

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

DEPT: Auditor-Controller

BOARD AGENDA #: B-10

AGENDA DATE: October 25, 2016

SUBJECT:

Acceptance of Fiscal Year 2013-2014 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

BOARD ACTION AS FOLLOWS:

No. 2016-542

On motion of Supervisor Withrow, Seconded by Supervisor Chiesa
and approved by the following vote,

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

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: 
ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Auditor-Controller

Urgent

Routine

BOARD AGENDA #: B-10

AGENDA DATE: October 25, 2016

JKK

CEO CONCURRENCE: 

4/5 Vote Required: Yes No

SUBJECT:

Acceptance of Fiscal Year 2013-2014 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

STAFF RECOMMENDATIONS:

1. Accept Fiscal Year 2013-2014 Purchasing Card Audit Reports prepared by the Auditor-Controller's Office.

DISCUSSION:

The purchasing card audits, performed by the Internal Audit Division in the Auditor-Controller's Office, determine if County departments are compliant with the County of Stanislaus Purchasing Card and Travel Policies. Per the Purchasing Card Policy, all County departments and related agencies which utilize the County purchasing card are subject to an audit. Of the 32 departments and related agencies which use the County purchasing card, 16 departments and related agencies were selected for testing for Fiscal Year 2013-2014.

The purchasing card transactions for the 16 departments and related agencies were reviewed 100% for Department Head transactions and the remaining transactions were tested on a sample basis ranging from 22% to 53%, with an average sampling population of 24%. The sample population was chosen through a random selection process along with selections based on professional judgment, including an evaluation of past audit results, transaction dollar amounts and the appearance of high risk transactions.

During Fiscal Year 2013-2014, a total of 18,698 purchasing card transactions were processed in the amount of \$3,600,129 for all departments and related agencies. A total of 10,159 purchasing card transactions, in the amount of \$2,127,520, were incurred for the 16 departments and related agencies which were audited. Items selected for testing comprised of 2,474 purchasing card transactions totaling \$702,664, or 24% and 33% respectively.

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

- Determination that the purchasing card transactions were for appropriate County business transactions;
- Verification that 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;
- In departments that have their own policy/policies, determine if the policy/policies are more stringent than the County policy/policies and if so, determine compliance with their policy/policies; and,
- Identification of any items that may be an abuse of County policy such as the purchase of personal items.

Significant Findings

Findings are determined to be significant based on 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 and related agencies under audit for the July 1, 2013 to June 30, 2014 period is listed below:

- Each year the Department Head is required to review the need and limit of each purchasing card in the department. We noted four departments that 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 five departments that did not identify a designee in writing effective for the period under review.
- Each month the Department Head is required to review and approve the Company Billing Statement. This report lists all of the purchasing card transactions for the period and allows the Department Head to review the purchases for appropriateness and authenticity. We noted the following related to this approval:
 - Twenty-two monthly reports were not reviewed and/or certified in a timely manner.
 - Two monthly reports were approved by an employee not assigned as a designee by the Department Head.
- We noted the following related to the monthly reconciliation of the purchasing card statements:
 - Twenty-six monthly purchasing card statement reconciliations were not performed timely.
 - Sixteen monthly purchasing card statement reconciliations were not certified.
- We noted the following related to Travel Authorization Forms:
 - Forty-two Travel Authorization Forms totaling \$38,094 were not approved prior to the expenditure of travel related charges.
 - Six Travel Authorization Forms were approved by two personnel who were no longer authorized designees.

- Four Travel Authorization Forms were not completed, not completed accurately and/or not approved.
- We noted five transactions totaling \$60,570 spent for employee trainings that exceeded \$5,000 per registration. Although the purchases were valid County business expenses, pursuant to the County Purchasing Card Policy a purchasing card is for the purchase of goods and services costing less than \$5,000 per item, including taxes, shipping, etc.
- We noted four transactions totaling \$3,066 that were not supported by an itemized receipt or a Misplaced Receipt Form approved by the Department Head.
- We noted two transactions totaling \$1,753 for gift cards purchased to pay for employee and clients' meals during an out-of-County program event. The use of gift cards to purchase employee and client meals appears inappropriate and appears to circumvent the County Travel Policy.
- We noted one lodging transaction in the amount of \$676 for a one-night stay that is deemed excessive and resulted in an estimated additional cost to the County of \$316.
- We noted 26 transactions totaling \$31,631 for which district tax was not paid. As a result of these transactions, approximately \$146 in sales tax was not reported to the California State Board of Equalization in a timely manner. The sales tax has been reported since the audit field work was completed.
- We noted 10 transactions totaling \$275 for travel agent fees to book airfare for staff training and client compliance visits. This service appears to be an additional cost to the County and not the most cost-effective option for booking airfare related to staff training and client compliance visits.
- We noted three meal transactions totaling \$73 for two employees where meal overages were reimbursed through the payroll process as a deduction without adequate written authorization. Although verbal authorization was obtained from the employee and deducted amounts were noted on the employee signed and approved timesheets, per State of California's Department of Industrial Relations, an employee's written consent must be expressly authorized in writing before an employer may deduct money owed from an employee's paycheck.
- We noted one transaction in the amount of \$30 for toll and toll evasion penalty. The toll evasion penalty of \$25 was not approved and the supporting documentation did not contain a clear business purpose. The County has been reimbursed for the penalty portion of this charge.

We would like to highlight the fact that four of the 16 departments and related agencies included in this audit series did not have audit findings reported on the Executive Summary Report.

The significant findings primarily consisted of departments lacking sufficient procedures and controls, in some cases, to monitor the appropriateness of the purchasing card transactions. Overall, the transactions selected for testing were valid County purchases and, except for the

Acceptance of Fiscal Year 2013-2014 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

findings noted above, the departments and related agencies chosen for testing were in compliance with the County 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.

On August 7, 2001, the Board of Supervisors approved Agenda Item 2001-593 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.

FISCAL IMPACT:

There is no fiscal impact related to the acceptance of the Fiscal Year 2013-2014 Purchasing Card Audit Reports.

The cost to the County for services provided by the General Ledger Division and Internal Audit Division of the Auditor-Controller's Office for the work performed was approximately \$69,433 in salary related expenses, representing a total of 1,417 work hours at approximately \$49 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.

