



Yolo County

Division of Internal Audit

Report on the Audit of Yolo County Purchase Card Program

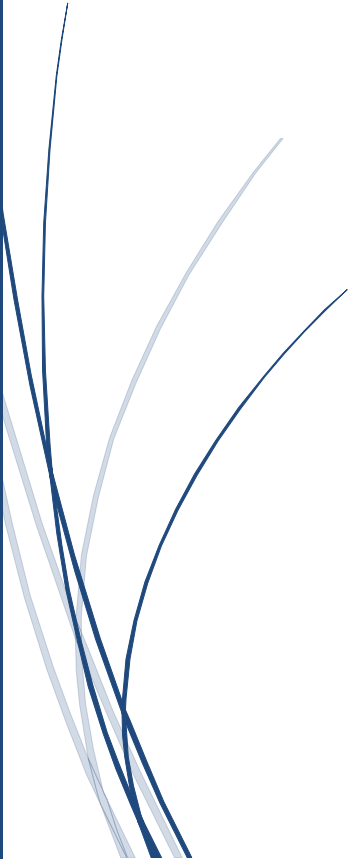
For the Period:
July 1, 2016 to June 30, 2018

Audit No: 2019-2
Report Date: May 28, 2019

Noemy Mora-Beltran, Internal Auditor
David Estrada, MPA, Internal Auditor
Kim Eldredge, CGAP, Senior Auditor

County of Yolo
Department of Financial Services
Division of Internal Audits
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Visit the Division's Website at
<http://www.yolocounty.org/general-government/general-government-departments/financial-services/internal-audit>





County of Yolo

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Transmittal Letter

May 28, 2019

Ryan Pistochini, Procurement Manager
Department of Financial Services
625 Court Street, Room 102
Woodland, CA 95695

Dear Mr. Pistochini:

The Division of Internal Audit has completed an audit of the Yolo County Purchase Card Program for the period of July 1, 2016 to June 30, 2018 to determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditors. These standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our objectives. We believe that the evidence obtained provides reasonable basis for the results, observations, and recommendations contained in our report.

In regards to auditor's independence, the Internal Audit Division reports administratively to the Chief Financial Officer, but functionally to the Board of Supervisors.

As required, in accordance with auditing standards, management responded to each finding and recommendation contained in our report. Management's responses are submitted in a separate report.

We thank the Department of Financial Services Procurement Manager and the County Departments staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Sincerely,

Kim Eldredge, CGAP
Senior Auditor

Attachments

Distribution
Board of Supervisors
Financial Oversight Committee
County Administrator
Chief Financial Officer
Internal Audit Website
Audit File Project No. 2019-2

AUDIT FACT SHEET

Yolo County Division of Internal Audit Report on the Audit of Yolo County Purchase Card Program

For the Period: July 1, 2016 to June 30, 2018
Audit No: 2019-2
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FINDINGS

Program Administration

- Finding #1: Card management needs improvement
- Finding #2: Monthly reconciliation of the purchase card program not performed
- Finding #3: Purchase Card Procedures Manual not up to date

Purchase Card Transactions

The auditors examined 61 purchase card transactions.

Audit Results:

Total of 137 Exceptions. 81 for noncompliance with County policy and procedures and lack of supporting documentation. 56 for noncompliance with program eligibility and department's policy and procedures for client services.

RECOMMENDATIONS

The auditors recommend that management consider the following to improve accountability and compliance within the Yolo County Purchase Card Program.

