

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

DEPT: Auditor-Controller *SPK*

BOARD AGENDA # B-5

Urgent

Routine

AGENDA DATE August 11, 2015

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Acceptance of Fiscal Year 2012-2013 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

STAFF RECOMMENDATIONS:

Accept Fiscal Year 2012-2013 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 2012-2013. 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 performed the purchasing card audits on a two year cycle.

BOARD ACTION AS FOLLOWS:

No. 2015-374

On motion of Supervisor DeMartini, Seconded by Supervisor Chiesa

and approved by the following vote,

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

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1)  Approved as recommended

2)  Denied

3)  Approved as amended

4)  Other:

MOTION:

ATTEST:

*Christine Ferraro*  
CHRISTINE FERRARO TALLMAN, Clerk

File No.

The cost to the County for services provided by the General Ledger Division of the Auditor-Controller's Office for the work performed was approximately \$51,500 in salary related expenses representing a total of 1,150 work hours at approximately \$45 an hour. 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 \$100 and \$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 implemented through Bank of America on October 11, 1996 in an effort to decrease costs associated with processing purchases and to increase efficiency. 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, 2012 and June 30, 2013. All County departments and related agencies utilizing the County purchasing card system are subject to this audit which consists of approximately 32 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 21% to 100% of the total transactions with an average sampling population of 25%. 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.

During fiscal year 2012-2013 there was a total of 17,485 transactions incurred in the amount of \$3,267,592 for all departments and related agencies. The 16 departments that were chosen for audit purposes incurred 10,117 transactions in the amount of \$1,901,620. The total number of transactions tested and the related amounts for the 16 departments audited is 2,518 purchasing card transactions in the amount of \$597,914 or 25% and 31% respectively.

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

- Determination that the purchasing card transactions were appropriate County business transactions.

- Supporting documentation exists for the purchases.
- Examination of the department's monthly reconciliation of the purchasing card statement.
- Review purchasing card authorization for each card.
- 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.

Significant findings are determined by the number of occurrences for a particular finding, the amount associated with the finding and the nature of the finding. A summary of the significant findings for the 16 departments under audit for the July 1, 2012 to June 30, 2013 period is listed below:

#### FISCAL YEAR 2012-2013

- Each year the Department Head is required to review the needs and limits of the purchase cards issued to his/her department. We noted one department did not perform this annual review.
- Department Heads are required to assign a designee(s) in writing and maintain a record of such for five years. We noted the following related to this designation:
  - Two departments did not identify a designee in writing effective for the period under review.
  - One designee's assigned duties were inadequate in the event of the Department Head's unexpected absence.
  - Two written designations were not certified by the Department Head.
- 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:
  - Seventeen reports were not reviewed and/or certified in a timely manner.
  - Two reports were approved by an employee not certified to sign on behalf of the Department Head.
- We noted five Travel Authorization Forms totaling \$1,708 that were not approved by the Department Head prior to travel.

- We noted four transactions for lodging incurred by a Department Head that included occupancy tax in a city that exempts local government employees from occupancy taxes resulting in an additional cost to the County of \$80.
- We noted the following related to the monthly reconciliation of the purchasing card statements:
  - Twelve original bank statements and supporting documentation were missing. There were a total of 54 transactions in the amount of \$46,706 listed on these statements. Subsequent to audit field work the 12 respective purchasing cards were canceled and reissued.
  - Nine purchasing card statement reconciliations were not performed timely.
  - Five employees reconciled their own purchasing card transactions during a total of 30 periods.
- A minimum of three quotes was not included for five transactions totaling \$10,793. These transactions included items exceeding \$1,000. The purchasing card policy requires a minimum of three competitive quotes for an item of or exceeding \$1,000.
- We noted eight transactions totaling \$6,799 for which sales tax or district tax was not paid. As a result of these transactions, approximately \$159 in sales tax was not reported to the California State Board of Equalization in a timely manner. Subsequent to audit field work the sales tax was reported.
- We noted 27 Travel Authorization Forms totaling \$9,073 that were not approved prior to travel.
- We noted four transactions totaling \$360 for duplicated or additional charges that were not recognized during the reconciliation process nor disputed with the vendor. Subsequent to audit field work three of the four transactions totaling \$283 were credited by the vendor.
- We noted two transactions totaling \$317 were not supported by an itemized receipt.
- We noted 12 transactions for airport parking where economical parking was not utilized resulting in an additional cost to the County of \$183.
- We noted a lodging expense in the amount of \$161 was incurred however not used in one instance. The additional expense was incurred due to an unforeseeable work requirement that prevented the employee from arriving at the travel destination as originally planned.
- We noted five 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 \$101.

- We noted one fuel charge totaling \$50 when an employee was advised prior to travel to obtain a fuel program card.
- We noted one transaction totaling \$18 was personal in nature and linked to a business hotel stay. The County has been reimbursed for this personal charge.

The significant findings primarily consisted of departments lacking sufficient procedures and controls, in some cases, to monitor the appropriateness of the purchasing card transactions. Four of the 16 departments did not have findings listed on their Executive Summary Report. Fiscal year 2012-2013 reflects continued improvement by the departments in their efforts to comply with the County of Stanislaus Purchasing Card and Travel Policies. While 12 of the 16 departments tested had findings listed on their Executive Summary Report the findings themselves were less impactful. In conclusion, overall the County departments that were chosen for testing were in compliance with the Purchasing Card and Travel Policies.

**POLICY ISSUE:**

Per Government Section Code 26883, 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:**

Lauren Klein, CPA                      Stanislaus County Auditor-Controller                      (209) 525-6576

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
ANIMAL SERVICES  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 11 transactions totaling \$3,974.30. The test transactions for the department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 295 transactions totaling \$47,574.37. For our engagement, we selected 70 transactions (approximately 24%) in the amount of \$18,567.22 (approximately 39%) 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**

While the findings discussed below may not, individually or in the aggregate, significantly impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled.

#### **DEPARTMENT HEAD FINDINGS**

##### A) Department Head Designee

The Department Head did not identify a designee in writing effective for the period under review as required by the Purchasing Card Policy revision of December 2011.

##### Recommendation

We recommend the Department Head identify a designee in writing and document what the designee is authorized to approve in the event of an unexpected absence pursuant to the County of Stanislaus Purchasing Card and Travel Policies. As a result of the FY 11/12 audit engagement, the department has corrected this issue effective July 01, 2013.

Department Response

A designee was identified in writing and the issue was corrected July 1, 2013.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2012-2013.



**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
BEHAVIORAL HEALTH AND RECOVERY SERVICES  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 50 transactions totaling \$3,315.61. The test transactions for the department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 2,267 transactions totaling \$350,391.47. For our engagement, we selected 482 transactions (approximately 21%) in the amount of \$96,613.12 (approximately 28%) 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) DH WORKS Billing Statement Review

The Department Head's review and approval of the WORKS Billing Statements were not certified timely for two of 13 periods under review. Of the 13 periods, two periods were approved by an employee who was not designated in writing by the Department Head as a designee to certify the monthly WORKS Company Billing Statements.

#### Recommendation

We recommend the department modify its procedures to ensure the Department Head's monthly review and approval of the WORKS Billing Statements are complete, performed in a timely manner, and certified by appropriate staff designated to sign on the Department Head's behalf in accordance with the County of Stanislaus Purchasing Card Policy.