BOARD OF SUPERVISORS' PRIORITY:

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.

STAFFING IMPACT:

There is no staffing impact associated with acceptance of the Fiscal Year 2013-2014 Purchasing Card Audit Reports. Existing Internal Audit staff prepares the annual reports. The Auditor-Controller's Office will continue to perform the audits for the purchasing card transactions on a two to three year cycle.

CONTACT PERSON:

Cara Kiely, CPA

Manager III

(209) 525-6502

ATTACHMENT(S):

Executive Summary Reports

FY 13/14 Purchasing Card Audits

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
AGRICULTURAL COMMISSIONER
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Agricultural Commissioner during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 29 transactions totaling \$2,299.83. 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 472 transactions totaling \$67,256.29. For our engagement, we selected 100 transactions (approximately 21%) in the amount of \$23,412.87 (approximately 35%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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 2013-2014. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards.

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, in accordance with policy. The review shall be signed and dated by the Department Head, then maintained with the Purchasing Card records for five years.

Department Response

The Annual Purchasing Card Review has been added to the Department's year-end procedures and entered as an annual task reminder on the Department Shared Calendar.

DEPARTMENT FINDINGS

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
ALLIANCE WORKNET
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Alliance WorkNet during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 12 transactions totaling \$3,000.00. 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 246 transactions totaling \$91,243.54. For our engagement, we selected 60 transactions (approximately 24%) in the amount of \$36,743.69 (approximately 40%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
AREA AGENCY ON AGING
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Area Agency on Aging during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 19 transactions totaling \$12,363.92. 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 1,101 transactions totaling \$129,814.63. For our engagement, we selected 227 transactions (approximately 21%) in the amount of \$30,631.23 (approximately 24%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for the Assessor's Department during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 8 transactions totaling \$1,724.06. 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 169 transactions totaling \$40,857.98. For our engagement, we selected 40 transactions (approximately 24%) in the amount of \$11,606.89 (approximately 28%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
AUDITOR-CONTROLLER
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Auditor-Controller during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 6 transactions totaling \$999.87. 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 131 transactions totaling \$21,943.18. For our engagement, we selected 30 transactions (approximately 23%) in the amount of \$5,657.43 (approximately 26%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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 significant findings noted in the Department Head purchasing card transactions during fiscal year 2013-2014.

DEPARTMENT FINDINGS

A) Lack of Written Approval for In-County Meals

We noted three in-county meal transactions (totaling \$224.97) associated with two separate county business meetings where the Department Head's written approval was not obtained. The Department explained approval was obtained via e-mail documentation; however, the documentation was not retained for support.

Recommendation

We recommend the Department modify its procedures to ensure the Department Head's written approval is obtained for in-county meals associated with a County business meeting in accordance with the County of Stanislaus Travel Policy.

Department Response

The department agrees with the finding. Written approval was obtained prior to the incurrence of the meal expense however the documentation was not retained. Subsequent to the audit, the Department created a memo authorizing the use of department safety incentive funds for in-county meals associated with quarterly staff meetings. This memo remains in effect until revoked by the Department Head or when a change in leadership occurs.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures, along with the Travel Policy 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.

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, which directs the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process. In consideration of several consecutive years of performance of purchasing card audits along with performance of a risk analysis a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Behavioral Health and Recovery Services during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 43 transactions totaling \$2,477.69. 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 2,410 transactions totaling \$368,244.75. For our engagement, we selected 491 transactions (approximately 20%) in the amount of \$99,047.52 (approximately 27%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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 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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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

We noted the Department Head's review and approval of the monthly WORKS Billing Statements was untimely for five of 13 periods under review. In addition, two of 13 periods were approved by personnel not assigned as designees to certify the monthly WORKS Billing Statements.

Recommendation

We recommend the Department review and revise their 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 Purchasing Card Policy.

Department Response

The Department Head is prioritizing review of the monthly WORKS Billing Statements to ensure that these documents are reviewed within the month that they are received by the Director.

B) Meal/Tip Overages

We noted 20 meal transactions (totaling \$403.60) where meal or tip charges exceeded the County's approved limits. Although the overages were reimbursed timely, the purpose of meal limits per the County Travel Policy is to purchase within those limit amounts. In addition, the time spent processing overages results in an additional cost to the County.

Recommendation

We recommend the Department review and revise their procedures to ensure meal and tip charges do not exceed the established meal and tip limits per the County Travel Policy.

Department Response

On December 14, 2014 BHRS implemented the Per Diem option within the County Travel Policy. Thus, department staff are limited to the incidental maximum found in the Federal GSA Per Diem limits. Client meals are still charged to a credit card, but these meals rarely, if ever, exceed approved limits.

DEPARTMENT FINDINGS

A) Monthly Bank Statement Reconciliation

We noted monthly reconciliations of purchasing card transactions were not certified for five of 13 periods under review. In addition, we noted monthly reconciliations were not performed timely for two of 13 periods under review.

Recommendation

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

Department Response

The Department is in the process of amending its's Purchasing Card Policy and will include requirements that purchasing card reconciliations are completed by the 23rd of each month, signed and dated in accordance with County Policy. In addition, the Department intends to modify the Department Purchasing Card Policy to include position titles of the Director's designees (Associate Director and/or Assistant Director) as having authority to complete the reconciliation process in the Director's absence.

B) Meal/Tip Overages

We noted 20 meal transactions (totaling \$689.07) where meal or tip charges exceeded the County's approved limits. Although the total overage was reimbursed, the purpose of meal limits per the County Travel Policy is to purchase within those limit amounts. In addition, the time spent processing overages results in an additional cost to the County.

Recommendation

We recommend the Department review and revise their procedures to ensure meal and tip charges do not exceed the established meal and tip limits per the County Travel Policy.

Department Response

On December 14, 2014 BHRS implemented the Per Diem option within the County Travel Policy. Thus, department staff are limited to the incidental maximum found in the Federal GSA Per Diem limits. Client meals are still charged to a credit card, but these meals rarely, if ever, exceed approved limits.

C) Travel Authorization

We noted four travel related expenses (totaling \$1,235.22) 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 review and revise their 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 County of Stanislaus Travel Policy.