- Establish criteria for spending and transaction limits
- Provide written procedures for card issuance, cancellation, transfer to another department, employee terminations, and disciplinary actions for county and purchase card violations
- Maintain current listing of Cardholders, Approving Officials and Reconcilers
- Monitor cardholder activity and restricted Merchant Category Codes (MCCs)
- Perform monthly reconciliations of the purchase card transactions and ensure that journal entries are posted timely
- Provide training for Cardholders, Approving Officials, and Reconcilers
- Update the Purchase Card Procedures Manual and the CAL-Card system from the finding noted within this report

HIGHLIGHTS

The auditors performed a variety of audit tests of the purchase card accounts and transactions using the Audit Command Language (ACL) Analytics software. The auditors analyzed transactions in the areas of **card management, merchant management, and transaction analysis.**

Card Management Analysis

| Procedure | Result |
|---|--|
| Unmatched Accounts – Purchase cards not matching the employee's payroll name | Thirty-five (35) purchase cards were issued to individuals that did not match the employee payroll name. One (1) Cardholders had 2-cards under two different names. |
| Non-Active Employees – Purchase cards issued to terminated employees | No purchase cards issued to terminated employees. |
| Employees Transferred to Other Departments – Purchase cards issued to employees transferred to other departments | One (1) purchase card issued to an employee that had transferred to another department. |
| Low Card Activity – Cardholders with lowest volume of transactions | Twenty (20) Cardholders only used their cards 1 to 4 times during the 2-year audit period. |
| No Card Activity – Purchase cards that were not used during the audit period | Eleven (11) Cardholders had no activity for the 24 months under review. |
| Multiple Purchase Cards – Cardholders with duplicate cards | Seven (7) Cardholders had duplicate cards. |
| Accounts Exceeding Policy Amounts – Spending limits are in accordance with County Policy | There is no criteria established for setting up credit limits. The single transaction limits range from \$0 to \$5,000 and monthly credit limit from \$250 to \$20,000. (See Figure 3) |

Merchant Management Analysis

| Procedure | Result |
|---|--|
| Access to Restricted MCCs – Cardholders with access to restricted merchant category codes (MCC) | Thirty (30) cardholders have access to restricted MCCs authorized by the County. |
| Activity with Restricted MCCs – Purchase card transactions involving restricted MCCs | 746 purchase card transactions involved restricted MCCs. |
| Activity with Restricted MCCs by Cardholders with No Access to Restricted MCCs – Transactions involving restricted MCCs were performed by the cardholders with access to restricted MCCs | 490 out of 746 transactions involved restricted MCCs not authorized by the County. |

Transaction Analysis

| Procedure | Result |
|---|--|
| Transactions Exceeding Single Purchase Limit – Cardholders that exceeded their single purchase limit | Ninety-seven (97) transactions exceeded the single purchase limit. 94 out of 97 transactions were from one (1) Cardholder with a zero single purchase limit. |
| Transactions Exceeding Monthly Credit Limit – Cardholders that exceeded their monthly credit limit | Six (6) instances where the monthly transactions exceeded the Cardholder limits. |
| Split Transactions – Potential split purchases within the same day and across multiple days to circumvent purchase card limits | Fifty-four (54) potential split transactions. |
| Weekend/Holiday Transactions – Transactions that occurred on weekends or holidays | 1,811 transactions occurred on Saturday, Sunday or a County holiday. |
| Top Cardholders – Cardholders with the highest transaction amounts | Ten (10) Cardholders with the highest transaction amounts |
| Purchases Typically Made Through Other Means – Purchase transactions typically made through a purchase order or the County's Travel Agency (hotels, airline, catering vehicle, fuel, software, computer, services, etc.) | 4,742 potential transactions that should have been made through a purchase order or the County's Travel Agency |

Yolo County Division of Internal Audit
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Audit No: 2019-2

For the Period: July 1, 2016 to June 30, 2018

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Yolo County Division of Internal Audit
Internal Auditor's Report

Executive Summary

I. Overview

To determine whether adequate internal control exists to provide reasonable assurance to county management that there is an acceptable level of operational accountability in the purchase card program.

II. Background

The Yolo County Purchase Card Program was established in 1995. The purpose was to facilitate the purchases of small dollar items that did not need to follow the formal procurement system. In March 2003, the Board of Supervisors adopted the Purchase Card Policy and a resolution to participate in the CAL-Card program offered by the State of California Department of General Services, Procurement Division. The Purchase Card Policy was revised in February 2017 to strengthen accountability and improve the effectiveness of the program. In January 2019, the Policy on Procurement was updated to include authorized procurement methods and purchase card.

