

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Auditor-Controller *SK*

BOARD AGENDA # *B-5

Urgent

Routine

AGENDA DATE January 8, 2013

CEO Concur with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Acceptance of Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

STAFF RECOMMENDATIONS:

Accept Purchasing Card Audit Reports prepared by the Auditor-Controller's Office.

FISCAL IMPACT:

The audits presented in the agenda item represent purchasing card activity for approximately one half of County departments and related agencies during Fiscal year 2010-2011. On March 1, 2011, the Internal Audit Division of the Auditor-Controller's Office was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, staff from the General Ledger Division of the Auditor-Controller's Office will perform the purchasing card audits on a two year cycle.

Continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2013-12

On motion of Supervisor O'Brien, Seconded by Supervisor De Martini
and approved by the following vote,

Ayes: Supervisors: O'Brien, Withrow, Monteith, De Martini and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT (continued):

The cost to the County for services provided by the General Ledger Division of the Auditor-Controller's Office for this time period was \$17,363 in salaries and benefits representing a total of 279 work hours. Had the performance of audit work been contracted to a public accounting firm, costs to the County would have increased. Public accounting firms generally charge between \$75 to \$300 an hour dependent upon professional levels. The benefit of the services provided by the Auditor-Controller's Office to the County clearly outweighs the costs for these services.

DISCUSSION:

The purchasing card system was purchased through Bank of America on October 11, 1996 in an effort to decrease costs associated with processing purchases and to increase efficiency in the same area. While the purchasing card program has resulted in cost savings as well as other benefits, decentralizing the purchasing function, through the purchasing card program, has increased the risk that errors and/or irregularities might occur and not be detected in a timely manner. To address this concern the Board of Supervisors approved agenda item 2001-593 on August 7, 2001 directing the Chief Executive Office and the Auditor-Controller to provide an annual report, per County department, of the purchasing card transactions which will include findings and recommendations.

The purchasing card audits determine if County departments are compliant with the County of Stanislaus Purchasing Card and Travel Policies for purchases made between July 1, 2010 and June 30, 2011. All County departments and related agencies utilizing the County purchasing card system are subject to this audit which consists of approximately 33 departments and related agencies. For the year under audit, 16 departments and related agencies were selected.

The purchasing card transactions were reviewed 100% for Department Head transactions and the remaining department transactions were tested on a sample basis ranging from 14% to 66% of the total transactions. The sample population was based upon professional judgment, including past audit results, dollar amounts and the appearance of high risk transactions, along with random selection. The total number of transactions tested and the related amounts for the 16 departments audited for this agenda item is 2,114 purchasing card transactions in the amount of \$358,547.

Our audit procedures included but were not limited to determining the following:

- Supporting documentation exists for the purchases.
- Examine the department's reconciliation of the monthly purchasing card statement.
- The purchasing card transactions are considered County business.
- Review purchasing card authorization for each card.

DISCUSSION (continued):

- If the department has their own policy, determine if the policy is more stringent than the County policy and if so determine if the department complies with their policy.
- Identify any items that may be an abuse of County policy such as purchase of personal items.

Major findings are determined by the number of occurrences for a particular finding, the amount associated with the finding and the nature of the finding. The major findings primarily consisted of departments lacking sufficient procedures and controls, in some cases, to monitor the appropriateness of the purchasing card transactions. Nine of the sixteen departments tested had major findings. The seven departments which had no major findings are:

- Area Agency on Aging
- Auditor-Controller's Office
- Alliance Worknet
- Chief Executive Office
 - Administration
 - Office of Emergency Services
 - Risk Management
- Department of Environmental Resources
- Strategic Business Technology
- University of California Cooperative Extension

Fiscal Year 2010-2011 reflects continued improvement by the departments in their efforts to comply with the County of Stanislaus Purchasing Card and Travel Policies. In conclusion, County departments are in compliance with the Purchasing Card and Travel Policies.

A summary of the major findings for the nine departments under audit which had major findings for the July 1, 2010 to June 30, 2011 period is listed below:

FISCAL YEAR 2010-2011

- Each year the Department Head is required to review the needs and limits of the purchase cards issued to his/her department. We noted two departments did not perform this annual review.
- Each month the Department Head is required to review and approve the Company Billing Statement. This report lists all of the purchasing card transactions for the period and allows the Department Head to review the purchases for appropriateness and authenticity. We noted the following related to this approval:

DISCUSSION (continued):

- Seven reports which were not certified by signature and/or date by the Department Head.
- Twenty-eight reports were certified prior to the reconciliation process being completed or prior to the end of the purchasing card statement period.
- Forty-seven reports were not reviewed in a timely manner.
- Four Company Billing Statements were missing.
- We noted the following related to the monthly reconciliation of the purchasing card statements:
 - Thirty-eight purchasing card statement reconciliations had not been performed timely.
 - Fifty-four reconciliations were not certified with signature and/or date.
 - Three reconciliations were performed prior to the end of the purchasing card statement period.
 - Three reconciliation certifications were missing.
 - One employee reconciled their own purchasing card transactions.
- We noted the following as it related to sales and use tax:
 - Fourteen transactions totaling \$3,068.40 for which sales tax was not paid.
 - Two transactions resulting in a credit of \$141.59 were not reported on a Use Tax Liability Log and submitted to the Auditor-Controller's Office.
 - Sales tax for the shipping and handling portion of eleven transactions totaling \$5,186.35 was not listed on a Use Tax Liability Log.
 - Four transactions totaling \$1,689.06 for which shipping, freight or labor was reported on a Use Tax Liability Log incorrectly and was subsequently paid to the California State Board of Equalization.