Department Response

The BHRS Travel Policy has been revised to specifically direct that Travel Authorization Forms must be approved in advance of any travel. On February 1, 2016 the Assistant Director conducted a brief training about BHRS travel policies at the Department Leadership meeting.

D) Exception to Policy

We noted two transactions (totaling \$1,752.95) for gift cards purchased to pay for employee and clients' meals during an out of County program event. The use of gift cards to purchase employee and client meals appears inappropriate and appears to circumvent the County Travel Policy. In addition, exceptions to policy require written approval from the Chief Executive Officer or their designee.

Recommendation

We recommend the Department review and revise their procedures to prohibit the use of gift cards to purchase employee and client meals.

Department Response

Our Purchase and Use of Incentive/Gift Cards policy and procedure was revised in March 2015 to reflect the prohibition of using gift cards to pay for program food purchases or for outing/fieldtrip food purchases.

E) Occupancy Tax Waiver Exemption Certificate

We noted four lodging transactions (totaling \$754.49) where occupancy tax was paid at a hotel within a city that exempts local government employees from occupancy taxes. As a result, \$77.46 in additional County travel costs were 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

We recommend the Department review and revise their 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

As of March 15, 2016 the County no longer requires staff to submit an Occupancy Tax Waiver Form to any hotel. We are still requiring our staff to ask if a waiver will be accepted by the hotel.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
CHILDREN & FAMILIES COMMISSION
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Children & Families Commission during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 18 transactions totaling \$715.92. The test transactions for department personnel were selected randomly at a minimum threshold of 25 purchasing card 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 63 transactions totaling \$5,076.59. For our engagement, we selected 25 transactions (approximately 40%) in the amount of \$2,222.67 (approximately 44%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
COMMUNITY SERVICES AGENCY
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Community Services Agency during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 35 transactions totaling \$4,646.17. 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 1,945 transactions totaling \$426,864.08. For our engagement, we selected 430 transactions (approximately 22%) in the amount of \$152,497.53 (approximately 36%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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 significant Department Head findings noted for fiscal year 2013-2014.

DEPARTMENT FINDINGS

A) Monthly Purchasing Card Reconciliation

The monthly reconciliation of purchasing card transactions was untimely for 8 of 13 periods under review. In addition, we noted the monthly reconciliations of 11 statements were not certified. The monthly reconciliation is performed to ensure Department charges on a County purchasing card are appropriate business expenses and are reviewed and certified in a timely manner, prior to the next month's statement.

Recommendation

We 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

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 at Community Services Agency. Each transaction and supporting documentation is reviewed and reconciled by the purchasing card staff prior to being approved and signed off 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.

B) Travel Authorization

We noted nine travel related expenses (totaling \$1,799.93) for eight separate trips where the travel authorization forms were not completed properly.

- Six travel authorization forms were approved subsequent to incurring the expense.
- One travel authorization form did not include the cost of airfare.
- One travel authorization form was not completed and approved.
- One travel authorization form for out-of-state travel was not approved by the Department Head as required by Department policy.

Recommendation

We recommend the Department review and revise their procedures to ensure all travel related expenses are properly 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 will conduct periodic training to remind employees of the current County policies. The Accounting Technicians in the Travel Unit continually use every available opportunity when interacting with staff to educate them on the proper procedures for travel authorization forms.

C) Double Charge

We noted six transactions (totaling \$339.61) where employees charged meals on their purchasing card and additionally claimed reimbursement through the payroll system using the meal per diem option. Although these charges were subsequently reimbursed by the employees, this type of activity creates a higher level of risk for the County.

Recommendation

We recommend the Department review and revise their procedures to ensure that meals reimbursed through the meal per diem option are not also charged to the employees' purchasing cards. In addition, we recommend continued training of employees on proper use of purchasing cards when per diem is utilized for reimbursement of travel expenses.

Department Response

The employees reimbursed the charged meals to the County prior to submitting an Employee Expense Reimbursement claim for their meal per diem. The Department provided training to the employees that only meals for clients and with clients are approved on a County Purchasing card. Community Services Agency is currently revising the Community Services Agency Purchasing Card and Travel Policy to make this more clear to employees that are traveling for client related County business purposes.

D) Travel Booking Fees

We noted 10 transactions (totaling \$275.00) for travel agent fees to book airfare for staff training and client compliance visits. This service appears to be an additional cost to the County and not the most cost-effective option for booking airfare related to staff training and client compliance visits.

Recommendation

We recommend the Department review and revise their policy and procedures related to booking travel through a travel agency. Pursuant to County of Stanislaus Travel Policy, the Department Head is responsible for ensuring the most cost-effective and practical travel alternatives are selected.

Department Response

The current Community Services Agency Purchasing Card and Travel Policy that went in to effect February 1, 2016, has been updated to state that Storer Travel usage is limited to booking complicated travel involving transporting minors, older adults or individuals with disabilities.

E) Toll Evasion Penalty

We noted one transaction (totaling \$30.00) for a toll fee and toll evasion penalty which was not approved and no clear business purpose was documented, resulting in an additional cost to the County of \$25.00 for the penalty incurred. The additional charge of \$25.00 for evading the toll fee is considered avoidable and the Department should seek reimbursement.

Recommendation

We recommend the Department review and revise their procedures to ensure that travel charges clearly reflect the business purpose, adequate supporting documentation is provided, and charges are properly approved. On August 8, 2015, the Department drafted a Tolls, Tickets and Fines Policy and Procedure. We further recommend the Department request reimbursement for the toll evasion penalty charge of \$25.00.

Department Response

The employee has reimbursed the Department for this violation. The Department Tolls, Tickets, and Fines Policy was approved on August 25, 2015 and states that if a CSA employee receives a ticket, fine, or toll violation while engaged in County business, the employee is personally responsible for the full amount plus penalties.

F) Sales/Use and District Tax

We noted district tax for 26 transactions (totaling \$31,631.41) 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 \$146.18 of district tax which was not forwarded to the California State Board of Equalization.

Recommendation

We recommend the Department review and revise its procedures to ensure credit card purchases for which sales tax or district tax was not paid are logged on the Use Tax or District Tax Log and submitted to the Auditor-Controller's Office pursuant to the County Purchasing Card Policy. Subsequent to the audit, the Department submitted a Use Tax Log to the Auditor-Controller's Office on March 3, 2016.

