

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

DEPT: Auditor-Controller

BOARD AGENDA #: B-6

AGENDA DATE: November 7, 2017

SUBJECT:

Acceptance of Fiscal Year 2015-2016 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

BOARD ACTION AS FOLLOWS:

No. 2017-646

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

Ayes: Supervisors: Olsen, Withrow, Monteith, DeMartini, and Chairman Chiesa

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

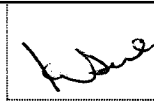
File No.

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

DEPT: Auditor-Controller

BOARD AGENDA #: B-6

Urgent Routine



AGENDA DATE: November 7, 2017

CEO CONCURRENCE: *pht*

4/5 Vote Required: Yes No

SUBJECT:

Acceptance of Fiscal Year 2015-2016 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

STAFF RECOMMENDATIONS:

1. Accept Fiscal Year 2015-2016 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, 17 departments and related agencies were selected for testing for Fiscal Year 2015-2016.

The purchasing card transactions for the 17 departments and related agencies were reviewed 100% for Department Head transactions and the remaining transactions were tested per department on a sample basis ranging from 17% to 92%, with an average sampling population of 26%. 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 2015-2016, a total of 21,645 purchasing card transactions were processed in the amount of \$4,540,448 for all departments and related agencies. A total of 10,419 purchasing card transactions, in the amount of \$2,476,058, were incurred for the 17 departments and related agencies which were audited. Items selected for testing comprised of 2,707 purchasing card transactions totaling \$942,278, or 26% and 38% respectively for the 17 departments and related agencies that were selected for testing.

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 17 departments and related agencies under audit for the July 1, 2015 to June 30, 2016 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 three 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 two 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 WORKS 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-one monthly reports were not reviewed in a timely manner.
- We noted the following related to the monthly reconciliation of the purchasing card statements:
 - Eight monthly purchasing card statement reconciliations were certified but not dated.
 - Fourteen monthly purchasing card statement reconciliations were not performed timely.
- We noted the following excessive charges:
 - Two airfare transactions totaling \$776 for two employees to travel to a meeting in Albuquerque, New Mexico, were erroneously booked to Phoenix, Arizona. Upon landing in Phoenix, two additional roundtrip tickets totaling \$1,042 were purchased for travel between Phoenix and Albuquerque resulting in additional cost to the County of approximately \$843.

- One transaction in the amount of \$1,204 for two employees traveling to a conference in Las Vegas, Nevada, does not appear to have been the most cost effective method resulting in additional cost to the County of approximately \$747.
- One travel related expense for parking in the amount of \$790 where an employee parked a vehicle at an airport for 79 days to attend training in Virginia. Parking was not included on the approved Travel Authorization Form. We also noted that this transaction included nine days of parking during personal time which was reimbursed by the employee. Parking a vehicle in airport parking for 79 days is not cost effective and resulted in an additional cost to the County of approximately \$620.
- Two travel related transactions totaling \$260 where executive meet-and greet shuttle was used resulting in an additional cost to the County of approximately \$214.
- We noted the following related to Travel Authorization Forms:
 - Fifty Travel Authorization Forms totaling \$37,277 were approved after the purchase.
 - Twenty-five Travel Authorization Forms totaling \$5,033 were approved by an employee not authorized as a Department Head designee.
 - One Travel Authorization Form in the amount of \$2,096 was not approved by Department Head or Designee.
- We noted following personal expense charges:
 - We noted four transactions totaling \$1,969 for personal expenses. The charges were subsequently reimbursed to the County; however, the County purchasing cards are not to be used for personal or unallowed expenses.
- We noted 49 trips totaling \$16,890 did not have supporting travel cost comparisons on file for travel greater than 100 miles one-way as required by the Stanislaus County Travel Policy to determine the most cost effective method of travel.
- We noted three transactions totaling \$4,137 where meal overages of \$55 were not properly approved.
- We noted four transactions totaling \$64,698 that did not include evidence of three vendor quotes and a Justification for Sole Source/Sole Brand form was not on file. Although the purchases were valid County business expenses, the County Purchasing Card Policy requires cardholders to comply with the General Services Agency Purchasing Division procurement policy and procedures to ensure that the best price is obtained for the County. Per General Services Agency Purchasing Division Policies and Procedures, transactions of \$5,000 or more require three competitive quotes or completion and approval of a Justification for Sole Source/Sole Brand form.
- We noted one transaction in the amount of \$10,000 for the partial purchase of 60 client conference registrations and two passenger bus rentals that was split between two

cardholders to avoid credit limits. Per the Stanislaus County Purchasing Card Policy, cardholders may not split purchases to avoid credit limits.

- We noted 12 purchases of fuel totaling \$205 during out-of-county trips where fuel cards were not obtained prior to the trips, eliminating the possibility of fuel savings through the use of a Card Lock Fuel Program station.
- We noted one lodging transaction that was canceled in an untimely manner resulting in a no show fee of \$134. The no show charge did not appear to be a result of a failure to cancel a hotel reservation due to circumstances beyond the employee's control.
- We noted one transaction in the amount of \$160 for eight gift cards to reward employees during a departmental wellness challenge. The Department was unable to provide evidence of governing authority authorizing use of public funds in this manner.

We would like to highlight the fact that four of the 17 departments and related agencies included in this audit series did not have audit findings reported on the Executive Summary Report. These departments and related agencies included Department of Workforce Development (formerly known as Alliance Worknet), Children & Families Commission, Clerk-Recorder, and Public Defender.

The significant findings primarily consisted of departments and agencies 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 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 2015-2016 Purchasing Card Audit Reports.

The cost to the County for services provided by the Internal Audit Division of the Auditor-Controller's Office for the work performed was approximately \$137,729 in salary related expenses, representing a total of 2,603 work hours at approximately \$53 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 2015-2016 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:

Sandeep Singh, CIA

Manager III

(209) 525-6502

ATTACHMENT(S):

A. Executive Summary Reports

ATTACHMENT A

Executive Summary Reports

Agricultural Commissioner Purchasing Card Audit
Alliance Worknet Purchasing Card Audit
Auditor-Controller Purchasing Card Audit
Behavioral Health & Recovery Services Purchasing Card Audit
Children & Families Commission Purchasing Card Audit
Clerk-Recorder Purchasing Card Audit
Community Services Agency Purchasing Card Audit
District Attorney Purchasing Card Audit
Local Agency Formation Commission Purchasing Card Audit
Planning Purchasing Card Audit
Public Defender Purchasing Card Audit
Sheriff's Department Purchasing Card Audit
StanCERA Purchasing Card Audit
Stanislaus Regional 9-1-1 Purchasing Card Audit
Strategic Business Technology Purchasing Card Audit
Treasurer-Tax Collector Purchasing Card Audit
UC Cooperative Extension Purchasing Card Audit

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Agricultural Commissioner during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 25 transactions totaling \$4,730.08. The test transactions for Department personnel were selected randomly at approximately 15% 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 542 transactions totaling \$95,689.76. For our engagement, we selected 81 transactions (approximately 15%) in the amount of \$31,901.10 (approximately 33%) 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 for the period under review.

