



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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April 28, 2022

Ms. Genna Martin, Administrative and Fiscal Operations Manager
Ms. Teri Ivaldi, Principal Management Analyst
Placer County Executive Office
175 Fulweiler Avenue
Auburn, CA 95603

Re: Countywide Procurement Card Program Monitoring Review

Dear Ms. Martin and Ms. Ivaldi:

The Internal Audit Division of the Auditor-Controller's Office routinely reviews and/or audits the Procurement Card purchases. The objective of this monitoring review was to review Procurement Card usage during the statement period from July 3, 2021, through September 24, 2021, for compliance with County policies.

We reviewed a sample of the County Executive Office's (CEO Office) Procurement Card purchases and related documentation files to ensure the CEO Office's compliance with current policies and procedures, and determine if adequate internal controls are in place and operating as designed. Specifically, we reviewed purchases from the two divisions within the CEO Office: (1) Board of Supervisors and (2) County Executive Office. Based on our monitoring review, we determined there were multiple 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– Purchases were Approved without Adequate Documentation

We found multiple instances in which the Procurement Card purchases were not supported with adequate documentation. Specifically, we noted a purchase was approved prior to the supporting documentation being uploaded into Wells Fargo and a purchase was not supported with an itemized receipt or the "Missing Receipt" form.

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."

Section 2.6 of the PCPPM states, "The Cardholder will go to the place of business and obtain the commodity or service. 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."

Section 3.1 of the PCPPM states, "If the Cardholder is unable to review their statement within the required period, they must notify their Approver in advance."

In addition, Section 3.3 of the PCPPM states the 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."

Recommendation

We recommend Cardholders start the reconciliation process as soon as the purchase cycle has closed to ensure all related documentation is submitted into Wells Fargo within the reconciliation period. For all applicable purchases, the itemized receipt or completed "Missing Receipt" form should be uploaded in Wells Fargo to support the transaction. We also recommend the Cardholders obtain the itemized receipt from the merchant and confirm whether sales tax should be applied to the purchase. If sales tax was not correctly collected by the merchant, the Office should fill out the Procurement Card Supplemental Sales/Use Tax Recap Sheet and/or submit invoice with applicable sales tax adjustment to the Auditor-Controller's Office. Further, we recommend the Approvers and LPAs perform a detailed review of the supporting documents to ensure completeness, accuracy, and compliance.

Observation #2– Incorrect Sales Tax Amount

We found multiple instances in which sales tax was incorrectly collected by the merchant and the Cardholder did not enter the correct amount in the "Sales Tax Due" field in Wells Fargo. We also found an instance in which the merchant correctly accrued sales tax, including shipping and handling, and the cardholder entered an amount in the "Sales Tax Due" field in Wells Fargo to be accrued or credited.

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

We recommend Cardholders, Approvers, and LPAs review each Procurement Card purchase and verify that sales tax was applied by the merchant correctly, per the PCPPM. Also, Cardholders, Approvers and LPAs should be aware of when sales tax is applicable. In addition, we recommend the Office fill out the Procurement Card Supplemental Sales/Use Tax Recap Sheet and/or submit invoices with sales tax adjustments with a debit totaling \$282.66 to the Auditor-Controller's Office.

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

Respectfully,

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

Nicole C. Howard, CPA
Assistant Auditor-Controller

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