

**BOARD ACTION SUMMARY**

DEPT: Auditor-Controller

BOARD AGENDA:7.1  
AGENDA DATE: October 9, 2018

**SUBJECT:**

Acceptance of Fiscal Year 2016-2017 Internal Audit Reports Prepared by the Internal Audit Division of the Auditor-Controller's Office

**BOARD ACTION AS FOLLOWS:**

**RESOLUTION NO. 2018-0513**

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

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

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

**MOTION:**

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:7.1  
AGENDA DATE: October 9, 2018

CONSENT

CEO CONCURRENCE: YES

4/5 Vote Required: No

---

**SUBJECT:**

Acceptance of Fiscal Year 2016-2017 Internal Audit Reports Prepared by the Internal Audit Division of the Auditor-Controller's Office

**STAFF RECOMMENDATION:**

1. Accept Fiscal Year 2016-2017 Internal Audit Reports prepared by the Internal Audit Division of the Auditor-Controller's Office.

**DISCUSSION:**

The engagements presented in the agenda item include the Fiscal Year 2016-2017 Purchasing Card Compliance Audit Series and the Behavioral Health & Recovery Services ("BHRS") Incentive Gift Card Inventory and Handling Review performed by the Internal Audit Division in the Auditor-Controller's Office. The purchasing card audits 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. The incentive gift card handling review determined if gift card inventories held at three BHRS locations were adequately safeguarded and evaluated the appropriateness of gift card handling and issuance. In addition, the department's policies and procedures were evaluated for significant internal control weaknesses related to gift card inventories and handling.

**Fiscal Year 2016-2017 Purchasing Card Compliance Audit Series**

The purchasing card audits, performed by the Internal Audit Division of the Auditor-Controller's Office, determined 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, 12 departments and related agencies were selected for testing for Fiscal Year 2016-2017.

The purchasing card transactions for 12 departments and related agencies were reviewed 100% for Department Head transactions. The remaining transactions were tested per department on a sample basis ranging from 15% to 26%, based on risk assessment analysis, with an average sampling population of 20%. 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 2016-2017, a total of 22,870 purchasing card transactions were processed in the amount of \$4,873,817 for all departments and related agencies. A total of 13,537 purchasing card transactions, in the amount of \$2,922,886, were incurred for the 12 departments and related agencies which were audited. Items selected for testing comprised of 3,057 purchasing card transactions totaling \$926,340, or 23% and 32%, respectively, for the 12 departments and related agencies.

The 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 department 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 12 departments and related agencies under audit for the July 1, 2016 to June 30, 2017 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 one department that did not perform this annual review.
- Each month, the Department Head is required to review and approve the WORKS Billing Statement. This report lists all 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:
  - Seven monthly reports were not reviewed in a timely manner.
  - Seven monthly reports were not certified properly.
  - Fourteen monthly reports were not performed or missing.
- We noted the following related to the monthly reconciliation of the purchasing card statements:

- Six monthly purchasing card statement reconciliations were performed by the cardholder.
- Thirteen monthly purchasing card statement reconciliations were not performed.
- Three monthly purchasing card statement reconciliations were not performed timely.
- We noted the following related to Travel Authorization Forms:
  - Twelve Travel Authorization Forms totaling \$8,213 were not approved prior to the expenditure of travel related charges.
  - Five Travel Authorization Forms totaling \$4,369 were signed but not dated; therefore, we were unable to determine timeliness of the approval.
- We noted four transactions totaling \$24,788 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 totaling \$7,000 for the purchase of computers that was split between cardholders to avoid credit limits. Per the County Purchasing Card Policy, cardholders may not split purchases to avoid credit limits.
- We noted two transactions that included personal charges totaling \$175 which are unallowable expenses per the County Purchasing Card and Travel Policies. The personal charges were reimbursed to the County.
- We noted two lodging charges totaling \$773 for one trip that included weekend stays between consecutive weeks of training. Based upon the location of the trainings, it appears to be a reasonable driving distance to return home for the weekend and resulted in an additional cost to the County of \$387. In addition, we noted that written justification for the weekend stays did not accompany the supporting documentation as required by the Stanislaus County Travel Policy.
- We noted thirteen transactions totaling \$1,521 for ten separate trips greater than 100 miles one-way that did not have supporting travel cost comparisons on file as required by the Stanislaus County Travel Policy to determine the most cost-effective method of travel.
- We noted two lodging transactions that were cancelled in an untimely manner resulting in no show fees of \$398.



We would like to highlight the fact that 4 of the 12 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 Child Support Services, Environmental Resources, Health Services Agency, and Parks and Recreation.

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.

### **Incentive Gift Card Handling Review**

The Internal Audit Division performed an incentive gift card review to determine if gift card inventories were adequately safeguarded, evaluated for adherence to policy, and reviewed appropriateness of gift card handling and issuance. In addition, the BHRS policies and procedures were evaluated for significant internal control weaknesses related to gift card inventories and handling. This review was limited to the BHRS General Services division, Child Welfare program, and Josie's Place program. Audit fieldwork was performed between May and September 2017.