During the audit period, the Department of Financial Services (DFS), Accounting & Financial Reporting Division administered the purchase card program. The program administration transitioned to the Procurement Division (within DFS) in September 2018 to improve program efficiencies. The Purchase Card Program Administrator (Program Administrator) is responsible for the day-to-day management of the program including issuing and canceling cards, setting purchase limits, maintaining procurement card policy, and for providing training.

III. Objectives, Scope and Methodology

The objective of the audit was to perform an analytical review of the purchase card activity, determine whether the purchase card program and operations were properly managed and the records secured. That the purchase card transactions were supported by adequate documentation, and in compliance with County policies and procedures.

The audit scope included the review of purchase card transactions for the period of July 1, 2016 to June 30, 2018.

IV. Conclusion

The auditors recommend that management consider the following to improve accountability and compliance within the Yolo County Purchase Card Program:

- Establish criteria for spending and transaction limits
- Provide written procedures for card issuance, cancellation, transfer to another department, employee terminations, and disciplinary actions for county and purchase card violations
- Maintain current listing of Cardholders, Approving Officials and Reconcilers
- Monitor Cardholder activity and restricted Merchant Category Codes (MCCs)
- Perform monthly reconciliations of the purchase card transactions and ensure that journal entries are posted timely
- Provide training for Cardholders, Approving Officials, and Reconcilers
- Update the Purchase Card Procedures Manual and the CAL-Card system from the finding noted within this report

The auditors noted other deficiencies of internal control and compliance in the testing of purchase card transactions and have made recommendations to the management of the associated departments. The findings, recommendations, and management responses have been reported to the Procurement Manager and County Management in separate letters dated May 28, 2019.

Detailed Findings and Recommendations

A. Program Administration

The Department of Financial Services is responsible for managing the purchase card program, processing the summary invoice payment, and recommending processes and procedures to ensure that adequate internal controls are in place. The Procurement Manager is responsible for the County's overall CAL-Card program administration and is the primary point of contact. The Program Administrator generally serves as the focal point for:

- Question resolution
- Contract administration
- Coordination of applications
- Issuance and destruction of cards
- Establishment and review of reports
- Administrative training (Cardholder, Approving Officials, Designated Billing Office-Reconciler)
- Cardholder and Approving Official program compliance.

The auditors performed a variety of audit tests of the purchase card accounts and transactions using the Audit Command Language (ACL) Analytics software. The auditors analyzed transactions in the areas of card management, merchant management, and transaction analysis. The procedures and the data analytic tests results are listed below.

Card Management Analysis

Purchase cards are issued to those individuals who are normally involved in the purchasing function of the department. Each card is programmed specifically with assigned merchant activity codes, authorized single purchase limit and monthly spending limit approved by the Department Head. The auditors reviewed the purchase card accounts and employee data files obtained from the Human Resources Division to determine if the purchase cards were properly managed.

| Procedure | Result |
|---|--|
| Unmatched Accounts – Purchase cards not matching the employee's payroll name | Thirty-five (35) purchase cards were issued to individuals that did not match the employee payroll name. One (1) Cardholders had 2-cards under two different names. |
| Non-Active Employees – Purchase cards issued to terminated employees | No purchase cards issued to terminated employees. |
| Employees Transferred to Other Departments – Purchase cards issued to employees transferred to other departments | One (1) purchase card issued to an employee that had transferred to another department. |
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| Multiple Purchase Cards – Cardholders with duplicate cards | Seven (7) Cardholders had duplicate cards. |
| Accounts Exceeding Policy Amounts – Spending limits are in accordance with County Policy | There is no criteria established for setting up credit limits. The single transaction limits range from \$0 to \$5,000 and monthly credit limit from \$250 to \$20,000. (See Figure 3) |

Merchant Management Analysis

A Merchant Category Code (MCC) is a four-digit code that identifies the type of business a merchant conducts and is assigned by the bank based on their primary business. The State of California CAL-Card program and U.S. Bank have identified certain codes as high-risk for improper use and restrict their use for all cardholders. The Program Administrator further restricts other codes to maintain compliance with policy and procedures. At the request of the departments, the Program Administrator grants permanent or temporary access to restricted MCCs. The auditors reviewed the purchase card transactions to identify the access activity and authorization of the restricted MCCs.