As a result of these transactions, approximately \$242.37 in sales tax was not reported to the California State Board of Equalization in a timely manner. Subsequent to audit field work \$182.80 of the sales tax has been reported.

- We noted five transactions totaling \$692.49 were not supported by an itemized receipt.
- We noted eight travel charges (meals and/or lodging charges) before and/or after conferences or events. However, the travel expenses incurred before and/or after the events did not appear to be necessary and the explanations for these additional costs were not documented. Estimated additional expenses totaled \$1,327.15.
- We noted three meal transactions in the amount of \$518.74 for multiple employees and/or attendees were not supported with a list of employees and/or attendees.

Acceptance of Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

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- We noted one meal transaction was purchased for six individuals, three County employees and three non-County employees totaling \$84.50. The additional cost of \$39.50 for the three non-County employees was not approved by the Department Head nor included on the Trip Authorization Form.
- We noted thirteen transactions for lodging included occupancy tax in a city that exempts local government employees from occupancy taxes resulting in an additional cost to the County of \$682.52.
- We noted four transactions for \$118.07 were not supported with an approved Travel Authorization Form.
- We noted two transactions totaling \$92.14 were personal in nature. Subsequent to audit field work these purchases were reimbursed.

POLICY ISSUE:

Per Government Section Code 26833, the Board of Supervisors shall have the power to require that the County Auditor-Controller shall audit the accounts and records of any department, office, board or institute under its control.

The work performed by the General Ledger Division of the Auditor-Controller's Office provides accountability to the Board of Supervisors and the public. In addition, the work performed by the Auditor-Controller's Office is in alignment with the Board's priority of ensuring Efficient Delivery of Public Services.

STAFFING IMPACT:

The Auditor-Controller's Office will continue to perform the audits for the purchasing card transactions on a two year cycle.

CONTACT PERSONS:

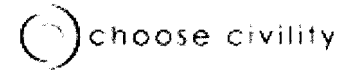
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STANISLAUS COUNTY EXECUTIVE SUMMARY ALLIANCE WORKNET PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 24 transactions in the amount of \$5,183.72. The remaining department purchasing card transactions consisted of 456 transactions in the amount of \$103,451.35. For our engagement, we selected 87 transactions (approximately 19%) in the amount of \$20,708.05 (approximately 20%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

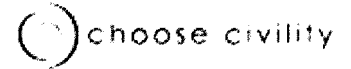
There were no major findings and recommendations for the Department purchasing transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY AREA AGENCY ON AGING PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 12 transactions in the amount of \$9,369.11. The remaining department purchasing card transactions consisted of 746 transactions in the amount of \$107,761.65. For our engagement, we selected 143 transactions (approximately 19%) in the amount of \$19,812.57 (approximately 18%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

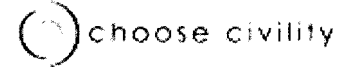
There were no major findings and recommendations for the Department purchasing transactions during fiscal year 2010-2011.



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**STANISLAUS COUNTY
EXECUTIVE SUMMARY
ASSESSOR'S OFFICE
PURCHASING CARD AUDIT**

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of one transaction in the amount of \$1,846.92. The remaining department purchasing card transactions consisted of 135 transactions in the amount of \$26,815.36. For our engagement, we selected 27 transactions (approximately 20%) in the amount of \$6,417.90 (approximately 24%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Annual Review of Need and Limits of Department Purchasing Cards not Performed

We noted the Department Head's review of the annual need and limits of purchasing cards has not been performed since August 2010. Per the County Purchasing Card Policy, the Department Head shall annually determine need and limits for department purchasing cards.

Recommendation

We recommend the Department revise their procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limits of purchasing cards at least annually. The review shall be documented with a signature and date in accordance with the County Purchasing Card Policy.

Department Response

We have completed an audit of purchasing cards issued to our office as of June 5, 2012. We will continue to monitor and review the purchasing cards annually.

DEPARTMENT FINDINGS

B) No Use Tax Paid

We noted one transaction (totaling \$307.34) for which sales tax was not paid at the time of purchase and the Department did not list the transaction on the Use Tax Log and submit it, on a monthly basis when applicable, to the Auditor-Controller's Office.

Recommendation

We recommend the Department review and revise its procedures to ensure credit card purchases for which sales tax was not paid are logged on a Use Tax or District Tax Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

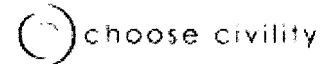
There was a misunderstanding of the requirement of sales tax being paid on this type of purchase (Periodical/Subscription). In the past we have completed the Sales Tax Log for all other purchases that we were not taxed for. We will, in the future, include this type of purchase in our reporting.



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STANISLAUS COUNTY EXECUTIVE SUMMARY AUDITOR-CONTROLLER'S OFFICE PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 12 transactions in the amount of \$2,288.53. The remaining department purchasing card transactions consisted of 132 transactions in the amount of \$26,675.57. For our engagement, we selected 26 transactions (approximately 20%) in the amount of \$3,640.54 (approximately 14%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

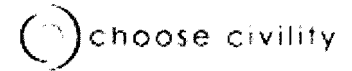
There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY BEHAVIORAL HEALTH & RECOVERY SERVICES PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 58 transactions in the amount of \$8,892.06. The remaining department purchasing card transactions consisted of 2,183 transactions in the amount of \$363,240.71. For our engagement, we selected 535 transactions (approximately 24%) in the amount of \$85,464.42 (approximately 23%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Company Billing Statements

We noted seven of the thirteen Company Billing Statements were certified by the Department Head prior to completion of the reconciliation process. Performing the purchasing card reconciliation review prior to completion of the reconciliation process could potentially omit transactions requiring approval by the Department Head.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, "Each month the Department Head shall certify in writing that all purchasing card charges are valid appropriate County expenses via the Bank of America Works Billing Statement, prior to the receipt of the next months statement." We recommend all such approvals are performed in a timely manner, and certified in accordance with the County of Stanislaus Purchase Card Policy.