BHRS programs use gift cards as motivational incentive tools to enhance treatment, facilitate recovery, and encourage community and peer participation. Gift cards are considered cash equivalents; therefore, internal controls and levels of risk regarding the handling of these cards are treated similarly to cash handling. Gift cards are purchased with a fixed amount and are not assigned to specific individuals as are credit cards and the person in possession of the gift cards has immediate access to the dollar amount loaded onto the cards thereby increasing exposure to risk. Security over the physical location of gift cards and adequate handling procedures are crucial in safeguarding these County assets.

This was the second gift card engagement performed at BHRS. Since the first engagement, BHRS has established control activities, centralized gift card distribution, and restricted inventory levels at program sites. Beginning in the spring of 2017, program sites were limited to \$100.00 worth of on-hand gift cards. Sites with inventory levels exceeding \$100.00 transferred excess gift cards to BHRS General Services for safekeeping and future redistribution to programs, as needed. This transfer of excess inventory to a centrally secured location significantly reduced the risk of loss or theft at the program sites.

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

- Reviewed the BHRS *Purchase and Use of Client Incentive/Gift Cards and Bus Passes (Cash Equivalents)* policy and procedure established on February 2, 2015 and revised on March 16, 2015 and August 14, 2017.
- Discussions were held with BHRS staff.

- Conducted physical inventory counts of gift cards located at BHRS General Services, Child Welfare and Josie's Place and reconciled to the inventory control logs.
- Performed testing procedures to verify the program's compliance with BHRS policy and procedures in place at the time fieldwork was performed.

### Significant Findings

A summary of the significant findings for the three locations under review is listed below:

- A one-time transfer of gift cards in excess of \$100.00 from program sites to BHRS General Services was not adequately documented to reflect the quantity and value of cards received by BHRS General Services. As a result, we were unable verify the exact vendor, value, and quantity of gift cards transferred from the various program sites to BHRS General Services' inventory records.

*Per BHRS, there were no formal procedures in place at the time of the transfer to guide the process. BHRS has since established procedures to govern the transfer of cash equivalents including documentation of the quantity, vendor, value and respective program.*

- Monthly reconciliations of gift cards and other cash equivalents were not performed by one program for four consecutive months. We also noted that bus passes were not included in the program's monthly reconciliations.

*Per BHRS, there was a misinterpretation of the department's policy requirement regarding monthly reconciliations which was immediately rectified through additional training.*

- Twelve gift cards worth \$220.00 held no monetary value due to a vendor error that occurred at the time of purchase.

*Per BHRS, staff contacted the vendor and had the error corrected and card values restored. And they will implement a procedure to ensure purchased gift cards are properly loaded, as well as, perform periodic, random validation of existing gift card values.*

Details of these findings, and recommendations for corrective action, are included in the attached Executive Summary Report. Overall, except for the findings reported, the programs under review were in compliance with the BHRS policy and implemented controls to safeguard cash equivalents.

### **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 include findings and recommendations.

**FISCAL IMPACT:**

There is no fiscal impact related to the acceptance of the Internal 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 \$114,790 in salary related expenses, representing a total of 2,544 work hours at approximately \$45 per 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 per 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 recommended actions are consistent with the Board's priority of *Delivering Efficient Public Services and Community Infrastructure* by providing accountability to the Board of Supervisors and the public.

**STAFFING IMPACT:**

There is no staffing impact associated with acceptance of the Internal Audit reports prepared by the Internal Audit Division of the Auditor-Controller's Office. Existing Internal Audit staff prepares the reports. The Auditor-Controller's Office will continue to perform audits for the purchasing card transactions on a one to three-year cycle.

**CONTACT PERSON:**

Cara Kiely, CPA                                      Internal Audit Manager                                      (209) 525-6502

**ATTACHMENT(S):**

1. All Executive Summaries and Cover Page (Pcard and Gcard)

ATTACHMENT A

EXECUTIVE SUMMARY REPORTS

Area Agency on Aging FY 2016-2017 Purchasing Card Audit  
Assessor's Office FY 2016-2017 Purchasing Card Audit  
Chief Executive Office FY 2016-2017 Purchasing Card Audit  
Child Support Services FY 2016-2017 Purchasing Card Audit  
Environmental Resources FY 2016-2017 Purchasing Card Audit  
General Services Agency FY 2016-2017 Purchasing Card Audit  
Health Services Agency FY 2016-2017 Purchasing Card Audit  
Library FY 2016-2017 Purchasing Card Audit  
Parks and Recreation FY 2016-2017 Purchasing Card Audit  
Probation Department FY 2016-2017 Purchasing Card Audit  
Public Works FY 2016-2017 Purchasing Card Audit  
Sheriff's Department FY 2016-2017 Purchasing Card Audit  
Behavioral Health and Recovery Services Gift Card Handling Engagement

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Area Agency on Aging during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of three transactions totaling \$3,512.00. 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 1,221 transactions totaling \$155,515.60. For our engagement, we selected 183 transactions (approximately 15%) in the amount of \$37,847.37 (approximately 24%) from the entire population for testing.

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

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

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card Policies and Procedures along with the Travel Policy.

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

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

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

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

## **FINDINGS AND RECOMMENDATIONS**

### **DEPARTMENT HEAD FINDINGS**

There were no Department Head findings during fiscal year 2016-2017.

