



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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October 6, 2020

Dr. Robert Oldham, Director/Chief Psychiatrist
Placer County Department of Health and Human Services
3091 County Center Drive, Suite 290
Auburn, CA 95603

Re: Countywide Procurement Card Program Audit

Dear Dr. Oldham:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. After completing the monitoring review for the period of January 1 to June 30, 2019, the Internal Audit Division initiated a compliance audit for the period of July 1, 2019 to March 13, 2020. The objective of the audit was to review Procurement Card usage for compliance with County policies and evaluate the administration of the Procurement Card Program for adequate internal controls.

We reviewed a sample of the Department of Health and Human Services' (Department) Procurement Card purchases and related documentation files to ensure the Department's compliance with current policies and procedures, and determine if adequate internal controls are in place and operating as designed. Based on our monitoring review and compliance audit, we determined there were several instances of non-compliance with County policies and procedures related to Procurement Card purchases, as well as areas where internal controls could be strengthened. Accordingly, our observations and recommendations are as follows.

Observation #1– Statements were not Approved by Approving Officials

We identified several instances in which the Approving Officials never approved the Cardholders' statement and we did not find any documentation in the Wells Fargo system to explain the reason for missed approval. Also, we noted the supporting documentation for two of the transactions was uploaded after the grace period had ended.

Section 3.2 of the Procurement Card Policy (PCP) discusses the accountability of Cardholder and Approver and states, "Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases."

Also, Section 3.2 of the PCP states, "All transactions must be submitted and reviewed by the Cardholder within the defined timeframe for each cycle period.....Approvers shall review the Cardholder's transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period."

Further, Section 3.1.5 (Cardholder Action) of the Procurement Card Program Procedures Manual (PCPPM) states, "If the Cardholder is unable to review their statement within the required period, they must notify their Approver in advance." Additionally, Section 3.2.4 (Approver Action) of the PCPPM states, "If any Approver is unable to review their statement within the required period, they must notify their Secondary Approver in a timely manner to complete the reconciliation process."

Recommendation #1

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation is submitted in the Wells Fargo system by the grace period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance (per Section 3.1.5 of the PCPPM) and upload proof of the communication in Wells Fargo system. Also, we recommend the Department designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

Also, we recommend Approvers start the approval process as soon as the Cardholder has submitted their statement to ensure sufficient time for review and approval by the required period. If any Approver is unable to review their statement within the required period, they must notify their Secondary Approver in a timely manner to complete the reconciliation process (per Section 3.2.4 of the PCPPM).

Department's Response:

We concur with the observation and recommendations. Approving Officials have been reminded of their obligation to review and approve credit card statements timely and to ensure appropriate documentation is provided to support each transaction in accordance with all County policies and procedures prior to approving. Reconcilers are used when efficient and appropriate.

Observation #2– Circumventing Purchases

We found instances in which Cardholders split a purchase into separate transactions in which the total exceeded their single purchase limit (SPL). Per the Wells Fargo system's record, these Cardholders did not receive a temporary increase to their SPL to cover the purchases.

Example: On 8/7/2019, the Cardholder split a \$1,367.45 purchase into two separate transactions (\$1,000 and \$367.45, respectively) in which the total exceeded the SPL of \$1,000. The purpose of purchase was to pay for 100 stainless tumblers for a youth program event.

Section 2.4 of the PCPPM states, "Each single purchase may be comprised of multiple items, but the total including freight, shipping, and tax cannot exceed the Cardholder's single purchase limit. Purchases must not be split to circumvent procurement regulations by swiping the card twice, or making the same purchase on subsequent days, etc."

Recommendation #2

We recommend the Department's Cardholders and Approving Officials revisit and understand Section 2.4 of the PCPPM which prohibits splitting purchases to circumvent procurement regulations. Going forward, we recommend the Department Head or their designee contact the Procurement Services Division to request a temporary increase to the Cardholder's SPL to cover a large purchase that will exceed the Cardholder's SPL. All Cardholders should be aware of their SPL before making a purchase.

Department's Response:

We concur with the observation and recommendation. Cardholders have been reminded each Procurement Card has a single purchase limit and where this information is located within the online Wells Fargo Bank Portal. Cardholders have been reminded of the process to request an immediate and/or temporary increase, when needed, to affect a purchase greater than their single purchase limit to avoid circumventing policy.