Department Response

As required by policy, the Department Head reviews the Company Billing Statements and forwards to her designee to review those entries in which there may be questions. Every effort is made to complete this review on a timely basis. Occasionally documentation may still be outstanding. If it is associated with one of the Department Head's review items, the lack of documentation is noted on the monthly cover sheet and followed-up on during the next billing cycle, if not before. The Department will review this process to insure that all documentation is received before the final review is completed.

DEPARTMENT FINDINGS

A) Use Tax

We noted the following regarding Use Tax:

- Sales tax for the shipping and handling portion of eight transactions (totaling \$4,959.96) was not listed on Use Tax Liability Log submitted to the Auditor-Controller's Office. This resulted in \$154.88 of sales tax not forwarded to the California State Board of Equalization. Handling charges when charged individually and shipping and handling when combined on an invoice are taxable.
- One transaction (totaling 18.21) for which sales tax was not paid at the time of purchase and the Department did not list the transaction on the Use Tax Liability Log to submit to the Auditor-Controller's Office.
- Two transactions associated with a return and refund of items resulted in a credit of \$141.59 that was not listed on the Use Tax Liability Log submitted to the Auditor-Controller's Office. The original purchases associated with these credits were properly listed on the Use Tax Liability Log at the time of purchase and use tax was paid.

Recommendation

We recommend the Department review and revise its procedures and seek training to ensure purchasing card transactions for which sales tax was not paid or should be credited back to the Department are logged on a Use Tax or District Tax Liability Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

The Department agrees with the finding and will request technical assistance related to Use Tax.

B) Travel Related Expense

We noted the following regarding travel related transactions:

- Two meal transactions (totaling \$108.51) for multiple employees traveling together were supported with itemized receipts. However, the names of the employees were not listed on either receipt as required in the County of Stanislaus Travel Policy.
- Lunch was purchased for six individuals, three County employees and three non County employees during a trip. The total cost of the lunch was \$84.50. Prior to the trip a total maximum amount of \$45 was approved for the lunch and listed on the Trip Authorization Form. The additional cost of this transaction, \$39.50, was not approved by the Department Head nor was it included in the Trip Authorization Form. The Department should request reimbursement of the meal overage of \$39.50 from the employee.

Recommendation

- Pursuant to the County of Stanislaus Travel Policy, section 2.5 (F), “Employees who purchase meals for multiple County employees (traveling together) must list all names on the receipt or on the Misplaced Receipt Form.” We recommend the Department review and revise its procedures to ensure names of employees are listed on the itemized receipt when meals are purchased for multiple employees on one purchasing card.
- We recommend the Department review and revise their procedures to ensure meal costs do not exceed those allowed by the County of Stanislaus Travel Policy. If employees wish to purchase meals for non-county persons the overage must be incurred at the employees own expense.

Department Response

The Department will review its internal Purchasing Card policy to clarify meal limits.

C) In-County Meals

We noted one in-county meal transaction (totaling \$410.23) was not supported with a list of attendees, therefore, we were unable to determine compliance with the meal allowance limits provided in the County of Stanislaus Travel Policy.

Recommendation

Pursuant to the County of Stanislaus Travel Policy, section 2.5 (H), “With Department Head approval, in-county meals are allowable when incurred in conjunction with a County business meeting for public purpose or special project..... The maximum meal rates under section 2.5 A applies.” We recommend the Department review and revise their procedures to

include sign in sheets for all in-county functions where a meal is provided to ensure in-county meal costs do not exceed those allowed by the County of Stanislaus Travel Policy.

Department Response

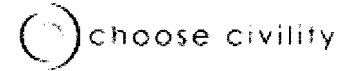
The Department will review its internal Purchasing Card policy to clarify meal limits and insure that in-county meal costs do not exceed allowable limits.



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STANISLAUS COUNTY EXECUTIVE SUMMARY CHIEF EXECUTIVE OFFICE – Administration and Office of Emergency Services PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. The department purchasing card transactions consisted of the following:

- Administration - 154 transactions in the amount of \$28,924.76. For our engagement, we selected 22 transactions (approximately 14%) in the amount of \$4,351.26 (approximately 15%) from the entire population for testing.