DEPARTMENT FINDINGS

A) Travel Authorization

We noted the following issues related to travel authorization forms:

- Four transactions (totaling \$1,358.00) where approval of travel authorization forms were not dated; therefore, we could not determine whether the travel was pre-approved as required by the Stanislaus County Travel Policy.
- Eleven transactions (totaling \$894.36) for ten separate trips where travel authorization forms were approved by personnel not listed as an authorized Department Head designee.

Recommendation

We recommend the Department review and revise their procedures to ensure that all travel authorization forms are thoroughly completed and approved by appropriate personnel prior to travel and the occurrence of travel expenses.

Department Response

It has always been the intent of the Department to grant its managers the authority to approve travel authorization forms. Previously, the Department maintained an authorized signature list specifying the names of each authorized signer. As a result of the audit finding, the Department has revised its signature list to designate authority to authorized positions, rather than to the name of the person filling that position. Forms have also been updated to include an authorized signature date.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Alliance Worknet during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 13 transactions totaling \$1,173.13. The test transactions for Department personnel were selected randomly at approximately 15% 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 222 transactions totaling \$77,302.94. For our engagement, we selected 36 transactions (approximately 16%) in the amount of \$25,536.52 (approximately 33%) 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 2015-2016.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Auditor-Controller during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 12 transactions totaling \$3,047.13. The test transactions for Department personnel were selected randomly at approximately 25% 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 110 transactions totaling \$24,435.07. For our engagement, we selected 26 transactions (approximately 24%) in the amount of \$6,146.76 (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 Review of Need and Limit

The Department Head’s annual review determining the need and limit of the Department’s purchasing cards was not performed for the period under review. Pursuant to Stanislaus County Purchasing Card Policy, the Department Head shall determine the needs and limits for Department purchasing cards on an annual basis, evidence review with signature and date, and maintain on file for a minimum of five years.

Recommendation

We recommend the Department review and revise their procedures to ensure the Department Head reviews the list of purchasing card holders to determine the need and limit of purchasing cards annually as required by the Stanislaus County Purchasing Card Policy. The review should be documented with a signature and a date and maintained with the purchasing card records for five years.

Department Response

We agree with this finding. Due to staff transitioning the annual review of the purchasing card need and limit for the department was overlooked. Subsequent to the audit written department procedures have been implemented that provide clear direction to department staff to provide this annual report to the Department Head for review.

DEPARTMENT FINDINGS

There were no significant Department findings for the period under review.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
BEHAVIORAL HEALTH & 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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Behavioral Health & Recovery Services during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 5 transactions totaling \$705.52. The test transactions for Department personnel were selected randomly at approximately 25% 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 2,105 transactions totaling \$395,295.38. For our engagement, we selected 526 transactions (approximately 25%) in the amount of \$145,500.74 (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

There were no significant findings or recommendations for Department Head transactions during the period under review.

DEPARTMENT FINDINGS

A) Travel Authorizations

We noted the following issues related to Travel Authorization Forms:

- Ten transactions (totaling \$7,019.19) for travel related expenses were incurred prior to approval of a completed 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, approval was not obtained prior to incurring the expense as required by Stanislaus County Travel Policy.
- Sixteen transactions (totaling \$4,138.33) for fifteen separate trips where Travel Authorization Forms were approved by personnel who were not authorized Department Head designees.
- Nine transactions (totaling \$1,506.22) related to seven separate trips did not have supporting travel cost comparisons on file for travel greater than 100 miles. A travel cost

comparison is required to compare the difference between air travel, private vehicle, department owned-vehicle, and rental vehicle from the County-contracted vendor. We could not determine if the travel method chosen was the most cost-effective option given the circumstances of the travel requirement.

Recommendation

We recommend the Department review and revise their procedures to ensure Travel Authorization Forms are completed and approved 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 Stanislaus County Travel Policy. In addition, we recommend the Department review and revise their procedures to ensure travel cost comparisons are performed to determine the most cost effective method of travel for any trips greater than 100 miles one-way as required by Stanislaus County Travel Policy.

Department Response

- BHRS will be conducting training with all staff to ensure that Travel Authorization Forms are completed prior to the incurrence of travel related expenses.
- The Department Head designation was updated on February 24, 2016 to ensure that Travel Authorization Forms are approved only by authorized personnel.
- The comparison form provided by GSA only addresses automobile travel cost, and is only required for travel of more than 100 miles one way. This 100 mile requirement has been interpreted as vehicle travel only. The form does not address the cost comparison of airfare and other methods of travel. BHRS will contact GSA regarding a revision of the form to include the cost of airfare and other modes of travel. BHRS will review the process of determining the most cost-effective mode of travel, and in the future will either document the chosen mode on the Travel Authorization Forms or provide it as support documentation. Factors to be considered include the time away from the office, personal comfort needs (due to health or medical needs), as well as the various direct costs associated with air travel (airfare, shuttle, baggage fees, rental car, airport parking, etc.) versus vehicle travel.

B) Purchase Split Between Cardholders to Avoid Credit Limits

We noted one charge (totaling \$10,000.00) for the partial purchase of 60 client conference registrations and two passenger bus rentals that was split between two cardholders to avoid credit limits. Per the Stanislaus County Purchasing Card Policy, cardholders may not split purchases to avoid credit limits.

In addition, the \$10,000.00 charge was applied towards an invoice in the amount of \$15,900.00. The payment of this invoice resulted in two different payment methods which were unnecessary. We were unable to determine why County purchasing cards were used instead of the Accounts Payable voucher payment process for the entire payment of the invoice.

Recommendation

We recommend the Department review and revise their procedures to ensure that purchases are not split between cardholders. An analysis of purchasing activity may need to be performed to determine if increasing one cardholder's limit is required.

Department Response

Going forward, BHRS will ensure that purchases are not split between cardholders.

C) Excessive Charges

We noted two travel related transactions (totaling \$260.00) for two separate trips where executive meet-and-greet shuttle service was used. Although the cost of transportation was included and approved on the Travel Authorization Forms, it appears unnecessary and excessive and resulted in an additional cost to the County of approximately \$213.50.

In addition, supporting documentation was not on file justifying why the more expensive shuttle service was used. As the excessive cost of the transportation was approved by Department management, seeking employee reimbursement for the additional cost is not appropriate.

Recommendation

We recommend the Department review and revise their procedures to ensure the most cost effective method of transportation is used. In addition, County travelers should exercise prudent judgment and show proper discretion for accountable and economic use of public funds.

Department Response

Staff who made the reservation for this shuttle service states that the service is more reliable and convenient than other options. The final destination for this trip was some distance from the airport and the cost was based on the location pick-up and drop-off.

