

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

DEPT: Auditor-Controller *JPK*

BOARD AGENDA # _ *B-5

Urgent

Routine

AGENDA DATE June 24, 2014

CEO Concurs with Recommendation YES NO

4/5 Vote Required YES NO

(Information Attached)

SUBJECT:

Acceptance of Fiscal Year 2011-2012 Purchasing Card Audit Reports Prepared by the Auditor-Controller's Office

STAFF RECOMMENDATIONS:

Accept Fiscal Year 2011-2012 Purchasing Card Audit Reports prepared by the Auditor-Controller's Office.

FISCAL IMPACT:

The audits presented in the agenda item represent purchasing card activity for approximately one half of County departments and related agencies during Fiscal Year 2011-2012. On March 1, 2011, the Internal Audit Division of the Auditor-Controller's Office was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, staff from the General Ledger Division of the Auditor-Controller's Office will perform the purchasing card audits on a two year cycle.

Continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2014-330

On motion of Supervisor O'Brien, Seconded by Supervisor Chiesa

and approved by the following vote,

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

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION: This Item was removed from the consent calendar for discussion and consideration.

Accepted FY 2011-2012 Purchasing Card Audit Reports; and, **amended** the item to direct the CEO to prepare a written report for the Board regarding the findings of the audit, if reimbursements were made, his evaluation on whether the Purchasing Card Policy needs to be changed, and determine what measures need to be taken to ensure the Policy is properly enforced

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT (continued):

The cost to the County for services provided by the General Ledger Division of the Auditor-Controller's Office for the work performed was approximately \$42,500 in salaries and benefits representing a total of 996 work hours. 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 \$75 to \$300 an hour dependent upon professional levels. The benefit of the services provided by the Auditor-Controller's Office to the County clearly outweighs the costs for these services.

DISCUSSION:

The purchasing card system was implemented through Bank of America on October 11, 1996 in an effort to decrease costs associated with processing purchases and to increase efficiency. While the purchasing card program has resulted in cost savings as well as other benefits, decentralizing the purchasing function, through the purchasing card program, has increased the risk that errors and/or irregularities might occur and not be detected in a timely manner. To address this concern the Board of Supervisors approved agenda item 2001-593 on August 7, 2001 directing the Chief Executive Office and the Auditor-Controller to provide an annual report, per County department, of the purchasing card transactions which will include findings and recommendations.

The purchasing card audits determine if County departments are compliant with the County of Stanislaus Purchasing Card and Travel Policies for purchases made between July 1, 2011 and June 30, 2012. All County departments and related agencies utilizing the County purchasing card system are subject to this audit which consists of approximately 33 departments and related agencies. For the year under audit, 19 departments and related agencies were selected.

The purchasing card transactions were reviewed 100% for Department Head transactions and the remaining department transactions were tested on a sample basis ranging from 20% to 26% of the total transactions. The sample population was based upon professional judgment, including past audit results, dollar amounts and the appearance of high risk transactions, along with random selection. The total number of transactions tested and the related amounts for the 19 departments audited for this agenda item is 2,099 purchasing card transactions in the amount of \$438,416.

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

- Determination that the purchasing card transactions were appropriate County business transactions.
- Supporting documentation exists for the purchases.
- Examination of the department's monthly reconciliation of the purchasing card statement.
- Review purchasing card authorization for each card.
- If the department has their own policy, determine if the policy is more stringent than the County policy and if so determine if the department complies with their policy.

- Identify any items that may be an abuse of County policy such as purchase of personal items.

Major findings are determined by the number of occurrences for a particular finding, the amount associated with the finding and the nature of the finding. A summary of the major findings for the 19 departments under audit for the July 1, 2011 to June 30, 2012 period is listed below:

FISCAL YEAR 2011-2012

- Each year the Department Head is required to review the needs and limits of the purchase cards issued to his/her department. We noted eleven departments did not perform this annual review.
- Each month the Department Head is required to review and approve the Company Billing Statement. This report lists all of the purchasing card transactions for the period and allows the Department Head to review the purchases for appropriateness and authenticity. We noted the following related to this approval:
 - Four reports which were not certified by signature and/or date by the Department Head.
 - Seventeen reports were not reviewed in a timely manner.
- We noted the following related to the monthly reconciliation of the purchasing card statements:
 - Thirty-three reconciliations were not certified with signature and/or date.
 - Two employees' from different departments reconciled their own purchasing card transactions during the entire period under audit.
- We noted eight transactions totaling \$1,783.76 were not supported by an itemized receipt.
- We noted three lodging charges before a conference and/or training. The travel expense incurred before the event did not appear to be necessary and the explanations for these additional costs were not documented. Estimated additional expenses totaled \$270.50.
- We noted lodging expense in the amount of \$142.19 was incurred however not used in one instance.
- We noted supporting documentation was not attached for one Trip Authorization form.
- We noted two grocery purchases in the amount of \$71.68 that were purchased due to a remote training location. While the purchases appear legitimate given the location of the training these purchases would be considered an exception to the Travel Policy as the Travel Policy does not address the purchase of groceries. Exceptions to the Travel Policy require written approval of the Chief Executive Officer or their designee. Written approval from the Chief Executive Officer or designee was not obtained for these transactions.
- We noted a delay in timing with three transactions being charged to a purchasing card. While the department stated several attempts were made in contacting the vendor to resolve the matter no solution was obtained. The department neglected to contact General Services Agency - Purchasing to help provide a solution with the vendor as the vendor has a master agreement with the County.

The major findings primarily consisted of departments lacking sufficient procedures and controls, in some cases, to monitor the appropriateness of the purchasing card transactions. Fifteen of the 19 departments tested had major findings. Fiscal Year 2011-2012 reflects continued improvement by the departments in their efforts to comply with the County of Stanislaus Purchasing Card and Travel Policies. While 15 of the 19 departments tested had major findings the findings themselves were less impactful. In conclusion, overall the County departments that were chosen for testing were in compliance with the Purchasing Card and Travel Policies.

POLICY ISSUE:

Per Government Section Code 26883, the Board of Supervisors shall have the power to require that the County Auditor-Controller shall audit the accounts and records of any department, office, board or institute under its control.

The work performed by the General Ledger Division of the Auditor-Controller's Office provides accountability to the Board of Supervisors and the public. In addition, the work performed by the Auditor-Controller's Office is in alignment with the Board's priority of ensuring Efficient Delivery of Public Services.

STAFFING IMPACT:

The Auditor-Controller's Office will continue to perform the audits for the purchasing card transactions on a two year cycle.

CONTACT PERSONS:

Lauren Klein, CPA

Stanislaus County Auditor-Controller

(209) 525-6576

FISCAL YEAR 2011-2012
PURCHASING CARD
AUDIT REPORTS

Submitted for inclusion
in the
June 24, 2014
Board of Supervisors Meeting



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 25 transactions in the amount of \$1,804.35. The remaining department purchasing card transactions consisted of 387 transactions in the amount of \$82,476.45. For our engagement, we selected 78 transactions (approximately 20%) in the amount of \$18,808.21 (approximately 23%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Before Event Expense

We noted a travel charge incurred the day before a conference and the expense did not appear necessary based on the location and time the conference started. Although the charge was approved on the travel authorization, supporting documentation for the before event expense was not noted as required by policy. Based on the documentation provided to us the charge of \$99.50 would be considered personal and the department should seek reimbursement.

Recommendation

The Department should consider reviewing and revising their procedures to ensure the reason for travel expenses incurred before and after an event and lodging accommodations is documented and reasonable (length and rate) based on, but not limited to, the location of the event and the time of day the event begins and ends.

Department Response

The Agricultural Commissioner was attending a 4-day Agricultural Commissioners and Sealers Association (CACASA) conference in Sacramento that began on a Monday at 8:00 a.m. The Ag Commissioner was a CACASA representative for the Shell Egg Advisory Committee and for the Fruit & Vegetable Committee and had a pre-conference committee meeting scheduled earlier that morning in preparation for his presentations at the conference. Based on the early morning pre-meeting and required prep work for his presentations at the conference, it was determined that arriving in Sacramento the night before would be more practical.