Yolo County Division of Internal Audit
Internal Auditor's Report

| Procedure | Result |
|---|--|
| Access to Restricted MCCs – Cardholders with access to restricted merchant category codes (MCC) | Thirty (30) Cardholders have access to restricted MCCs authorized by the County. |
| Activity with Restricted MCCs – Purchase card transactions involving restricted MCCs | 746 purchase card transactions involved restricted MCCs. |
| Activity with Restricted MCCs by Cardholders with No Access to Restricted MCCs – Transactions involving restricted MCCs were performed by the Cardholders with access to restricted MCCs | 490 out of 746 transactions involved restricted MCCs not authorized by the County. |

Finding #1: Card management needs improvement

The purchase card program was not efficiently administered as stated below:

- No formal training for Cardholders, Approving Officials, and Reconcilers
- No written procedures for card issuance, cancellation, transfer to another department, employee terminations, and disciplinary actions for county and purchase card violations
- Cardholder and Approving Official list not available
Approving Officials are listed on the signature authorization forms filed with DFS, but the form does not include a list of cardholders that the approver is responsible for or employee titles to confirm the approver is at least one level above the cardholder.
- Cardholder Employee ID number not included in the CAL-Card System
- Cardholder name does not agree to the employee's full legal name (first, middle, last) to comply with the Office of Foreign Asset Control (OFAC) requirements
- Transfer employees to another department and/or promoted employees not updated in the CAL-Card system
- Cardholders with low usage or no activity not reviewed (at least annually) to determine continued business need of the cards
- Multiple cards issued to employees
- Criteria for spending and transaction limits not established
- Restricted MCCs not properly monitored

Recommendation 1:

The Program Administrator should review its internal controls over the management of the purchase card program to ensure that the above noted exceptions are addressed.

Finding #2: Monthly reconciliations of the purchase card program not performed

The monthly purchase card billing cycle ends on the 22nd of each month. The Accounting & Financial Reporting Division pays the monthly invoice through a wire transfer as soon as the invoice is received. Departments are required to submit approved cardholder statements and journal entries by the end of each month. The Accounting & Financial Reporting Division is responsible for approving the journal entries and maintaining the accounting records. During the audit, it was found that the reconciliation of the purchase card transactions had not been completed only a tracking of the department journal entries as received. Additionally, the department journal entries were found to be more than one month(s) behind.

Recommendation 2

The Accounting & Financial Reporting Division Manager should develop a process to ensure that the department journal entries are received and posted to the general ledger timely, in order, to complete the monthly reconciliation of the purchase card account.

Yolo County Division of Internal Audit
Internal Auditor's Report

Finding #3: Purchase Card Procedures Manual not up to date

The Purchase Card Procedures Manual does not provide clear instructions of what is required as a receipt for travel related expenses. The manual also does not include the contact name of the new program administrator and the requirement to submit all supporting documentation along with the journal entry to DFS. Furthermore, the manual does not reflect the current procurement thresholds and the updated forms from the new procurement policy adopted on January 1, 2019.

Recommendation 3

The Program Administrator should regularly update the Purchase Card Procedures Manual to reflect all changes to procedures, personnel and updates to the Cal-Card system. It is also recommended that the updated manual be sent to all Cardholders, Approving Officials, Reconcilers and other employees involved in the purchase card program.

B. Purchase Card Transactions

The purchase card may be used to pay for authorized purchase transactions that are not subject to a formal procurement process according to the procurement policy, and that are made through any legal means: over the counter, by telephone, or online. In addition, the purchase card must not be used in a manner intended to circumvent the formal procurement process or other limits imposed on the card.