If a company's policy requires multiple purchases (e.g. training room reservations that must occur on a daily basis), Cardholders have been advised to document specific exceptions with adequate justification and support. Cardholders have been reminded that continued misuse of their card and violations of the Procurement Card and County policies and procedures may result in the loss of privileges.

Observation #3– Unallowable Charges per County Policies

We found instances in which Cardholders used their Procurement Cards to pay for goods and services or personal expenses that are not allowed by County policies. Additionally, reimbursement for some of the transactions were not made timely.

Unallowable Items by Accounting Policies & Procedures Manual (APPM)

Example: On 11/22/2019, a Cardholder purchased \$206.78 of holiday greeting cards for a staff member to give out to staff and County contacts. Although the Department Head approved the purchase, the APPM (Page 58) identified "greeting cards for staff or others" as an unallowable item that is not permitted using public funds.

Further, Section 3.1.6 of the PCPPM states, "If there are Procurement Card unallowable charges per the applicable policies (e.g. Meals & Travel, Procurement Policy or other related or applicable policies), the Cardholder shall provide payment, as reimbursement, to the Limited Program Administrator. The Limited Program Administrator will deposit the funds to offset the charge."

Personal Expense

Example #1: Between 1/1/2019 and 4/14/2019, we found three instances where Cardholders inadvertently used the Procurement Card for personal expenses which were subsequently reimbursed by the Cardholders. However, the Cardholders did not reimburse the County within the reconciliation period. In one instance, the Cardholder took 380 days after the transaction to reimburse the County.

Example #2: On 8/20/2019, a Cardholder inadvertently used the Procurement Card for Uber service during a personal trip and reimbursed the County on 9/26/2019, 36 days after the transaction. Additionally, the proof of reimbursement was not uploaded in the Wells Fargo system until 22 days after the reconciliation period had ended.

Section 2.0 of the PCP states, "County issued Procurement Cards are authorized for the purpose of conducting County business. The card is strictly for official County use and may not be used for personal purchase or under circumstances that would create a conflict of interest."

Section 1.3 of the PCPPM states, "unauthorized use of a Procurement Card can constitute: fraud; willful misuse of public funds; and dishonesty. If the card is used in an unauthorized manner, repayment must be coordinated with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Food and Beverages for Routine Staff Meetings

Example: On 10/29/2019, 11/7/2019, and 1/20/2020, two Cardholders purchased coffee, pastries, and fruit totaling \$117.88 for the Department's managers meetings. However, Section 3.2C¹ of the Meals, Lodging, Travel, and Transportation Policy (MLTTP) does not allow the purchase of beverages and food for routine staff meetings.

Recommendation #3

We recommend the Department collect \$324.66 ($\$206.78 + \$117.88 = \324.66) to reimburse the County for the purchases of greeting cards and food and beverages (for routine staff meetings) which are unallowable per the APPM and MLTTP.

Also, we recommend the Cardholders and Approving Officials revisit and understand the PCPPM and MLTTP to ensure that Procurement Card purchases are following all applicable County policies and procedures. Further, we recommend Cardholders exercise due care when making purchases via a cell phone app or over the internet to ensure the method of payment is

¹ Section 3.2C is now Section 3.2f in the revised MLTTP that was updated on 5/5/2020.

appropriate. By exercising extra caution, this will minimize the chance of accidental use of the Procurement Card for personal expense.

In addition, we recommend the Department put a system in place to ensure, if a Cardholder uses the Procurement Card for unallowed purchases, that reimbursement to the County is made immediately.

Department's Response:

Unallowable Items by Accounting Policies & Procedures Manual (APPM)

The Cardholder deemed the purchase of holiday greeting cards as engagement-related and covered by Section 3.2D of the MLTTP, "Expenses for Employee Engagement". The Cardholder obtained Department Head approval of the purchase in accordance with Section 3.2D, which allows for Department Heads to "...approve nominal expenditures for departmental employee engagement and recognition events or activities...." The Cardholder and Approving Official have been educated that the Accounting Policies & Procedures Manual (APPM) identifies "greeting cards for staff or others" as an unallowable item and the Department has issued a demand for payment from the Cardholder in the amount of \$206.78.