### **DEPARTMENT FINDINGS**

#### **A) Monthly Bank Statement Reconciliation**

We noted that one cardholder reconciled their own monthly purchasing card statements for two of thirteen periods under review without evidence of a second review. Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

#### **Recommendation**

We recommend the Department review and revise their procedures to ensure that employees are not reconciling their own purchasing card statements. The Stanislaus County Purchasing Card Policy states that proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

#### **Department Response**

Department has had a procedure in place to reconcile the statements in accordance with accounting principles that requires separation of duties. Due to an oversight this process was not

followed for the months of February 2017 and June 2017 Department will make sure that reconciling process is done every month.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Assessor during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 15 transactions totaling \$7,794.14. 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 273 transactions totaling \$69,029.55. For our engagement, we selected 45 transactions (approximately 16%) in the amount of \$15,812.63 (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 during fiscal year 2016-2017.

### **DEPARTMENT FINDINGS**

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

We noted that one cardholder reconciled their own monthly purchasing card statements for four of thirteen periods under review. Although a second review was performed, Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

#### **Recommendation**

We recommend that the Department review and revise their procedures to ensure that employees are not reconciling their own purchasing card statements. The Stanislaus County Purchasing Card Policy states that proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

Department Response

Our policy is that the Assistant Assessor reconciles the Purchasing Card Clerk's statement and initials and dates it. The Purchasing Card Clerk reconciles all other employee's statements and initials and dates each one.

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

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program for fiscal year beginning July 1, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Chief Executive Office during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 32 transactions totaling \$6,399.44. 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 856 transactions totaling \$168,469.93. For our engagement, we selected 139 transactions (approximately 16%) in the amount of \$44,074.07 (approximately 26%) from the entire population for testing.

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

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

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card Policies and Procedures along with the Travel Policy.

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

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

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

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

## **FINDINGS AND RECOMMENDATIONS**

### **DEPARTMENT HEAD FINDINGS**

There were no Department Head findings during fiscal year 2016-2017.

### **DEPARTMENT FINDINGS**

#### **A) No Travel Comparison**

We noted three transactions (totaling \$236.00) related to two separate trips that 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 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 cost comparison sheet was not completed with the original travel documents within 30 days of the travel, as stated in the travel policy. After this error was noted by the Auditor's team, the CEO divisions did complete and submit to the Auditor's office the travel cost comparison form using the

appropriate mileage for the 16/17 year. The results indicated the chosen method of travel was the most cost effective. In the future, the cost comparison form will be included with all travel requests.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
CHILD SUPPORT 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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Child Support Services during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 60 transactions totaling \$4,268.47. 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 698 transactions totaling \$173,101.30. For our engagement, we selected 164 transactions (approximately 23%) in the amount of \$65,535.35 (approximately 38%) 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 2016-2017.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
ENVIRONMENTAL RESOURCES  
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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Environmental Resources during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 14 transactions totaling \$3,513.76. 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 546 transactions totaling \$135,368.19. For our engagement, we selected 86 transactions (approximately 16%) in the amount of \$27,563.85 (approximately 20%) 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 2016-2017.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
GENERAL 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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for General Services Agency during fiscal year 2016-2017. There were no Department Head transactions incurred during the period under review. 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 691 transactions totaling \$94,845.11. For our engagement, we selected 108 transactions (approximately 16%) in the amount of \$28,201.81 (approximately 30%) 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**

GSA agrees with the recommendation. While the review and approval was completed, the paperwork is missing from that period. In the future, GSA will scan a copy of the completed review and store with electronic files.

DEPARTMENT FINDINGS

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

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
HEALTH 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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Health Services Agency during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of seven transactions totaling \$7,857.67. 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 1,601 transactions totaling \$310,632.05. For our engagement, we selected 422 transactions (approximately 26%) in the amount of \$107,368.74 (approximately 35%) from the entire population for testing.

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

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

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.

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

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

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

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

#### **FINDINGS AND RECOMMENDATIONS**

There were no significant findings and recommendations for the Department purchasing card transactions during fiscal year 2016-2017.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
LIBRARY  
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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Library during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of eight transactions totaling \$2,152.69. The test transactions for department personnel were selected randomly at approximately 20% of the total transactions. Additional transactions were also judgmentally considered for testing, based on dollar amount or transaction type. The purchasing card transactions for department personnel consisted of 1,377 transactions totaling \$299,248.84. For our engagement, we selected 281 transactions (approximately 20%) in the amount of \$109,817.56 (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) Monthly WORKS Billing Statements

We noted the Department Head's monthly approval of the WORKS Billing Statement was not on file for 12 of 13 periods under review. Per the Department, the reviews were performed and certified; however, the documents were misplaced. Therefore, we were unable to verify performance of the monthly reviews.

#### 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, certified and retained in accordance with the Stanislaus County Purchasing Card Policy.

#### Department Response

The Library will store the signed Department Head review electronically on the Library's server, as a secondary method of storage, to maintain evidence of review. The original Department Head review will be kept on file as well.