The Department determined the prior day expense was reasonable, but failed to provide supporting documentation with the Travel Authorization form. The Department will revise procedures to ensure the reason for travel expenses incurred before or after an event is documented.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 4 transactions in the amount of \$3,166.98. The remaining department purchasing card transactions consisted of 203 transactions in the amount of \$48,139.95. For our engagement, we selected 46 transactions (approximately 23%) in the amount of \$16,045.41 (approximately 33%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review determining the need and limit of the department's purchasing cards was not documented for fiscal year 2011-2012. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head and maintained with the Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head annually reviews the department's list of purchasing cardholders to determine the need and limit based on the cardholder's current duties and responsibilities. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

The agency agrees with the recommendation and has implemented a process to review purchasing cardholders annually on June 1 of each year.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
BOARD OF SUPERVISOR'S DEPARTMENT
PURCHASING CARD AUDIT**

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 27 transactions in the amount of \$10,972.51. The remaining department purchasing card transactions consisted of 47 transactions in the amount of \$5,947.65. For our engagement, we selected 12 transactions (approximately 26%) in the amount of \$2,508.80 (approximately 42%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's review of the annual need and limit of purchasing cards was not certified via signature and date. Per the department Questionnaire, the annual review was performed but not able to supply a signed and dated copy. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards on an annual basis. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Although an annual review was performed and verified by the Chief Executive Officer, management was unable to produce a copy of the signed document. This was an isolated incident and the Department has, on file, all other Annual Reports of Credit Cards with the appropriate signature. To ensure that proper procedures are followed, Management now has protocols in place that includes scanning the document and retaining a copy with the Management Consultant, the Executive Assistant to the Chief Executive Officer, and the Confidential Assistant that maintains the credit card information.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 4 transactions in the amount of \$1,211.28 The remaining department purchasing card transactions consisted of 109 transactions in the amount of \$30,489.12. For our engagement, we selected 23 transactions (approximately 21%) in the amount of \$11,273.75 (approximately 37%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review determining the need and limit of the department's purchasing cards was not performed during fiscal year 2011-2012. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for five years.

Recommendation

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

Department Response

Our office is in the process of updating our procedures to ensure the Department Head annually reviews the department's list of purchasing cards to determine the needs and limits. The Department will prepare a memo addressing said review and send to the Auditor. A copy of this memo will be kept with the purchasing card records for five years in a locked cabinet in our office.

DEPARTMENT FINDINGS

A) Reconciliation of Purchase Card Statements

Six of the thirteen Purchase Card Statement Reconciliation reviews were not documented via signature or date. We are unable to determine timeliness of the performed reconciliation and whether the card holder reconciled their own purchasing card.

Recommendation

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

Department Response

Our office has implemented new processes to ensure that our monthly purchasing card reconciliations are completed timely and are documented with date and signature. We have added signature lines on our monthly reports to indicate who has signed off on whose purchases in WORKS since our office does not have a designated reconciler due to lack of staffing. We intend to train a new employee to become the office's designated reconciler for future fiscal year audits.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 30 transactions in the amount of \$991.28 The remaining department purchasing card transactions consisted of 84 transactions in the amount of \$13,202.17. For our engagement, we selected 19 transactions (approximately 23%) in the amount of \$3,842.21 (approximately 29%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

There are no major findings and recommendations for the Department Head purchasing card transactions during fiscal year 2011-2012.

DEPARTMENT FINDINGS

A) Reconciliation of Purchase Card Statements

We noted the following regarding the monthly reconciliation of the purchase card transactions:

1. Four of the thirteen monthly reconciliations of the Department Head's purchases were not documented via signature. One of those four Department Head reconciliations was also not documented with a date. We are unable to determine timeliness of the preformed reconciliation and unable to determine if the card holder reconciled their own purchases.
2. Four of the thirteen monthly reconciliations of the Non-Department Head's purchases were not documented via signature. We are unable to determine if the card holder reconciled their own purchases.

Recommendation

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

Department Response

The Commission agrees with the recommendation. The Executive Director will issue a memo to the Department directing employees who review and/or reconcile purchasing cards statements to sign and date the documents in accordance with the County of Stanislaus Purchasing Card Policy.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. The Department Head did not have any transactions during the fiscal year. The remaining department purchasing card transactions consisted of 218 transactions in the amount of \$31,916.95. For our engagement, we selected 48 transactions (approximately 22%) in the amount of \$7,510.26 (approximately 24%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Department Head's Review of the Annual Need and Limits

The Department Head's review of the annual need and limit of purchasing cards was not certified via a signature and date. According to information provided during the audit fieldwork the annual review was performed, but it was not documented. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for five years.

