



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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May 5, 2014

Mr. Jeffrey Brown, Director
Placer County Health and Human Services Department
3091 County Center Drive, Suite 290
Auburn, CA 95603

Re: Credit Card Review

Dear Mr. Brown:

The Internal Audit Division of the Auditor-Controller's Office performed a review of credit card purchases made by the Health and Human Services Department (Department) during the period from July 1, 2013 through December 30, 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 964 purchases, totaling approximately \$122,000, 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 the Department.

Our observation and recommendation is as follows:

Sales/Use Tax

During our review, we noted two instances out of fifty tested where sales/use tax was incorrectly calculated. Billing Officials must be aware of sales/use tax requirements as stated in the 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. You can also refer to the County's Accounting Policies and Procedures Manual under the General Payment Guidelines and Requirements, Sales and Use Tax, page 62, for specific guidelines regarding sales/use tax applicability to shipping and handling charges.

Department's Response:

Health and Human Services agrees with the findings of the Internal Audit Division, and will implement their recommendations regarding Telephone/Mail/Internet Orders. Department Billing Officials will be asked to review the sales/use tax requirements for these type of orders and verify amounts are correct on all invoices/receipts prior to processing.

The Department's response to our recommendation identified in our review is included above. We did not audit their response and, accordingly, we do not express an opinion on it.

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

Respectfully,

A handwritten signature in blue ink, appearing to read "Nicole C. Howard".

Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Rebecca Mellott, Director, HHS Administrative Services
Placer County Audit Committee