



## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

KATHERINE J. MARTINIS, CPA  
Auditor-Controller  
E-mail: [kmartini@placer.ca.gov](mailto:kmartini@placer.ca.gov)

ANDREW C. SISK, CPA  
Assistant Auditor-Controller  
E-mail: [asisk@placer.ca.gov](mailto:asisk@placer.ca.gov)

January 31, 2011

Mr. Robert Weygandt, Chairman  
Placer County Board of Supervisors  
175 Fulweiler Avenue  
Auburn, CA 95603

Re: Credit Card Review

Dear Mr. Weygandt:

The Internal Audit Division of the Auditor-Controller's Office routinely performs reviews of credit card purchases in all departments in the County. We recently reviewed the credit card purchases made by the Board of Supervisors Department (Department) during the period from January through December 2010. The objectives of our review were to determine whether (a) proper department internal controls regarding the use of county credit cards have been designed to prevent and/or detect fraud or abuse from occurring, and whether those internal controls have been placed into operation and are operating as designed; (b) credit card purchases were made in accordance with the County's Credit Card Program Policies and Procedures Manual; (c) credit card purchases were valid and had proper supporting documentation substantiating the expenditure; (d) proper review and approval of monthly department credit card charges were made by the approver; and (e) department credit card charges were properly reconciled and recorded to the appropriate general ledger account via department journal vouchers.

Our review found no evidence that credit cards have been used for anything other than valid County business. However, there were examples of weak internal controls and lack of adherence to policy which, if not corrected, could put the Department at risk for future abuses. While the Department needs to improve in the areas noted above to ensure internal controls established are adhered to, we found the Department's records to be well organized and easy to review due to the care taken when compiling supporting documentation.

The Department had 303 credit card transactions totaling \$27,090.51 during our review period. Based on our review, which consisted of inquiries of accounting staff regarding current processes, procedures employed by the Department, and physical inspection of supporting credit card documentation, our summary of findings and recommendations is as follows.

## Summary of Findings and Recommendations

### Account Statement

We noted during our testing, deficiencies in internal controls over the account statement's cardholder and approver procedures. For this portion of testing, we reviewed 68 account statements and noted the following:

- 10% - Lacked both the cardholder signature and date,
- 32% - Lacked the date the cardholder signed,
- 19% - Lacked both the approver signature and date,
- 34% - Lacked the date the approver signed,
- 10% - Weren't completed in a timely manner and
- 13% - Were signed by an approver other than the official approver on record with US Bank because the official approver was also the cardholder.

We recommend the Department strengthen internal controls in this area by having each cardholder and approver review and confirm all charges are accurate and authorized, then sign and date the statement in a timely manner. It is the responsibility of both the cardholder and approver to ensure that current receipts reconcile to the statement of account, and transactions were allowable per County policy, as fully described in Sections 20.1 "Cardholder Procedures" and 20.2 "Approver Procedures" of the Credit Card Program Policies and Procedures Manual. In addition, the approver for the Department needs to be changed because the approver should be the cardholder's supervisory chain of command or an equal or higher level official and cannot approve for their own credit card use, according to the guidance for "Approver" - Section 5.0 in the Credit Card Program Policies and Procedures Manual.

#### *Department Response:*

*Concur. With the consolidation of the Board of Supervisors and the County Executive Office, the Department is standardizing processes for purchases and credit card approvals. The process calls for each cardholder and approver signing off on each statement to confirm purchases are authorized. The Principal Management Analyst in the BOS Dept will be assigned as the "Approver" for District aides and other BOS staff. Until such time as this position is filled, the County Executive Officer or his designee will approve credit card statements. In accordance with the updated policy from November 23, the Auditor has been designated to review and approve credit card statements of members of the Board of Supervisors.*

### County Business Reason

We noted during our testing, many transactions reviewed lacked an adequate explanation or description of the official County business reason for the purchase. The form currently used by the Department has a line for Purpose of Charge; however descriptions are vague or insufficient. For example, we noted several instances of meals or groceries being purchased,

such as for the Assessment Appeals Board Meetings, where it was unclear how many attendees stayed the duration of the meeting, including through the lunch timeframe.

We recommend the Department provide detailed and descriptive explanations denoting the County business reason for all purchases, including the specific event date for which groceries and meals were purchased and attendees of meetings, if applicable.

