



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

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September 19, 2013

Mr. Edward Bonner, Sheriff  
Placer County Sheriff's Office  
2929 Richardson Drive  
Auburn, CA 95603

Re: Credit Card Review

Dear Sheriff Bonner:

The Internal Audit Division of the Auditor-Controller's Office performed a review of credit card purchases made by the Sheriff's Office during the period from March 1, 2012 through February 28, 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 Sheriff's Office made purchases of approximately \$461,800 during our review period. Based on our review which consisted of inquiries of accounting staff regarding current processes and procedures employed by the Sheriff's Office and physical inspection of supporting credit card documentation, except as noted below, it appears the internal controls are operating as designed within the Sheriff's Office.

Our findings and recommendations are as follows:

### Unauthorized Use

During our review, we noted three instances out of the ninety-five tested, where a County Credit Card was used for personal purchases. The purchases were made by two separate employees and all of the purchases were subsequently reimbursed by the cardholders. For one of the two employees, it does not appear to be the first occurrence of this nature.

We recommend all cardholders review, understand and comply with the County's Credit Card Program Policies and Procedures Manual, Section 11.0 – Unauthorized Use of County Credit Card. Additionally, we recommend the County credit card should be rescinded and cancelled immediately for the cardholder with past occurrence(s) of unauthorized use.

#### Sheriff's Office Response:

*We agree with the finding and recommendation. We will ensure that all cardholders within the Sheriff's Office are again provided with and asked to review the County's Credit Card Policy. The County credit card for the cardholder with past occurrence of unauthorized use was cancelled on December 20, 2012.*

### Non-Taxable Meal Charges Exceeded Allowable Per Diem

We noted two instances where non-taxable related meal charges exceeded the allowable per diem total for the meal.

We recommend the department immediately request the amount that exceeded the allowable per diem total from the cardholder in order to comply with the Placer County Meals, Lodging, Travel and Transportation Policy. Additionally, all meals, regardless of whether they are taxable or non-taxable, should be reviewed for compliance with the current per diem rates.

#### Sheriff's Office Response:

*The charges in question occurred in May of 2012. Several Sheriff's Office sworn staff, including the Honor Guard, attended the Peace Officer's Memorial in Sacramento. The Undersheriff approved the charges which appear to be authorized under Chapter 2 of the Placer County Administration Rules -- Incidental Expenses for Meetings and Special Events*

*"Department Heads may authorize other incidental expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at board or commission meetings, seminars, and workshops that extend over normal 'break' periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks. However, public funds may not be expended to purchase beverages and food for normal day-to-day County operations or routine staff meetings."*

### Taxable Meal Allowance Reported to Incorrect Employee's Taxable Wages

We noted one instance where an employee's taxable meal allowance (MEC) was reported to the wrong employee's taxable wages in the ACORN payroll system.

We recommend a Prior Pay Period Time & Labor Adjustment form be prepared to remove the taxable meal allowance from the incorrect employee's taxable wages and one be prepared to add the taxable meal allowance to the correct employee's taxable wages. The Prior Pay Period Time & Labor Adjustment forms should then be submitted to the Auditor-Controller's Office – Payroll Division for processing. Additionally, the department's Taxable Visa Meals Recap Sheet and its related supporting documents should be reviewed, by someone other than the preparer, before being entered into the ACORN payroll system.

#### Sheriff's Office Response:

*We concur with the finding and recommendation. A Prior Pay Period Time & Labor Adjustment form was prepared to add the taxable meal allowance to the correct employee's taxable wages and to remove the allowance given to the incorrect employee. This form was submitted to Auditor-Controller's Office – Payroll Division on August 12, 2013.*

*We will ensure a more in-depth review of the Sheriff's Office's Taxable Meals Recap Sheet and supporting documentation.*

### Uncollected Vendor Refunds and Employee Reimbursements

We noted one instance where a conference registration was cancelled and the vendor did not issue a refund and one instance where a reimbursement owed by an employee for exceeding the allowable meal per diem was never paid by the employee. Additionally, the department did not have a system in place to monitor amounts due from vendors and employees to ensure payments are received.

We recommend the department put a system in place to track all refunds and reimbursements owed by vendors and employees to ensure amounts due are received. Additionally, the department should ensure they take the necessary steps to collect the amounts owed by the vendor and employee referred to above.