Recommendation

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

Department Response

For the period in question, a review shows that the normal and customary submittal of the purchasing card review documentation was not sent by the Auditor Controller Department. The Department has reviewed and revised its procedures to ensure that the review will be completed without reliance on past practices.

DEPARTMENT FINDINGS

A) Missing Itemized Receipt

We noted an itemized receipt for hotel lodging (totaling \$380.46) was missing and an approved Misplaced Receipt Form was not on file. Subsequent to audit fieldwork, the department was able to obtain a duplicate copy of the receipt from the vendor. Although the expense was determined to be a valid and appropriate business expense, the receipt was not received timely. Pursuant to the Purchasing Card Procedures, receipts for travel related expenses are due upon return from travel. In the instance a receipt is not provided, the cardholder must complete and submit a Misplaced Receipt Form for the Department Head's review and approval within ten calendar days. Additionally, the reconciliation of all itemized receipts should be completed prior to receiving the next's month statement. Therefore while the missing receipt was eventually obtained by the department the receipt or completion of the Misplaced Receipt Form was not completed timely, at the time of occurrence.

Recommendation

The Department should review and revise their procedures to ensure all itemized receipts, or when applicable an approved Misplaced Receipt Form, are received timely for all purchasing cards transactions within the monthly reconciliation period.

Department Response

The Department has reviewed its procedures to ensure that all purchase card transactions are reconciled within the reconciliation period.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

STANISLAUS COUNTY EXECUTIVE SUMMARY COMMUNITY SERVICES AGENCY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 26 transactions in the amount of \$2,326.16. The remaining department purchasing card transactions consisted of 1,649 transactions in the amount of \$298,675.70. For our engagement, we selected 355 transactions (approximately 22%) in the amount of \$77,194.85 (approximately 26%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

There are no major findings for the Department Head's purchasing card transactions during fiscal year 2011-2012.

DEPARTMENT FINDINGS

A) Rental Vehicle Expense

Three transactions related to a rental vehicle expense (totaling \$542.35) were charged to a purchasing card three to three-and-a-half months after the expense was incurred. There was no documentation of the department following-up with the merchant to question the delayed charge, but the department stated it has made attempts by telephone. The delay of transactions increases the risk of duplicate charges. Monthly expenses should be reconciled and any disputes should be resolved during the reconciliation process. While the department has contacted the vendor by telephone and attempted to resolve the issue, the matter remains unresolved and delayed billings continue to occur. The particular rental vehicle company has a master agreement with Stanislaus County that is managed by the General Services Agency. At the time fieldwork was performed, the department had not contacted the General Services Agency for assistance in resolving this issue.

Recommendation

We recommend the Department review and revise its procedures to ensure all receipts are reconciled to the monthly statements prior to the receipt of the next monthly statement. This includes resolving any disputed or delayed charges to the purchasing cards. For issues related to vendors in a master agreement with the County, we recommend the Department contact the General Services Agency for assistance with resolution.

Department Response

Due diligence had occurred by CSA Office Services to get transactions posted timely. When it is not feasible to resolve the discrepancy in one statement cycle staff will document the findings and follow up stringently to resolve the issues. CSA agrees with recommendation and has set up processes to direct staff to work with CSA Office Services and GSA Purchasing if the issues are related to a County Master Agreement to resolve delay in transaction postings.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 9 transactions in the amount of \$1,524.81. The remaining department purchasing card transactions consisted of 512 transactions in the amount of \$134,495.14. For our engagement, we selected 109 transactions (approximately 21%) in the amount of \$35,947.06 (approximately 27%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review determining the need and limit of the department's purchasing cards was not performed during fiscal year 2011-2012. Pursuant to the County Purchasing Card Policy the Department Head shall annually determine the need and limits for the department's purchasing cards. The review shall be signed and dated by the Department Head and maintained with the purchasing card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head annually performs and documents a review of the department's list of purchasing cards to determine the need and limit, including those limits in excess of \$5,000.