Department Response

Community Services Agency submitted a Use Tax Log to the Auditor-Controller's Office on March 3, 2016 to resolve this finding. There was confusion during this time period with vendors regarding the mailing address and the Board of Equalization's posting of Community Services Agency annexation and the new tax status. Invoices were received with an incorrect tax amount charged; however, the Auditor's Office stated that the State would not allow for submission of partial sales tax remittance. Although the State Board of Equalization states that it is the vendors responsibility to charge the correct tax rate, staff have been working with vendors to have them submit invoices with the correct tax rate.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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 directs the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process. In consideration of several consecutive years of performance of purchasing card audits and performance of a risk analysis a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for District Attorney's Office during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 7 transactions totaling \$796.09. 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 692 transactions totaling \$188,311.24. For our engagement, we selected 170 transactions (approximately 25%) in the amount of \$59,903.94 (approximately 32%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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, Travel, and other related 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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card and Travel Policies. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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 significant findings in the Department Head's purchasing card transactions during fiscal year 2013-2014.

DEPARTMENT FINDINGS

A) Trip Authorization Forms

We noted the following issues related to the completion of Trip Authorization Forms:

- Six travel related expenses (totaling \$1,734.03) for six separate trips where the Trip Authorization Forms were completed subsequent to incurring the expense.
- For one travel related expense, the Trip Authorization Form was not re-authorized to reflect additional airfare cost.

Recommendation

We recommend the Department review and revise its procedures to ensure all travel related expenses are included and approved on a completed Trip Authorization Form prior to incurring any travel related expenses. Any changes in travel arrangements should be revised on the Trip

Authorization Form and approved. And Trip Authorization Forms must be supported with written documentation in accordance with the County's Travel Policy.

Department Response

The Department's procedure is to have travel forms authorized prior to the travel. The account clerk who processes the travel authorizations is very conscious of the requirement and reminds staff regularly.

B) Missing Itemized Receipts

We noted four travel related transactions (totaling \$3,065.62) were missing itemized receipts and Misplaced Receipt Forms were not completed. Itemized receipts provide substantiation that transactions are valid county business expenses and are due immediately 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 its procedures to ensure all itemized receipts, or when applicable approved Misplaced Receipt Forms, are received timely for all purchasing card transactions within the monthly reconciliation period.

Department Response

The majority of the findings for missing itemized receipts were charges at a hotel that were for the Department's Cal WRAP program. As noted on the findings spreadsheet, repeated attempts were made by the Fiscal Manager Wendy Duggan to obtain folios for the charges but the hotel was not able to provide itemized receipts.

C) Inadequate Written Authorization

We noted three meal transactions (totaling \$72.77) for two employees where meal overages were reimbursed through the payroll process as a deduction without adequate written authorization. Although verbal authorization was obtained and deducted amounts were noted on the employee signed timesheets, per State of California's Department of Industrial Relations, an employee's written consent must be expressly authorized in writing before an employer may deduct money owed from an employee's paycheck.

Recommendation

We recommend the Department review and revise its procedures to ensure that prior written authorization that expressly authorizes a payroll deduction is obtained from employees prior to deducting meal or tip overages from an employee's paycheck. In addition, we recommend that the Department obtain written documentation signed by the employees verifying that prior verbal authorization was given for the previous payroll deductions, and that the authorization is now being documented in writing.

Department Response

The payroll deduction for meal overages on an employee's time sheet with verbal authorization has been a procedure the Department has used for over 10 years. Now that the procedure has been identified as incorrect, the account clerk will begin to use a payroll deduction authorization form provided by the County's Auditor-Controller's office. The form will be signed by the employee and attached to their time sheet.

D) Exception to Policy

We noted four meal transactions (totaling \$94.63) for grocery expenditures during travel were purchased with the purchasing card. Per the County's Travel Policy, grocery expenditures are not an allowable meal option under the purchase card option for meals while traveling. Employees who choose to use the purchasing card for meals must adhere to the established individual meal limits or per diem rates and guidelines in the County's purchasing card and travel policies. In addition, an exception to policy requires written approval from the Chief Executive Officer or their designee.

Recommendation

We recommend the Department review and revise its procedures to ensure all travel expenses are appropriate, necessary and reasonable, including determining meal charges are allowable as described in the County's Travel Policy. In addition, exceptions to the Travel Policy must be documented in writing with copies furnished to the Chief Executive Office for review and approval by the Chief Executive Officer or their designee.

Department Response

The grocery expenditures for this card holder did not exceed the meal limits in the County's purchasing card and travel policies. The Department could not find any mention of grocery purchases for meals in the County's Travel Policy. This was a unique situation for the card holder to purchase grocery items for meals. If the Department's staff will be put in this situation again, the account clerk will make sure to have the per diem meal option used for the employee.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
PLANNING & COMMUNITY DEVELOPMENT
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Planning & Community Development during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 2 transactions totaling \$214.85. 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 122 transactions totaling \$19,285.21. For our engagement, we selected 27 transactions (approximately 22%) in the amount of \$5,021.56 (approximately 26%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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

The Department Head did not assign designees and document the assignments in writing as required by the County of Stanislaus Purchasing Card Policy. Designees ensure the continuity of the Department's business matters, in the event of a Department Head's planned or unexpected absence.

Recommendation

We recommend the Department Head identify and certify a designee in writing and document what the designee is authorized to approve in the event of unexpected absence pursuant to the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

The purchasing card policy states "The Department Head shall identify their designee in writing and maintain a record of such for five (5) years." The department interpreted this as "if the department head has a designee, they should record that decision in writing." Effective fiscal year 2014/2015, the department has included designee information in their documented annual review and checklist and will continue to do so going forward. Specific duties are not listed as the purchasing card policy

approved in January 2015 states "Designees shall have the full authority granted to and responsibilities required of department heads."

DEPARTMENT FINDINGS

There were no significant findings noted in the Department purchasing card transactions during fiscal year 2013-2014.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of a risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 departments and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for the Sheriff's Department during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 14 transactions totaling \$3,180.59. 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 1,638 transactions totaling \$574,563.53. For our engagement, we selected 433 transactions (approximately 26%) in the amount of \$195,281.59 (approximately 34%) from the entire population for testing.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

Although the transactions selected for review were valid County business expenses, it appears the Department's Purchasing Card procedures were not materially compliant with the County Purchasing Card Policy and Procedures, along with the Travel Policy. The findings discussed below, in the aggregate, impair compliance with the County Purchasing Card Program and present risks that can be more effectively controlled.