### **DEPARTMENT FINDINGS**

#### A) Transactions of \$5,000 or More

We noted four transactions (totaling \$24,787.40) 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 Library has informed purchasing cardholders that three quotes are required for purchasing card transactions of \$5,000 or more. The Library will request three quotes to provide with the actual purchase receipt at the time of the Department review.

B) Purchase Split Between Cardholders to Avoid Credit Limits

We noted one transaction (in the amount of \$7,000.00) for the purchase of computers that was split between cardholders to avoid credit limits. Per the Stanislaus County Purchasing Card Policy, cardholders may not split purchases to avoid credit limits.

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

The Library has informed purchasing cardholders that purchases are not to be split to avoid credit limits. The Library will monitor and investigate cardholder invoices paid with two or more credit cards.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PARKS AND RECREATION  
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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Parks and Recreation during fiscal year 2016-2017. There were no Department Head transactions incurred during the period under review. 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 808 transactions totaling \$104,765.45. For our engagement, we selected 121 transactions (approximately 15%) in the amount of \$23,891.08 (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**

There were no significant findings or recommendations for the Department purchasing card transactions during fiscal year 2016-2017.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PROBATION 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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Probation during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 13 transactions totaling \$3,334.04. 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 1,887 transactions totaling \$396,773.38. For our engagement, we selected 476 transactions (approximately 25%) in the amount of \$127,548.74 (approximately 32%) from the entire population for testing.

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

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

- We obtained a list of purchasing card transactions for each department directly from the authorized software application used by Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card 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) Monthly WORKS Billing Statement

We noted 1 of 13 periods where the monthly WORKS Billing Statements was certified by an employee who was not designated in writing by the Department Head as a designee.

#### 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

The Chief Probation Officer has delegated responsibility of reviewing the monthly WORKS Billing Statement to department management. In the billing cycle referenced above, a new Accountant started with the Probation Department. She signed the monthly WORKS Billing Statement not realizing it had to be signed by a department manager. This staff was immediately trained on the appropriate process and the monthly WORKS billing statements have been approved correctly since. While an approved designee did not sign the monthly WORKS Billing Statement, the actual receipts and Card Use Forms were reviewed and approved by two separate approved designees.

**STANISLAUS COUNTY  
EXECUTIVE SUMMARY  
PUBLIC WORKS  
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, 2016 through June 30, 2017. 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 12 department and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Public Works during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 23 transactions totaling \$2,469.23. 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 395 transactions totaling \$64,671.39. For our engagement, we selected 86 transactions (approximately 22%) in the amount of \$17,963.05 (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**

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

The Department Head or Department Head designee's approval of the monthly WORKS Billing Statements was untimely for 3 of 13 periods under review. The Department Head is responsible for ensuring all department charges on a County Purchasing Card are appropriate business expenses and certified in a timely manner, prior to the next month's statement.

#### **Recommendation**

We recommend the Department review and revise their procedures to ensure that 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**

The Department's procedures consist of each transaction and supporting documentation be reviewed by the Finance staff and Business Manager prior to being approved in the WORKS system. The Department will review its current procedures to ensure the monthly reconciliation of transactions is performed in a timely manner.

#### **B) No Travel Comparison**

We noted five transactions (totaling \$686.54) related to four separate trips that 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 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 is in the process of reviewing and revising its procedures to ensure compliance with the County's Travel Policy and the proper use of the Travel Authorization Forms.

DEPARTMENT FINDINGS

A) Unallowed Expense

We noted one transaction (in the amount of \$49.10) which included a purchase of alcohol for a multi-County dinner event. The unallowed charge was subsequently reimbursed to the County by the event sponsor; however, County purchasing cards are not to be used for unallowable expenses.

Recommendation

We recommend that the Department review and revise their procedures to ensure that all purchases are appropriate, necessary and reasonable as described in the Stanislaus County Purchasing Card and Travel Policies.

Department Response

The Department, along with Merced County, hosted the County Engineers Association of California (CEAC) Annual Workshop. At the time of the event, CEAC distributed tickets for drinks to all attendees. The costs of a few drinks were erroneously charged to a Public Works' Credit Card. Once the Department was made aware of the expense, it requested full reimbursement from CEAC. The Department will review and look for ways to improve the process in order to avoid these issues in the future.

B) Monthly Bank Statement Reconciliation

Department reconciliation of the monthly WORKS Billing Statements was untimely for 3 of 13 periods under review. The monthly reconciliation is performed to ensure that Department charges on County purchasing cards are appropriate business expenses and should be 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 Stanislaus County Purchasing Card Policy.

Department Response

The Department's procedures consist of each transaction and supporting documentation be reviewed by the Finance staff and Business Manager prior to being approved in the WORKS system. The Department will review its current procedures to ensure the monthly reconciliation of transactions is performed in a timely manner.



C) No Travel Comparison

We noted three transactions (totaling \$497.56) related to two separate trips that 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 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 is in the process of reviewing and revising its procedures to ensure compliance with the County's Travel Policy and the proper use of the Travel Authorization Forms.

**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, 2016 through June 30, 2017. 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 12 departments and related agencies were selected for audit covering fiscal year 2016-2017 transactions.