*Department Response:*

*Concur in part. Boards such as the Assessment Appeals Board have a single purpose and routine operations (ie. hearing assessment appeals from the public). Further details of the specific business of the meeting would be redundant and unlikely yield useful information. An adequate explanation of credit card purchases will be included on receipts and invoices. Please note that supplies, coffee, and food items are purchased in advance and utilized or may be consumed over several of meetings. For such purchases, the meetings for which supplies are intended will be identified; the purpose of the meetings will be noted, as well as the estimated number of individuals anticipated to be in attendance.*

### **Detailed Receipt**

We noted during our testing, 10% of the transactions tested lacked a detailed receipt, which needs to be submitted as part of the supporting documentation with every credit card charge.

We recommend the Department adhere to the Credit Card Program Policies and Procedures Section 19.0, "In all cases, the Cardholder will require the vendor to itemize the receipt/invoice for each item purchased. A description of commodities purchased, quantity purchased, price per item, and the total amount including sales tax and shipping charges, if applicable, must be included on the itemized receipt."

*Department Response:*

*Concur. A detailed receipt will be requested for all transactions. When vendors, such as restaurants that lack a computer system for order processing, are unable to provide detailed receipts such exceptions will be noted on the receipt that is provided. Also, see response under "Missing Receipt" below.*

### **Missing Receipt**

We noted during our testing, 7% of all transactions lacked a receipt, which needs to be submitted as part of the supporting documentation with every credit card charge. At the time of purchase, receipts need to be obtained for submission with the credit card statement.

We recommend the Department adhere to the Credit Card Program Policies and Procedures Section 19.0, "In all cases, the Cardholder will require the vendor to itemize the receipt/invoice

for each item purchased. A description of commodities purchased, quantity purchased, price per item, and the total amount including sales tax and shipping charges, if applicable, must be included on the itemized receipt.”

*Department Response:*

*Concur. A receipt for all credit card transactions will be provided. Appropriate documentation will be provided for lost or misplaced receipts.*

### **Conference Itinerary**

We noted during our testing, one instance where an employee attended a conference; however, an itinerary wasn't included in the supporting documentation to verify meals weren't provided as part of the event. Two credit card transactions were made at this event.

We recommend conference itineraries be submitted as part of the supporting documentation to ensure employees are complying with the County's Meals, Lodging, Travel and Transportation Policy.

*Department Response:*

*Concur. Conference itineraries will be included (when they are available) that specify whether and when meals will be provided. Per Diem amounts for provided meals will be deducted from travel requests (except where dietary restrictions require the traveler to purchase a meal).*

### **Per Diem**

We noted during our testing, 16% of all transactions had incomplete supporting documentation because employees who were provided a meal weren't listed. This information is needed to correctly calculate per diem amounts.

We recommend names of employees be listed on the receipt or on the Department's monthly credit card report in order to calculate meal allowances in accordance with the Federal Domestic Per Diem Rates. We further recommend detailed receipts for meal expenditures be carefully reviewed to ensure only the meal allowance contained in the Meals, Lodging, Travel, and Transportation Policy for breakfast, lunch and/or dinner, in effect on the date the meal is incurred for the geographical location that the meal allowance is incurred in is paid. Receipts are still necessary for all credit card purchases.

*Department Response:*

*Concur. Receipts will list employee names involved in the transaction and Per Diem amounts correctly calculated for employees or elected officials who are traveling on County business as defined in Section 3.6C of the Meals, Lodging, Travel and Transportation Policy. This section by*

*inference seems to have extended to other parts of the Policy which would not involve the travel per diem rate.*

*With respect to meals and/or food items at Board or Commission meetings, current policy provides for meals and/or refreshments as allowed by Paragraph 3.2C of the Meals, Lodging, Transportation and Travel policy, if in the opinion of the Department Head such expenses would be conducive to the efficient conduct of County business. With the "part time" status of this Board, Board members and staff make every effort to maximize the use of Board member and staff time on Board days. It is a regular requirement for staff to remain available to present agenda items or otherwise discuss or conduct County business before, during or after the scheduled Board meeting including Closed Session at each Board meeting. This may include department heads and staff, Board Aides and other staff. Given the nature of Board meetings and Board business it can be difficult to plan exactly for meals and other refreshments, the section delineated below is relied upon for food items and purchases related to meetings of the Board of Supervisors.*