The comparison form provided by GSA only addresses automobile travel cost, and is only required for travel of more than 100 miles one way. This 100 mile requirement has been interpreted as vehicle travel only. The form does not address the cost comparison of airfare and other methods of travel. BHRS will contact GSA regarding a revision of the form to include the cost of airfare and other modes of travel. BHRS will review the process of determining the most cost-effective mode of travel, and in the future will either document the chosen mode on the Travel Authorization Forms or provide it as support documentation. Factors to be considered include the time away from the office, personal comfort needs (due to health or medical needs), as well as the various direct costs associated with air travel (airfare, shuttle, baggage fees, rental car, airport parking, etc.) versus vehicle travel.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Children & Families Commission during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 18 transactions totaling \$1,037.60. 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 51 transactions totaling \$4,051.50. For our engagement, we selected 25 transactions (approximately 49%) in the amount of \$2,656.85 (approximately 66%) 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 2015-2016.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
CLERK-RECORDER
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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Clerk-Recorder during fiscal year 2015-2016. There were no Department Head transactions incurred during the period under review. The purchasing card transactions for Department personnel were selected randomly at approximately 25% 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 252 transactions totaling \$33,218.11. For our engagement, we selected 64 transactions (approximately 25%) in the amount of \$11,147.33 (approximately 34%) 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 or recommendations for the Department purchasing card transactions during fiscal year 2015-2016.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Community Services Agency during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 70 transactions totaling \$11,701.45. The test transactions for Department personnel were selected randomly at approximately 25% 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 1,904 transactions totaling \$460,416.12. For our engagement, we selected 477 transactions (approximately 25%) in the amount of \$187,736.81 (approximately 41%) 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 for the period under review.

DEPARTMENT FINDINGS

A) Monthly Bank Statement Reconciliation

The Purchasing Card Clerk reconciles each cardholder's statement and certifies each statement with a signature and date. During our testing of the cardholder's statements, we noted the untimely reconciliation of 83 out of 227 (or 37%) of bank statements tested. 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. The current notification for audit period fiscal year 2015-2016 represents the second notification to the Department regarding this issue. The prior period that noted the recurring finding includes fiscal year 2013-2014.

Recommendation

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

Department Response

During this time period there were staff vacancies creating an additional workload. At one point, the purchasing card accounting technician was covering critical job functions for three different desks. Tasks had to be prioritized to ensure customer service to both internal and external customers and to ensure invoices were paid timely. 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. Each transaction is date stamped in the system and reconciled at that point. Although reconciliations were completed timely, the actual statements were not initialed off and dated timely.

B) Transactions of \$5,000 or More

We noted two transactions (totaling \$49,112.02) that did not include evidence of three vendor quotes and a Justification for Sole Source/Sole Brand form was not on file. The Stanislaus County Purchasing Card Policy requires that cardholders comply with the General Services Agency Purchasing Division procurement policies and procedures to ensure that the best price is obtained for the County. Per General Services Agency Purchasing Division Policies and Procedures, transactions of \$5,000 or more require three competitive quotes or completion and approval of a Justification for Sole Source/Sole Brand form.

Recommendation

We recommend the Department review and revise their procedures to ensure that three competitive quotes are obtained or a Justification for Sole Source/Sole Brand form is completed and approved for transactions of \$5,000 or more in accordance with General Services Agency Purchasing Division procurement policies and procedures.

Department Response

This was a special item purchase for Crucial Conversations materials and the Department now has a Sole Source on file for this vendor as of 02/03/16. The Department's practice is to follow the General Services Agency (GSA) procurement policy of obtaining a minimum of three competitive quotes for transactions over \$5,000 or completing a Sole Source form to be approved by the GSA Purchasing Agent.

C) Travel Authorization

We noted the following issues related to Travel Authorization Forms:

- Thirty-two transactions (totaling \$5,940.56) related to 26 separate trips did not have supporting travel cost comparisons on file for travel greater than 100 miles one-way. A travel cost comparison is required to compare the difference between air travel, private vehicle, department owned-vehicle, and rental vehicle from the County-contracted vendor. We could not determine if the travel method chosen was the most cost-effective option given the circumstances of the travel requirement.
- Four travel related transactions (totaling \$4,842.84) for three separate trips were incurred prior to approval of a completed 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, approval was not obtained prior to incurring the expense as required by the Stanislaus County Travel Policy.

Recommendation

We recommend the Department review and revise their procedures to ensure Travel Authorization Forms are completed and approved 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 Stanislaus County Travel Policy. In addition, we recommend the Department review and revise their procedures to ensure travel cost comparisons are performed to determine the most cost effective method of travel for any trips greater than 100 miles one-way as required by Stanislaus County Travel Policy.

Department Response

A hands on trip authorization training has been conducted where staff have been reminded that all trip authorizations must be pre-approved and that the most cost effective mode of travel is to be selected. The policy requirement of a cost comparison for trips greater than 100 miles one way is also reviewed. 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.

D) Excessive Airfare Charges

We noted the following issues related to airfare charges:

- Two airfare transactions (totaling \$776.40) for two employees to travel to a meeting in Albuquerque, New Mexico, were erroneously booked to Phoenix, Arizona. Upon landing in Phoenix, two additional roundtrip tickets totaling \$1,042.40 were purchased for travel between Phoenix and Albuquerque. Based upon our review of current airfare pricing for roundtrip travel directly from Sacramento to Albuquerque, the additional cost to the County as result of this error is approximately \$842.88.
- One transaction (in the amount of \$1,203.96) for two employees traveling to a conference in Las Vegas, Nevada, does not appear to have been the most cost effective option. Based upon our review of current airfare pricing for roundtrip travel from Stockton to Las Vegas, the additional cost to the County is approximately \$747.00.

Recommendation

We recommend the Department review and revise their procedures to ensure that employees are choosing the most cost effective airfare transportation and that travel arrangements are verified to travel itineraries to avoid erroneous travel bookings. Pursuant to the Stanislaus County Travel Policy, the Department Head is responsible for ensuring the most cost-effective and practical travel alternatives are selected.

Department Response

The two airfare transactions for two employees to travel to Albuquerque, New Mexico were erroneously booked to Phoenix, Arizona. This was an administrative error. The Department also acknowledges that the lowest cost flights were not selected for the Las Vegas, Nevada airfare and documentation was not present to support the higher rate. Southwest is a preferred airfare provider due to the nature of travel for CSA. Southwest accommodates changes and/or cancellations of flights. The Department will continue to train and work with staff to use the most cost efficient approach for county business travel.

E) Gift Cards for Employee Wellness Challenge

We noted one transaction (in the amount of \$160.00) for eight gift cards to reward employees during a departmental wellness challenge. The Department was unable to provide evidence of governing authority authorizing use of public funds in this manner.

Recommendation

We recommend the Department review and revise their procedures to ensure that purchases made to benefit employees are properly authorized by a legal governing authority and that such approval is maintained on file.

Department Response

Eight gift cards were purchased for an employee wellness challenge supporting the health/safety of employees. The Department's practice is to make purchases with the proper authorization and is currently working on reviewing procedures to ensure all proper documentation is maintained with legal governing authority when purchasing items that benefit employees.