Department Response

The account clerk will continue to provide the department head with the information to perform this review. The financial manager will follow up in future to insure that it has been completed.

DEPARTMENT FINDINGS

A) Itemized Receipts

Itemized receipts for seven transactions (totaling \$1,403.30) were missing and approved Misplaced Receipt Forms were not on file. Of the seven transactions six were travel related expenses. Itemized receipts provide substantiation the transactions are valid County business expenses. Pursuant to the Purchasing Card Procedures, itemized receipts are due immediately after a purchase is transacted. Itemized receipts for travel related expenses are due upon return from travel. In the instance a receipt is not provided or the receipt does not provide sufficient detail, the cardholder must complete and submit a Misplaced Receipt Form for the Department Head's review and approval within ten calendar days. Additionally, the reconciliation of all itemized receipts should be completed prior to receiving the next month's statement. We also noted a similar finding in the fiscal year 2010-2011 Executive Summary Report. As this finding appears to be a recurring issue we would encourage the department to review the Travel Policy approved by the Board of Supervisors.

Recommendation

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

Department Response

Some of the receipts or MIRs noted in the audit have been located since it was performed. Additional training of all staff will be held during the next quarterly meeting.

B) Supporting Documentation

Supporting documentation for a travel related expense for lodging (totaling \$740.80) was not attached to the approved travel authorization as required by the County Travel Policy. Supporting documentation detailing the business purpose for the travel includes, but is not limited to, an event flyer or conference agenda containing relevant information such as the date, location, and conference or training information.

Recommendation

We recommend the Department modify its procedures to ensure supporting documentation for travel related expenses is attached to all approved travel authorizations to substantiate the business purpose for the travel. Supporting documentation for all purchasing card activity must be retained for a minimum of five years in accordance with the County of Stanislaus Purchasing Card and Travel Policies.

Department Response

Some of the documentation missing has been located since the audit. Additional training of all staff will be held during the next quarterly meeting.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 89 transactions in the amount of \$14,998.29. The remaining department purchasing card transactions consisted of 363 transactions in the amount of \$146,841.50. For our engagement, we selected 76 transactions (approximately 21%) in the amount of \$34,770.32 (approximately 24 %) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

STANISLAUS COUNTY EXECUTIVE SUMMARY HEALTH SERVICES AGENCY PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 1 transaction in the amount of \$1,061.43. The remaining department purchasing card transactions consisted of 1,020 transactions in the amount of \$171,796.01. For our engagement, we selected 205 transactions (approximately 20%) in the amount of \$37,573.91 (approximately 22%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There were no major findings and recommendations for the Department Head purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

**STANISLAUS COUNTY
EXECUTIVE SUMMARY
LOCAL AGENCY FORMATION COMMISSION (LAFCO)
PURCHASING CARD AUDIT**

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 44 transactions in the amount of \$2,170.76. The remaining department purchasing card transactions consisted of 31 transactions in the amount of \$1,091.59. For our engagement, we selected 6 transactions (approximately 20%) in the amount of \$99.35 (approximately 9%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 4 transactions in the amount of \$3,931.95. The remaining department purchasing card transactions consisted of 636 transactions in the amount of \$139,296.07. For our engagement, we selected 134 transactions (approximately 21%) in the amount of \$36,153.42 (approximately 26%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. There were no Department Head transactions during the audit period. The remaining department purchasing card transactions consisted of 666 transactions in the amount of \$67,604.49. For our engagement, we selected 134 transactions (approximately 20%) in the amount of \$14,348.91 (approximately 21%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review determining the need and limit of the department's purchasing cards was not performed during fiscal year 2011-2012. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with the Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards on an annual basis. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Yes, in FY 11-12 the Purchasing Card Clerk who was responsible for the reconciliation process left the Department and failed to inform remaining staff of this responsibility; however, it has been done each subsequent year following FY 11-12.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 1 transaction in the amount of \$200.00. The remaining department purchasing card transactions consisted of 81 transactions in the amount of \$17,107.59. For our engagement, we selected 18 transactions (approximately 22%) in the amount of \$6,024.74 (approximately 35%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's review of the annual need and limit of purchasing cards was not certified via signature and date. Per the department Questionnaire, the annual review is done on a verbal basis. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards on an annual basis. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

We have changed our procedures, the department prints the annual credit limit report for the department head to review and approve.