#### Sheriff's Office Response:

*We agree with the finding and the recommendation. The Sheriff's Office has a system in place to track all refunds and reimbursements due. During the monthly Visa reconciliation process, cardholders' statements are flagged noting the amount owed. The cardholder is sent an email and Administrative Services staff follows up until the payments are received. This process will be improved soon as we will be using QuickBooks to track receivables.*

*A refund was requested for cancellation of the conference registration and was received on 6/12/13. The reimbursement owed the by employee for exceeding the allowable meal per diem was requested and received on 8/29/2013.*

### Sales/Use Tax

We noted seven instances where Sales/Use Tax was incorrectly calculated. 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. 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.

#### Sheriff's Office Response:

*We agree with the finding and the recommendation. Sheriff's Office Billing Officials and staff processing Visa statements have been educated as to the sales/use tax requirements. A more in-depth review of the origin of sales and the application of sales tax will be incorporated into our process.*

*On September 5, 2013 the Sheriff's Office submitted an adjustment on a "Cal Card Supplemental Sales/Use Tax Recap Sheet."*

### Lack of Detailed Receipt

We noted three instances where purchases were only supported by credit card charge slips and not by a detailed receipt as required by the County's Credit Card Program Policies and Procedures Manual, Section 19.0 – Sales Transaction Procedures.

We recommend all Cardholders, Approving Officials and Billing Officials be aware of the documentation requirements stated in the County's Credit Card Program Policies and Procedures Manual, Section 19.0 – Sales Transaction Procedures. In addition, the Approving Official should perform a detailed review of the supporting documents for completeness and accuracy and when exceptions to the policy are noted, they should not approve.

#### Sheriff's Office Response:

*We agree with this finding and recommendation. Extra care will be taken when reviewing and processing the monthly Visa statements to ensure that detailed receipts are included. If these are unavailable for any reason, the cardholder will complete and submit a "missing receipt" form.*

### Supporting Documentation

We noted two instances where purchases were supported by a receipt that did not agree to the amount appearing on the Cardholder's statement. The County's Credit Card Program Policies and Procedures Manual, Section 20.1 – Cardholder Procedures, requires all items on the cardholder's statement to be either matched or disputed.

We recommend all Cardholders review, understand and comply with the County's Credit Card Program Policies and Procedures Manual, Section 20.1 – Cardholder Procedures. In addition, the Approving Official should perform a detailed review of the supporting documents for completeness and accuracy and when exceptions to the policy are noted, they should not approve.

#### Sheriff's Office Response:

*We agree with the finding and recommendation. We will ensure that all Sheriff's Office card holders and staff processing Visa statements are again provided with and asked to review the County's Credit Card Policy. A more in-depth review of the supporting documentation will be incorporated into our process.*

### Approving Officials Duties

We noted two instances where there was no signature of approval on the Cardholder's statement and one instance where there was no signature of approval on a "Missing Receipt" form.

We recommend Approving Officials review Cardholder's statements and upon completion of their review, they should sign and date the statements as evidence that review of the Cardholder's statements was performed as required by the County's Credit Card Program Policies and Procedures Manual, Section 20.2 – Approver Procedures. Additionally, Approving Officials should ensure they sign all "Missing Receipts" forms as required by the form.

#### Sheriff's Office Response:

*We agree with the finding and recommendation. A more thorough review of supporting documentation will be incorporated into our process to ensure that all appropriate signatures are present and visible. All signatures have now been obtained.*

### Evidence of Prior Approval

We noted three instances where there was no documentation evidencing the request or approval to make a purchase as required by the department's policy that a "Request for Purchase" form be filled out and approved by the Captain for purchases other than meals, or some other documented approval prior to purchase.

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

Sheriff's Office Response:

*We agree with the finding and recommendation. We will ensure that all cardholders within the Sheriff's Office are again provided with and asked to review the County's Credit Card Policy. Cardholders will comply with the Sheriff's Office guidelines for prior approval of purchases.*

PAS – Account Coding

We noted three instances where the account coding on the JC (PAS) document did not agree to the account coding listed on the department's "Credit Card Reconciliation" 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 document (PAS) review the supporting documentation for accuracy before approving the JC (PAS) document in the PAS accounting system.

Sheriff's Office Response:

*We agree with the finding and recommendation. The Sheriff's Office will ensure that account coding on all supporting documentation agrees to the account coding entered on the JC (PAS) document and posted to PAS accounting system.*

We appreciate the courtesy and cooperation of Sheriff's Office staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA  
Assistant Auditor-Controller

cc: David Boesch, County Executive Officer  
Judy LaPorte, Administrative Services Manager, Sheriff's Office  
Elisabeth Zmyslowski, Senior Administrative Services Officer, Sheriff's Office  
Placer County Audit Committee