The audit period covered purchasing card activity for Sheriff during fiscal year 2016-2017. All, or 100%, of the Department Head's transactions were tested for this period. The Department Head transactions consisted of 23 transactions totaling \$4,482.31. 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 2,986 transactions totaling \$904,681.36. For our engagement, we selected 748 transactions (approximately 25%) in the amount of \$274,932.03 (approximately 30%) 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) Monthly WORKS Billing Statement**

During our testing of the Department's WORKS Billing Statements, we noted the following:

- The Department Head or Designee review and approval of the monthly WORKS Billing Statement was not performed in a timely manner for 4 out of 13 periods under review.
- The Department Head or Designee did not date the review and approval of the WORKS Billing Statement for 6 out of 13 periods under review. We could not therefore determine whether the review was performed in a timely manner.
- The Department Head or Designee did not date or sign the review and approval of the WORKS Billing Statement for 2 out of 13 periods under review. We could not therefore determine whether the review of this report was performed.

#### **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

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 timelier manner.

## DEPARTMENT FINDINGS

### A) Before and After Event Expenses

We noted two lodging charges (totaling \$773.44) for one trip that included a weekend stay between consecutive weeks of training in Roseville. Based upon the location of the trainings, it appears to be a reasonable driving distance to return home for the weekend and resulted in an additional cost to the County of \$386.72. In addition, we noted that written justification for the weekend stays did not accompany the supporting documentation as required by the Stanislaus County Travel Policy.

### 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 Department has reviewed the findings and recommendations. In this specific situation the employees were approved to stay the weekend to complete assigned coursework. It states in the registration confirmation that students will be assigned coursework such as preparing and presenting an analysis of a case and writing supplemental reports and students will need to spend additional time outside of class to complete assignments on time. The Department has specifically targeted efforts to provide better documentation for details of the training and hotel accommodations or written justification for anything that is out of the ordinary.

### B) No Show Charge

We noted two lodging transactions that were canceled in an untimely manner resulting in no show fees of \$398.37. The no show charges 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 cancelations are made in a timely manner to prevent additional travel cost to the County.

### Department Response

The Department agrees with this finding. In the first situation, the employee that booked the training was attempting to find a deputy to fill the spot and inadvertently forgot to cancel the hotel room. In the second situation, the employee had been on a waitlist for the class and was unaware a last minute spot had become available and he was scheduled to attend the class. The Department has specifically targeted efforts to remind training coordinators to cancel hotel accommodations when they are notified the employee needs to be cancelled from the training as well as notifying employees and supervisors as soon a spot becomes available in a class they had previously been waitlisted for.

C) Travel Authorization

We noted the following issues related to Travel Authorization Forms:

- We noted 16 transactions (totaling \$8,213.07) related to twelve 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 the Stanislaus County Travel Policy.
- We noted 5 transactions (totaling \$4,368.74) related to five separate trips where Travel Authorization Forms were not dated by personnel who were authorized Department Head designees. IA staff was unable to determine timeliness of the approvals.
- We noted 2 transactions (totaling \$100.72) related to two separate trips where the supporting travel cost comparisons were not 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 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

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 continues to look at ways to improve the travel and training process to avoid this issue in the future.

D) Unallowed Expense

We noted one transaction (totaling \$125.88) for a personal expense. The charge was subsequently reimbursed to the County; however, the County purchasing cards are not to be used for personal or unallowable expenses.

Recommendation

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

Department Response

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

E) Monthly Bank Statement Reconciliation

During the period under review none of the monthly reconciliation of purchasing card transactions were signed or dated; therefore, we were unable to determine if the review was performed. Per

the Stanislaus County Purchasing Card Policy, the employee reconciling the statement shall certify in writing with their signature and a date the reconciliation has been performed in a timely manner.

Recommendation

We recommend the Department review and revise 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 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 timelier manner.

**BEHAVIORAL HEALTH AND RECOVERY SERVICES  
EXECUTIVE SUMMARY  
GENERAL SERVICES, CHILD WELFARE AND JOSIE'S PLACE  
GIFT CARD HANDLING ENGAGEMENT**

CONCLUSION

Based upon the results of our review, we recommend that Behavioral Health and Recovery Services continue to strengthen its internal controls over incentive gift cards and other cash equivalent items as stated in the Findings and Recommendations section of this report.

We would like to thank Behavioral Health and Recovery Services for their cooperation. Their assistance contributed significantly to the successful completion of this engagement.

BACKGROUND

Various County departments utilize gift cards as an incentive for clients. Gift cards are a cash equivalent item requiring adequate internal controls. During fiscal year 2014-2015, the Auditor-Controller's Office was made aware of a potential risk to County assets due to high levels of incentive gift card inventories held by various Behavioral Health and Recovery Services ("BHRS") program sites. As a result, the Internal Audit Division performed a gift card handling engagement of two BHRS sites and provided recommendations to improve controls.

BHRS Accounting Department has established control activities, centralized gift card distribution, and restricted inventory levels at program sites. Beginning in the spring of 2017, program sites were limited to \$100.00 worth of on-hand gift cards. Sites with inventory levels exceeding \$100.00 transferred excess gift cards to BHRS General Services for safekeeping and future redistribution to program sites as needed. This transfer of inventory to a centrally secured location has significantly reduced the risk of loss or theft at the program sites.