Transaction Analysis

During the 2-year audit period, the County departments spent \$3.1 million and 17,798 transactions were charged to the purchase card program. Attachment A – (Figure 1) provides a summary of the purchase card transactions by department and fiscal year. The top 10 merchants are also provided in the pie charts illustrated in (Figure 2). Using the CAL-Card transaction report provided by the Program Administrator, we extracted the transactions based on the criteria below:

| Procedure | Result |
|---|--|
| Transactions Exceeding Single Purchase Limit – Cardholders that exceeded their single purchase limit | Ninety-seven (97) transactions exceeded the single purchase limit. 94 out of 97 transactions were from one (1) Cardholder with a zero single purchase limit. |
| Transactions Exceeding Monthly Credit Limit – Cardholders that exceeded their monthly credit limit | Six (6) instances where the monthly transactions exceeded the Cardholder limits. |
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| Top Cardholders – Cardholders with the highest transaction amounts | Ten (10) Cardholders with the highest transaction amounts |
| Purchases Typically Made Through Other Means – Purchase transactions typically made through a purchase order or the County's Travel Agency (hotels, airline, catering vehicle, fuel, software, computer, services, etc.) | 4,742 potential transactions that should had been made through a purchase order or the County's Travel Agency |

Yolo County Division of Internal Audit
Internal Auditor's Report

The auditors selected a sample of the 61 purchase card transactions and verified that the transactions were in compliance with County policy and procedures, compliance with program eligibility, department's policy and procedures for client services, and supported by adequate documentation. The results are summarized below:

| Purchase Card Transactions – All | |
|--|------------------|
| Audit Result | Exception |
| No original or supporting receipts on file | 9 |
| No verification of when goods were received | 21 |
| No description of business purpose | 4 |
| Purchase card statements not signed by authorized Approving Official | 6 |
| No travel request forms attached | 9 |
| No documentation for using alternative methods for travel arrangements | 7 |
| Transaction exceeding single purchase limits | 2 |
| Transaction exceeding monthly credit limits | 4 |
| Split transaction | 18 |
| Purchase order not used | 1 |
| Total | 81 |

| Purchase Card Transactions – Client Services | |
|---|------------------|
| Audit Result | Exception |
| No acknowledgement form that the client received the items/services | 7 |
| No documentation that the client existed in the department's case management system | 1 |
| No documentation to determine client eligibility for the program that was applied | 47 |
| Management approval to procure the services/items on behalf of client not received in advance | 1 |
| Total | 56 |

Detail of the purchase card exceptions, recommendations, and management responses have been reported to the Program Administrator and to the management of the appropriate departments (County Administrator, District Attorney, Financial Services, General Services, Health and Human Services Agency, Library, Probation and Sheriff) in separate letters dated May 28, 2019.

C. Audit Staff

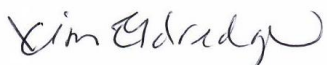
David Estrada, MPA, Auditor II
Staff Auditor:



Noemy Mora-Beltran, Auditor II
Lead Auditor (auditor in charge):



Kim Eldredge, CGAP, Senior Auditor
Supervising Auditor (approved by):