Personal Expense

We concur with the observations and recommendations regarding "Personal Expense" with the following comments:

- The instance where it took the Cardholder 380 days to reimburse the County was an oversight. As a result, the Department has reviewed its follow up process and strengthened internal controls. Once a transaction has been clearly identified as unallowable or non-County, the Cardholder is notified by email of an immediate demand for repayment. The Cardholder's name and transaction data is recorded in an electronic tracking log and reviewed weekly by Health and Human Services payroll staff. A second demand for repayment is emailed the following week to the Cardholder, their immediate supervisor, and manager if no repayment or response is received. A final demand for repayment is issued the third week to the Cardholder, their immediate supervisor, manager, assistant director, and director of the division*
- Example #2: "On 8/20/2019, a Cardholder inadvertently used the Procurement Card for Uber [sic] service during a personal trip and reimbursed the County on 9/26/2019, 36 days after the transaction." We concur the cardholder inadvertently used the Procurement Card for Lyft; however, knowledge of the misuse of the Procurement Card was not discovered until the Cardholder reminder period (upload date on September 11th). At or about that time, the Cardholder notified Department administrative staff of the error, that an amount was due to the County, and that a check would be sent. The Cardholder's reimbursement was deposited with the County on 9/25/2019 on CS030128. We have asked Cardholders to disable cell phone apps or internet address defaults for saved County Procurement Card information to avoid accidental use related to non-County purchases.*

Food and Beverages for Routine Staff Meetings

We concur Section 3.2C of the MLTTP applies to the observation and recommendation regarding "Food and Beverage for Routine Staff Meetings". In accordance with Section 3.2C, the Department Head deemed the purchase conducive to the efficient conduct of County business due to the meeting's non-routine and infrequent nature, as well as the extension over a normal "break" period. Due to clarification received from the Auditor-Controller's Office, the Department understands "break" period should be more strictly interpreted to cover only meal periods (i.e. breakfast, lunch, dinner). The Department will also educate Cardholders regarding the intended definition of a "break" and will implement this clarified opinion on a move forward basis. Reimbursement has been deposited with the County on 9/21/2020 on CS050128.

Observation #4– Cardholder Charged Meals on Procurement Card and Received Per Diem

We found a Cardholder traveled overnight for a conference and in essence received meals twice by either using the Procurement Card while also submitting an employee claim for the meal per diem or the Cardholder purchased a meal when the same meal was provided during the conference.

Section 1.3 of the PCPPM states, "unauthorized use of a Procurement Card can constitute: fraud; willful misuse of public funds; and dishonesty. If the card is used in an unauthorized manner, repayment must be coordinate with the Cardholder Supervisor/Manager and Fiscal staff. Repayment in full for unauthorized use must be made immediately."

Recommendation #4

We recommend the Department collect \$32.34 (\$9.94 lunch/incidental on 10/21 and \$22.40 dinner on 10/22) from the Cardholder for reimbursement of meals charged to the Procurement Card. If a Cardholder plans to submit an employee claim for meals during an overnight trip, they should not use the Procurement Card to purchase these meals, but should instead use their own funds to purchase them. Going forward, we recommend the Department verify the employee expense claims against the employee's Procurement Card expenses to ensure that employees are not getting paid twice for meal allowance for overnight travel.

Department's Response:

We concur with the observation and recommendation. The Department has reviewed its process and strengthened internal controls related to verifying employee expense claims against the employee's Procurement Card expenses. The Department has shorted the time between review periods from one time per month to one time per week. Educative training has been performed to all payroll staff to ensure they are skilled to review for these types of incidents and to reduce the likelihood of misuse of County funds. Cardholders have also been encouraged to use personal funds for meal expenses when traveling and to submit an Expense Report claiming the per diem and incidental daily allowance, when applicable. Reimbursement was deposited with the County on 5/26/2020 on CS043747.