- OES – 201 transactions in the amount of \$19,301.76. For our engagement, we selected 49 transactions (approximately 24%) in the amount of \$6,041.69 (approximately 31%) from the entire population for testing.
- Department Head transactions during the fiscal year consisted of 12 transactions in the amount of \$2,288.53. These transactions were tested at 100%.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

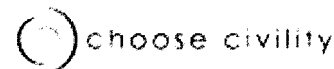
There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY CHIEF EXECUTIVE OFFICE – Risk Management Division PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. The department purchasing card transactions consisted of 56 transactions in the amount of \$6,589.66. For our engagement, we selected 16 transactions (approximately 29%) in the amount of \$3,131.10 (approximately 48%) from the entire population for testing. There were no Department Head transactions during the period under review.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

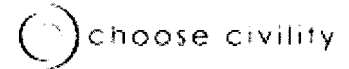
There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY DISTRICT ATTORNEY'S OFFICE PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County of Stanislaus Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 13 transactions in the amount of \$2,557.70. The remaining department purchasing card transactions consisted of 494 transactions in the amount of \$121,224.60. For our engagement, we selected 99 transactions (approximately 20%) in the amount of \$27,878.61 (approximately 23%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Annual Review of Needs and Limits

The Department Head's review of the annual need and limit of purchasing cards was not documented via signature and date. Through information provided to us during the audit we also noted the annual reviews are not performed by the Department Head nor his/her designee. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine need and limit for department purchasing cards. The review shall be

signed and dated by the Department Head, then maintained with Purchasing Card records for five (5) years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards at least annually. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Concur. The Department Head will be provided with documentation to review and sign off on at each future annual review.

B) Monthly Review and Certification of Transactions

We noted the following regarding the Department Head review of the purchase card transactions:

- One month out of twelve the Department Head review was certified prior to the end of the purchasing card statement period. There were three transactions posted after the review date which were not approved by the Department Head.
- One month out of twelve the Department Head review of the purchasing card transactions was not certified with a signature.
- One month out of twelve the Company Billing Statement was missing, therefore, we could not determine timeliness of the Department Head review of the purchasing card transactions.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, "Each month the Department Head shall certify in writing that all purchasing card charges are valid appropriate County expenses via the Bank of America Works Billing Statement, prior to the receipt of the next months statement." We recommend all such approvals are performed on complete billing cycles in a timely manner, and certified in accordance with County of Stanislaus Purchasing Card Policy.

Department Response

Concur. Staff will be reminded not to certify until the period end, and to insure that the Department Head receives documentation to review at the end of each period.

DEPARTMENT FINDINGS

A) Monthly Reconciliation

We noted the following regarding the monthly reconciliation of the purchase card transactions:

- One month out of twelve the reconciliation was performed prior to the end of the purchasing card statement period. There were three transactions posted after the reconciliation date. Performing the reconciliation prior to the end of the billing cycle can omit transactions requiring approval by the Department Head during the review process
- We were unable to determine the reconciliation for one month out of twelve months examined was performed timely due to the missing certification via signature and date. Per the County Purchasing Card Policy, Section 2.5(G) 9, “The Purchasing Card Clerk, or employee reconciling the statement, shall certify in writing with their signature and a date the reconciliation has been performed in a timely manner.

Recommendation

We recommend the Department review and revise its procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and certified in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Concur. Staff will be reminded not to certify until the period end, and to insure that the Department Head receives documentation to review at the end of each period. Staff will also be reminded that signature and date upon completion of certification is required.

B) Use Tax

We noted four transactions (totaling \$2,151.16) for which sales tax was not paid at the time of purchase. The Department did not list the transaction on the Use Tax Liability Log and submit it, on a monthly basis to the Auditor-Controller's Office. Subsequent to audit field work, the Use Tax Liability Log was provided to the Auditor-Controller's Office reporting all four transactions.

Recommendation

We recommend the Department review and revise its procedures to ensure credit card purchases for which sales tax was not paid are logged on a Use Tax or District Tax Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

Concur. Staff will be trained to submit the log monthly.

C) Missing Itemized Receipts

We noted five transactions (totaling \$692.49) were not supported with an itemized receipt providing detail of the items purchased and a Misplaced Receipt Form was not completed for approval of the transaction by the Department Head. Pursuant to the Stanislaus County Purchasing Card Policy, section 2.5 A, “...when a receipt/charge slip provides no detail or is lost or unavailable, written documentation for the purchase must be provided to include at a

minimum: purchase date, item(s) purchased, amount, purpose (if not evident) and reason the receipt is unavailable. Lack of itemized receipt = a misplaced receipt.”

Recommendation

We recommend the Department review and revise its procedures to ensure itemized receipts are obtained for all purchasing card transactions. If the vendor is unable to provide an itemized receipt the employee is required to submit a Misplaced Itemized Receipt Form for Department Head approval.

Department Response

Staff have been trained on this requirement but in these cases it had been missed. The department will take steps to insure that staff are reminded and retrained as necessary, and that the account clerk will review procurement forms and receipts more thoroughly.

D) Travel Authorization Forms

We noted four transactions (totaling \$118.07) concerning two trips for travel related expenses were not supported with an approved Travel Authorization form. Pursuant to the County of Stanislaus Travel Policy, Travel Authorization Forms must be completed and approved prior to incurring travel related expenses and provide supporting written documentation including at a minimum date, location, estimated cost, conference agenda and the business purpose for the travel.

Recommendation

We recommend the department review and revise its procedures to ensure all travel related expenses are approved with a signed Travel Authorization Form prior to incurring the travel related expenses. The Travel Authorization Forms must be supported with written documentation including the business purpose of the travel.

Department Response

Staff have been trained on this requirement; the department will take steps to insure that staff are reminded and retrained as necessary

E) Non-Business Related Expense

We noted one transaction (totaling \$78.15) was a personal transaction and the nature of this transaction was not discovered by the Department. During audit fieldwork the nature of the transaction, non-business related, was brought to the attention of the Department. Subsequent to audit fieldwork, the employee reimbursed the County for this purchase.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, one of the Department Head responsibilities is, “Ensure that charges incurred by staff against the Purchasing Card are in compliance with the Purchasing Card Policy and deemed an appropriate use of public funds.” We recommend the department review and revise its procedures to ensure the business purpose of all purchasing card transactions is clear and an appropriate use of public funds. Should an employee inadvertently use the County purchasing card for a personal transaction,

the Department should ensure procedures are in place to immediately determine business related purpose and obtain reimbursement of the purchase if personal in nature.