F) Fuel Purchase

We noted 12 purchases of fuel (totaling \$204.67) during out-of-county trips where fuel cards were not obtained prior to the trips, eliminating the possibility of fuel savings through the use of a Card Lock Fuel Program station.

Recommendation

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

Department Response

The Department currently has a limited number of fuel cards on hand. Due to the volume of staff travel required, the Department is currently evaluating how many additional fuel cards may be needed and the additional staff time that would be required to be available at all times to check out the fuel cards and monitor that they are returned and kept securely.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
DISTRICT ATTORNEY
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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for District Attorney during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 15 transactions totaling \$5,161.44. The test transactions for Department personnel were selected randomly at approximately 25% 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 871 transactions totaling \$265,236.09. For our engagement, we selected 221 transactions (approximately 25%) in the amount of \$107,025.96 (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

DEPARTMENT HEAD FINDINGS

A) Completion of Travel Cost Comparison

We noted seven transactions (totaling \$3,876.44) for four separate trips greater than 100 miles one-way that did not have supporting travel cost comparisons on file. Although the lowest cost option was selected in three instances, one trip did not use the lowest cost option and resulted in an additional cost to the County of approximately \$30.00. Completion of travel cost comparisons is required by Stanislaus County Travel Policy to determine the most cost effective method of travel for trips greater than 100 miles one-way.

Recommendation

We recommend the Department review and revise their procedures to ensure travel cost comparisons are performed to determine the most cost effective method of travel for any trips greater than 100 miles one-way as required by Stanislaus County Travel Policy.

Department Response

The Department had understood that the travel policy provided that employees who receive a car allowance were not eligible to take department cars/fleet service vehicles. The Department will work towards ensuring trip comparisons are included with travel authorization paperwork.

DEPARTMENT FINDINGS

A) Completion of Travel Cost Comparison

We noted 12 transactions (totaling \$4,610.08) related to nine separate trips did not have supporting travel cost comparisons on file for travel greater than 100 miles one-way. A travel cost comparison is required to compare the difference between air travel, private vehicle, department owned-vehicle, and rental vehicle from the County-contracted vendor. The lowest cost option was not selected for six of the nine trips and resulted in an additional cost to the County of approximately \$574.00. We could not determine if the travel method chosen for the three remaining trips was the most cost-effective option given the circumstances of the travel requirement.

Recommendation

We recommend the Department review and revise their procedures to ensure travel cost comparisons are performed to determine the most cost effective method of travel for any trips greater than 100 miles one-way as required by the Stanislaus County Travel Policy.

Department Response

The Department will work towards ensuring trip comparisons are included with travel authorization paperwork.

B) Transactions of \$5,000 or More

We noted one transaction (in the amount of \$6,145.51) that did not include evidence of three vendor quotes and a Justification for Sole Source/Sole Brand form was not on file. The Stanislaus County Purchasing Card Policy requires that cardholders comply with the General Services Agency Purchasing Division procurement policies and procedures to ensure that the best price is obtained for the County. Per General Services Agency Purchasing Division Policies and Procedures, transactions of \$5,000 or more require three competitive quotes or completion and approval of a Justification for Sole Source/Sole Brand form.

Recommendation

We recommend the Department review and revise their procedures to ensure that three competitive quotes are obtained or a Justification for Sole Source/Sole Brand form is completed and approved for transactions of \$5,000 or more in accordance with General Services Agency Purchasing Division procurement policies and procedures.

Department Response

The purchase of multiple hard drives was necessary to allow the storage of data for a case that needed to be quickly provided to the defense. The Department is aware that purchases over \$5000 should have additional quotes. Staff have been reminded of the limit and the need to document price comparisons.

C) After Event Expense

We noted one lodging charge (in the amount of \$444.78) included one night of lodging following an event ending at 1:00 p.m. in Anaheim, CA. Based upon the travel distance and end time of the event, the additional night of lodging does not appear to qualify as a necessary business expense and resulted in an additional cost to the County of \$127.00.

Recommendation

We recommend the Department review and revise their procedures to ensure the business purpose

for travel expenses incurred before and after an event are reasonable and documented in accordance with the Stanislaus County Travel Policy. This should be based on, but not limited to, the location of the event and the time of day the event begins and ends.

Department Response

The travel time would have put the employee driving through heavy, local workday Los Angeles area traffic which adds to the travel time. The Department felt the safety of the employee was more important and will make sure to have documentation in the future for this type of justification.

D) Unallowed Expense

We noted three transactions (totaling \$256.97) for personal expenses. The charges were subsequently reimbursed to the County; however, the County purchasing cards are not to be used for personal or unallowed expenses.

Recommendation

We recommend the Department remind employees that purchasing cards are not to be used for personal or unallowed expenses.

Department Response

Department staff who have credit cards are aware that purchasing cards are not to be used for personal or unallowed expenses. The transactions that were done in error were immediately brought to the account clerk's attention by the employees and rectified.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
LOCAL AGENCY FORMATION 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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Local Agency Formation Commission during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 10 transactions totaling \$1,628.79. The purchasing card transactions for Department personnel consisted of 28 transactions totaling \$3,988.70. For our engagement, we selected 25 transactions (approximately 89%) in the amount of \$3,925.85 (approximately 98%) 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's Designee

The Department Head did not assign a designee and document the assignments in writing as required by the Stanislaus County Purchasing Card and Travel Policies. Although a designee memo was provided by the Department, a designee was not assigned to perform purchasing card tasks. 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 the Department Head's unexpected absence pursuant to the Stanislaus County Purchasing Card and Travel Policies.

Department Response

Management agrees with the recommendation. A revised designee form has been completed to identify a designee for purchasing card tasks.

B) Parking

We noted an occurrence where economy parking was not utilized at an airport during a conference, resulting in an additional cost to the County of \$57.00. The cardholder is no longer employed with Stanislaus County, resulting in obtaining reimbursement from the retiree difficult.

Recommendation

We recommend the Department review and revise their procedures to ensure the most cost-effective parking options are selected.

Department Response

Employees have been reminded of the need to use the most cost-effective travel options, including parking. Research of parking options will occur prior to travel during completion of the travel authorization form to ensure the most economical option is selected in the future.

DEPARTMENT FINDINGS

There were no Department findings for the period under review.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
PLANNING
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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Planning during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of one transaction totaling \$200.00. The test transactions for Department personnel were selected randomly at approximately 15% 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 164 transactions totaling \$22,890.47. For our engagement, we selected 29 transactions (approximately 18%) in the amount of \$5,218.50 (approximately 23%) 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 Department Head Findings noted for fiscal year 2015-2016.

DEPARTMENT FINDINGS

A) Travel Authorization

We noted the following issues related to Travel Authorization Forms:

- Two travel related expenses (totaling \$2,096.20) for one trip were not approved by the Department Head or Designee. Per County Travel Policy, a completed Travel Authorization Form is required by all County personnel before incurring travel and other related expenses, such as registration and hotel expenses.
- A Travel Authorization Form was not on file for one out-of-county trip.