Observation #5– Purchases were Approved without Adequate Documentation

We identified numerous instances where the procurement purchases were not supported with adequate documentation. This included:

- Purchase was not supported with an itemized invoice/receipt,
- Missing justification for airport daily or garage lot,
- Missing justification/approval for seat upgrade for flight,
- Missing County Executive Officer (CEO) approval for promotional expenses,
- Missing CEO approval for emergency meal expenses,
- Travel costs were not supported with Travel Request (TR)/Spend Authorization (SA) number,
- Meal overage was not supported with timely reimbursement, and
- Missing signature on CSOC Credit Card Reimbursement Request (HHS Internal Document)

Section 3.2 of the PCP discusses the accountability of Cardholder and Approver and states, “Cardholders shall review their statement of transactions and provide the appropriate documentation for all purchases. All transactions must be submitted and reviewed by the Cardholder within the defined timeframe for each cycle period.....Approvers shall review the Cardholder’s transactions and confirm that appropriate documentation is provided, the purchase is appropriately budgeted, and in accordance with County policies and procedures. All transactions must include the applicable department accounting information and be reviewed by the Approvers within the defined timeframe for each cycle period.”

In addition, Section 3.3 of the PCPPM states the Limited Program Administrator (LPA) shall “ensure that any needed documentation is attached to each cardholder statement and that the online documentation represents a full and complete summary of all the needed and required documentation to validate the purchases.”

Purchase was not Supported with an Itemized Invoice/Receipt

Example: On 2/14/2020, the Cardholder used the Procurement Card to pay for a client’s utility payment. However, the payment was not supported with an itemized invoice. The “invoice” that was uploaded in the Wells Fargo system only reflected the total charge which is not acceptable documentation for the transaction. Also, the amount due (\$169.58 per the reminder notice) does not match with the amount payment of \$526.

Section 2.6 of the PCPPM states, “A simple receipt that only reflects the total charges is not acceptable documentation for the transaction. If the receipt or invoice is not itemized, the Cardholder must fill out the “Missing Receipt” form and include all appropriate information that demonstrates compliance with the applicable County policy.”

Missing Justification for Airport Daily or Garage Lot

Example #1: We found that a Cardholder had two instances in which she did not provide a reasonable explanation justifying parking at the airport garage and the Approver approved the statement without the supporting documentation.

The first instance occurred on 11/7/2019 in which the Cardholder parked at the airport daily garage for \$18/day and we did not find any explanation included in the supporting documents to justify the additional parking expense. The second instance occurred on 12/10/2019 in which the Cardholder parked at the airport hourly garage for \$29/day.

We noted the Department's fiscal staff inquired with the Cardholder for an explanation after the statement has been approved by the Approver and the justification was subsequently uploaded in the Wells Fargo system. However, we noted the justification was uploaded 48 days after the grace period had ended.

Example #2: On 7/19/2019, the Cardholder incurred a \$29 charge for parking at the airport hourly garage. While we noted that Cardholder was traveling with a youth client (per the description), we did not find any approval/explanation in the Wells Fargo system to justify the special circumstance that would require parking at the hourly garage and the Approver approved the statement without the supporting documentation.

Page 58 of the APPM states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions."

Section 3.6B3² of the MLTTP also states that parking expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport)." Please note that the revised MLTTP went into effect on 5/5/2020, which now states that travel-related expenses are "reimbursable at the least costly rate reasonably available (e.g. economy parking lot at the airport is preferred, however the daily or garage lot might be allowed under certain travel circumstances if approved by the Department Head)."

Missing Justification/Approval for Seat Upgrade for Flight

Example: On 11/22/2019, the Cardholder purchased an extra comfort seat upgrade for an out-of-state business trip for a Department staff. However, we did not find any explanation in the Wells Fargo system to justify the purchase of the \$80 seat upgrade. Also, the receipt that was uploaded did not include the itemized charge for the seat upgrade which is required per Section 2.6 of the PCPPM.

Page 58 of the APPM states, "Expenditures for goods and services must be reasonable and necessary. Reasonable purchases are those for basic goods and services obtained at the lowest possible price.....Services should be the least costly that still perform the required function. Necessary purchases are those required by County departments to fulfill their respective missions."

² Section 3.6B3 is now Section 3.4a in the revised MLTTP that was updated on 5/5/2020.

Further, Section 3.5a4 of the revised MLTTP states, "Upgrade charges or cancellation fees are only allowable with business purpose justification and under unusual circumstances with department head approval."