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 9 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 fiscal year 2013-2014 represents the sixth notification to the Department regarding this issue. Prior periods that noted the recurring finding include fiscal years 2005-2008, 2008-2009, 2009-2010, 2010-2011, and 2012-2013. The department routes the monthly WORKS Billing Statements to appropriate staff for review and approval of the purchases. The department process requires additional steps which delays the completion of the required review and approval. However, 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 review and revise their 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 Purchasing Card Policy.

Department Response

The Department agrees with this finding and has specifically targeted efforts towards reconciling these reports in a timely manner. We expect the findings in this category to decrease significantly in the future.

DEPARTMENT FINDINGS

A) Monthly Bank Statement Reconciliation

The monthly reconciliation of the department's purchasing card records was untimely for 8 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 fiscal year 2013-2014 represents the fifth notification to the department regarding this issue. Prior periods that noted the recurring finding include fiscal years 08-09, 09-10, 10-11 and 12-13. The monthly reconciliation is performed to ensure Department charges on a County Purchasing Card are appropriate business expenses and are reviewed and certified in a timely manner, prior to the next month's statement.

Recommendation

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

Department Response

The Department agrees with this finding and has specifically targeted efforts towards reconciling these reports in a timely manner. We have brought additional staff into the reconciliation and review process so that the Department can process the volume of reports in a timely manner without falling behind on other duties.

B) Lack of Separation of Duties - Monthly Reconciliations

During our testing of the Department's monthly reconciliations of the purchasing card statements, we noted 10 instances where the cardholder responsible for reconciling the Department's purchasing cards reconciled their own monthly card statements. Although a second review was performed, an individual who has been issued a purchasing card should not reconcile their own account.

Recommendation

We recommend the Department review and revise their procedures to ensure that employees are not reconciling their own purchasing card statements.

Department Response

The Department agrees that the events described in this finding did occur and in strict terms this practice did violate the existing policy however at the time the Sheriff's Department was short staffed and as a result the Purchasing Card Clerk was also performing travel booking for trainings. In accordance with the Purchasing Card Policy the Purchasing Card Clerk performed reconciliations on all of the cards including her own. In an effort to provide sufficient oversight an additional clerk

reconciled the Purchasing Card Clerk's statement as did the Business Manager so there were two additional checks after the employee reconciled their own account.

C) Excessive Charge

We noted one lodging transaction (totaling \$676.45) for a one night stay that is deemed excessive. Per a review of hotels within the respective area, the additional travel cost incurred by the County is estimated at approximately \$316.00. The excessive charge should have been identified and questioned during any of the following events:

- During booking of hotel accommodations;
- During review and approval of travel authorization form; and/or,
- During employee check-in at hotel.

Recommendation

We recommend the Department review and revise their procedures to ensure that excessive lodging charges are identified prior to hotel stay and that other cost-effective arrangements are made. Per County Travel Policy, lodging accommodations should be moderate considering location and availability.

Department Response

The Department agrees with this finding but would like to stress that was a one-time break down in the system of checks and balances and does not represent a disregard for County Purchasing Policy. This training was originally booked at a lower rate however the training was postponed so that the individual could assist with the RIM fire. If the training had been canceled outright the County would have had to lose the amount paid for the training resulting in an expense to the county with no training received. By rescheduling the training the Department was able to receive the desired training, the breakdown in the system came when it was time to reschedule the hotel room for this training and the clerk booked the original hotel and the rates for that time of year was considerably more expensive than when it had been originally booked.

D) Purchases Greater than \$5,000 per Item/Service

We noted five transactions (totaling \$60,570.00) spent for employee training. The individual cost for these transactions ranged between \$7,000.00 and \$17,600.00 per registration. Although the purchases were valid County business expenses, pursuant to the County Purchasing Card Policy a purchasing card is for the purchase of goods and services costing less than \$5,000 per item, including taxes, shipping, etc.

Recommendation

We recommend the Department review and revise their procedures to ensure that purchasing cards are only used for goods and services costing less than \$5,000 per item and follow GSA Purchasing Division Policies and Procedures Manual and Customer Guide, in accordance with the County Purchasing Card Policy.

Department Response

The Department agrees with the finding presented here, at the time the purchases were made the Department Staff was under the impression that these trainings required a credit card for payment.

After the finding was brought to the Department's attention we reached out to each of the vendors and verified that they do accept checks and going forward the Department will process all transactions in excess of \$5,000 with a check unless prior authorization is received.

E) Travel Authorization

We noted the following issues related to travel authorization forms:

- Forty-nine travel related expenses (totaling \$34,021.33) for 27 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.
- Eleven transactions (totaling \$5,296.77) for six separate trips where travel authorization forms were approved by two personnel who were no longer authorized designees.

Recommendation

We recommend the Department review and revise procedures to ensure that travel authorization forms are completed prior to incurring any travel related expenses and that forms are approved by Department Head or assigned designees. The travel authorization forms must be supported with written documentation in accordance with County of Stanislaus Travel Policy.

Department Response

The Department agrees with the first of the above travel findings and shortly after the time frame covered by this audit the Department hired an Admin Clerk who has taken full responsibility for making sure training documents receive proper approval before any money is spent.

The second of the travel findings identified above is the result of a form being updated when a new employee was hired. The intention of the change was to put the new employee on the form as an authorized signor for the travel approvals and in doing so the other two employees were removed as authorized signor's earlier than intended.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Agency's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy in effect at the time of the purchases. We also considered the Agency Policy, if applicable and other County policies as they related to the purchasing card transactions. In addition, we assessed the Agency's internal controls over the maintenance and use of the County Purchasing Cards.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for StanCERA during fiscal year 2013-2014. There were no Agency Executive Director transactions during the period. The test transactions for Agency 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 Agency personnel consisted of 232 transactions totaling \$49,928.52. For our engagement, we selected 50 transactions (approximately 22%) in the amount of \$11,222.00 (approximately 22%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.

- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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

- Interviewing agency personnel and documenting the agency'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.