#### Department Response

Management will conduct periodic training to remind employees of the County policies. While County policy requires the Department Head 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 Behavioral Health and Recovery Services. Each transaction and supporting documentation is reviewed by the Finance staff and Finance 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 provided with the Works Billing Statement to review and sign.

### DEPARTMENT FINDINGS

#### A) Sales/Use and District Tax

We noted sales/use tax for five transactions and District tax for two transactions (totaling \$623.61 and \$4,745.80 respectfully) was not paid at the time of purchase and the department did not report the transactions on the appropriate tax log to the Auditor-Controller's Office. This resulted in a shortage of \$47.11 of sales tax and \$5.93 of district tax which was not forwarded to the California State Board of Equalization. Please note that the sales tax shortage was calculated using different rates (7.375% and 7.625%) in FY 12-13.

#### 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. Subsequent to the audit, department submitted a Use Tax log to the Auditor-Controller's Office for payment to the Board of Equalization.

#### Department Response

The Department agrees with the recommendation and will modify procedures to ensure compliance.

#### B) Three Competitive Quotes

We noted five transactions for products (totaling \$10,793.06) which exceeded \$1,000.00 each and documentation of three competitive quotes were not provided. The Purchasing Card Policy requires the retention of a minimum of three competitive quotes for an item of or exceeding \$1,000.00 for five years.

#### Recommendation

We recommend the Department modify its procedures to ensure quotes for items of or exceeding \$1,000 are obtained, supported by written documentation and retained by the department for five years.

#### Department Response

The Department agrees with the recommendation and will ensure written documentation is maintained to support the fact that the required quotes were obtained for purchased items greater than \$1,000.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
CHIEF EXECUTIVE OFFICE  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 30 transactions totaling \$12,047.94. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 501 transactions totaling \$102,437.43. For our engagement, we selected 114 transactions (approximately 23%) in the amount of \$29,339.41 (approximately 29%) 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 2012-2013.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
CLERK RECORDER  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. However, the Department Head did not incur any purchasing card transactions for the period under review. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 232 transactions totaling \$29,415.40. For our engagement, we selected 54 transactions (approximately 23%) in the amount of \$11,065.04 (approximately 38%) 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**

While the findings discussed below may not, individually or in the aggregate, significantly impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled.

#### **DEPARTMENT HEAD FINDINGS**

##### **A) Department Head Designee**

For the period under review, the Department Head did not assign a designee as required by the County of Stanislaus Purchasing Card Policy. The Department Head assigned a designee in writing during the subsequent fiscal year 2013-2014 and corrected this issue as a result of an audit for fiscal period of 2011-2012.

##### **Recommendation**

We recommend the Department Head identify all designee assignments in writing and document what each designee is authorized to approve in the event of an unexpected absence. Additionally, the designee assignments must be retained for a period of 5 years and should be updated as needed when designee assignments change.

Department Response

The Department Head assigned a designee in fiscal year 2013-2014.

DEPARTMENT FINDINGS

A) Sales and Use Tax

Use tax was not paid on a transaction (totaling \$1,430.00) and the use tax was also not reported to the Auditor-Controller's Office on the appropriate tax log. This resulted in \$105.46 not sent to the State Board of Equalization. Subsequent to audit fieldwork, the appropriate tax log was submitted to the Auditor-Controller's Office.

Recommendation

We recommend the Department review and revise its procedure 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 Procedures.

Department Response

A Use Tax liability log is submitted monthly to the Auditor-Controller's office and its accuracy will be double checked by the Accountant.



**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
COUNTY COUNSEL  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 10 transactions totaling \$1,743.88. The test transactions for the department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 105 transactions totaling \$29,332.98. For our engagement, we selected 26 transactions (approximately 25%) in the amount of \$10,305.77 (approximately 35%) 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 Purchasing Card Review**

The Department Head's annual review determining the need and limit of the department's purchasing cards was not performed during fiscal year 2012-2013. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with the Purchasing Card records for five years.

#### **Recommendation**

We recommend the Department review and revise its procedures to ensure the Department Head annually reviews the department's list of purchasing cards to determine the need and limit, including those limits in excess of \$5,000. The review shall be signed and dated by the Department Head, then maintained with the purchasing card records for five years in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

The Office of County Counsel has updated its procedures to ensure the Department Head annually reviews the department's list of purchasing cards to determine the needs and limits. The Department will prepare a memo addressing the annual review and send it to the Auditor. A copy of this memo will be kept with the purchasing card records for five years in a locked cabinet in our office.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2012-2013.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
DEPARTMENT OF CHILD SUPPORT SERVICES  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 109 transactions totaling \$27,816.18. The test transactions for the department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 394 transactions totaling \$149,576.53. For our engagement, we selected 93 transactions (approximately 24%) in the amount of \$44,378.30 (approximately 30%) 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**

There were no major findings and recommendations for the Department Head purchasing card transactions during fiscal year 2012-2013.

#### **DEPARTMENT FINDINGS**

##### **A) Lack of Separation of Duties – Monthly Reconciliations**

Based on the documentation provided, we noted two card holder's reconciled their own monthly purchasing card statements for five of 13 periods under review. Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

### Recommendation

We recommend the Department modify its procedures to ensure that employees are not reconciling their own purchasing card statements. We further recommend the Department review and revise its procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and certified with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

### Department Response

The Department makes every diligent effort to ensure compliance with the County of Stanislaus Purchasing Card Policy. DCSS is aware that cardholders must not reconcile their own billing statement. Since 2009, the Department's practice has been to include a notation written and signed by the approver on the cardholder's monthly statement to show that the approver, who is not the cardholder, reconciled the statement.

During the four of the five review periods in question however, the non-cardholder approver performed the duty but overlooked adding the necessary notation and signature onto the hardcopy statements. A fifth review period was verified and signed by a secondary non-cardholder reviewer, however the statement was misplaced and therefore verification of the signatures could not be made.

To ensure future compliance is clearly documented, the departmental reconciliation process has been modified to include the addition of a pre-printed label that contains three lines for required signatures of verifiers: the Account Technician (or appropriate back-up); the Accountant; and a Manager. The label will be placed on each billing statement, and will serve as a visible reminder to ensure reconciliation and approvals are completed timely, and with the appropriate separation of duties in place. Additionally, all signed statements will be scanned and housed electronically to serve as back-up documents if needed. Written procedures will also be updated to include this new provision.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
DEPARTMENT OF ENVIRONMENTAL RESOURCES  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 15 transactions totaling \$3,066.14. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 444 transactions totaling \$79,439.10. For our engagement, we selected 96 transactions (approximately 22%) in the amount of \$20,171.05 (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 HEAD FINDINGS**

#### **A) Travel Authorization Forms**

We noted five travel related expenses (totaling \$1,707.90) for two separate trips were incurred prior to completing a Travel Authorization Form. A completed Travel Authorization Form is required of all county personnel prior to incurring travel and other related expenses. While the expenses were valid county business expenses, the form was not completed prior to incurring the expense, as required by policy.

#### **Recommendation**

We recommend the department modify its procedures to ensure Travel Authorization Forms are completed prior to incurring any travel related expenses. The Travel Authorization Forms must be supported with written documentation in accordance with the County of Stanislaus Travel Policy.



#### Department Response

The department agrees and has reminded all staff to ensure that the signature/date of the approving manager has been applied to the completed TA before incurring any travel related expenses, i.e. to obtain early bird discounts.