DEPARTMENT FINDINGS

A) Lack of Separation of Duties – Monthly Reconciliations

We noted the Purchasing Card Clerk responsible for reconciling the Department's purchasing cards also reconciled their own monthly card statements during the audit period. Stanislaus County Purchasing Card Procedures and proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account.

Recommendation

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

Department Response

The Confidential Assistant (Patricia Singh) reconciles all purchasing credit card statements; she is the only employee who reconciles her own due to the department budget cuts and losing the only account clerk to assist with this procedure. We have changed this procedure and Mr. Sandhu will be responsible to reconcile the purchase credit card for the confidential assistant.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

STANISLAUS COUNTY EXECUTIVE SUMMARY PLANNING DEPARTMENT PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 1 transaction in the amount of \$90.00. The remaining department purchasing card transactions consisted of 137 transactions in the amount of \$22,928.81. For our engagement, we selected 29 transactions (approximately 21%) in the amount of \$5,373.13 (approximately 23%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review determining the need and limit of the department's purchasing cards was not performed during fiscal year 2011-2012. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head and maintained with the Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head annually reviews the department's list of purchasing cardholders to determine the need and limit based on the cardholder's current duties and responsibilities. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

The planning and community development department has instituted a formal annual documented Department Head review process effective in FY 13/14 which will continue to be utilized going forward.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 12 transactions in the amount of \$3,315.37. The remaining department purchasing card transactions consisted of 1,871 transactions in the amount of \$232,206.49. For our engagement, we selected 399 transactions (approximately 21%) in the amount of \$56,595.54 (approximately 24%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's review of the annual need and limit of purchasing cards was not certified via signature and date. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limit of the department's purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for a minimum of five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards at least annually. The review shall be certified with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

Agreed. The Administrative Services Manager has routinely reviewed the need and limit of purchasing cards. The Department will ensure that the Department Head also signs off on this review.

B) WORKS Billing Statements

The Department Head's review and approval of the Monthly WORKS Billing Statements was untimely for 12 of 13 periods under review. Two reviews did not contain a signature and one review was not dated. The Department Head's untimely monthly review of the WORKS Billing Statements has been a recurring exception to the Purchasing Card Policy. The current notification for audit period FY 2011-2012 represents the fifth notification to the department regarding this issue. Prior periods that noted the recurring finding include fiscal years 2005-08, 2008-09, 2009-10, 2010-11. The Department Head is responsible for ensuring all department charges on a County Purchasing Card are appropriate business expenses and are certified in a timely manner, prior to the next month's statement.

Recommendation

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

Department Response

The Department Head has delegated the responsibility of approving the monthly WORKS Billing Statement to department management. The purchasing card transactions are split between seven delegated managers to review and approve these transactions each month. The Probation Department will continue to strive toward this goal, however, staffing vacancies in the fiscal unit have affected distribution of monthly statements. The Administrative Services Manager reviews charges on-line, through the real-time WORKS system, continuously throughout the month they are made, without waiting for receipt of a paper statement. Any department charges determined to not be appropriate business expenses or fraudulent are addressed prior to the receipt of the statement.

C) Lodging Expense

We noted a lodging charge (totaling \$568.76) for a total of four nights stay while in attendance at an out of county meeting and separate conference. The Department Head did not utilize one night's hotel stay during this four night period due to a local county meeting. The vacancy for this one night's hotel stay incurred an unnecessary cost to the County in the amount of \$142.19. Pursuant to the County of Stanislaus Travel Policy, the Department Head is responsible for ensuring the most cost-effective and practical travel alternatives are selected.

Recommendation

The Department is responsible for making lodging reservations according to the scheduled meetings. The lodging days should have been limited to the number of days the Department Head was planning to participate in the out-of-town meeting. The Department Head is responsible for ensuring the most cost-effective and practical travel expenses are selected. At the time of the occurrence the Department should have requested reimbursement from the employee for the unused lodging expense. As the employee is no longer employed with the County requesting the reimbursement will be difficult at best.