Department Response

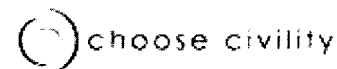
In this case the items purchased for personal use are the same as those purchased for office use, and the vendor inadvertently used the county purchasing card instead of the employee's personal card. Staff have been trained that no personal purchases, even if they intend to reimburse the county, are to be made using the county purchasing card. Staff will also be instructed to review transactions more thoroughly to insure that any such purchases made in error are caught in a timely fashion.



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STANISLAUS COUNTY EXECUTIVE SUMMARY ENVIRONMENTAL RESOURCES PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. There were no Department Head transactions during the fiscal year 2010-2011. The department purchasing card transactions consisted of 326 transactions in the amount of \$70,950.14. For our engagement, we selected 65 transactions (approximately 20%) in the amount of \$15,268.38 (approximately 22%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

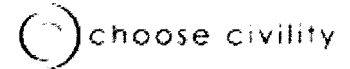
There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY GENERAL SERVICES AGENCY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. There were no Department Head transactions during the fiscal year 2010-2011. The department purchasing card transactions consisted of 461 transactions in the amount of \$80,399.49. For our engagement, we selected 92 transactions (approximately 20%) in the amount of \$14,993.40 (approximately 19%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT FINDINGS

A) Use Tax Liability

- We noted three transactions (totaling \$415.54) for which sales tax was not paid at the time of purchase and the Department did not list the transaction on the Use Tax Liability Log to submit to the Auditor-Controller's office.

- We noted one transaction (totaling \$280.00) for which the labor expense of \$130.00 was included in the amount listed on a Use Tax Liability Log submitted to the Auditor-Controller's office and subsequently paid to the California State Board of Equalization. Labor when combined in the total of the invoice is not taxable.

Recommendation

We recommend the Department review and revise its procedures and seek training to ensure taxability for items on credit card purchases are entered correctly on a Use Tax or District Tax Liability Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

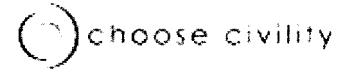
General Services Agency – Administration Division agrees with the recommendations of the Auditor-Controller. We have reviewed Use Tax and District Tax Liability Log procedures with our internal staff, and do not anticipate any future findings. We will attend the Auditor-Controller Tax Log training, when scheduled.



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STANISLAUS COUNTY EXECUTIVE SUMMARY GRAND JURY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. The department purchasing card transactions consisted of 30 transactions in the amount of \$894.19. For our engagement, we selected 20 transactions (approximately 67%) in the amount of \$461.11 (approximately 52%) from the entire population for testing.

There were no Department Head transactions during fiscal year 2010-2011.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT FINDINGS

A) Monthly Reconciliation of Transactions

During our testing of the Department's monthly reconciliations of the purchasing card statements, we noted the reconciliation for two of twelve months examined were not performed timely. Per the County Purchasing Card Policy, purchasing card transactions shall be reconciled to the monthly statements prior to receiving the next month's statements.

Recommendation

We recommend the Department review and revise its procedures to ensure the monthly purchasing card transactions are reconciled to the monthly statements in a timely manner. The review and reconciliation shall be documented with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

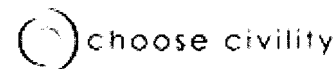
The department has reviewed the recommendation and will comply with County Purchasing Card Policy.



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STANISLAUS COUNTY EXECUTIVE SUMMARY LAW LIBRARY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. A Board of Trustees governs the Law Library with the president of the Board as the Head. The Board has delegated the Law Librarian as the Library's manager or Department Head. Department Head transactions during the fiscal year consisted of 33 transactions in the amount of \$2,916.14. The remaining department purchasing card transactions consisted of 5 transactions in the amount of \$249.41. For our engagement, we selected 5 transactions (approximately 100%) in the amount of \$249.41 (approximately 100%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.

- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Monthly Review and Certification of Transactions

We noted the following regarding the Department Head review of the purchasing card transactions:

- One of twenty-four Company Billing Statements was certified by the Department Head prior to completion of the reconciliation process. Performing the purchasing card reconciliation review prior to completion of the reconciliation process could potentially omit transactions requiring approval by the Department Head.
- Two of twenty-four Company Billing Statements were missing. Therefore, we could not determine the accuracy and timeliness of the Department Head review regarding the purchasing card transactions.
- One of twenty-four Company Billing Statements was not certified with a signature or date documenting review by the Department Head.

- Two of twenty-four Company Billing Statements were certified as reviewed with the Department Head's signature however the certification was not documented with a date. We were unable to determine the timeliness of the Department Head review of the purchasing card transactions.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, "Each month the Department Head shall certify in writing that all purchasing card charges are valid appropriate County expenses via the Bank of America Works Billing Statement, prior to the receipt of the next months statement." We recommend all such approvals are performed on complete billing cycles, in a timely manner, and certified in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

The Law Library's procedure for the monthly reconciliation occurs immediately after notification from the Auditor's Office. The department is a 2 person department and sometimes it is difficult to obtain a signature in a timely manner due to either a conflict of schedules or the unavailability of the Department Head, who is in private practice, not on site, and serves without compensation. The intent is to always follow the proper procedure; however there are limitations and restrictions when the department staff is so small.