#### DEPARTMENT FINDINGS

##### A) Monthly Bank Statement Missing

A cardholder's original bank statement and supporting documentation for the month of September 2012 was missing. There were a total of 5 transactions in the amount of \$2,065.01 listed on this statement. It is unclear when the original statement and supporting documentation went missing. During a discussion held with department staff it was explained the statements were received and activity reconciled. However, the original statement and transaction receipts were requested by another employee performing an administrative review and subsequently misplaced. Department staff conducted a thorough search for the missing documents but was unsuccessful. Copies of the statement and supporting documents were obtained from the bank and employees respectively. We were able to confirm the purchasing card transactions were complete and appropriate.

The purchasing card statement lists the full card number on the remittance section of the statement. With the original statement missing this poses a security risk. Subsequent to audit fieldwork, the department canceled the employee's card whose bank statement was misplaced.

#### Recommendation

We recommend the department review and revise its procedures to ensure the department strengthens controls regarding the security and retention of the purchasing card statements and related supporting documentation. Only designated staff should have access to these records for security purposes and must be retained by the Department for a minimum of five years. In the event that credit card documents containing pertinent information are misplaced or stolen, the department is responsible for immediate cancellation and reissuance of the cards to prevent fraudulent activity from occurring.

#### Department Response

The department agrees and only designated accounting staff have access to the records. To strengthen controls and to avoid any future misfiled/misplaced statements, the designated purchasing card clerk responsible for maintaining the records has been instructed to perform a monthly review of the locked cabinet where the files are stored, in order to determine if there are any missing files/statements. If it's determined that a statement(s) is missing, the designated purchasing card clerk has been instructed to bring it to Management's attention and to immediately cancel the affected card(s) to prevent fraudulent activity from occurring.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
DISTRICT ATTORNEY  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 8 transactions totaling \$1,852.72. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 600 transactions totaling \$158,514.82. For our engagement, we selected 138 transactions (approximately 23%) in the amount of \$44,418.41 (approximately 28%) 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**

While the findings discussed below may not, individually or in the aggregate, significantly impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled.

#### **DEPARTMENT HEAD FINDINGS**

##### A) Department Head Designee

We noted department staff documented a list of Department Head Designees for the period under review. However, the list was not approved by the Department Head. The County of Stanislaus Purchasing Card Policy requires the Department Head to document in writing their list of Designee Assignments and what they are allowed to approve.

##### Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head identify and certify a designee in writing and document what the designee is authorized to approve pursuant to the County of Stanislaus Purchasing Card and Travel Policies. The Department has corrected this issue as of July 8, 2013.

#### Department Response

We complete the Stanislaus County Account Payable Authorization signature forms for each of our Managers. Which are all on file at the Auditor's office.

### DEPARTMENT FINDINGS

#### A) Monthly Reconciliations

We noted three periods where a card holder reconciled their own card. Although a mitigating review by another employee was performed in these instances, the review was untimely for two of the three periods. The mitigating review was not dated for the remaining period and we could not determine its timeliness.

#### Recommendation

We recommend the Department modify its procedures to ensure employees are not reconciling their own purchasing card statements. We also recommend the Department ensure all monthly purchasing card reconciliations are complete, performed timely, and certified with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

#### Department Response

This was while the initial clerk that reconciles the department credit cards was on maternity leave and her back-up forget to have her statement signed off by another person. We have resolved this error.

#### B) Additional and Duplicate Charges

We noted the following transactions related to additional and duplicate charges:

- We noted two travel-related transactions for lodging (totaling \$449.40) included additional nights of lodging in the amount of \$269.64. A deposit for lodging had previously been paid on a separate purchasing card, which initially made it difficult for the department to track the number of nights and employees charged for lodging. At the time of reconciliation the additional amount was not recognized nor disputed with the hotel. Although the department received credit for the additional charge subsequent to audit fieldwork, the receipt was not reconciled and the amount was not disputed during the reconciliation period, prior to the receipt of the next month's statement.
- Two travel related transactions, incurred during two separate trips, included duplicate charges totaling \$89.97. In one transaction, a lodging charge was duplicated for a nights stay and the error was noted by the hotel. The hotel was pending direction from the department on how to credit the amount. However, the department did not respond and the credit was not received. In the second transaction, an employee was charged twice for a meal. Although credit was received from the vendor subsequent to audit fieldwork, the meal transaction was not disputed nor reconciled at the time the transaction occurred or during the reconciliation period. The discrepancies were recognized as a result of the audit process

Recommendation

We recommend the Department modify its procedures to ensure travel related expenses are reconciled not only from receipts to the purchasing card statements, but that the charges reconcile to the approved travel expenses. We also recommend the Department encourage employees to review their receipts for accuracy, such as duplicate or additional charges, at the time of transaction.

Department Response

We have informed all employees that they must review all receipts prior to turning them in to the clerk and if they have any issues to discuss them with her. These two findings were very unusual even for our office.

C) Approval of Travel Authorization Forms

We noted six travel related expenses (totaling \$1,106.55) for two separate trips where the travel authorization was approved subsequent to incurring the expenses. A completed travel authorization is required of all county personnel prior to incurring travel and other related expenses.

Recommendation

We recommend the Department modify its procedures to ensure all travel related expenses are approved on a completed Travel Authorization Form prior to incurring any travel related expenses. The Travel Authorization Forms must be supported with written documentation in accordance with the County of Stanislaus Travel Policy.

Department Response

We are always reminding our employees that they must have a completed/approved travel authorization form prior to making any charges on the credit cards.

**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 for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. There were no Department Head's transactions incurred during the period under review. The purchasing card transactions for department personnel consisted of 18 transactions totaling \$1,107.07. For our engagement, we chose to test 100% of the transactions due to the small number of transactions.

**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 2012-2013.

**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 for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. The Department Head did not incur any transactions for the period under review. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 368 transactions totaling \$51,229.59. For our engagement, we selected 84 transactions (approximately 23%) in the amount of \$16,822.27 (approximately 33%) 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 2012-2013.

**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 for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 39 transactions totaling \$2,730.15. Department personnel did not incur any 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 2012-2013.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PARKS AND RECREATION  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. There were no Department Head transactions during this audit. The test transactions for the department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 705 transactions totaling \$69,548.04. For our engagement, we selected 150 transactions (approximately 21%) in the amount of \$15,535.50 (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**

### **DEPARTMENT HEAD FINDINGS**

There were no major findings and recommendations for the Department Head purchasing card transactions during fiscal year 2012-2013.

### **DEPARTMENT FINDINGS**

#### **A) Monthly Bank Statements Missing**

The department's original purchasing card statements and supporting documentation for all employees were missing for the month of August 2012. There were a total of 49 transactions, charged with 11 employee's credit cards in the amount of \$44,640.61. It is unclear when the original statements and supporting documentation went missing. During discussions held with department staff it was explained the statements were received and activity reconciled. However, the original statements and transaction receipts could not be found. Department staff conducted a thorough search for the missing documents but was unsuccessful. Copies of the statements and supporting documents were obtained from the bank and employees,

respectively. We were able to confirm the purchasing card transactions were complete and appropriate.

The purchasing card statements list the full number of the card on the remittance section of the statement. With the original statements missing this poses a security risk. Subsequent to audit fieldwork, the department canceled the 11 cards which were affected by the misplaced bank statements.