OBJECTIVE

The objective of this engagement was to evaluate compliance to the Department's policy: *Purchase and Use of Client Incentive/Gift Cards and Bus Passes (Cash Equivalents)*. We evaluated the procedures for any significant weaknesses in internal controls over the handling of gift cards and cash equivalent items.

SCOPE AND METHODOLOGY

The scope of this engagement was limited to BHRS General Services, Child Welfare and Josie's Place. We evaluated adherence to policy and procedures, as well as, verified inventory balances and evaluated controls. Audit fieldwork was conducted between May and September of 2017.

The methodology used to perform this limited engagement included the following:

- Reviewed Department's *Purchase and Use of Client Incentive/Gift Cards and Bus Passes (Cash Equivalents)* policy established on February 2, 2015 and revised on March 16, 2015 and August 14, 2017.
- Discussions were held with management and/or staff at BHRS General Services, Child Welfare, and Josie's Place.
- Randomly selected a sample of distribution logs and performed audit procedures to test compliance with policy.
- Performed testing procedures to determine if gift cards and other cash equivalents were stored in secured locations with limited access.

### CASH EQUIVALENTS LOCATED AT SELECTED LOCATIONS

During fieldwork we conducted physical inventory counts of all gift cards located at BHRS General Services, Child Welfare, and Josie's Place and reconciled to the inventory control logs.

- Child Welfare program site held 18 gift cards on hand with a cumulative value of \$100.00.
- Josie's Place program site held 28 gift cards on hand with a cumulative value of \$70.00 and 110 bus passes with a total value of \$221.42.
- BHRS General Services held 4,500 gift cards with a cumulative value of \$22,727.63 and 399 bowling certificates with no assigned monetary value.

### STANDARDS

The Internal Audit Division conducted this engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. We are not issuing a formal opinion for this engagement such as required by audit or attestation, including examination, review or agreed-upon procedures due to the non-audit status of this engagement.

### FINDINGS AND RECOMMENDATIONS

#### FINDINGS AND RECOMMENDATIONS FOR BHRS GENERAL SERVICES

##### A) Potential Loss of Value

We noted 12 gifts cards with no monetary value resulting from a vendor error which may have resulted in a potential loss of \$220.00. BHRS General Services staff subsequently contacted the vendor to request that value of the cards be restored.

##### Recommendation

We recommend that BHRS General Services establish procedures to ensure completeness and accuracy of recorded inventory balances on hand by conducting a periodic verification of the gift cards and cash equivalents.

##### Department Response

Behavioral Health and Recovery Services (BHRS) acknowledges that a vendor error occurred at the time of purchase and that BHRS staff was able to work with the vendor to correct the error. BHRS General Services will create a procedure that ensures "at time of purchase" verification of cash equivalent balances and periodic verification of a randomly generated sample of on hand cash equivalents balances.

##### B) Unable to Trace Cards

In response to the FY 2014-15 BHRS Gift Card audit, the BHRS staff transferred the majority of outstanding gift card inventory from all programs sites to BHRS General Services. This transfer of inventory to a centrally secured location reduced the risk of theft or loss. However, we were unable to trace the returned gift cards from the respective program sites to the General Services Monthly Count sheet. The returned inventory was not documented at the time of receipt and at the time of reissuance; therefore, IA staff was unable to verify the exact vendor, value, and quantity of gift cards coming from the various program sites to the BHRS General Services Monthly Count Sheet.



### Recommendation

We recommend that General Services establish procedures to ensure completeness and accuracy of returned gift cards by documenting the quantity, vendor, and value from each program site in a timely manner (prior to any subsequent inventory fluctuations).

### Department Response

The transfer of cash equivalent items back to Behavioral Health and Recovery Services (BHRS) General Services was a unique onetime event and there were no formal procedures in place to guide the process at that time. BHRS has since put procedures in place that govern the transfer of cash equivalent items back to BHRS General Services which include documentation of the quantity, vendor, value, signature of custodian accepting the cash equivalent items and name of program transferring the cash equivalent items.

## FINDINGS AND RECOMMENDATIONS FOR JOSIE'S PLACE

### A) Monthly Reconciliation

We noted the following issues regarding the monthly reconciliation process between the Distribution Log and the Monthly Count Sheet used to account for gift cards and bus pass inventory for Josie's Place:

- We were unable to confirm that a monthly reconciliation was performed during the period of January to April 2017.
- We noted that four Bus Pass Distribution Logs were not included in the program's monthly inventory/reconciliation. This exclusion resulted in a variance of \$221.42 between the program inventory and the auditor's count.

### Recommendation

We recommend that the program perform a monthly reconciliation for all cash equivalent items as required by *BHRS Purchase and Use of Incentive/Gift Cards Policy Section C.7-Procedures* pertaining to Program Staff.

### Department Response

Behavioral Health and Recovery Services (BHRS) acknowledges that at Josie's Place there was a misinterpretation of the policy requirement regarding monthly reconciliations. The interpretation was corrected through additional training. Monthly Reconciliations have been complete and timely for the past ten months since the Auditor's field visit in May of 2017.

