



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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March 31, 2022

Mr. Todd Leopold, County Executive Officer
Placer County Executive Office
175 Fulweiler Avenue
Auburn, CA 95603

Re: Countywide Procurement Card Program Audit Follow-Up Review

Dear Mr. Leopold:

The Internal Audit Division of the Auditor-Controller's Office performed a follow-up review to our prior Countywide Procurement Card Program Audit – Summary Report to the County Executive Office (CEO). The County Procurement Card Program is administered by the Procurement Services Division (Procurement). The objectives of our procedures were to determine how the recommendations from our previous audit related to program administration were implemented.

Additionally, during our follow-up process, we discovered that the program administrators from several County departments are approving statements on behalf of the Approvers by emulating their user profiles in the system. Department program administrators are set up as 'Limited Program Administrator' (LPA) in the system and they perform administrative tasks for the users within that department. We proceeded to review the statement approval activity during our follow-up procedures as the current practice of department LPAs approving statements on behalf of the Approvers is not in compliance with the County's Procurement Card Policy (PCP) and Procurement Card Procedures Manual (PCPPM).

Our procedures included inquiries of CEO and Procurement personnel along with reviews of supporting documentation relating to our recommendations in our previous report. We also reviewed system records for statement approval activity for the period from June 5, 2021 through December 17, 2021.

This reported is divided into two sections: (A) Discussion on the new observation regarding Department LPAs approving statements on behalf of Approvers by emulation, and (B) Current status of the implementations of our initial recommendations.

A. New Observation: Department LPAs Approving Statements on Behalf of Approvers by Emulation

We found that the LPAs from a total of seven departments were approving statements on behalf of the Approvers for the statement period from June 5, 2021 through December 17, 2021. Some department LPAs were approving statements on a regular basis (month after month), while others were approving statements occasionally. Based on the system records, we believe that these LPAs emulated the user profile of the Approvers in order to approve the statements of the Cardholders that are assigned to those Approvers.

As discussed in Section 1.2 of the PCPPM, the role of department LPAs is to review Cardholder’s transactions and to ensure proper accounting coding and documentations are included as supports for auditing purposes. They also serve as the final point of review for all department accounting entries for Procurement Card activity. Therefore, the primary functions of department LPAs are to provide accounting assistance and ensure documentation are provided for transactions.

Meanwhile, the designated Approvers are responsible for reviewing the Cardholder’s statement by the end of the approval period to complete the reconciliation process. Section 3.2 of the PCPPM also states that if any Approver is unable to review their statement within the required period, they must request the LPA or Program Administrator to assign a Secondary Approver to complete the reconciliation process. Therefore, it is the responsibility of the designated Approver (or Secondary Approver if assigned) to approve the Cardholder’s statements.

Recommendations

We recommend that Procurement ensure department LPAs are not approving Cardholder’s statements on behalf of Approvers. Procurement should reach out to all department LPAs and Approvers to clarify their roles and responsibilities, and to explain the steps to request for a Secondary Approver if the Primary Approver is unable to approve statements within the approval period. We also recommend Procurement to conduct spot checks of the approval activity to ensure that only the designated Approvers are approving statements in the system.

B. Current Status of the Implementations of Our Initial Recommendations

Below is an Observation Summary, which is then followed by our observations and recommendations, Procurement’s responses from the previous report dated June 1, 2021, and the current status of the implementations of our recommendations.

Observation Summary		
No.	Observation	Implementation Status
1	General Cards Were Issued to County Departments	Implemented during Review
2	The Number of Cardholders per Approvers Exceeded the Maximum Number Allowed per the Procurement Card Program Procedures Manual (PCPPM)	Implemented during Review
3	Procurement Card Remained Active After Cardholder Has Left the County	Implemented
4	The Authority to Approve County Executives’ Statement Was Delegated to a Lower-Level Staff	Implemented during Review
5	Department’s Limited Program Administrators (LPAs) Made Account Modifications in Wells Fargo	Implemented
6	Multiple Procurement Cards Were Assigned to a Cardholder	Implemented during Review
7	Lack of Continuous Training to Procurement Card Program Users	Implemented
8	Large Number of Procurement Cards Issued	Implemented during Review

Observations and Recommendations

Observation #1: General Cards Were Issued to County Departments

We noted that Procurement issued general Procurement Cards (those that are not issued to a specific user) to several County departments which is not allowed per Section 2.0 of the County’s Procurement Card Policy (PCP) which states the Procurement Card is to be issued to an employee.

Recommendation

We recommend Procurement stop issuing a general card to County departments. Also, Procurement should seek the Board of Supervisors' approval for the two general cards that are still in use by the Sheriff.

Procurement's Response:

Procurement concurs and will work with the PCSO and request authorization for the two remaining cards that the Sheriff's Office believes there is a valid business reason to retain.

Status – Implemented during Review

During the follow-up review, we noted that Procurement obtained the Board of Supervisors' approval on December 14th, 2021, for the issuance of the two department cards for the Sheriff's Office (Sheriff) to be used by the support staff or training division.