It appears the Agency's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

EXECUTIVE DIRECTOR FINDINGS

A) Works Billing Statement Review

The Executive Director did not approve the WORKS Billing Statements timely for 8 of 13 periods under review, prior to receipt of the next month statement as required by policy.

Recommendation

We recommend the Agency review and revise its procedures to ensure the Executive Director'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.

Agency Response

StanCERA does not concur with this finding. StanCERA's procedures include making sure the Executive Director's review and approval of the WORKS Billing Statements are complete, timely and certified. The Executive Director reviewed and approved the Purchasing Card reconciliations in a timely manner upon receiving them. The reconciliations were not completed in a timely manner as noted in the finding below

B) Designee Assignment

The Executive Director had not assigned a designee in writing effective for the period under review as required by the County of Stanislaus Purchasing Card Policy.

Recommendation

We recommend the Executive Director identify and maintain certification of a designee(s) in writing pursuant to the County of Stanislaus Purchasing Card and Travel Policies. Subsequent to the audit, on February 9, 2015, we received a Designation approved by the Executive Director.

Agency Response

StanCERA concurs with this finding. A designee has been authorized and directed to perform the tasks of the Executive Director in his absence.

AGENCY FINDINGS

A) Reconciliation of Purchasing Card Statements

The monthly Agency reconciliation of purchasing card transactions was not performed timely for 8 of the 13 periods under review.

Recommendation

We recommend the Agency 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.

Agency Response

StanCERA concurs with this finding. StanCERA is in the process of reviewing and revising its procedures to ensure timely reconciliation of the Purchasing Card statements.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
STANISLAUS REGIONAL 9-1-1
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Stanislaus Regional 9-1-1 during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 5 transactions totaling \$1,222.95. 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 365 transactions totaling \$61,003.40. For our engagement, we selected 77 transactions (approximately 21%) in the amount of \$15,519.35 (approximately 25%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.

- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. 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 2013-2014.

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 department has reviewed its procedures to ensure that Department Head annually reviews the department's list of purchasing cards to determine the need and limit. This has already been done twice in 14-15 as the Department Head and employees have experienced some turnover.

DEPARTMENT FINDINGS

There we no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
STRATEGIC BUSINESS TECHNOLOGY
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for Strategic Business Technology during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 24 transactions totaling \$7,439.20. The test transactions for department personnel were selected randomly at a minimum threshold of 25 purchasing card 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 82 transactions totaling \$8,764.66. For our engagement, we selected 25 transactions (approximately 30%) in the amount of \$3,861.94 (approximately 44%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Written Department Head Designee Assignments

The Department Head did not assign designees and document the assignments in writing as required by the County of Stanislaus Purchasing Card Policy. Designees ensure the continuity of the Department's business matters, in the event of a Department Head's planned or unexpected absence.

Recommendation

We recommend the department modify its procedures to ensure the Department Head identify and certify a designee(s) in writing and document what the designee(s) is authorized to approve pursuant to the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

The department thought that the Signature Authorization form that authorized Mike Baniel, Manager IV, to make purchases covered all types of purchase, including authorizing purchases using a purchasing card. However, during this audit process, the department was advised that the Signature Authorization form only applied to Oracle FMS transactions and not purchasing card transactions. The department has modified the SBT Purchasing Procedures that includes the

Department Head's identification and designation in writing for specific managers to be authorized to approve purchasing card purchases in her absence.

B) 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 2013-2014. 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 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

In July 2014, SBT had modified the department's practices for the Department Head to review the purchasing cards biannually to determine the need and limits of each card. In Fiscal Year 2014-2015, the Department Head reviewed the purchasing card limits on August 29, 2014, and January 20, 2015. The department has modified the SBT Purchasing Procedures to include this practice. Terri Sanders, Manager III, will ensure this continued practice for the department head to review the purchasing card limits biannually, hard copy will be stored in a separate folder in the credit card documents drawer, and electronic copies will be stored on the server.

DEPARTMENT FINDINGS

There were no significant findings noted in the Department purchasing card transactions during fiscal year 2013-2014.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
TREASURER-TAX COLLECTOR
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for the Treasurer-Tax Collector during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 1 transactions totaling (\$49.50). 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 176 transactions totaling \$26,403.80. For our engagement, we selected 41 transactions (approximately 23%) in the amount of \$6,425.72 (approximately 24%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Written Department Head Designee Assignments

The Department Head did not assign designees and document the assignments in writing as required by the County of Stanislaus Purchasing Card Policy. Designees ensure the continuity of the Department's business matters, in the event of a Department Head's planned or unexpected absence.

Recommendation

We recommend the Department Head identify and certify a designee(s) in writing and document what the designee(s) is authorized to approve pursuant to the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

The Department Head has assigned the designee and documented pursuant to Purchasing Card and Travel Policies.

DEPARTMENT FINDINGS

A) Lack of Separation of Duties – Monthly Reconciliations

The department staff responsible for reconciling the Department's purchasing cards also reconciled their own card for 5 of 13 periods under review. This has been a recurring issue in four reporting periods dating back to fiscal year 2005-2006. Due to the recommendations listed in the fiscal year 2011-2012 Purchasing Card Audit the department revised procedures as of December 2013. The Department assigned the reconciliation duty to another employee who does not have a purchasing card which resulted in stronger internal controls.

Recommendation

We recommend the department periodically review its procedures to ensure 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 necessary changes were made in December 2013.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
UC COOPERATIVE EXTENSION
PURCHASING CARD AUDIT**

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2013 through June 30, 2014. The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card Policy and Procedures along with the Travel Policy 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.

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.

All County departments and related agencies utilizing the County purchasing card system are subject to the audit process as required by policy. In consideration of several consecutive years of performance of purchasing card audits along with performance of an annual risk analysis, a determination was made to audit the departments and agencies over a two year time period. A total of 16 department and related agencies were selected for audit covering fiscal year 2013-2014 transactions.

The audit period covered purchasing card activity for UC Cooperative Extension during fiscal year 2013-2014. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head did not incur any transactions during the audit period. 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 92 transactions totaling \$6,927.00. For our engagement, we selected 25 transactions (approximately 27%) in the amount of \$2,576.44 (approximately 37%) from the entire population for testing.

The engagement was conducted 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.