#### Recommendation

We recommend the department review and revise its procedures to ensure the department strengthens controls regarding the security and retention of the purchasing card statements and related supporting documentation. Only designated staff should have access to these records for security purposes and must be retained by the Department for a minimum of five years. In the event that credit card documents containing pertinent information are misplaced or stolen, the department is responsible for immediate cancellation and reissuance of the cards to prevent fraudulent activity from occurring.

#### Department Response

The department agrees and has implemented a monthly verification process to ensure that all files containing the monthly reconciliation documents are properly located in the secured, locked cabinet where the files are stored. Access to these records will continue to be restricted to designated accounting staff only and retained for a five year period. Now that the department is aware that the remittance advice contains the full card number, instead of the truncated four-digit number that's on the statement, staff have been advised to immediately cancel and reissue cards if any future statements are identified as missing during the monthly verification process.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PROBATION DEPARTMENT  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 28 transactions totaling \$3,763.49. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 2,055 transactions totaling \$316,750.14. For our engagement, we selected 434 transactions (approximately 21%) in the amount of \$79,916.92 (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**

While the findings discussed below may not, individually or in the aggregate, significantly impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled.

### **DEPARTMENT HEAD FINDINGS**

#### **A) Monthly WORKS Billing Statements**

The Department Head's review and approval of the monthly WORKS Billing Statements was untimely for 5 of 13 periods under review. The Department Head is responsible for ensuring all department charges on a County Purchasing Card are appropriate business expenses and certified in a timely manner, prior to the next month's statement. The department implemented procedures during fiscal year 2012-2013 to correct the timing of the review process which ensured compliance for the remaining eight months of the audit period.



### Recommendation

We recommend the Department review and modify its procedures to ensure the Department Head's monthly review and approval of the WORKS Billing Statements are complete, performed in a timely manner, and certified in accordance with the County of Stanislaus Purchasing Card Policy.

### Department Response

The Administrative Services Manager reviews and approves charges on-line, through the real-time WORKS system, continuously throughout the month they are made, without waiting for receipt of the monthly paper billing statement. Any department charges determined to not be appropriate business expenses or fraudulent are addressed prior to the receipt of the statement, without a delay. This review was not being documented in writing, and that is the current implemented procedure noted in the audit findings.

The Department Head has delegated the responsibility of reviewing the monthly WORKS Billing Statement to department management. The purchasing card transactions are split between seven delegated managers to review these transactions each month, to ensure consistency across departmental functions. This is an additional layer of review above the requirements in the policy.

## DEPARTMENT FINDINGS

### A) Lack of Separation of Duties – Monthly Reconciliations

The employee responsible for the Department's reconciliation process reconciled their own monthly purchasing card statements for four periods under review. During discussions held with the department, staff explained a manager had reviewed the employee's reconciliation, but the manager did not certify their review in writing. Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

### Recommendation

We recommend the Department modify its procedures to ensure that employees are not reconciling their own purchasing card statements. Also, we further recommend the Department review and revise its procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and certified with a signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

### Department Response

Monthly purchasing card reconciliations are complete and performed timely, but were not certified with a signature in some months. There was a misunderstanding regarding reconciliation versus approval, and that has been resolved after advice from the Auditor. Staffing vacancies resulted in only one staff person available to reconcile purchasing cards, however, a manager did review and approve the reconciliation and that is now being documented in writing.

### B) Airport Parking Options – Economical Alternatives

We noted twelve travel related expenses for parking (totaling \$515) where employees did not take advantage of the most economical parking option available at airports during out of county travel. This resulted in employees incurring an additional \$183 for parking expenses. Supporting documentation for the need of the selected parking option over the lower cost option was not provided.

### Recommendation

We recommend the department review and revise the Department's travel procedures related to parking expenses. Pursuant to the County of Stanislaus Travel Policy, the Department Head is responsible for ensuring the most cost-effective and practical travel alternatives are selected. Written documentation supporting the need for the approved travel alternatives selected should be available.

### Department Response

The Department Head is aware of the responsibility assigned by the Travel Policy, and employees have been reminded of the requirement to use the most economical option for parking. These findings relate primarily to staff that are traveling for mandated visits to out-of-state foster care placements. On some occasions, employees have believed the most economical option was not the safest, either because of the remoteness of the economy parking, or because the arrival or departure times of the staff was in darkness. The department will document those occasions for the future.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PUBLIC DEFENDER  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 6 transactions totaling \$1,389.17. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 73 transactions totaling \$14,792.37. For our engagement, we selected 25 transactions (approximately 34%) in the amount of \$8,339.39 (approximately 56%) 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) Department Head Designee**

We noted the Department Head listed the assigned designee directly in the department's purchasing card policy. However, certification by signature and a corresponding effective date are not reflected in the department purchasing card policy. The current audit period represents the third notification to the department regarding this issue. Prior periods that noted the recurring finding include fiscal years 2009-10, and 2011-12. Pursuant to the Purchasing Card Policy, the Department Head shall identify their designee in writing and maintain a record for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head Designee is documented in writing including certification with signature and an effective date as required by the Purchasing Card Policy.

Department Response

Department has written department procedure, with Department head signature along with Department Designee.

DEPARTMENT FINDINGS

A) Lack of Separation of Duties – Monthly Reconciliations

We noted the Purchasing Card Clerk responsible for reconciling the Department's purchasing cards also reconciled their own monthly card statements during the audit period. Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account. The current audit period represents the second notification regarding this issue. The fiscal year 2011-2012 audit period also noted this recurring finding.

Recommendation

We recommend the Department modify its procedures to ensure that employees are not reconciling their own purchasing card statements.

Department Response

Department has assigned Mr. Sandhu to reconcile the purchasing card statement for department Designee (Patricia Singh).

**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 for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 23 transactions totaling \$1,770.36. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 394 transactions totaling \$69,668.59. For our engagement, we selected 90 transactions (approximately 23%) in the amount of \$17,600.97 (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**

While the findings discussed below may not, individually or in the aggregate, significantly impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled.

### **DEPARTMENT HEAD FINDINGS**

#### A) Department Head Designee

Pursuant to the Purchasing Card Policy, the Department Head is responsible for identifying their designee in writing and maintaining the record for five years. We noted a designee was documented however the duties listed were limited to the WORKS Billing Statement only.

#### Recommendation

We recommend the Department Head identify all designee assignments in writing and document what each designee is authorized to approve in the event of unexpected absence. Additionally, the designee assignments must be retained for a period of 5 years as required by the Purchasing Card Policy.

Department Response

The Department accepts the recommendation. Written documentation of designee assignments is now on file, and will be retained for 5 years.

DEPARTMENT FINDINGS

A) Approval of Travel Authorization Forms

We noted a travel related expense for training registrations (totaling \$1,620.00) where the travel authorization form was completed subsequent to incurring the expense. A completed travel authorization form is required of all county personnel prior to incurring travel and other related expenses.

Recommendation

We recommend the Department modify its procedures to ensure all elements of travel are authorized prior to incurring any travel related expenses. The Travel Authorization Forms must be supported with written documentation and retained for a minimum of five years in accordance with the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

The Department accepts the recommendation. The Department has modified its approval process and provided subsequent training to staff.