Observation #2: The Number of Cardholders per Approver Exceeded the Maximum Number Allowed per the PCPPM

We noted Approvers from the CEO, District Attorney's Office (DA), Department of Health and Human Services (HHS) and Sheriff had more than 10 Cardholders assigned to them which exceeded the maximum number allowed per Section 2.3 of the PCPPM. In one instance, an Approver from the Sheriff was assigned with 53 Cardholders.

Recommendation

As a general rule, a single Approver should not have more than 10 Cardholders assigned to them to ensure timely and detailed review of transactions. However, there may be certain circumstances that having more than 10 Cardholders is appropriate (e.g., a manager may have 11 staff that reports directly to him/her). Therefore, we recommend Procurement re-evaluate the PCPPM policy over the maximum number of Cardholders per Approver to allow for appropriate special circumstances.

Procurement's Response:

Procurement concurs and has implemented a practice where if there is a similar situation that is warranted it is communicated to the Auditor-Controller and their express approval of the procedural exception is requested.

Status – Implemented during Review

We noted that Procurement has updated the PCPPM to require prior approval from both Procurement and the Auditor-Controller's Office to be obtained before allowing a single Approver to be assigned with more than ten Cardholders. Specifically, the updated PCPPM states, "no more than ten Cardholders should be assigned to any single Approver without prior approval of Procurement Services and the Auditor-Controller's Office." Additionally, during the follow-up review, we noted that Procurement has requested and received authorization for departments Approvers with special circumstances to have more than ten Cardholders assigned to them.

Observation #3: Procurement Card Remained Active After Cardholder Has Left the County

We noted that the Procurement Card of a former Department Head (with the role of both Cardholder and Approver) remained active for over a month after his departure with the County. Per Wells Fargo, the previous established spending limit was not adjusted until after the ACO inquired with Procurement about the status of the former employee's Procurement Card. In response to our inquiry, the Procurement Services Division reduced the single purchase limit to \$1 and monthly credit limited to \$2.

Section 4.6 of the PCPPM discusses the procedures for departments to follow when employee leaves the County or transfer to another department. Also, Section 1.2 of the PCPPM discusses the Procurement's responsibilities including modifications to existing Cardholder accounts and termination of Cardholder accounts.

Recommendation

We recommend County departments notify Procurement ahead of planned departures/transfers of employee so Procurement can deactivate the card promptly to prevent unauthorized use.

Procurement's Response:

Procurement concurs and currently receives regular notifications of staff that are no longer employed as a cross check to department communication.

Status – Implemented

We noted that Procurement is regularly managing the Cardholder accounts including reducing the spending limit and closing the accounts as early as possible for departing Cardholders. We were able to locate evidence of monitoring activity related to reducing the spending limit of \$1 and closing the account subsequently.

Observation #4: The Authority to Approve County Executives' Statement Was Delegated to a Lower-Level Staff

Section 1.2 of the PCPPM states that an Approver should be the Cardholder's supervisory chain of command or an equal or higher level. However, we found that the County Executive Officer of the County delegated authority to a lower-level staff to approve County executives' Procurement Card statements. As a result, this staff member is the Primary Approver for 16 County executives who are under the County Executive Officer's supervisory chain.

Recommendation

We recommend the County Executive Officer work with the Auditor-Controller to reassign the Approver to the Assistant County Executive Officer who is more appropriate for the role as she is working at an equal level of command to the County executives. This will ensure that County executives' transactions receive the approval level of review.

Procurement's Response:

Procurement concurs with this recommendation and will implement any changes directed at that level by those individuals.

Status – Implemented during Review

During the follow-up review, we noted that the County Executive Office and Procurement worked with the Auditor-Controller on the reassignment of approving officials for County executives. As a result, Procurement has updated the approver assignment to appropriate personnel.

Observation #5: Department's Limited Program Administrators (LPAs) Made Account Modifications in Wells Fargo

Per Section 1.4 and 2.3 of the PCPPM, the Program Administrator (not the LPA) is responsible for modifying existing Cardholder accounts. However, we found instances in which the LPAs from the Human Resources Department (HR), CEO, and Sheriff changed the Approver/Single Purchase Limit (SPL) of the Cardholders from their department.

Recommendation

We recommend Procurement update the procedures for LPA responsibilities in the PCPPM to allow them to make certain account changes for their department's Procurement Card users. For example, an LPA should be allowed to change the approver for a Cardholder with Department Head or designee's approval. However, an LPA should not be allowed to change the dollar limit for their department's Cardholders as it could create a potential opportunity for the department's Cardholders to bypass controls on spending limit.

Procurement's Response:

Procurement concurs with this recommendation. Procurement agrees that department level Limited Program Administrators (LPA's) should be able to move staff within the department to other approvers as determined by the department head or designee. Procurement will work on getting this change into the Procurement Card Procedures as soon as possible.

Status – Implemented

We noted that Procurement has updated the procedures for LPA's responsibilities in the PCPPM to allow LPAs to make certain account changes for their department's Procurement Card users. Specifically, the updated PCPPM states, "adjustments to Approvers and accounting codes are permitted but LPAs shall not adjust Cardholder limits."