Department Response

As noted, the Department Head referred to is no longer with Stanislaus County. However, the attendance at the local County meeting was sudden and unplanned, and the one-night vacancy was known too late to receive a refund.

DEPARTMENT FINDINGS

A) Exception to Travel Policy

We noted two purchases for groceries (totaling \$71.68) by two employees who attended an out of county training for a three-day period. Based on the documentation on file, training staff recommended attendees bring their own meals because the training was in a remote location and the availability of dining locations was limited due to distance and timing. The employees combined breakfast and lunch meal limits to purchase groceries and prepare meals for the training. Meal limits are specific to individual meals and combining meal limits for grocery purchases is not addressed in the Travel Policy. While the combination of meal limits for grocery purchases may be reasonable considering the specific travel circumstances, these actions are considered an exception to the Travel Policy. Exceptions to the Travel Policy require written approval of the Chief Executive Officer or their designee. Department Fiscal staff did make an attempt to inquire of department management whether these types of purchases were allowable, but there was no documented approval from the Chief Executive Officer or their designee as required by policy.

Recommendation

We recommend the Department modify their procedures to ensure written documentation of Travel Policy exceptions are submitted to the Chief Executive Office for review and approval by the Chief Executive Officer, or their designee.

Department Response

Agreed. There is a training session in a remote area that several sworn employees are mandated to attend. There is no availability of restaurants, resulting in staff purchasing food in advance. The Probation Department will review this with CEO staff to achieve an acceptable solution.

B) Before Event Expenses

We noted two travel charges (totaling \$427.50) where one night of lodging was incurred the day before each training class resulting in an additional cost to the county of \$171 for a total of two nights. The additional expense was not deemed necessary based on the location of the training. Although the charge was approved on the travel authorization, supporting documentation for the before event expense was not noted as required by policy. Therefore the additional charge of \$171.00 for two nights of lodging is considered personal and the department should seek reimbursement.

Recommendation

The Department should consider reviewing and revising their procedures to ensure the reason for travel expenses incurred before and after an event and lodging accommodations is documented and reasonable (length and rate). 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 procedures in place to review these expenses, and will review them with staff. In both cases, employees were traveling to unfamiliar locations and these charges were approved in advance by management.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

STANISLAUS COUNTY EXECUTIVE SUMMARY StanCERA DEPARTMENT PURCHASING CARD AUDIT

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. There were no Department Head transactions during the audit period. The remaining department purchasing card transactions consisted of 217 transactions in the amount of \$43,092.39. For our engagement, we selected 44 transactions (approximately 20%) in the amount of \$7,406.41 (approximately 17%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's annual review of the need and limit of purchasing cards was not certified via signature and date. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head, then maintained with Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards on an annual basis. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Response

StanCERA has reviewed and revised its procedures to ensure the needs and limits of purchasing cards is reviewed and approved by the Executive Director or his designee on an annual basis and the review is documented with signature and date.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 2 transactions in the amount of \$250.00. The remaining department purchasing card transactions consisted of 225 transactions in the amount of \$37,607.91. For our engagement, we selected 47 transactions (approximately 21%) in the amount of \$9,261.46 (approximately 25%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Works Billing Statements

The Department Head's review and certification of the Works Billing Statements was not performed timely for three out of thirteen periods under review.

Recommendation

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

Department Response

The department has reviewed its procedures to ensure monthly review and approval of purchasing card transactions and reconciliations and that these reconciliations are completed timely and certified in accordance with the County's Purchasing Card Policy.

DEPARTMENT FINDINGS

There are no major findings and recommendations for the Department purchasing card transactions during fiscal year 2011-2012.



AUDITOR-CONTROLLER

Lauren Klein
Auditor-Controller

1010 10th Street, Suite 5100, Modesto, CA 95354
PO Box 770, Modesto, CA 95353-0770
Phone: 209.525.6398 Fax: 209.525.6487

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

BACKGROUND

The Auditor-Controller's Office has completed an audit of the Stanislaus County Purchasing Card Program.