Recommendation

We recommend the Department review and revise their procedures to ensure Travel Authorization Forms are completed and approved prior to the occurrence of travel related expenses. In addition, Travel Authorization Forms should be located in centralized department files and maintained for a minimum of five years in accordance with County Travel Policy.

Department Response

- The trip was approved via email and verbally, but due to having new staff in the role of preparing the TA, the TA was not routed before costs started being incurred. The TA was routed as soon as there was awareness that it was needed. The trip was canceled and credits for original charges obtained due to the inability of the designated staff to attend the event because they were transferring to another job.
- The original TA was misplaced by the traveling employee and a new late TA was signed approving the trip. There was a TA included in the backup; it was just signed after the travel occurred. The Department head was aware and approved of the travel taking place. The department has instituted a new electronic filing system to capture copies of all signed TA's for department employees and instructions on what and where to file the electronic copies has gone out to staff.

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
PUBLIC DEFENDER
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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Public Defender during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 17 transactions totaling \$6,339.88. The test transactions for Department personnel were selected randomly at approximately 25% 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 141 transactions totaling \$33,960.07. For our engagement, we selected 36 transactions (approximately 26%) in the amount of \$8,828.14 (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

There were no significant findings or recommendations for the Department purchasing card transactions during fiscal year 2015-2016.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Sheriff's Department during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 40 transactions totaling \$8,969.92. The test transactions for Department personnel were selected randomly at approximately 25% 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 2,734 transactions totaling \$827,347.13. For our engagement, we selected 686 transactions (approximately 25%) in the amount of \$283,814.96 (approximately 34%) 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 Review of Need and Limit

The Department Head's annual review determining the need and limit of the Department's purchasing cards was not performed during the period under review. Pursuant to the Stanislaus County Purchasing Card Policy, the Department Head shall determine the needs and limits for Department purchasing cards on an annual basis, evidence review with signature and date, and maintain on file for a minimum of five years.

Recommendation

We recommend the Department review and revise their procedures to ensure the Department Head reviews the list of purchasing card holders to determine the need and limit of purchasing cards annually as required by the Stanislaus County Purchasing Card Policy. The review should be documented with a signature and date and maintained with the purchasing card records for five years.

Department Response

The Department agrees with this finding, however, during this time period the Sheriff's Department was short staffed and job duties were moved around. As a result, employee(s) responsible for this task were not properly trained. As of fiscal year 2016-2017, personnel responsible for this job duty have been properly trained so that the review is done on a regular basis.

B) Monthly WORKS Billing Statements

In place of reviewing the monthly WORKS Billing Statements, the Department Head or Designee performs a detailed review of each cardholder's statement, certifying each statement with a signature and date. During our testing of the cardholder's statements, we noted the untimely review and approval of 28 out of 159 (or 18%) of bank statements tested. In addition, we noted one bank statement that was erroneously dated and one bank statement where the signature was not legible; therefore, we could not determine if it was approved by authorized personnel. The Department Head is responsible for ensuring all Department charges on a County purchasing card are appropriate business expenses and certified in a timely manner, prior to the next month's statement. The current notification for audit period fiscal year 2015-2016 represents the eighth 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, 2012-2013, 2013-2014 and 2014-2015.

Recommendation

We recommend the Department review and revise their procedures to ensure the Department Head's monthly review and approval of purchasing card transactions are complete, performed in a timely manner, and certified in accordance with the Stanislaus 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. Since the original findings were received by the Department in 2017, they have changed the process to streamline the review and approval process. In doing so, the monthly review and approval of purchasing card transactions are completed and performed in a more timely manner.

C) Unallowed Expense

We noted one travel related transaction (totaling \$1,712.05) that included a personal charge in the amount of \$22.25 which is an unallowed expense per the Stanislaus County Purchasing Card and Travel Policies. County purchasing cards are not to be used for personal or unallowed expenses. The Department received reimbursement from the employee.

Recommendation

We recommend the Department remind employees that purchasing cards are not to be used for personal or unallowed expenses.

Department Response

The Department agrees with this finding and has specifically targeted efforts towards not allowing personal charges for travel related transactions to be made on Stanislaus County Purchasing Cards and ensure that any personal charges are reimbursed in a timely manner.

DEPARTMENT FINDINGS

A) Monthly Bank Statement Reconciliation

The Purchasing Card Clerk reconciles and certifies each cardholder statement with a signature and date. During our testing of the cardholder's statements, we noted the following issues:

- Twenty-four out of 159 (or 15%) of bank statements tested were signed but not dated; therefore, timeliness of the reviews were undeterminable.

- One bank statement was not reconciled timely.
- One bank statement was not signed or dated.
- One bank statement was certified prior to the occurrence of all transactions.

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. The current notification for audit period fiscal year 2015-2016 represents the sixth notification to the Department regarding this issue. Prior periods that noted the recurring finding include fiscal years 2008-2009, 2009-2010, 2010-2011, 2012-2013 and 2013-2014.

Recommendation

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

Department Response

The Department agrees with the finding and has specifically targeted efforts towards ensuring the Department Head's monthly review and approval of purchasing card transactions are completed and performed in a timely manner. The Department has changed its process to streamline our view and approval process in 2017. While County policy requires the Department or Designee to certify in writing that all purchasing card charges are valid appropriate County expenses prior to the receipt of the next month's statement this is not always possible due to the number of transaction for the Sheriff's Department. Each transaction and supporting documentation is reviewed by Finance staff and Business Manager prior to being approved in the purchasing card "Works" system. Only after all of the transactions, missing receipt forms, credit card statements, trip authorizations, deposits and employee reimbursements are process is the Department Head or Designee provided with the Detail Transaction report to review and sign.

B) Travel Authorization

We noted the following issues related to Travel Authorization Forms:

- Thirty-six transactions (totaling \$23,634.55) related to thirty-three separate trips where travel related expenses were incurred prior to approval of a completed 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, approval was not obtained prior to incurring the expense as required by Stanislaus County Travel Policy.
- Four transactions (totaling \$956.44) related to three separate trips did not have supporting travel cost comparisons on file for travel greater than 100 miles one-way. A travel cost comparison is required to compare the difference between air travel, private vehicle, department owned-vehicle, and rental vehicle from the County-contracted vendor. We could not determine if the travel method chosen was the most cost-effective option given the circumstances of the travel requirement.

Recommendation

We recommend the Department review and revise their procedures to ensure Travel Authorization Forms are completed and approved prior to incurring any travel related expenses. The Travel Authorization Forms must be supported with written documentation in accordance with Stanislaus County Travel Policy. In addition, we recommend the Department review and revise their

procedures to ensure travel cost comparisons are performed to determine the most cost effective method of travel for any trips greater than 100 miles one-way as required by Stanislaus County Travel Policy.

Department Response

The Department agrees with this finding and has specifically targeted efforts towards ensuring that travel authorizations are completed and approved prior to incurring any travel related expenses. The Department is looking at ways to improve the travel and training process to avoid this issue in the future.