B) Non-Business Related Expense

We noted one lodging transaction (totaling \$189.49) included a personal transaction (totaling \$13.99) and the nature of this transaction was not discovered by the Department. During audit fieldwork the nature of the transaction, non-business related, was brought to the attention of the Department. Subsequent to audit fieldwork, the employee reimbursed the County for this purchase.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, one of the Department Head responsibilities is, "Ensure that charges incurred by staff against the Purchasing Card are in compliance with the Purchasing Card Policy and deemed an appropriate use of public funds." We recommend the department review and revise its procedures to ensure the business purpose of all purchasing card transactions is clear and an appropriate use of public funds. Should an employee inadvertently use the County purchasing card for a personal transaction, the Department should ensure procedures are in place to immediately determine business related purpose and obtain reimbursement of the purchase if personal in nature.

Department Response

\$13.99 Expense: This expenditure was for a movie which the employee viewed in her room. It was charged automatically to the card on file with the hotel. The procedure in place requires each card holder to review their expenses, note any personal transactions, and reimburse the Law Library immediately. The expense was inadvertently overlooked by the card holder when the statement arrived and not caught by the staff that reconciled and signed off on the statement. Subsequent to the audit, the employee reimbursed the Department for this purchase.

DEPARTMENT FINDINGS

A) Monthly Reconciliation

We noted the following regarding the monthly reconciliation of the purchasing card transactions:

- Certification of the monthly reconciliation process for three of twenty-four purchasing card statements were missing, therefore, we were unable to determine timeliness of the purchasing card reconciliations.
- One employee reconciled their own purchasing card statement during one month out of the period under review.
- Two of twenty-four purchasing card statements were reconciled prior to the end of the purchasing card statement period. Performing the purchasing card reconciliation prior to the end of the statement period could potentially omit transactions requiring approval by the Department Head during the review process.
- The date was missed during the certification process for one month out of the period under review. We were unable to determine the timeliness of the monthly reconciliation of the purchase card transactions.

Recommendation

We recommend the Department review and revise its procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and documented with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

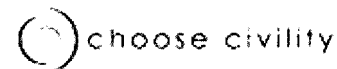
The department does attempt to comply with all required procedures to ensure the monthly purchasing card reconciliations are complete, timely, and appropriately documented. The procedures will be re-reviewed by staff to assure compliance.



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STANISLAUS COUNTY EXECUTIVE SUMMARY PROBATION PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 13 transactions in the amount of \$2,445.59. The remaining department purchasing card transactions consisted of 1,242 transactions in the amount of \$177,258.00. For our engagement, we selected 246 transactions (approximately 20%) in the amount of \$37,582.34 (approximately 21%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Company Billing Statements

The Department Head has delegated the responsibility of approving the monthly WORKS Billing Statement to department management. The purchasing card transactions are split between seven delegated managers to review and approve these transactions each month. Not all managers will have transactions to approve each month. During the year, a total of fifty-

one approvals were obtained of the WORKS Billing Statement. We noted nine (or 19%) of the fifty-one approvals were not performed timely by the designees during the audit period.

Recommendation

Pursuant to the County of Stanislaus Purchasing Card Policy, "Each month the Department Head shall certify in writing that all purchasing card charges are valid appropriate County expenses via the Bank of America Works Billing Statement, prior to the receipt of the next months statement." We recommend all such approvals are performed in a timely manner, and certified in accordance with the County of Stanislaus Purchase Card Policy.

Department Response

The Probation Department will continue to strive toward this goal, however, staffing vacancies in the fiscal unit have affected distribution of monthly statements. The Administrative Services Manager reviews charges on-line, through the real-time WORKS system, continuously throughout the month they are made, without waiting for receipt of a paper statement. Any fraudulent charges are caught prior to the receipt of the statement.

B) Occupancy Tax Waiver

We noted eight transactions for lodging charges where occupancy taxes were paid at a hotel in a city that exempts local government employees from occupancy taxes. As a result, \$119.40 in additional County travel costs were incurred. Pursuant to the County Travel Policy, County employees are required to submit the Hotel/Motel Transient Occupancy Tax Waiver Exemption Certificate during the hotel/motel registration process when the hotel/motel agrees to accept it.

Recommendation

We recommend the Department review and revise its procedures to ensure Occupancy Tax Waivers are submitted to hotels that are located in cities that have an exemption from the tax for County employees. Documentation of the hotel refusing to accept the form is also recommended.

Department Response

The Department has reviewed the existing procedures and there appears to be no revisions necessary. Procedures are currently in place requiring employees to submit Occupancy Tax Waivers. The department will reinforce to traveling staff the importance of this waiver.

DEPARTMENT FINDINGS

A) Use Tax

We noted three transactions for internet purchases (totaling \$226.39) for which sales tax was not paid for shipping and handling at the time of purchase and the Department did not list the transaction on the Use Tax Liability Log to submit to the Auditor-Controller's Office. Shipping and handling when combined on an invoice are taxable.

Recommendation

We recommend the Department review and revise its procedures and seek training to ensure purchasing card transactions for which sales tax was not paid are logged on a Use Tax or

District Tax Liability Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

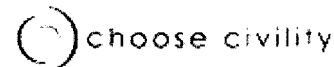
The department has reviewed its procedures for logging sales tax and there appears to be no revisions necessary. Sales tax logs are submitted monthly to the Auditor's Office and the noted transactions were an oversight on the part of fiscal staff.