The audit methodology used to assess each department selected included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by 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 Policies and Procedures along with the Travel Policy.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card, Travel, and other related policies and procedures.

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.

It appears the Department's Purchasing Card procedures were materially compliant with the County Purchasing Card Policy and Procedures along with the Travel Policy. While the findings discussed below may not, individually or in the aggregate, impair compliance with the County Purchasing Card Program, they do present risks that can be more effectively controlled. We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT HEAD FINDINGS

A) Written Department Head Designee Assignments

The Department Head had assigned designees, but the designee assignments were not documented in writing as required by the County of Stanislaus Purchasing Card Policy. Documentation of designees ensures the clear continuity of the Department's business matters, in the event of a Department Head's planned or unexpected absence.

Recommendation

We recommend the Department Head identify and certify a designee(s) in writing and document what the designee(s) is authorized to approve pursuant to the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

The Department has identified the designee assignments in writing and submitted this form to the Auditor-Controller's Office on December 19, 2014.

B) 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 2013-2014. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards.

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, in accordance with policy. The review shall be signed and dated by the Department Head, then maintained with the Purchasing Card records for five years.

Department Response

The Department Head's annual review was performed and signed by the Department Head on December 18, 2014 and it was submitted to the Auditor-Controller's Office on December 19, 2014.

DEPARTMENT FINDINGS

There were no significant findings noted in the Department purchasing card transactions during fiscal year 2013-2014.



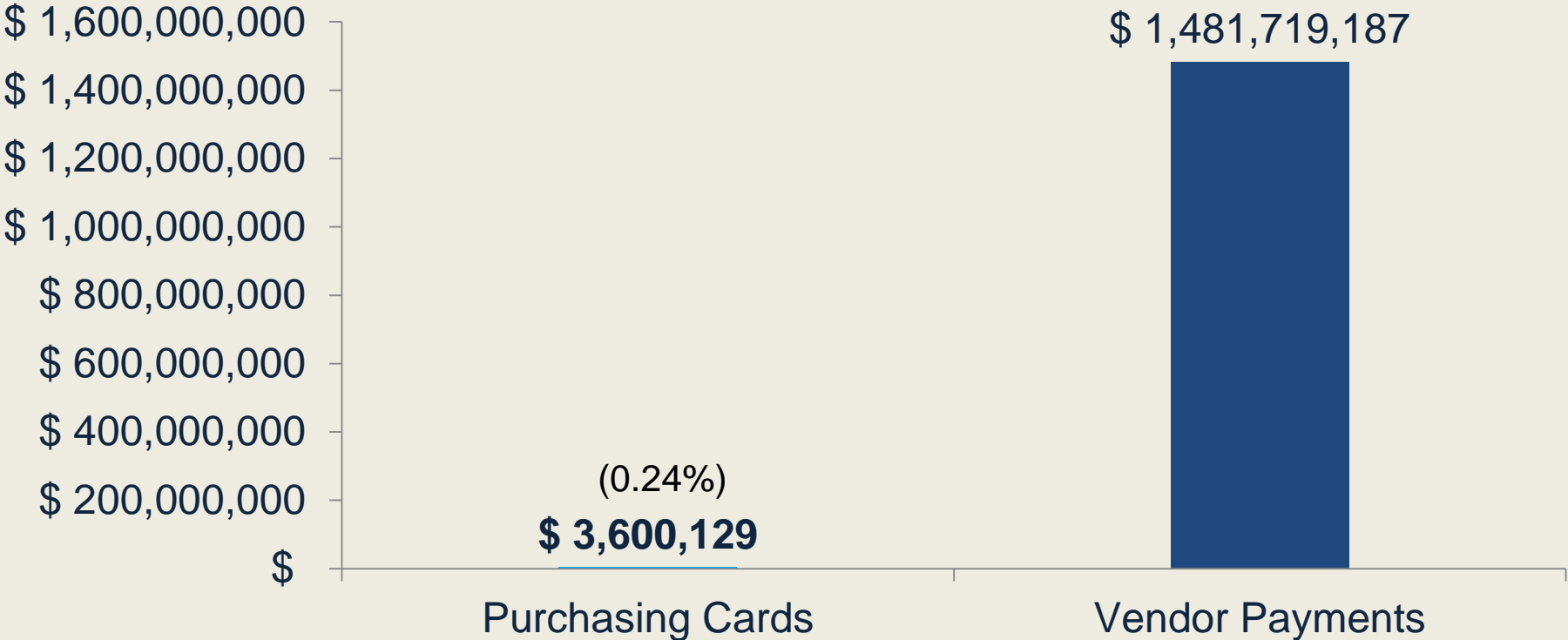
**FY 2013-2014
Purchasing Card
Compliance Audit**