**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
SHERIFF'S DEPARTMENT  
PURCHASING CARD AUDIT**

**BACKGROUND**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2012 through June 30, 2013.

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, Travel Policies in effect at the time of the purchases. We also considered Department Policy, if applicable and other County policies as they related to the purchasing card transaction. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

All County departments and related agencies utilizing the County purchasing card system were subject to this engagement which consisted of approximately 32 departments and agencies. Due to budget and staffing constraints and consequent reduction in resources, approximately half of the County Departments and related agencies were randomly selected. The selection was based on various criteria including, but not limited to number of transactions, dollar amount, and prior year audit results. A total of 16 department and related agencies were selected for the fiscal year 2012-2013 purchasing card audit.

The audit period covered purchasing card activity during fiscal year 2012-2013. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 19 transactions totaling \$5,035.24. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 1,318 transactions totaling \$363,337.19. For our engagement, we selected 296 transactions (approximately 22%) in the amount of \$115,228.77 (approximately 32%) 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 WORKS Billing Statements**

The Department Head's review and approval of the monthly WORKS Billing Statements was untimely for 10 of 13 periods under review. The Department Head's untimely monthly review of the WORKS Billing Statements has been a recurring exception to the Purchasing Card Policy without improvement. The current notification for audit period FY 2012-2013 represents the fifth notification to the department regarding this issue. Prior periods that noted the recurring finding include fiscal years 05-08, 8/09, 09/10, 10/11. The Department Head is responsible for ensuring all department charges on a County Purchasing Card are appropriate business expenses and are certified in a timely manner, prior to the next month's statement.

Recommendation

We recommend the department modify its procedures to ensure the Department Head's monthly review and approval of the WORKS Billing Statements are complete, performed in a timely manner, and certified in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. County policy requires that 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. All backup justifying purchase card transactions are to be turned in to finance within 10 days of the purchase or upon the return from training which ever is later. Failure to comply with this 10 day policy may result in the cancellation of the relevant card.

B) Occupancy Tax Waiver Exemption Certificate

We noted four lodging transactions (totaling \$740.81) where occupancy tax was paid at a hotel within a city that exempts local government employees from occupancy taxes. As a result, \$80.28 in additional County travel costs was incurred. Pursuant to the County Travel Policy, County employees are required to submit the Hotel Transient Occupancy Tax Waiver Exemption Certificate during the hotel registration process when the hotel agrees to accept it.

Recommendation

Management should review and revise the department's procedures to ensure Occupancy Tax Waiver Forms are submitted to hotels during the registration process, especially in hotels located within cities that exempt the tax for County employees. Documentation of the hotel refusing to accept the form is also recommended.

Department Response

Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. Occupancy Tax Waiver Forms are given to each traveling employee with instruction to present upon check-in to the hotel. If the hotel refuses the form then the Tax Waiver Form shall be labeled as rejected by the employee, signed, and dated and returned to Finance upon returning from the training.

DEPARTMENT FINDINGS

A) Monthly Purchasing Card Reconciliation

The monthly reconciliation of the department's purchasing card records was untimely for 9 of 13 periods under review. The department's untimely reconciliation of the purchasing card records has been a recurring exception to the Purchasing Card Policy without modifications to its process. The current notification for audit period FY 2012-2013 represents the fourth

notification to the department regarding this issue. Prior periods that noted the recurring finding include fiscal years 8/09, 09/10, 10/11. The Purchasing Card Policy assigns the responsibility for ensuring timely reconciliations of the purchasing card records to the Department Head. Furthermore, employees assigned to perform this task shall do so prior to receiving the next month's statement.

Recommendation

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

Department Response

Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. County policy requires that 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. All backup justifying purchase card transactions are to be turned in to finance within 10 days of the purchase or upon return from training which ever is later. Failure to comply with this 10 day policy may result in the cancellation of the relevant card.

B) Unused Hotel Reservation

A lodging transaction (totaling \$160.74) was incurred when an employee did not register for a hotel reservation obtained in conjunction with a county business conference and the reservation for the hotel was not cancelled timely. Reasons for the employee not honoring the reservation was not noted. Pursuant to the Travel Policy, charges to the county or lost refunds resulting from failure to cancel a reservation shall be charged to the employee unless the employee can show that such failure to cancel the reservation was the result of circumstances beyond the employee's control.

Recommendation

We recommend the department seek reimbursement for the unused hotel reservation in the amount of \$160.74. Furthermore, we recommend employees cancel any reservations they are unable to honor in compliance with vendor terms and in accordance with the County Travel Policy in order to avoid unnecessary charges. Reasons for canceling, or not attending, conferences or trainings should be documented.

Department Response

Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. Management will provide periodic training to remind employees that they must cancel a reservation if they are not able to be at the lodging at the appointed time. In cases where there is an event beyond the employee's control which causes them to miss all or part of the reservation they must write up a justification and return it to finance within 10 days of the purchase or upon returning from

training which ever is later. Failure to comply with this 10 day policy may result in the cancellation of the relevant card.

C) Occupancy Tax Waiver Exemption Certificate

We noted five lodging transactions (totaling \$1,006.50) where occupancy tax was paid at a hotel within a city that exempts local government employees from occupancy taxes. As a result, \$101.40 in additional county travel costs was incurred. Pursuant to the County Travel Policy, county employees are required to submit the Hotel Transient Occupancy Tax Waiver Exemption Certificate during the hotel registration process when the hotel agrees to accept it. Similar findings were also noted on the fiscal year 2009-2010 and 2010-2011 Executive Summary Reports.

Recommendation

Management should review and revise the department's procedures to ensure Occupancy Tax Waiver Forms are submitted to hotels during the registration process, especially in hotels located within cities that exempt the tax for County employees. Documentation of the hotel refusing to accept the form is also recommended.

Department Response

**Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. Occupancy Tax Waiver Forms are given to each traveling employee with instruction to present upon check-in to the hotel. If the hotel refuses the form then the Tax Waiver Form shall be labeled as rejected by the employee, signed, and dated and returned to Finance upon returning from the training.**

D) Approval Prior to Travel

We noted twenty travel related expenses (totaling \$6,346.88) for twelve separate trips where the travel authorization form was completed subsequent to incurring the expense. A completed travel authorization form is required of all county personnel prior to incurring travel and other related expenses.

Recommendation

We recommend the department modify its procedures to ensure all travel related expenses are approved on a completed Travel Authorization Form prior to incurring any travel related expenses. The Travel Authorization Forms must be supported with written documentation in accordance with the County of Stanislaus Travel Policy.

Department Response

**Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. Training Authorizations will be completed and approved before any charges are incurred using estimates when necessary.**

E) Personal Unallowable Expense

A lodging transaction (totaling \$818.27) included a personal unallowable expense of \$17.99 for a movie purchased during an overnight trip and the expense was not reimbursed by the employee. The county purchasing cards are not to be used for personal or unallowable expenses. Inadvertent use of the purchasing cards must be immediately reimbursed upon return from travel and within the reconciliation process, prior to the receipt of the next month's statement.

Recommendation

We recommend the department seek reimbursement for a personal and unallowable expense of \$17.99. We also recommend the department modify its procedures to ensure requests for reimbursement of personal and unallowable expenses are completed within the monthly reconciliation process, prior to the receipt of the next month's statement.