Section 2.6 of the PCPPM states, "A description of commodities purchased, quantity purchased, price per item, and the total amount including sales tax and shipping charges should be included on the itemized receipt and included as the backup documentation for the transaction. A simple receipt that only reflects the total charges is not acceptable documentation for the transaction. If the receipt or invoice is not itemized, the Cardholder must fill out the "Missing Receipt" form and include all appropriate information that demonstrates compliance with the applicable County policy."

Missing County Executive Officer (CEO) Approval for Promotional Expense

Example: On 9/24/2019, the Cardholder purchase promotional materials (e.g., conference totes, phone stands, stickers, stylus pens) for the Department's All Staff Meeting. However, we did not find the approval from the CEO in the Wells Fargo system to support the promotional expenses which is required per the MLTTP.

Section 3.1H³ of the MLTTP states, "The County Executive Officer may authorize payment for business development, marketing and promotional expenses directly related to accomplishing the County or Agency mission, involves benefit to the County or Agency and is not in conflict with other Board policies or directives. Such expenses will typically involve the County Executive Officer, Economic Development Director, the Film Office Program Manager and the Business Development Manager whose positions specifically authorize such expenditures. Expenditures for promotional items given as tokens or gifts shall be of nominal amount. All such expenditures shall be accounted for from a designated fund and be approved by the County Executive Officer."

Missing CEO Approval for Emergency Meal Expenses

Example: On 3/6/2020, two Cardholders purchased meals in response to the COVID-19 pandemic. We noted the purchase was made within 72 hours of the County declaring a local health emergency on 3/3/2020. However, there was no note or document in the Wells Fargo system to provide support that the verbal approval of the CEO was obtained which is required per Section 3.1G³ of the MLTTP.

Section 3.1G⁴ of the MLTTP states, "Department Heads or Designee, with the prior verbal approval of the County Executive, may authorize the expenditure of department funds for lodging, meals, and related needs for employees and volunteers during emergencies or unusual circumstances such as natural disasters, severe inclement weather, or extended search and rescue activities. Such verbal approval is effective for not more than 72 hours but may be extended by written approval of the County Executive for an indefinite period."

³ Section 3.1H is now Section 3.1h in the revised MLTTP that was updated on 5/5/2020.

⁴ Section 3.1G is now Section 3.1g in the revised MLTTP that was updated on 5/5/2020.

Travel Costs were not Supported with TR/SA Number

Example: On 10/24/2019, the Cardholder purchased airfare for staff to travel out-of-town for County business during 11/12/2019 – 11/14/2019. However, the TR was completed and uploaded in the Wells Fargo system on 12/18/2019 which is more than a month after the staff had returned from their travel (six days after the grace period). Therefore, the Approver approved the statement without support indicating the staff's estimated travel costs had been pre-approved.

Section 3.1A⁵ of the MLTTP states, "With overnight travel, a Travel Request on Official Business form should be completed with the exception of County staff attending Board of Supervisor meetings in Tahoe (or Auburn, for Tahoe staff)." Please note that the revised MLTTP went into effect on 5/5/2020, and it added language to include Spend Authorization which now reads, "With overnight travel, a Travel Request on Official Business form or Spend Authorization should be completed with the exception of County staff attending Board of Supervisors meetings in Tahoe (or Auburn, for Tahoe staff). Travel Requests and Spend Authorizations are a means of documenting approval for estimated travel costs, and for the latter, committing the funds."

Meal Overage was not Supported with Timely Reimbursement

Example: Between 8/13/2019 – 8/15/2019, the Cardholder traveled out-of-town for County business and purchased meals. Since the meal amount was more than the per diem, the Cardholders had to reimburse the County for the meal overage. However, the Cardholder reimbursed the County seven days after the grace period had ended on 9/26/2019, and did not upload the proof of reimbursement to the Wells Fargo system until 22 days after the grace period.

Missing Signature on CSOC Credit Card Reimbursement Request (HHS Internal Document)

Example: On 5/2/2019, the Cardholder made a purchase for a client and completed the CSOC Credit Card Reimbursement Request to support the transaction. However, we noted the reimbursement request was not signed by the supervisor.

Recommendation #5

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation are submitted in the Well Fargo system within the reconciliation period. If the Cardholders cannot review their statements by the grace period, they must notify their Approver in advance and upload proof of the communication in Wells Fargo system. Also, we recommend the Department designate a Reconciler to each Cardholder as the Reconciler can serve as a backup to reconcile and submit Cardholder statements.