# **Internal Audit Reports**

**Internal Audit Division  
Board of Supervisors Presentation  
October 9, 2018**

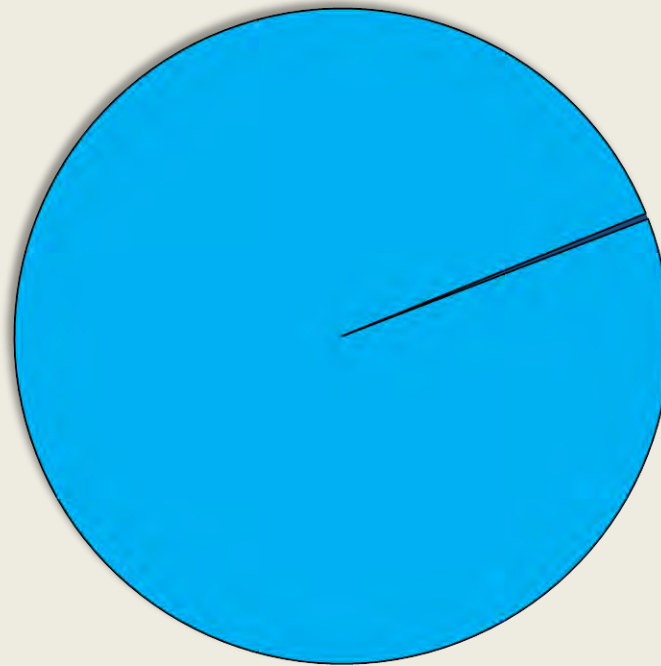
# Engagements

- One Incentive Gift Card Handling Review
- Twelve Purchasing Card Compliance Audits

# Purchasing Card Engagements

- 32 departments and related agencies utilize purchasing cards
- 12 purchasing card compliance audits were completed for period FY 16/17
- 4 out of 12 departments had no significant findings or recommendations

# FY 2016-17 County Purchasing Activity



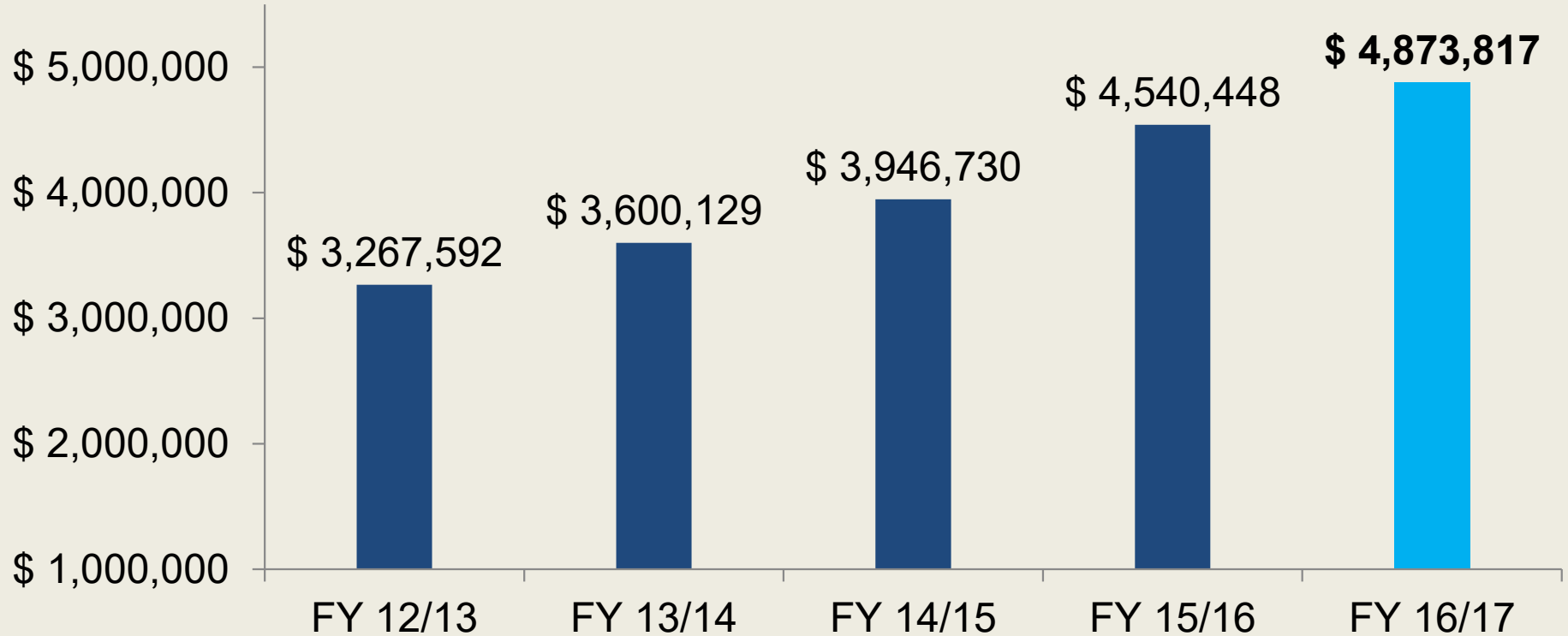
■ **Purchasing Cards**

\$ 4,873,817  
(0.27%)