C) Excessive Parking Charge

We noted one travel related expense for parking (in the amount of \$790.00) where an employee parked a vehicle at an airport for 79 days to attend training in Virginia. Parking was not included on the approved Travel Authorization Form. We also noted that this transaction included nine days of parking during personal time which was not reimbursed by the employee. Parking a vehicle in airport parking for 79 days is not cost effective and resulted in an additional cost to the County of approximately \$620.00.

Recommendation

We recommend the Department review and revise their procedures to ensure that airport parking charges are not incurred for extended travel stays and that more cost effective options are selected. The Department should seek reimbursement from the employee for the personal parking charges of \$90.00.

Department Response

The Department agrees with this finding and has specifically targeted efforts to ensure that airport parking charges are not incurred for extended travel stays and/or to ensure that these charges are reimbursed in a timely manner.

D) Transactions of \$5,000 or More

We noted one transaction (in the amount of \$9,440.00) that did not include evidence of three vendor quotes and a Justification for Sole Source/Sole Brand form was not on file. The Stanislaus County Purchasing Card Policy requires that cardholder's comply with the General Services Agency Purchasing Division procurement policies and procedures to ensure that the best price is obtained for the County. Per General Services Agency Purchasing Division Policies and Procedures, transactions of \$5,000 or more require three competitive quotes or completion and approval of a Justification for Sole Source/Sole Brand form.

Recommendation

We recommend the Department review and revise their procedures to ensure that three competitive quotes are obtained or a Justification for Sole Source/Sole Brand form is completed and approved for transactions of \$5,000 or more in accordance with General Services Agency Purchasing Division procurement policies and procedures.

Department Response

The Department agrees with this finding. As of Fiscal Year 2016/17 we started utilizing accounts payable and sending checks to pay for training related costs over \$5,000. Purchases on a purchasing card in excess of \$5,000 will now include evidence of three vendor quotes or a Justification of Sole Source/Sole Brand.

E) In-County Meals

We noted two in-county meal transactions (totaling \$1,168.09) where the Department Head's written approval was not obtained in accordance with the Stanislaus County Travel Policy.

Recommendation

We recommend the Department review and revise their procedures to ensure the Department Head's written approval is obtained prior to the purchase of in-county meals in accordance with the Stanislaus County Travel Policy.

Department Response

The Department agrees with this finding and to avoid this from happening in the future the form for the Authorization for Travel and Purchasing Card Designee has been revised to allow for positions designated to sign and approve In-County Meal Authorization forms.

F) No Show Charge

We noted one lodging transaction that was canceled in an untimely manner resulting in a no show fee of \$134.00. The no show charge did not appear to be a result of a failure to cancel a hotel reservation due to circumstances beyond the employee's control.

Recommendation

We recommend the Department review and revise their procedures to ensure that lodging cancellations are made in a timely manner to prevent additional travel cost to the County. Pursuant to the Stanislaus County Travel Policy, charges to the County for lost refunds resulting from failure to cancel a reservation shall be charged to the employee unless the employee can show that such failure to cancel the reservation was the result of circumstances beyond the employee's control.

Department Response

The Department agrees with this finding. In this instance, the employee is part-time who lives out of the area and had not been properly notified they were signed up to attend training. The Department has specifically targeted efforts to remind employees that they must cancel a reservation if they are not able to be at the lodging at the appointed time. We have also instituted an after-hours notification process for employees to contact a member of Training or Finance after-hours to let them know they are not able to attend the training and accommodations need to be cancelled.

**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, 2015 through June 30, 2016. 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 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 Agency-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 17 departments and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for StanCERA during fiscal year 2015-2016. There were no Executive Director transactions during the period. The test transactions for Agency personnel were selected randomly at approximately 25% 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 269 transactions totaling \$52,504.56. For our engagement, we selected 68 transactions (approximately 25%) in the amount of \$29,386.86 (approximately 56%) 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 or agency 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 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) Monthly WORKS Billing Statements

The Executive Director's review and approval of the monthly WORKS Billing Statements was untimely for 8 of 13 periods under review. The Executive Director is responsible for ensuring all Agency charges on a County Purchasing Card are appropriate business expenses and certified in a timely manner, prior to the next month's statement.

Recommendation

We recommend the Agency review and revise their 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's 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.

AGENCY FINDINGS

A) Monthly Bank Statement Reconciliation

The monthly reconciliation of purchasing card transactions was untimely for 7 of 13 periods under review. The monthly reconciliation is performed to ensure Agency 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 Agency review and revise their procedures to ensure the monthly purchasing card reconciliations are complete, performed timely and certified with a signature and date in accordance with the County's 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.

B) Meal Overages

We noted three instances where meal overages totaling \$54.56 were not properly approved. Per the County's Travel Policy, the StanCERA Board is required to approve travel reimbursements that exceed the County's Travel Policy limits during regularly scheduled meetings. Although the transactions were approved in accordance to the StanCERA Bylaws which states that all reasonable travel expenses will be reimbursed, the meal overages were not approved at a regularly scheduled StanCERA Board meeting as required by the County's Travel Policy.

Recommendation

We recommend the Agency review and revise their procedures to ensure that travel expenses exceeding the County's limits are approved during regularly scheduled StanCERA Board meetings in accordance to the County's Travel Policy.

Agency Response

StanCERA does not concur with this finding. The three instances where meal overages occurred were during a regularly scheduled conference which Trustees and staff attend every fall and spring. Attendance to this conference is approved by the Board annually including any costs incurred.

Internal Audit Response

Although StanCERA Bylaws are approved every three years and state that all reasonable travel expenses will be reimbursed, the Stanislaus County's Travel Policy specifically states per Section 2.1 E. "Travel reimbursement limits set forth in StanCERA's policy shall be authorized for Board members, County employees and staff members assigned to, or working for, the StanCERA, where the Board of Retirement has, at a regularly scheduled meeting, approved the cost(s) that exceed(ed) the County's limits."

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Stanislaus Regional 9-1-1 during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head incurred one transaction totaling \$1,870.52. The test transactions for Department personnel were selected randomly at approximately 15% 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 362 transactions totaling \$67,818.57. For our engagement, we selected 60 transactions (approximately 17%) in the amount of \$18,651.33 (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

DEPARTMENT HEAD FINDINGS

There were no significant Department Head findings for the period under review.

DEPARTMENT FINDINGS

A) Travel Authorization

We noted four travel related expenses (totaling \$500.78) for two separate trips were incurred prior to completing a Travel Authorization Form. A completed Travel Authorization Form is required of all County personnel prior to incurring travel and other related expenses. While the charges were valid County business expenses, the Travel Authorization Forms were not completed prior to incurring the travel expenses as required by Stanislaus County Travel 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.

Department Response

Department will educate management and staff on the County's Travel Policy and the proper use of Travel Authorization Forms.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Strategic Business Technology during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 23 transactions totaling \$6,722.32. 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 \$19,952.13. For our engagement, we selected 25 transactions (approximately 20%) in the amount of \$7,175.69 (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

A) Department Head's Designee

The Department Head assigned a designee for two specific time periods during their planned absences; however, a designee was otherwise not appointed during the period under audit as required by the Stanislaus County 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. Subsequent to the audit period, a Department Head designee was properly assigned on August 22, 2016.