#### *C. Incidental Expenses for Meetings and Special Events*

*Department Heads may authorize other incidental expenses (e.g., coffee, non-alcoholic beverages, and food), for special events if, in the opinion of the Department Head, such expenses would be conducive to the efficient conduct of County business, and the cost is reasonable. For example, it may be appropriate to provide beverages and food at Board or commission meetings, seminars, and workshops that extend over normal "break" periods, or when it is to the benefit of the County to keep the participants together and not have them disperse for breaks.*

*In order to ensure adequate documentation of this section, a planning number along with authorization for these purchases will be retained for documentation to support the purchase. Such based on anticipated agenda items, closed session scheduling and the anticipated requirements of staff and Board attendance at meetings (that would extend over breaks or mealtime).*

*Finally it should be specifically noted that under the County Charter, as articulated in Sec. 3.6H2, the per diem rate would not apply in that members of the Board of Supervisors receive actual reimbursement for reasonable expenses.*

#### **Unauthorized Use**

We noted during our testing, 12% of all transactions where it appears an employee other than the employee whose name is embossed on the front of the credit card, used it for purchases.

We recommend the Department adhere to Credit Card Program Policies and Procedures Section 11.0, "The only person entitled to use the credit card is the person whose name is

embossed on the face of the card except that Executive Secretaries may make travel reservations for department personnel using the traveler's Credit Card for that traveler's arrangements only."

*Department Response:*

*Generally concur. In an effort to minimize the overall number of cards to be issued and managed, as well as, associated administrative costs, purchases for the Board's office were made by individuals in the office, as authorized, using the Senior Aide's card. The Department agrees that the policy as written for credit card use restricts use to the cardholder and the Executive Secretary. It should be noted that, as in the Boards' office, the Executive Secretary classification does not exist in all departments or divisions of the County, each of which may have differing business practices.*

*A request will be made for the individual cards for staff that routinely make direct purchases for the Board's office. Those cards will be maintained in a locked drawer to be provided when specific purchases are authorized by the Department Head or his/her designee.*

*It would also be suggested when the policy is next updated that a technical adjustment to the policy be made to recognize that, the primary administrative support person to the card holder is not always the Executive Secretary. This exception would be similar in spirit to the exception provided in Section 11.0, where Executive Secretaries are authorized to make travel arrangements or meal purchases for individuals other than themselves. In any case, the cardholder would remain personally responsible to ensure that the purchases are for an authorized use.*

**Missing Packing Slip/Invoice**

We noted during our testing, 2% of all transactions did not have a packing slip or invoice included in the supporting documentation denoting receipt of goods.

We recommend the Department follow the Credit Card Program Policies and Procedures section 8.0, "For all telephone, mail or internet orders, save the confirmation page, original packing slip, receipts or acknowledgements for submission at the end of the billing cycle."

*Department Response:*

*Concur. The invoice and supporting documentation denoting receipt of goods and, when available, the actual packing slip will be included in the back up documentation.*

**Sales Tax**

We noted during our testing, several instances where sales tax was incorrectly calculated or not charged at all. Sales tax for all purchases needs to be reviewed for completeness and accuracy.

We recommend the Department personnel carefully review all invoices for goods purchased to determine if sales tax is applicable, and if required, complete the Sales and Use Tax Form, and submit to the Auditor for payment.

*Department Response:*

*Concur. CEO staff members have trained BOS Staff in the use of the Sales and Use Tax form. This form is included where applicable.*

**Class Certification**

We noted during our testing, an employee registered for a CPR certification class; however no proof of the completion of the class was included as supporting documentation.

We recommend the Department ensure training expenditures are supported by appropriate documentation, such as course description, management's pre-approval and attendance or completion records.

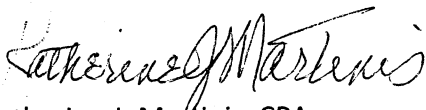
*Department Response:*

*Concur. While the employee in question has left county service and the department is not able to determine why this employee registered for a CPR course, or whether it was completed, it will be emphasized to staff that training, paid with a county credit card, must be approved in advance and proper backup documentation will be provided.*

The Department's responses to the recommendations identified in our review are described above. We did not audit the Department's responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and cooperation of the Board of Supervisors staff throughout the course of this review.

Sincerely,



Katherine J. Martinis, CPA  
Auditor-Controller

cc: Thomas Miller, County Executive Officer  
Holly Heinzen, Assistant County Executive Officer  
Teri Sayad-Ivaldi, Senior Administrative Aide, Board of Supervisors  
Nicole Howard, Internal Audit Manager  
Placer County Audit Committee