Department Response

**Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. The Department will implement training with each employee to ensure that the employee checks the billing before he/she has left the lodging to confirm that all personal charges are paid by the employee at the time of checkout. The department has been reimbursed for the personal charge.**

F) Missing Itemized Receipts

We noted two travel related transactions (totaling \$316.58) were not supported by itemized receipts. Although a misplaced receipt form was completed for one of the two transactions, it was not completed until a year after the expense was incurred. Itemized receipts provide substantiation the transactions are valid county business expenses. Pursuant to the Purchasing Card Procedures, itemized receipts for travel related expenses are due upon return from travel. In the instance a receipt is not provided or the receipt does not provide sufficient detail, the cardholder must complete and submit a Misplaced Receipt Form for the Department Head's review and approval within ten calendar days. Additionally, the reconciliation of all itemized receipts should be completed prior to receiving the next month's statement.

Recommendation

The Department should review and revise their procedures to ensure all itemized receipts, or when applicable an approved Misplaced Receipt Form, are received timely for all purchasing cards transactions within the monthly reconciliation period. Itemized receipts for all purchasing card activity must be retained for a minimum of five years in accordance with the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

**Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. All backup justifying purchase card transactions are to be turned in to finance within 10 days of the purchase or the return from training which ever is later. Failure to comply with this 10 day policy may result in the cancellation of the relevant card.**

G) Fuel Purchases

Fuel (totaling \$50.38) was purchased for a department vehicle using a purchasing card rather than using the county's fuel program card. Although, the employee was advised prior to travel to obtain a fuel program card, the employee did not obtain a fuel program card. The Purchasing Card Policy allows fuel purchases on the purchasing cards when a Card Lock Fuel Program station is not available. Card Lock Fuel Program stations should be utilized to purchase fuel in order to reduce County costs. In addition to fiscal year 2012-2013, the non use of the county's fuel program card has been communicated to the department on two consecutive Findings Reports for fiscal years 2009-2010 and 2010-2011.

Recommendation

We recommend the Department utilize fuel cards at Card Lock Fuel Stations for fuel purchases in order to reduce County costs and comply with County Policy. We also recommend the Department document an explanation when a Card Lock Fuel Station is not utilized.

Department Response

**Management has reviewed the findings and recommendation and has issued a Purchasing Card Memo to ensure compliance with County policies. The Department provides Fuel Cards when necessary to provide the most cost effective fuel possible. If there is an emergency situation necessitating the use of a County Purchasing Card to purchase fuel the employee shall provide a receipt and written justification as to why the Purchasing Card was used improperly within 10 days of the transaction or the return from training which ever is later. Failure to comply with this 10 day policy may result in the cancellation of the relevant card.**

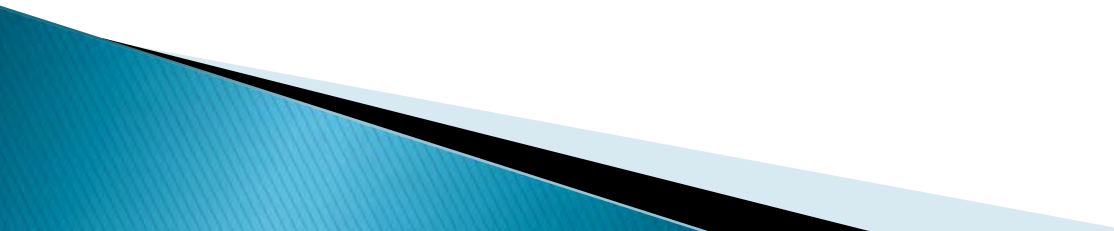
# **FY 2012-2013 Purchasing Card Compliance Audit**