Recommendation

We recommend the Department Head continue to ensure the designee appointment is documented in writing in the event of the Department Head's planned or unexpected absence pursuant to the Stanislaus County Purchasing Card and Travel Policies.

Department Response

Department understands and concurs.

B) Monthly WORKS Billing Statements

The Department Head did not date the review and approval of the WORKS Billing Statement for 4 of 13 periods under audit and therefore we could not determine whether the review was performed in

a timely manner.

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 Stanislaus County Purchasing Card Policy.

Department Response

Department understands and concurs.

DEPARTMENT FINDINGS

There were no significant Department findings for the period under review.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for Treasurer-Tax Collector during fiscal year 2015-2016. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 1 transaction totaling \$495.96. The test transactions for Department personnel were selected randomly at approximately 25% 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 172 transactions totaling \$28,501.48. For our engagement, we selected 44 transactions (approximately 26%) in the amount of \$10,287.28 (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 for the period under review.

DEPARTMENT FINDINGS

A) Travel Authorization

We noted four travel related expenses (totaling \$1,279.15) for three 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 transactions were valid County business expenses, the form was not completed prior to incurring the expense as required by the Stanislaus County Travel 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 the Stanislaus County Travel Policy.

Department Response

Whenever any Conference/s is/are announced, we have to book the Hotel Rooms which are

negotiated with special prices and they are filled by the attendees quickly. If we miss a day or two to book the room/s, they will not be available and we have to book in a different hotel which will be far away. Moreover, the room price will be more expensive than the negotiated price by the organizers. However, we will follow the procedures strictly in future in accordance with the Stanislaus County Travel Policy.

**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, 2015 through June 30, 2016. 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 17 department and related agencies were selected for audit covering fiscal year 2015-2016 transactions.

The audit period covered purchasing card activity for UC Cooperative Extension during fiscal year 2015-2016. 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 119 transactions totaling \$9,666.37. For our engagement, we selected 27 transactions (approximately 23%) in the amount of \$3,553.32 (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) 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 2015-2016. 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 their procedures to ensure the Department Head reviews the list of purchasing card holders to determine the need and limit of purchasing cards annually as required by the County Purchasing Card Policy. The review should be documented with a signature and a date and maintained with the purchasing card records for five years.

Department Response

We will implement the recommendation.

B) Monthly WORKS Billing Statements

The Department Head's review and approval of the monthly WORKS Billing Statements was untimely for 3 of 13 periods under audit. The Department Head is responsible for ensuring all

Department charges on a County purchasing card are appropriate business expenses and certified in a timely manner, prior to the next month's statement.

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

We will implement the recommendation.

DEPARTMENT FINDINGS

A) Monthly Bank Statement Reconciliation

The monthly reconciliation of purchasing card transactions was untimely for 2 of 13 periods under audit. 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 certified with a signature and date in accordance with the County Purchasing Card Policy.

Department Response

We will implement the recommendation.