Summary of Purchase Card Transactions by Department

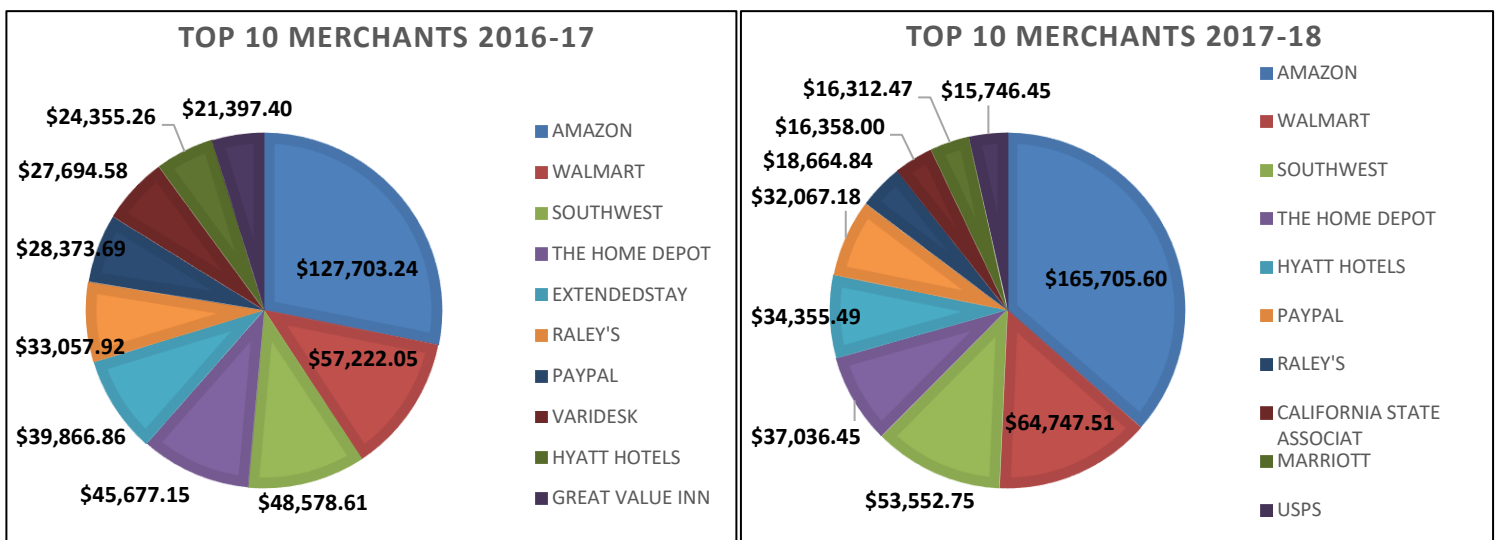
At the time of the audit, the County had 191 purchase cards issued to employees, which represent 11% of the total County employees. County departments spent \$1.56 million in fiscal year 2016-17 and \$1.58 million in 2017-18 charged to the purchase card program. The following chart provides an overview by department of the purchase card transactions for each fiscal year under review.

| Department | Number of Issued Cards | Fiscal Year 2016-17 | | Fiscal Year 2017-18 | |
|--------------------------|------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | | Number of Transactions | Transaction Amount | Number of Transactions | Transaction Amount |
| Agriculture | 4 | 161 | \$37,112.22 | 187 | \$32,669.67 |
| Assessor Clerk Elections | 4 | 351 | \$31,528.72 | 373 | \$32,940.64 |
| Board of Supervisors | 1 | 136 | \$22,662.75 | 125 | \$25,847.39 |
| Child Support Services | 4 | 123 | \$25,945.75 | 168 | \$41,602.36 |
| Community Services | 8 | 541 | \$90,021.19 | 444 | \$117,470.94 |
| County Administrator | 10 | 396 | \$77,410.70 | 449 | \$88,584.43 |
| County Counsel | 1 | 11 | \$832.49 | 16 | \$1,016.13 |
| District Attorney | 8 | 404 | \$45,914.03 | 312 | \$48,070.50 |
| Financial Services | 2 | 156 | \$33,829.76 | 167 | \$34,717.82 |
| General Services | 29 | 1,333 | \$178,508.38 | 1,134 | \$158,013.45 |
| Health Human Services | 43 | 2,367 | \$593,339.00 | 2,666 | \$539,040.25 |
| Library | 10 | 885 | \$98,420.79 | 762 | \$82,883.24 |
| Probation | 16 | 542 | \$96,803.89 | 691 | \$119,759.71 |
| Public Defender | 17 | 269 | \$38,980.13 | 267 | \$34,984.25 |
| Sheriff | 34 | 1,149 | \$188,779.96 | 1,213 | \$225,499.06 |
| Total | 191 | 8,824 | \$1,560,089.76 | 8,974 | \$1,583,099.84 |

(Figure 1) Transaction Summary by Department

Common Types of Merchants

The most common merchants paid by the purchase card relates to items purchased for a specified program, miscellaneous items, office supplies, minor equipment, training, and travel as illustrated in the “The Top 10 Merchants” in the pie charts below totaling \$453,927 during the fiscal year 2016-17 and \$454,547 in 2017-18.