For overnight travel, staff should complete a TR/SA prior to the travel and upload the approved TR in the Wells Fargo system or if SA was used, the SA number should be stated in the "Description" field. In addition, any additional approval from CEO, Department Head or designee

⁵ Section 3.1A is now Section 3.1a in the revised MLTTP that was updated on 5/5/2020.

that is required by County policies and procedures should be uploaded to support the transaction. We recommend the Approval Officials and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

Moreover, we recommend the above Cardholder (see "Missing Justification for Airport Daily or Garage Lot") reimburse the County \$8 (\$18 less \$10 = \$8) for the parking overage. Going forward, if a condition or extenuating circumstance exists by the Cardholder which requires airport parking in a lot with a higher rate, then the Cardholder must include documentation in the Wells Fargo system supporting the justification (for the exception) and approval by the Department Head/the CEO or designee for expenditure exceeding Department Head authorities.

Department's Response:

Purchases were Approved without Adequate Documentation

We concur with the observation and recommendation with the following comments noted below.

Purchase was not Supported with an Itemized Invoice/Receipt

Cardholder has been advised that detailed receipts are required and must be uploaded into the Wells Fargo Bank Portal, redacting confidential information, during the reminder or grace period. Absent a detailed receipt the Missing Receipt Form shall be substituted describing the reason a detailed invoice/receipt is not available. The Cardholder has received corrective training in this area.

Missing Justification for Airport Daily or Garage Lot

- *Example #1: Cardholder has been reminded that the policy requires the use of the least costly parking and, if the least costly parking is not available, then justification for the additional costs must be clearly explained or preapproved. Receipts and justification must be uploaded and available prior to the Approving Official's approval. Additional justification and approval has been uploaded to support this transaction.*
- *Example #2: Children's Systems of Care staff who travel with minor clients often require close supervision. The daily parking lot is used for its proximity to the airline terminal and to facilitate safe travel. Cardholder has been reminded to seek the least costly parking and, if the least costly parking is not available or reasonable, then justification for the additional costs must be clearly explained or preapproved. Receipts and justification must be uploaded and available prior to the Approving Official's approval. Additional justification and approval has been uploaded to support this transaction.*

Missing Justification/Approval for Seat Upgrade for Flight

Cardholder maintains the upgrade option selected was the least cost to the County at the time of booking based on availability on this, and other available, airlines/flights. Cardholder has been educated that any additional costs or add-ons should be clearly defined and documented as the least costly rate to the County when compared to equivalent travel options.

Missing County Executive Officer (CEO) Approval for Promotional Expenses

Cardholder has been reminded of the Meals, Lodging, Travel and Transportation Policy specifically requiring preapproval from the County Executive Officer for promotional expenses.

Missing CEO Approval for Emergency Meal Expenses

Cardholders were unaware that a written attestation to the verbal approval of the County Executive Officer was required as support to emergency purchases. Due to the clarification received from the Auditor-Controller's Office, the Department has uploaded written attestation of the verbal approval as support for the emergency purchase transactions in question. The department will implement this clarified opinion on a move forward basis and will educate Cardholders of the requirement.

Travel Costs were not Supported with TR/SA Number

Cardholder has received corrective training on the interpretation and application of the Meals, Lodging, Travel and Transportation Policy regarding authorized Procurement Card purchases related to travel expenses.

Meal Overage was not Supported with Timely Reimbursement

Cardholders have been encouraged to use personal funds for meal expenses when traveling and to submit an Expense Report claiming the per diem and incidental daily allowance, when applicable. The Department has also shorted the time between review periods from one time per month to one time per week.

Missing Signature on CSOC Credit Card Reimbursement Request

Cardholders and Approving Officials have been reminded to submit adequate justification and support for purchases, including ensuring appropriate approvals on internal forms.

Observation #6– Lack of Detailed Description for Transaction

We found an instance in which the Cardholder did not include a detailed description of the transaction to justify the purpose of County business. Specifically, the Cardholder purchased a compass and did not provide the business purpose for the purchase (e.g., what was purchased for and why the purchase was made). Specifically, the Cardholder stated "ST DUE All Staff Meeting" in the description.