**General Ledger Division  
Board of Supervisors Presentation  
August 11, 2015**

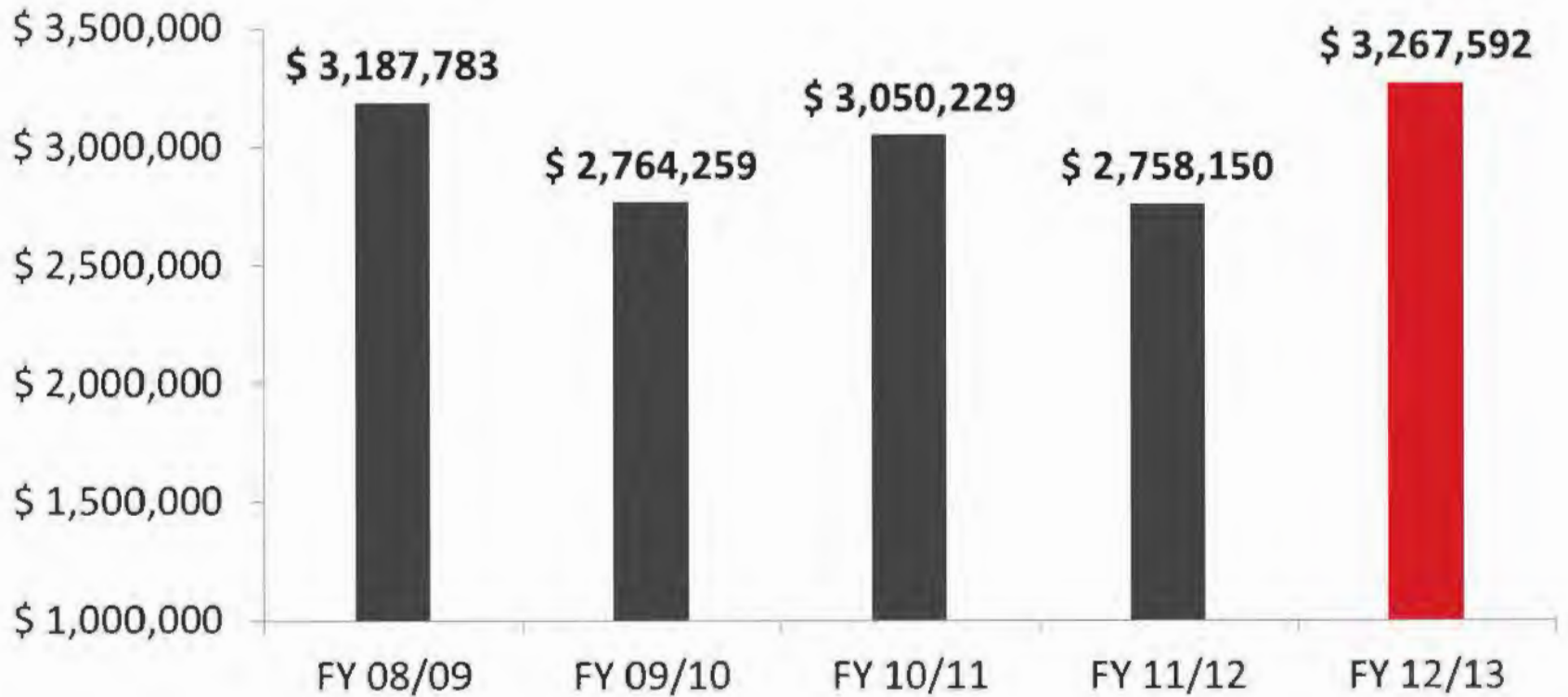




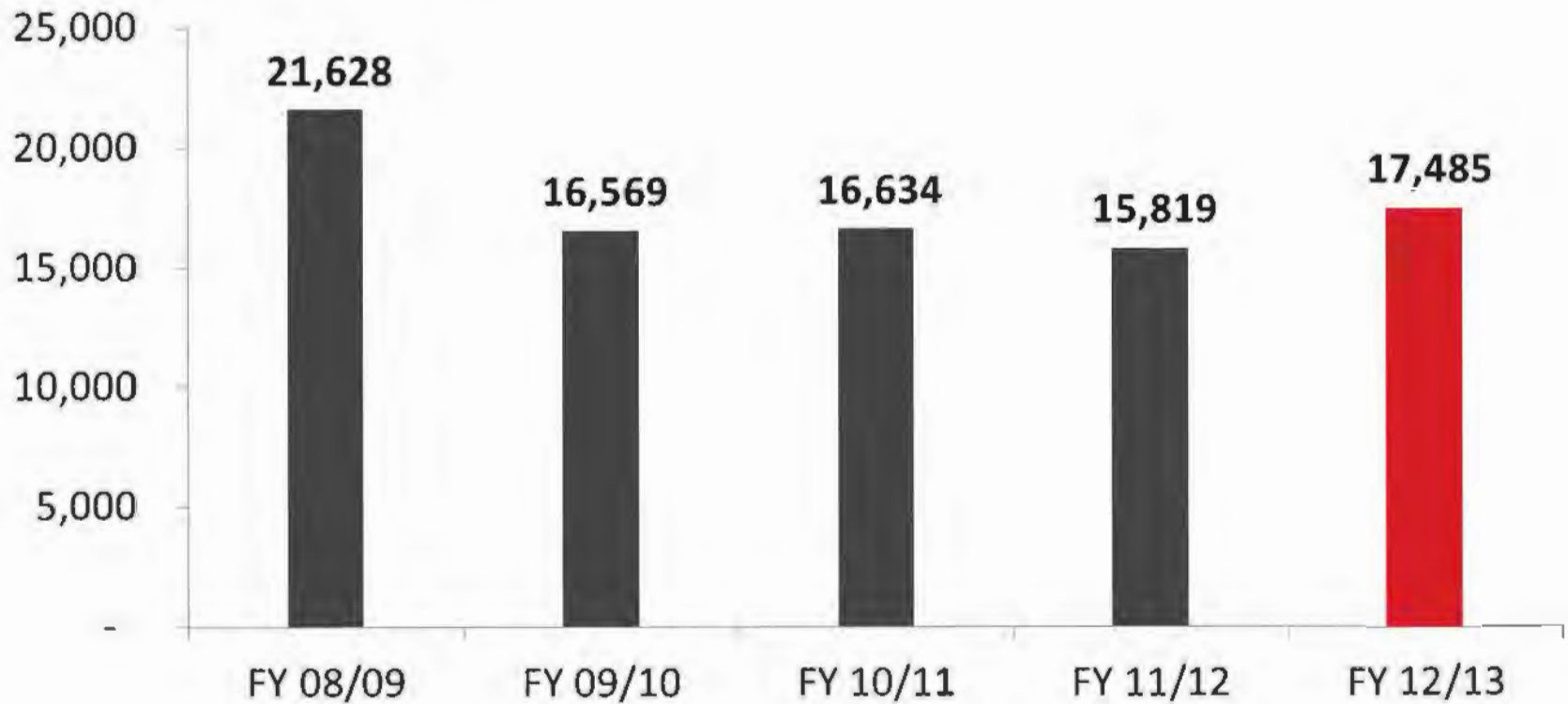
# PURCHASING CARD ENGAGEMENTS

- ▶ Thirty-two departments and related agencies utilize purchasing cards.
  - ▶ Sixteen purchasing card compliance audits were completed.
  - ▶ Four out of 12 departments and related agencies had no findings or recommendations.
- 

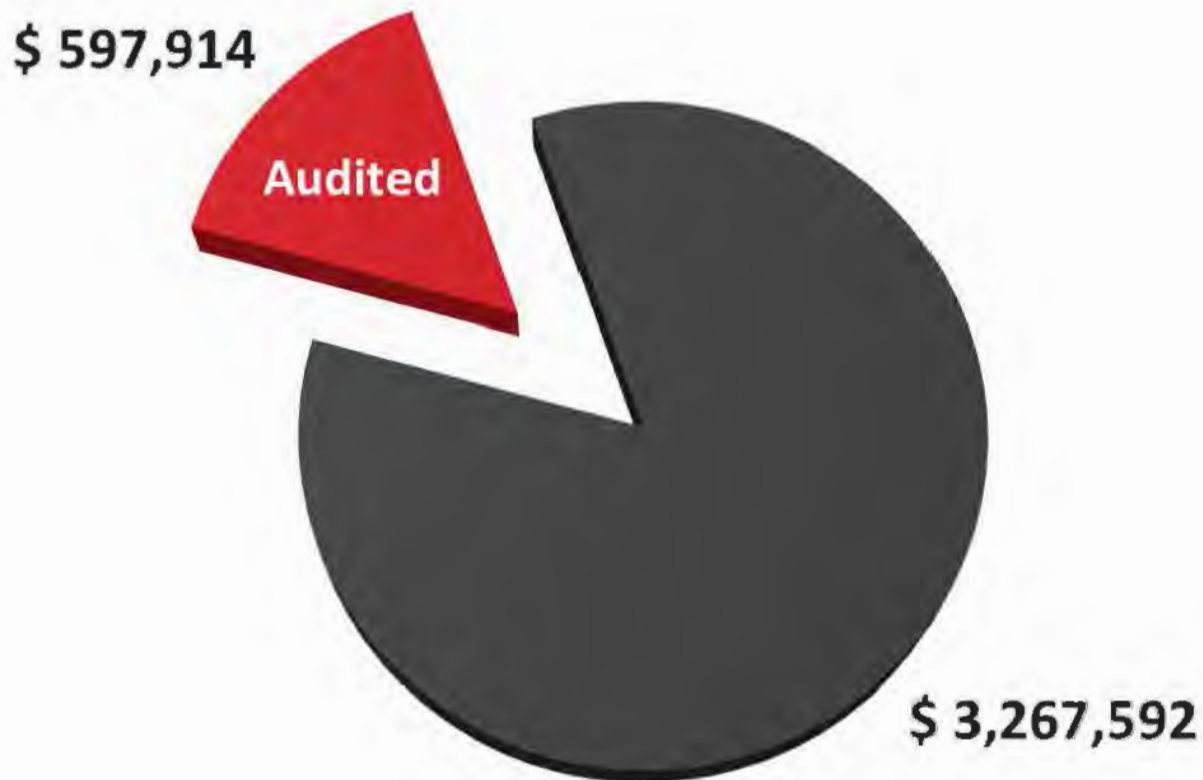
# TOTAL PURCHASING CARD TRANSACTIONS (IN DOLLARS)