**General Ledger & Internal Audit Divisions
Board of Supervisors Presentation
October 25, 2016**

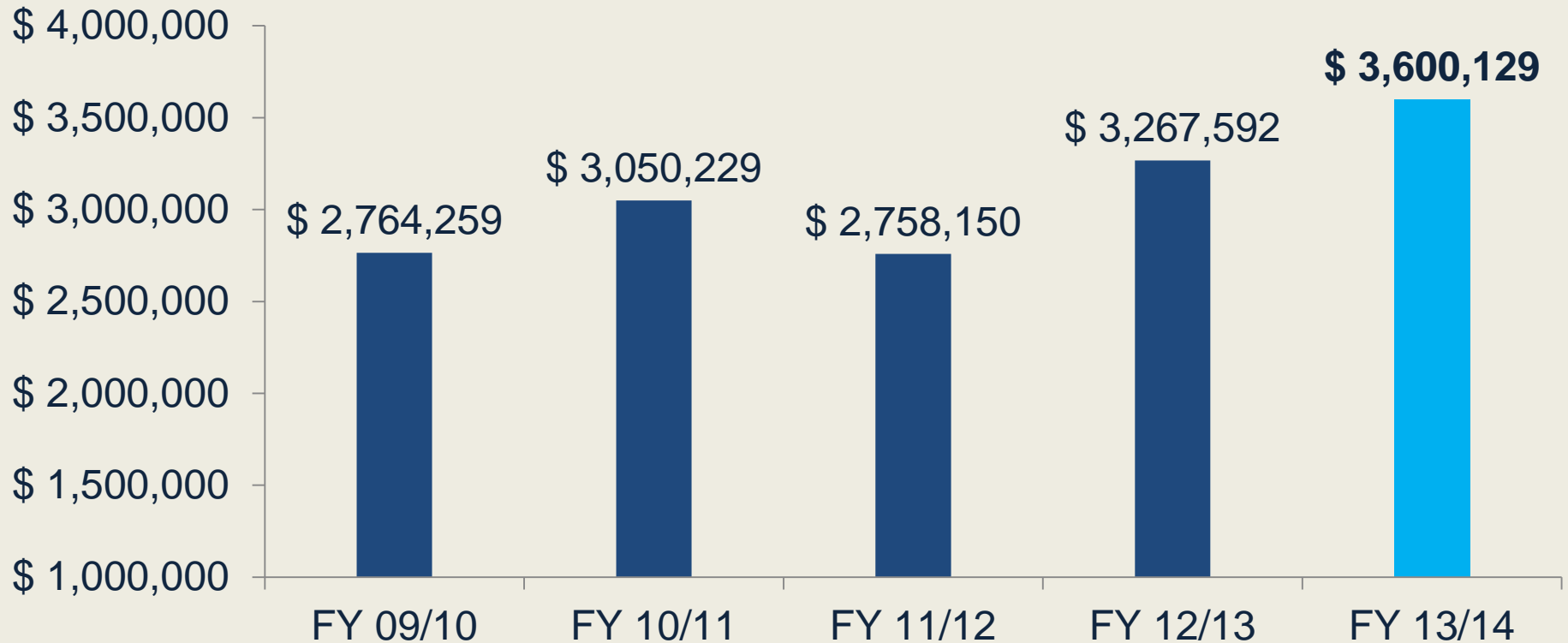
FY 13/14 Purchasing Card Engagements

- 32 departments and related agencies utilize purchasing cards.
- 16 purchasing card compliance audits were completed for period FY 13/14.
- Four out of 16 departments and related agencies had no findings or recommendations.

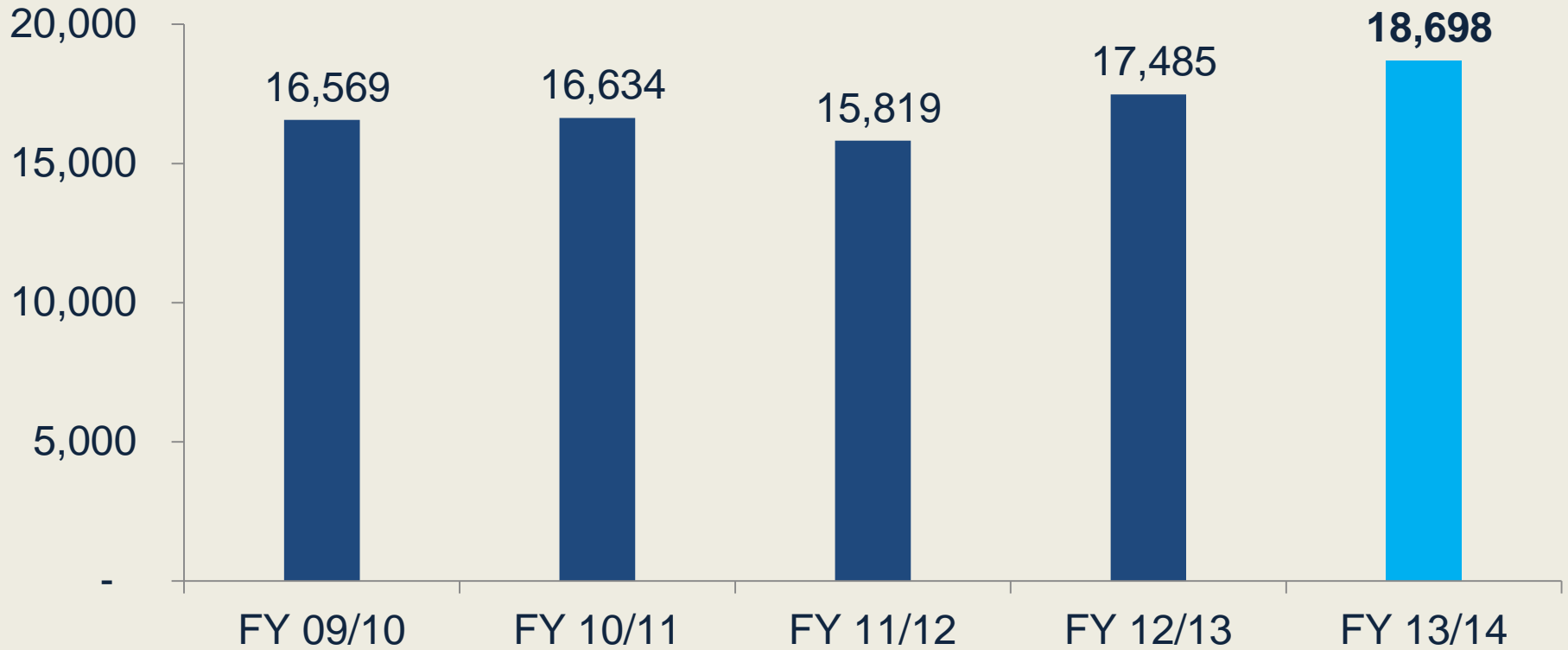
FY13/14 County Purchasing Activity



Total Purchasing Card Transactions (in Dollars)



Total Purchasing Card Transactions (in Numbers)



Transactions Tested of Audited Departments (in Dollars)



Transactions Tested of Audited Departments (in Numbers)



Findings – Department Head Responsibilities

- Five department assignments of designee(s) not properly documented
- Four department annual reviews of cardholder needs and limits not performed
- 22 monthly billing statements not reviewed timely

Findings – Employee Responsibilities

- 26 monthly bank statements not reconciled timely
- 16 monthly reconciliations not certified
- Five transactions exceeded \$5,000 limit per item

Findings – Employee Responsibilities

- 42 Travel Authorization Forms not approved prior to travel related charges
- 6 Travel Authorization Forms approved by personnel not assigned as designees

Audit Conclusion

Overall, except for the findings reported, the departments chosen for testing were in compliance with the County 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 2013-2014 purchasing card audit reports.

Questions?