Stanislaus County implemented the Bank of America Purchasing Card System on October 11, 1996. The Board of Supervisors approved agenda item number 2001-593 on August 7, 2001 directing the Chief Executive Officer and the Auditor-Controller to provide an annual report of the Purchasing Card Program including department-specific findings and recommendations.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the Department's use of purchasing cards complies with the County Purchasing Card and Travel Policies as well as the Department Policy, if applicable, in effect at the time of the purchases. In addition, we assessed the Department's internal controls over the maintenance and use of the County Purchasing Cards.

On March 1, 2011, the Internal Audit Division was disbanded due to reductions in general fund contributions to the Auditor-Controller's budget. Due to the budget reduction and consequent reduction in resources, the purchasing card audits will be performed on a two year cycle. Approximately half of county departments and related agencies have been selected for audit of FY 2011-2012 purchasing card transactions. The test transactions for non Department Head transactions will be selected randomly at approximately 20% of total transactions. Additional transactions may also be selected for testing. The Department Head transactions will be tested at 100%.

The audit period covered purchasing card activity during fiscal year 2011-2012. Department Head transactions during the fiscal year consisted of 2 transactions in the amount of \$774.62. The remaining department purchasing card transactions consisted of 161 transactions in the amount of \$23,314.15. For our engagement, we selected 35 transactions (approximately 22%) in the amount of \$4,831.50 (approximately 21%) from the entire population for testing.

METHODOLOGY

Audit methodology included the following procedures:

- We obtained a list of purchasing card transactions for each department directly from Bank of America.
- We verified the transactions were approved and dated by appropriate personnel.
- We verified the charges were appropriate County business expenses, costs appeared reasonable, and did not exceed allowable limits contained in the County Purchasing Card and Travel Policies.
- We examined the transactions to ensure they complied with all other relevant guidelines contained in the County Purchasing Card and Travel policies.

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

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

STANDARDS

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

We appreciate the courtesies and cooperation extended to the Auditor-Controller's Office during the audit process.

FINDINGS AND RECOMMENDATIONS

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

DEPARTMENT HEAD FINDINGS

A) Annual Purchasing Card Review

The Department Head's review of the annual need and limit of purchasing cards were not performed on an annual basis and not certified via signature and date. Based on the information provided during the audit the need and limit of the purchasing cards are reviewed and approved when necessary, but the review is not documented. Pursuant to the County Purchasing Card Policy, the Department Head shall annually determine the need and limits for department purchasing cards. The review shall be signed and dated by the Department Head and maintained with the Purchasing Card records for five years.

Recommendation

We recommend the Department review and revise its procedures to ensure the Department Head reviews the list of Purchasing Card holders to determine the need and limit of purchasing cards on an annual basis. The review shall be documented with the Department Head's signature and date in accordance with the County of Stanislaus Purchasing Card Policy.

Department Responses

The Department Head checks the Purchasing Card transactions report for the entire department and signs off monthly. So, the department head has monitored the transactions on a regular basis. Our understanding is that when the Department Head authorizes the specific staff for certain limit, it will stay unless the change is requested and/or staff leaves the department.

However, the department head is glad to have the Purchasing Card holders' limits every year and sign it. For this specific Audit year, the department head has prepared the authorization, dated it and signed it. The original authorization is attached.

DEPARTMENT FINDINGS

A) Lack of Separation of Duties - Monthly Reconciliations

We noted the Purchasing Card staff responsible for reconciling the Department's purchasing cards also reconciled their own monthly card statements during the audit period. This is a recurring issue also disclosed in several prior year audit reports dating back to FY 2005-2006. The Purchasing Card Procedures along with proper accounting principles require separation of duties to maintain the integrity of the accounting process. An individual who has been issued a purchasing card should not reconcile their own account. The department has been notified of the non-compliance to county procedures during three previous audit reports. The current notification for audit period FY 2011-2012 represents the fourth notification to the department regarding this issue. The department has chosen to ignore a procedural requirement that has been approved by the Board of Supervisors.

Recommendation

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

Department Response

As the Auditing staff has noted, the Department Head verifies the transactions each month and signs off. For unknown reason/s, this issue has been missed to be rectified in the past.

However, we have already transferred the Reconciliation functions to one of our department's Accountant in Treasury. This Accountant does not have any Purchasing Card in her name. She has already been given access to the Purchasing Card website by the Auditor's office and has been scheduled for Training by the Audit staff. Therefore, this issue has been taken care of with immediate effect.