it appears the internal controls are operating as designed within Facility Services.

Our observations and recommendations are as follows:

Sales/Use Tax

During our review, we noted one instance out of twenty tested where sales/use tax was incorrectly charged by the vendor. Billing Officials must be aware of sales/use tax requirements

as stated in the County's Credit Card Program Policies and Procedures Manual, Section 8.0 – Telephone/Mail/Internet Orders.

We recommend the Department Billing Official review all invoices/receipts to ensure the appropriate sales tax was charged. If the amount was billed incorrectly, the Department Billing Official should consider having the cardholder contact the vendor for a credit, if the difference is material. For out-of-state or internet purchases, invoices should be reviewed carefully and the amount of sales tax recalculated. If the vendor did not charge sales tax or the sales tax amount charged by the vendor is incorrect, the Department Billing Official should complete the "CAL-Card Supplemental Sales/Use Tax Recap Sheet" as required by the County's Credit Card Program Policies and Procedures Manual, Section 8.0 – Telephone/Mail/Internet Orders and Section 20.3 – Billing Official Procedures.

Department's Response:

Our Department Billing Official does review all invoice/receipts to ensure the appropriate sales tax was charged. In situations where there is a sales tax difference, the Billing Official reviews the materiality of the discrepancy and determines whether contact with the vendor is warranted. In the example identified by the audit, the purchase amount was \$112.94 and the sales tax discrepancy was \$1.41. In the past, staff has been unsuccessful in recovering the discrepancy with the vendor because the vendor, having already been paid, is unwilling to revise the transaction. In addition, the amount of staff time to recover the discrepancy, far exceeds the amount of the discrepancy. In our experience this is not a persistent problem. If it becomes a persistent problem, the Department commits to work with the Auditor's Office to develop strategies for recovery.

Evidence of Prior Approval

We noted two instances where there was no supporting documentation evidencing that prior approval was obtained before the purchases were made by office personnel as required by the Department's policy.

We recommend all cardholders be made aware of the department's policy for obtaining and documenting approval prior to purchases being made.

Department's Response:

The Department understands the importance of obtaining and documenting manager approval prior to the purchases being made. In the future, the Department will make every effort to obtain written approval prior to purchases being made.

PAS – Account Coding

We noted four instances where the account coding on the JC (PAS) document did not agree to the account coding listed on the department's "Credit Card Purchase Information" form.

We recommend the Billing Official ensure that account coding listed on all supporting documentation agrees to the account coding listed on the JC (PAS) document and that the approver of the JC (PAS) document review the supporting documentation for accuracy before approving the JC (PAS) document in the PAS accounting system.

Department's Response:

Facility Services Billing Official reviews all credit card charges. Part of this review includes verifying account coding submitted by staff. On occasion staff records incorrect account coding that is changed by the Billing Official. In the future, the Billing Official will document any changes made to account codes on the Credit Card Purchase Information form and will initial these changes.

The Department's responses to our recommendations identified in our review are included above. We did not audit their responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Facility Services Department's staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Valerie Bayne, Administrative Services Manager
Placer County Audit Committee