Per Section 3.1.1 of the PCPPM, the Cardholder's actions include "adding a detailed description and updating the coding for each transaction."

Recommendation #6

Without a detailed description, the reviewer/approver cannot determine the legitimate business purpose of the transactions. Therefore, we recommend the Cardholder include a detailed description explaining the County business purpose for the purchase in the "Description" field or on the supporting documents uploaded when he/she reconciles the statement. The description should provide sufficient information about the purpose of conducting County business.

Department's Response:

We concur with the observation and recommendation. Since this event occurred, the Cardholder was educated to include a clear and valid business purpose on all Procurement Card purchases. The Department identified this as a training need and has implemented regular staff training sessions over the last twelve months to specifically address this issue. The Department has created more detailed instructions, including standard language examples, to provide more focused training on the use of the description field for accurately identifying business purpose.

Observation #7 – Incorrect Sales Tax Amount

We found instances in which sales tax was incorrectly collected by the merchant and the Cardholders did not enter the correct amount in the "Sales Tax Due" field in the Wells Fargo system.

Example: On 9/24/2019, the Cardholder purchased taxable items totaling \$4,012.54 (freight is not taxable) and shipped the items to Rocklin. Based on the sales tax rate in Rocklin (7.25%), the merchant should have charged \$290.91 ($\$4,012.54 \times 7.25\%$). However, the merchant charged \$310.97 in sales tax which is \$20.06 more than the correct amount. Therefore, the Cardholder should have entered a credit of (\$20.06) for the transaction.

Section 2.4 of the PCPPM states, "Documenting sales/use tax for Procurement Card purchases not taxed or taxed incorrectly by the vendor is the responsibility of the Cardholder or assigned department staff. This information needs to be entered in the correct amount into the online system to ensure it is transferred into the County's Accounting System and meets the County's requirement for the Board of Equalization."

Section 3.1.1 (Cardholder Actions) of the PCPPM states, "Sales and use tax should be verified on all purchases to ensure the amount charged is accurate. Guidelines can be found in the County's Accounting Policies and Procedures Manual. If the amount of sales and use tax is incorrect or missing, the description field will need to begin with ST and the sales tax amount due will need to be corrected or recorded in the Sales Tax Due field for that transaction."

Section 3.3.2 (LPA Actions) of the PCPPM states, "Ensure that the sales/use tax field is properly recorded as described above under RECORDING SALES AND USE TAX. The Limited Program Administrator is responsible for ensuring accurate Sales and Use Tax reporting for the department." Further, Section 3.3.7 states, "If sales and use tax was not captured correctly during the Open Statement Cycle, the Limited Program Administrator shall complete the "Procurement Card Supplemental Sales/Use Tax Recap Sheet" and send it to the Auditor-Controller's Office."

Recommendation #7

We recommend Cardholders, Approvers Officials, and LPAs review each Procurement Card purchase and verify that sales tax was applied by the merchant correctly, per the PCPPM, Sections 2.4, 3.1.1, 3.3.2, and 3.3.7. Also, Cardholders, Approver Officials and LPAs should be aware of when sales tax is applicable. In addition, we recommend the Department fill out the Procurement

Card Supplemental Sales/Use Tax Recap Sheet and/or submit invoices with sales tax adjustments with a credit totaling (\$20.06) to the Auditor-Controller's Office.

Department's Response:

We concur with the observation and recommendation with the following comment. Both the Cardholder and assigned Department staff missed the sales tax reporting requirement for the purchase made on 9/24/2019 resulting in a tax overage of \$20.06. On 9/14/2020, a member of the payroll unit completed and submitted the appropriate supplemental sales tax documentation to the Auditor-Controller's Office to be included with the County's next quarterly filing with the California Department of Tax and Fee Administration.

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

We appreciate the courtesy and cooperation of the Department's staff throughout the course of the audit.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Amanda Sharp, Deputy Director of Health & Human Services
Amy Ellis, Deputy Director of Health & Human Services
Jason Philippe, Deputy Director of Health & Human Services
Twylla Abrahamson, Deputy Director of Health & Human Services
Vicki Grenier, Health and Human Services Assistant Program Director
Genna Martin, Administrative & Fiscal Operations Manager
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Placer County Audit Committee