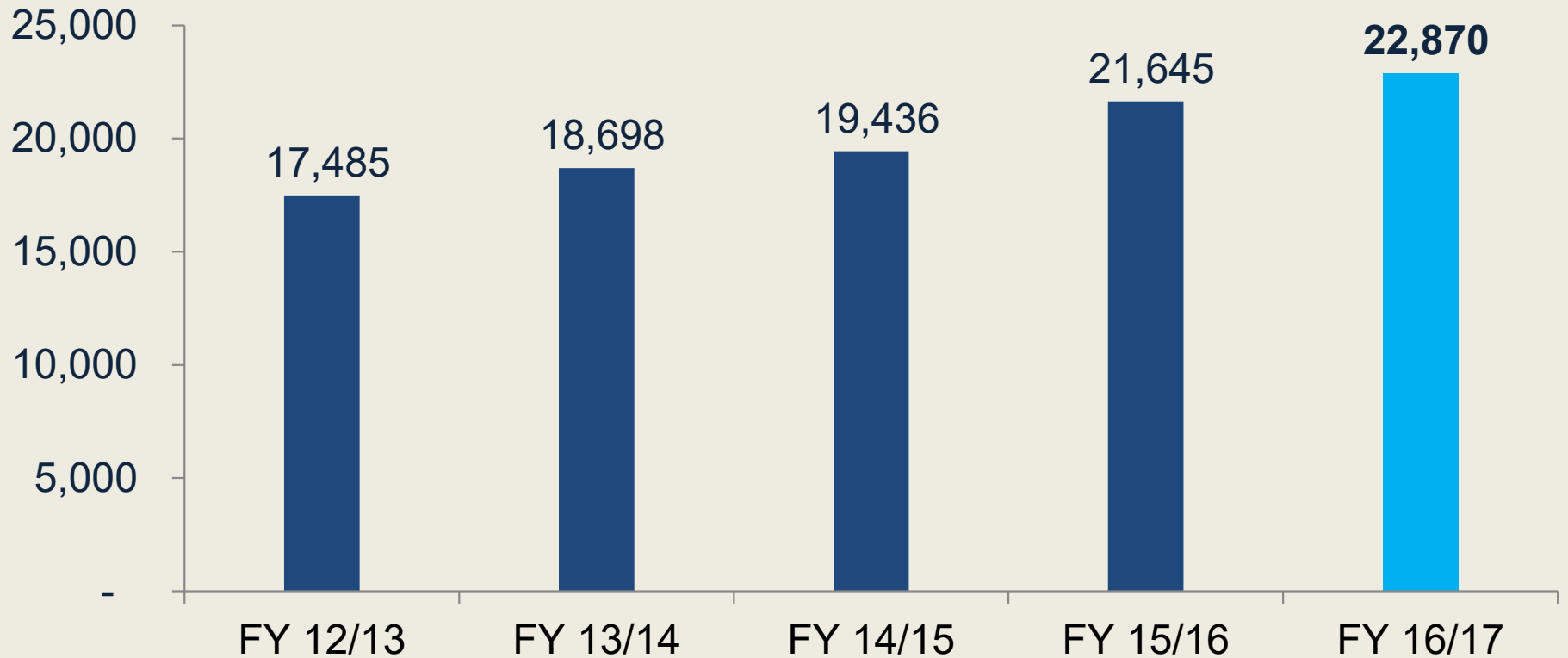
■ **Vendor Payments**

\$ 1,779,589,031

# Total Purchasing Card Transactions (in Dollars)



# Total Purchasing Card Transactions (in Numbers)



# Purchasing Card Findings

- 14 monthly billing statements not reviewed by Department Heads
- 13 monthly reconciliations not performed
- 12 Travel Authorization Forms not approved prior to travel related charges



# Purchasing Card Findings - continued

- 10 trips not supported by trip comparisons
- 4 purchases in excess of \$5,000 without vendor quotes or sole source justification
- 2 unallowable purchases (*all reimbursed to County*)

# 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.

# Gift Card Engagement

Behavioral Health & Recovery Services (“BHRS”) uses vendor gift cards as client incentives and employee safety incentives

- Review limited to BHRS General Services Division, Child Welfare program and Josie’s Place program
- Reviewed for adequate safekeeping, compliance to policy, and appropriate handling and issuance

# Gift Card Engagement

Since our previous review, BHRS has:

- Strengthened internal controls
- Restricted gift card inventory levels to \$100
  - Excess inventory was transferred to BHRS General Services for safekeeping and redistribution to programs as needed

Result: Significantly reduced exposure to loss or theft at the program sites

# Gift Card Findings

- One-time transfer of excess gift cards from various program sites to BHRS General Services was not sufficiently documented and we were unable to verify the exact quantity and value of transferred gift cards
- Monthly reconciliations were not performed by one program for four consecutive months
- 12 gift cards worth \$220 held no monetary value due to a vendor error at time of purchase

# Gift Card Engagement Conclusion

Except for the findings reported, the programs under review were in compliance with the Department's policy and implemented controls to safeguard gift cards.

# 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 *Delivering Efficient Public Services and Community Infrastructure*.

# Board Approval

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



**Questions?**