Observation #6: Multiple Procurement Cards Were Assigned to a Cardholder

Section 2.0 of the PCP states that the Procurement Card is not intended to circumvent established procurement practices and related County Policies. However, we noted that multiple Procurement Cards were issued to two County employees (one from the HHS and Sheriff) which effectively increased the Cardholder's purchasing power and create an opportunity for possible abuse.

Recommendation

We recommend Procurement reduce the usability of the old Procurement Card by changing the dollar limit to \$1 or completely close out the old account in Wells Fargo before delivering the new card to the Cardholder. This will prevent a Cardholder from having access to multiple cards with a cumulative dollar limit that exceeded the limit that was originally established for the Cardholder.

Procurement's Response:

Procurement concurs with this recommendation. The Wells Fargo system may reflect more than one active card at a time due to card replacements but at no time does a cardholder have more than one active card in their possession or available for use.

Status – Implemented during Review

During the follow-up review, we identified one instance in which a single Cardholder has two active Procurement Cards during the follow-up review. Procurement explained that the old account could not be closed at the time when the Cardholder picked up the new card as there were transactions to reconcile. However, Procurement acknowledges that that the dollar limit on the old card was not changed to \$1 (or \$2) due to an oversight. After our inquiry, Procurement has taken action to close out the old account in Wells Fargo.

Observation #7: Lack of Continuous Training to Procurement Card Program Users

Overall, we felt that there is a lack of continuous training provided to Procurement Card Program users to ensure the appropriate use and management of the County's Procurement Cards. Specifically, the administrative controls that Procurement Services Division put in place did not adequately prevent, eliminate or minimize the risks of improper transactions. This included insufficient reviews on the department LPAs' actions in Wells Fargo to ensure compliance with County's procurement policies and procedures.

Recommendation

We recommend Procurement implement more frequent training for Procurement Card Program users to ensure that they maintain knowledge of the County's policies and procedures on Procurement Card purchases. This will help reduce instances of non-compliance and enhance the internal control environment.

Procurement's Response:

Procurement concurs with this recommendation and has implanted a new practice of requiring updated training when issuing a card, regardless of circumstances. Also Procurement is working with Learning and Development to implement an annual training program for cardholders throughout the County to improve cardholder knowledge of the appropriate policies and requirements.

Status – Implemented

We noted that Procurement has rolled out an initial training assignment – Procurement P-Card Training to all existing Cardholders via the County's training platform on Placer Learns. Also, Procurement will be providing training to the Cardholders again when their cards are being replaced. Procurement expects to provide regular training to Cardholders on a biannual basis. In addition, the training requirement is included in the updated PCPPM which states, "prior to receiving a new card or replacement card, the Cardholder is required to complete the online training. New Approvers, Reconcilers, and LPAs that have not completed the training previously will also be assigned the online training."

Observation #8: Large Number of Procurement Cards Issued

We noted that the County has a large number (total of 436) of Procurement Cards that are issued to various County departments. Upon reviewing the list of Procurement Cards issued to County departments and comparing to allocated positions by department, we noticed some departments have Procurement Cards assigned to at least 20% of their staff, with a high at one department of 55%. While Procurement Cards can be an effective purchasing tool for smaller purchases, they can also easily be misused or abused; thus, increasing the risk.

Recommendation

We recommend Procurement review the number of Procurement Cards issued on periodical basis (e.g., annual) and deactivate those that do not demonstrate the business necessity after discussion with the County department. As the administrator of the Procurement Card Program, Procurement should ensure that all Cardholders understand the use of the Procurement Cards is a privilege and the County may remove it from any Cardholder that does not comply with all applicable County policies and procedures (as stated in Section 3.2 of the Procurement Card Policy). Therefore, if there are repeated violations of County policies and procedures, we may recommend Procurement take appropriate action which may include removal of the Procurement Card from the Cardholder.

Procurement's Response:

Procurement concurs with this recommendation and will implement an annual review of cardholders and usage with departments and upon completion will share that information with the Auditor.

Status – Implemented during Review

During the follow-up review, Procurement has conducted their first annual review of the activity of all Cardholders. The purpose of the review is to compare the actual usage against the credit limits (single purchase limit and 30-day credit limit) that were set up for the Cardholder and recommend adjustment to the Cardholder's spending limits as appropriate based on the business nature of the department, knowledge about department Cardholders, and professional judgment. Additionally, Procurement will be requesting Department Heads to confirm whether they wish to continue with the current list of assigned Cardholders along with their credit limits, designated approvers, or provide updates as necessary. Procurement anticipates notifying the departments in mid-March 2022 with a deadline for departments to respond by the end of March 2022.

Procurement's responses to our recommendations identified in our original report dated June 1, 2021, 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 CEO and Procurement staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Jane Christenson, Assistant County Executive Officer
Brett Wood, Purchasing Manager, County Executive Office
Placer County Audit Committee