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STANISLAUS COUNTY EXECUTIVE SUMMARY PUBLIC WORKS PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 44 transactions in the amount of \$2,581.35. The department purchasing card transactions consisted of 545 transactions in the amount of \$107,323.41. For our engagement, we selected 124 transactions (approximately 23%) in the amount of \$26,675.05 (approximately 25%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT FINDINGS

A) Use Tax Liability

- We noted five transactions (totaling \$176.15) for which sales tax was not paid at the time of purchase and the Department did not list the transaction on the Use Tax Liability Log to submit to the Auditor-Controller's office.

- We noted two transactions (totaling \$1,100.06) for which shipping expense of \$67.39 was included in the amount listed on a Use Tax Liability Log submitted to the Auditor-Controller's office and subsequently paid to the California State Board of Equalization. Shipping when not combined with handling charges is not taxable.
- We noted one transaction (totaling \$309.00) for which United Parcel Service (UPS) freight expense of \$9.00 was included in the amount listed on a Use Tax Liability Log submitted to the Auditor-Controller's office and subsequently paid to the California State Board of Equalization. Freight by UPS is not taxable. We also noted an overpayment of sales tax paid to the vendor in the amount of \$2.49 for this transaction.

Recommendation

We recommend the Department review and revise its procedures and seek training to ensure taxability for items on credit card purchases are entered correctly on a Use Tax or District Tax Liability Log and submitted monthly to the Auditor-Controller's Office pursuant to the County of Stanislaus Purchasing Card Policy.

Department Response

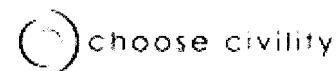
The Department requested and received clarification from the Auditor's office on determining the taxability for items involving freight, and shipping and handling. Department procedures have been updated to ensure that all tax liability is accurate. Clerks have been advised and trained on use tax procedures, with particular attention to internet purchases.



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STANISLAUS COUNTY EXECUTIVE SUMMARY STRATEGIC BUSINESS TECHNOLOGY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 10 transactions in the amount of \$1,011.14. The remaining department purchasing card transactions consisted of 73 transactions in the amount of \$10,358.26. For our engagement, we selected 20 transactions (approximately 27%) in the amount of \$2,513.34 (approximately 24%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

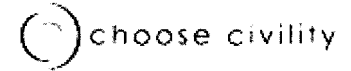
There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.



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STANISLAUS COUNTY EXECUTIVE SUMMARY SHERIFF'S OFFICE PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County of Stanislaus Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 25 transactions in the amount of \$6,887.01. The remaining department purchasing card transactions consisted of 1,171 transactions in the amount of \$164,811.98. For our engagement, we selected 234 transactions (approximately 20%) in the amount of \$31,393.03 (approximately 19%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County of Stanislaus Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County of Stanislaus Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Company Billing Statements

The Department Head designee reviews the purchase card transactions using the reconciled purchasing card statements. Each statement is initialed and dated documenting this review. We noted the following regarding the Department Head designee review of the purchase card transactions:

- Thirty-eight of the one hundred thirteen purchase card statement reconciliations reviewed was not signed off by the Department Head designee timely.
- Three of the one hundred thirteen purchase card statement reconciliation reviews were not documented via initial or date by the Department Head designee.
- Nineteen of the one hundred thirteen purchase card reconciliation reviews were performed by the Department Head designee prior to the reconciliation process being completed.

Recommendation

We recommend the Department review and revise its procedures to ensure the monthly review and Department Head approval of the purchasing card reconciliations and transactions is complete, performed in a timely manner, and signed and dated in accordance with County of Stanislaus Purchasing Card Policy.

Department Response

Management has reviewed the findings and recommendations and has issued a Purchasing Card General Order to ensure compliance with County policies. Management will conduct periodic training to remind employees of the County policies. While County policy requires the Department Head or Designee to certify in writing that all purchasing card charges are valid appropriate County expenses prior to the receipt of the next month's statement this is not always possible due to the number of transactions in the Sheriff's Department. Each transaction and supporting documentation is reviewed by the Finance staff and Business Manager prior to being approved in the purchasing card "Works" system. Only after all the transactions, missing receipt forms, credit card statements, trip authorizations, deposits and employee reimbursements are processed is the Department Head or Designee provided with the Detail Transaction register to review and sign.

DEPARTMENT FINDINGS

A) Monthly Purchasing Card Reconciliation

During our testing of the Department's monthly reconciliations of the purchasing card statements, we noted the following:

- Thirty-six of the one hundred thirteen purchase card statement reconciliations were not performed timely.
- Fifty-one of the one hundred thirteen purchase card reconciliations were not documented with a date. We were unable to determine timeliness.
- One of the one hundred thirteen purchase card reconciliations review was not documented with a date or initial.

Recommendation

We recommend the Department review and revise its procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and documented with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Management has reviewed the findings and recommendations and has issued a Purchasing Card General Order to ensure compliance with County policies. Management will conduct periodic training to remind employees of the County policies. While County policy requires the Department Head or Designee to certify in writing that all purchasing card charges are valid appropriate County expenses prior to the receipt of the next month's statement this is not always possible due to the number of transactions in the Sheriff's Department. Each transaction and supporting documentation is reviewed by the Finance staff and Business Manager prior to being approved in the purchasing card "Works" system. Only after all the transactions, missing receipt forms, credit card statements, trip authorizations, deposits and employee reimbursements are processed is the Department Head or Designee provided with the Detail Transaction register to review and sign.