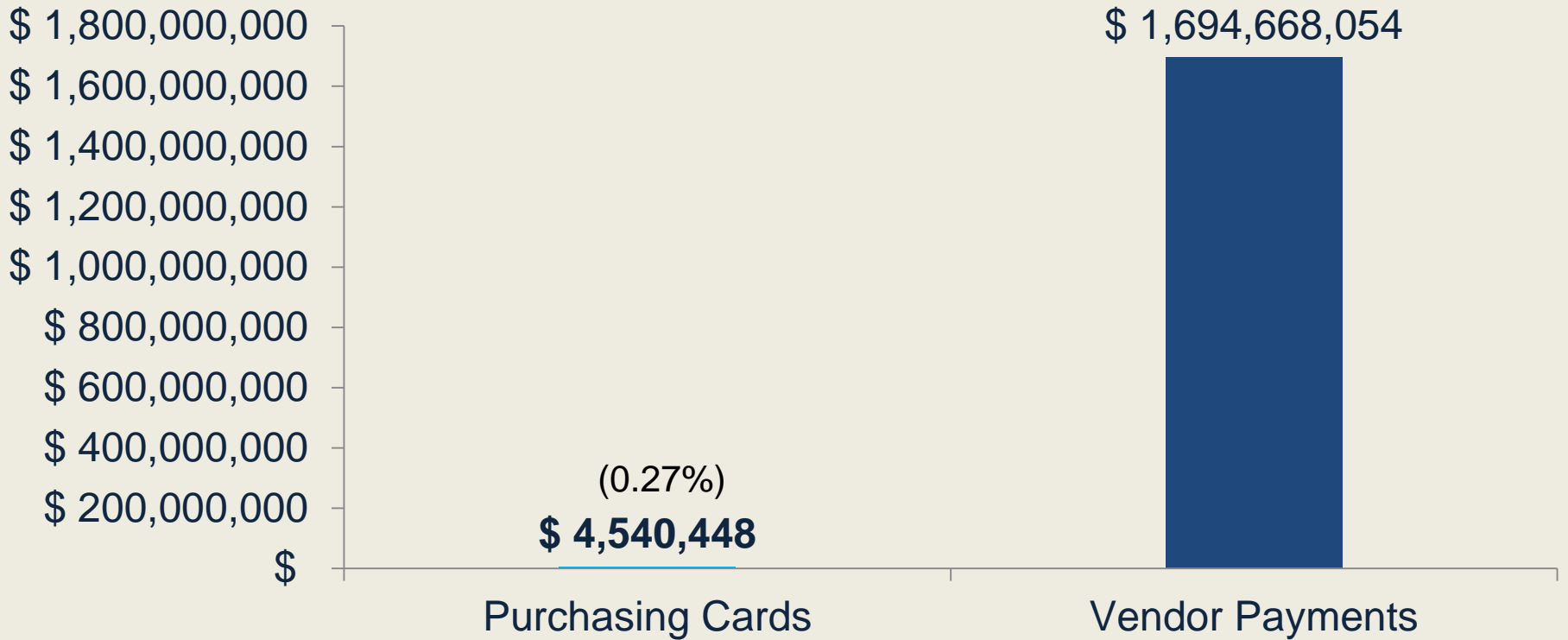
Internal Audit Reports

**Internal Audit Division
Board of Supervisors Presentation
November 7, 2017**

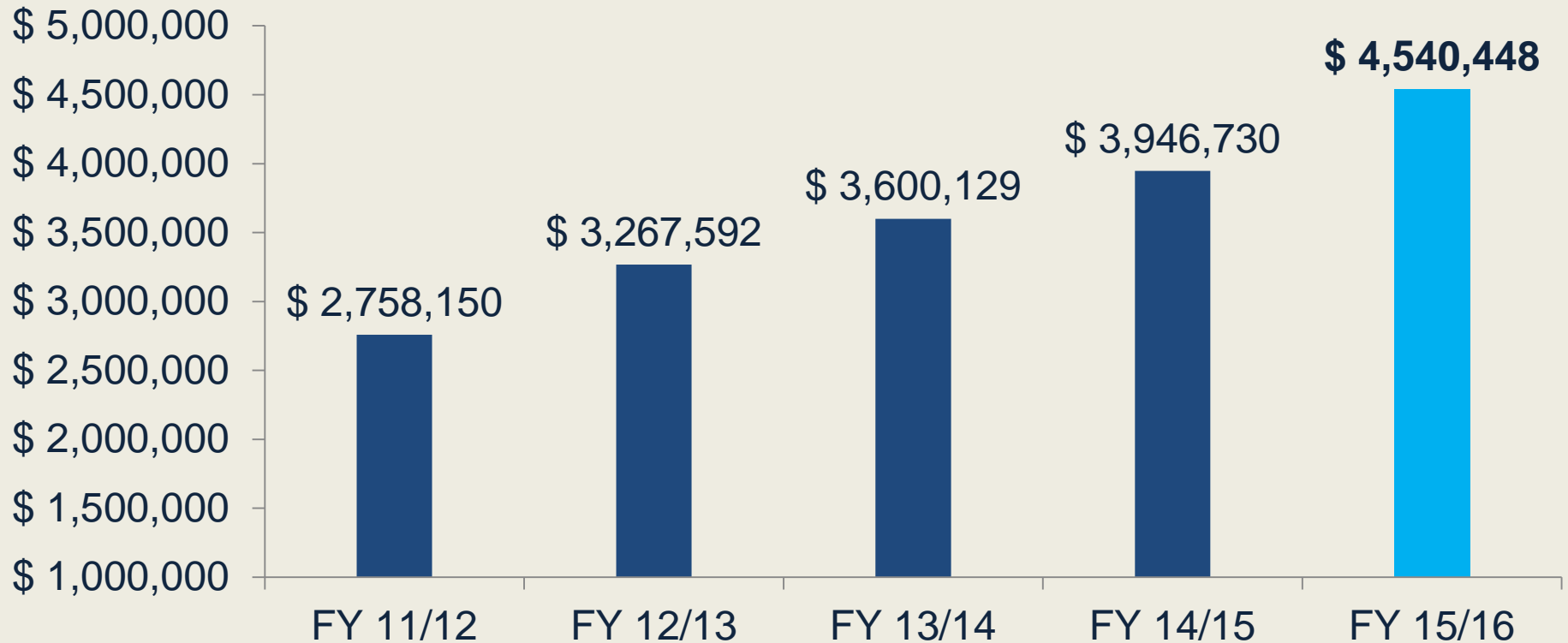
FY 2015-16 Purchasing Card Engagements

- 32 departments and related agencies utilize purchasing cards
- 17 purchasing card compliance audits were completed for period FY 2015-16.
- 4 out of 17 departments and related agencies had no significant findings or recommendations

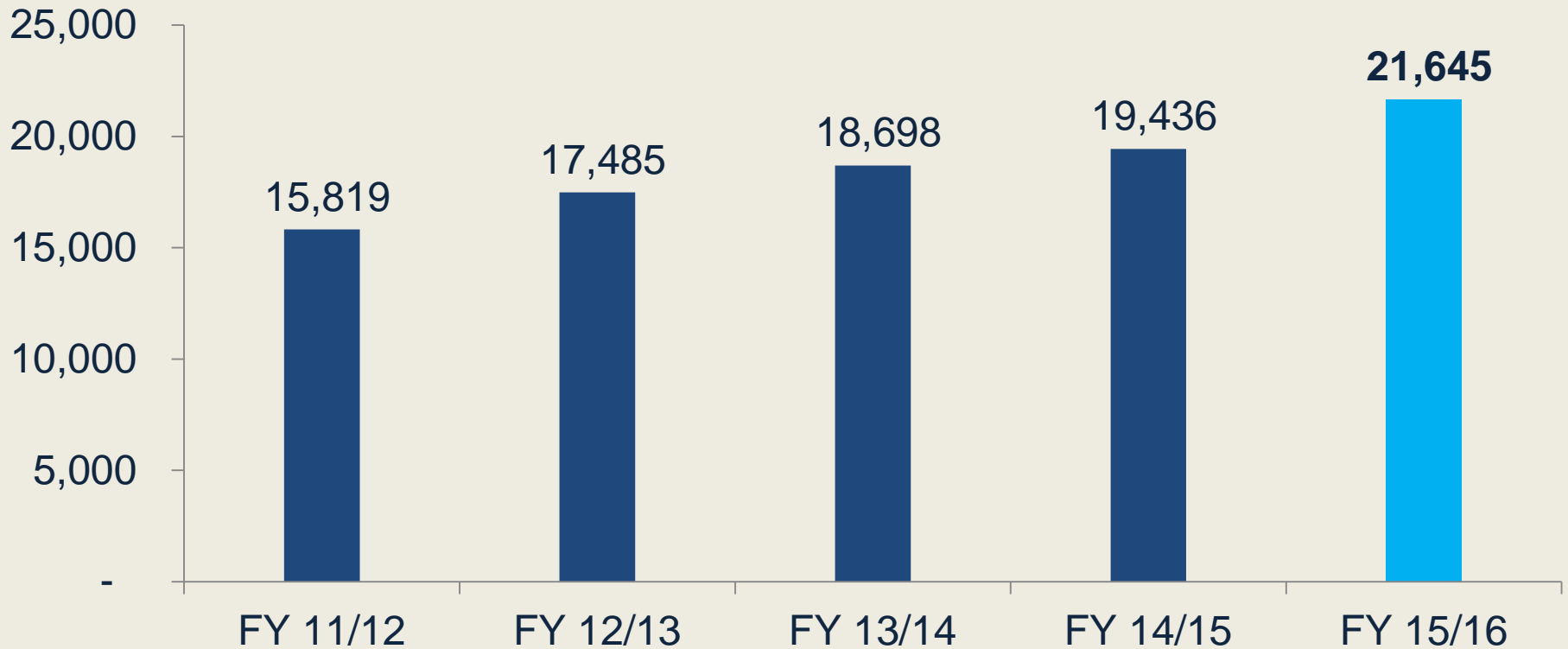
FY 2015-16 County Purchasing Activity



Total Purchasing Card Transactions (in Dollars)



Total Purchasing Card Transactions (in Numbers)



Purchasing Card Findings

- 50 Travel Authorization Forms not approved prior to incurring travel related charges
- 49 trips not supported by trip comparisons
- 10 monthly reconciliations not certified properly

Purchasing Card Findings - continued

- 4 purchases in excess of \$5,000 without vendor quotes or sole source justification
- 21 monthly billing statements not reviewed by Department Head timely
- 4 personal charges (*All were reimbursed*)

Purchasing Card Engagement Conclusion

Overall, except for the findings reported, the departments chosen for testing were in compliance with the County Purchasing Card and Travel Policies.

Board 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.

Board Approval

Staff requests approval of the Internal Audit Reports prepared by the Internal Audit Division of the Auditor-Controller's Office

Questions?