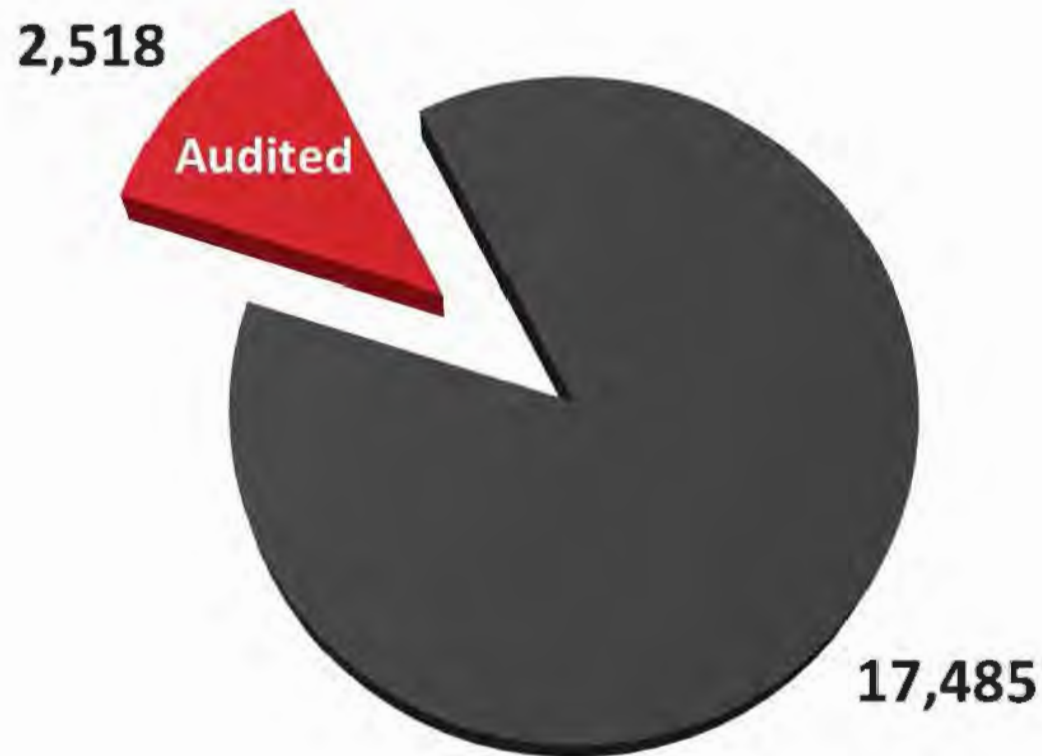
# TOTAL PURCHASING CARD TRANSACTIONS (IN NUMBERS)



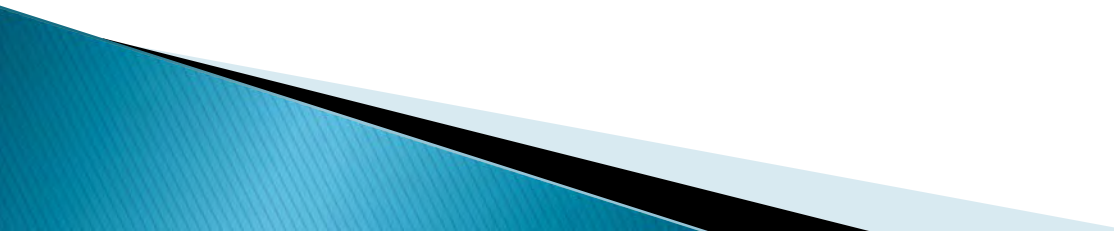
# FY 2012-2013 TRANSACTIONS TESTED (IN DOLLARS)



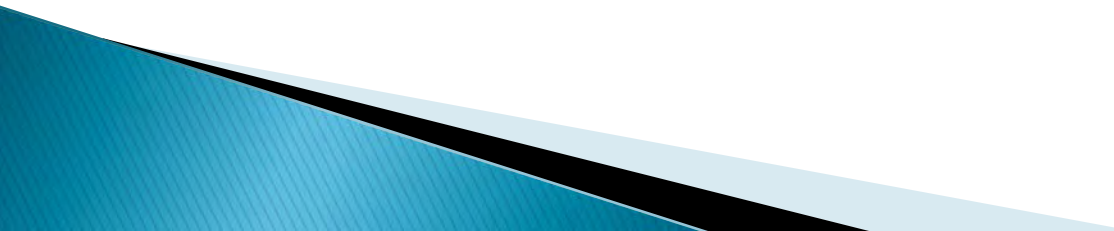
# FY 2012-2013 TRANSACTIONS TESTED (IN NUMBERS)



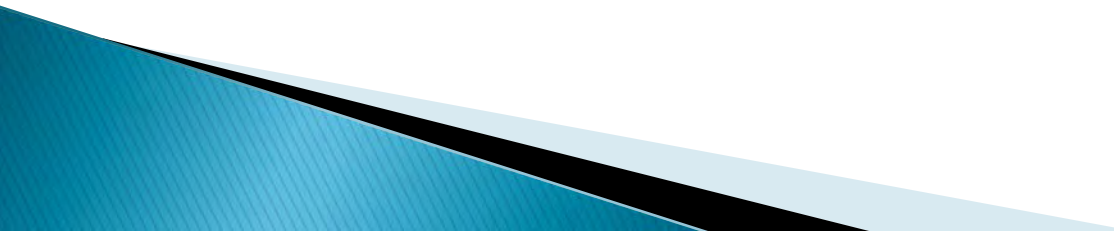
# **FINDINGS – Department Head Responsibilities**

- ▶ 5 department assignments of designee(s) not properly documented.
  - ▶ 17 billing statements not reviewed and/or certified timely.
- 

# FINDINGS – Employee Responsibilities

- ▶ 12 bank statements and supporting documents were missing.
  - ▶ 9 bank statements were not reconciled timely.
  - ▶ 5 employees reconciled their own bank statement.
- 

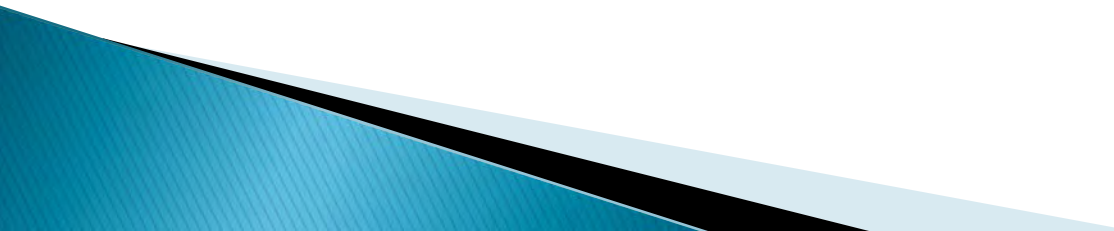
# **FINDINGS – Employee Responsibilities (continued)**

- ▶ 27 Travel Authorization Forms were not approved prior to travel.
  - ▶ 4 duplicated or additional charges not identified during monthly reconciliation.
- 



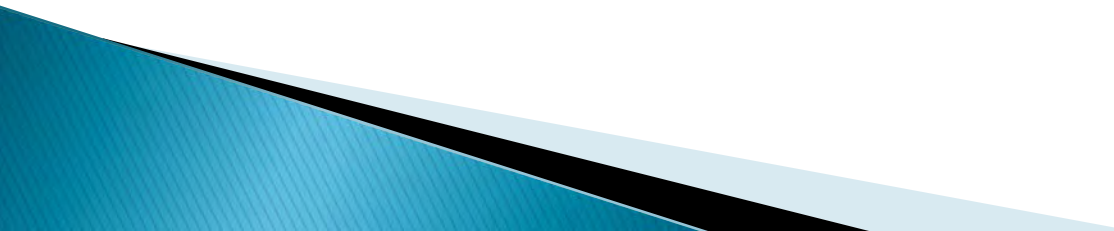
# **AUDIT CONCLUSION**

Overall the County departments that were chosen for testing were in compliance with the Purchasing Card and Travel Policies.



# **BOARD PRIORITIES**

The audit work performed by the Auditor-Controller's Office provides accountability to the Board of Supervisors and the public and is in alignment with the Board priority of ensuring efficient delivery of public services.



# ACTION ITEM

- ▶ Staff requests approval of the FY 2012-2013 purchasing card audit reports.