B) Before-Event Expenses

We noted eight transactions included travel charges incurred the day before an event and the travel expenses did not appear to be necessary based on the location and time the events started. While the Department Head's Designee approved the before-event charges, the reasons for the before-event charges were not documented; therefore the additional charges are considered personal. Estimated additional expenses totaled \$1,327.15. The Department Head designee stated some of these before event transactions are allowable expenditures and are reimbursable through a grant received from the State of California. The Department should determine and document which transactions are to be expensed and reimbursed per the grant document. For those transactions expensed and not utilizing the grant funds, the Department should request reimbursement for the before event costs.

Recommendation

We recommend the Department review and revise their procedures to ensure travel expenses incurred before and after an event and lodging accommodations are reasonable (length of stay and rate) based on the location of the event and the time of day the event begins and ends. The Department Head or his/her designee must approve any before/after event travel expenses and the reason for the approval must be documented.

Department Response

Management has reviewed the findings and recommendations and issued a Purchasing Card General Order to ensure compliance with County policies. Management will conduct periodic training to remind employees of County policies. When the Department Head or Designee signs the Trip Authorization they are acknowledging and therefore approving the lodging. The Department standard practice to ensure a consistency when employees are traveling is to provide before event lodging in locations like Sacramento, Fresno, Oakland, San Jose and San Francisco with a round trip of more than 50 miles. The Commission on Peace Officers Standards and Training (POST) allows for a days subsistence reimbursement when travel is a round trip of 50 miles or more. Below is Section 4-10 from the POST Administrative Manual:

4-10.Subsistence for Enroute Travel Time:

Subsistence will be reimbursed for enroute time not to exceed 24 hours of subsistence allowance at the daily subsistence established by the Commission for the fiscal year. The subsistence allowance for enroute travel time will be calculated as a fraction of a day's subsistence allowance and will be proportional to the distance traveled between the trainee's station assignment and the training institution. A round trip of less than 50 miles will not be eligible for any enroute subsistence, and a round trip of greater than 400 miles may receive no more than one day of enroute subsistence.

POST Bulletin #2011-09, Retroactive Increase in Mileage/Subsistence for Training Reimbursement.

In Fiscal Year 2010/11 POST was fully funded and current economic conditions have caused a decline in the number of reimbursable trainees for the last three years. Therefore, POST is able to increase reimbursement for subsistence and mileage reimbursement for the periods and amounts reflected below:

1. For Training Reimbursement Requests (TRRs) submitted from July 1, 2010 through December 31, 2010, mileage reimbursement will be increased from 26 cents per mile to 50 cents per mile.
2. For TRRs submitted from January 1, 2011 through June 30, 2011, and into the future unless or until otherwise notified, the mileage rate will increase from 50 cents per mile to 51 cents per mile.
3. Effective July 1, 2010 through June 30, 2011, and into the future unless otherwise notified, subsistence (lodging and meals) reimbursement will be retroactively increased to the pre-September 1, 2008 level as follows:
 - \$128 - All counties not listed below
 - \$189 - Alameda County
 - \$156 - Los Angeles County
 - \$156 - San Diego County
 - \$189 - San Francisco County
 - \$189 - San Mateo County
 - \$189 - Santa Clara County
4. Effective July 1, 2011, the "40-hour cap" on reimbursable training per officer, per fiscal year will be increased to an "80-hour cap". (See attached list of exempt courses.)

C) Occupancy Tax Waiver

We noted five transactions for lodging charges where occupancy taxes were paid at a hotel in a city that exempts local government employees from occupancy taxes. As a result, \$563.12 in additional County travel cost was incurred. Pursuant to the County Travel Policy, County employees are required to submit the Hotel/Motel Transient Occupancy Tax Waiver

Exemption Certificate during the hotel/motel registration process when the hotel/motel agrees to accept it.

Recommendation

We recommend the Department review and revise its procedures to ensure Occupancy Tax Waivers are submitted to hotels that are located in cities that have an exemption from the tax for County personnel. Documentation of the hotel refusing to accept the form is also recommended.

Department Response

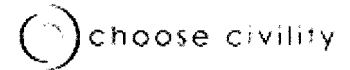
Management has reviewed the findings and recommendations and has issued a Purchasing Card General Order to ensure compliance with County policies. Management will conduct periodic training to remind employees of the County policies.



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STANISLAUS COUNTY EXECUTIVE SUMMARY UC COOPERATIVE EXTENSION PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2010-2011 purchasing card transactions. Next year during FY 2012-2013, the remaining departments and related agencies not chosen in this audit cycle will be chosen for the audit cycle of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2010-2011. Department Head transactions during the fiscal year consisted of 22 transactions in the amount of \$1,585.38. The remaining department purchasing card transactions consisted of 73 transactions in the amount of \$7,018.26. For our engagement, we selected 20 transactions (approximately 27%) in the amount of \$1,097.78 (approximately 16%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

We assessed the internal controls over the purchasing card transactions by:

- Interviewing department personnel and documenting the department's controls over purchasing cards.
- We examined the Purchasing Card Application and Authorization Forms to verify that an application form exists for each employee issued a County purchasing card and the form was approved by an appropriate personnel.
- We examined the Purchasing Card Reconciliation Reports to ensure administrative staff were reviewing and reconciling the monthly transactions to the purchasing card statements from the Bank of America.
- We reviewed the Purchasing Card Transaction Detail Reports to ensure management was reviewing the purchasing card transactions for appropriateness.

STANDARDS

We conducted our engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Accordingly, we examined, on a test basis, evidence supporting the procedures in place and performed such other procedures as we considered necessary.

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no major findings and recommendations for the Department purchasing card transactions during fiscal year 2010-2011.