(Figure 2) Top 10 Merchants by Fiscal Year

Yolo County Division of Internal Audit
Attachment B: Analytics of the Purchase Card Spending Limits

Summary of Spending Limits

Each purchase card has a single purchase limit and monthly credit limit established within the CAL-Card system. The majority of the cardholders have a single purchase limit of \$1,000 and a monthly credit limit between \$1,000 and \$10,000. Departments designate the maximum dollar amount allowed for each cardholder. The limit should be aligned with each cardholder’s purchasing needs. The spending limits are summarized below:

| Single Purchase Limit | Number of Cards | Monthly Credit Limit | Number of Cards |
|-----------------------|-----------------|----------------------|-----------------|
| \$0 to \$500 | 11 | \$250 | 1 |
| \$700 to \$800 | 7 | \$1,000 to \$2,000 | 23 |
| \$1,000 | 69 | \$2,500 to \$3,500 | 64 |
| \$1,500 | 14 | \$4,000 to \$5,000 | 54 |
| \$2,000 | 12 | \$6,000 to \$7,500 | 13 |
| \$2,500 | 8 | \$8,000 | 1 |
| \$3,000 | 32 | \$10,000 | 25 |
| \$3,500 | 1 | \$12,000 | 1 |
| \$5,000 | 37 | \$15,000 | 3 |
| | 191 | \$20,000 | 6 |
| | | | 191 |

(Figure 3) Purchase Card Spending Limits



County of Yolo

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CHAD D. RINDE, CPA
Chief Financial Officer

TOM HAYNES
Assistant Chief Financial Officer

DEPARTMENT OF FINANCIAL SERVICES

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- Internal Audit
- Procurement

MEMORANDUM

TO: Kim Eldredge, CGAP
Senior Auditor

FROM: Ryan Pistochini, Procurement Manager 

DATE: May 7, 2019

AUDIT WORK: Report on the Audit of Yolo County Purchase Card Program, Audit No. 2019-2

SUBJECT: Management Response to Draft Report

In response to the Audit of Yolo County Purchase Card Program for the period of July 1, 2016 to June 30, 2018, our comments are provided below:

Finding 1: Card management needs improvement

The purchase card program was not efficiently administered as stated below:

- No formal training for Cardholders, Approving Officials, and Reconcilers
- No written procedures for card issuance, cancellation, transfer to another department, employee terminations, and disciplinary actions for county and purchase card violations
- Cardholder and Approving Official list not available
Approving Officials are listed on the signature authorization forms filed with DFS, but the form does not include a list of cardholders that the approver is responsible for or employee titles to confirm the approver is at least one level above the cardholder.
- Cardholder Employee ID number not included in the CAL-Card System
- Cardholder name does not agree to the employee's full legal name (first, middle, last) to comply with the Office of Foreign Asset Control (OFAC) requirements
- Transfer employees to another department and/or promoted employees not updated in the CAL-Card system
- Cardholders with low usage or no activity not reviewed (at least annually) to determine continued business need of the cards
- Multiple cards issued to employees
- Criteria for spending and transaction limits not established
- Restricted MCCs not properly monitored

- a. Management position concerning the finding:
 Concur Do not concur

- b. Management comments:

The Cal-Card system does not contain a way to store employee ID numbers nor record promoted employees. thus there is currently not a way to efficiently address this portion of the finding.

Recommendation 1: The Program Administrator should review its internal controls over the management of the purchase card program to ensure that the above noted exceptions are addressed.

- a. Management position concerning the recommendation:
 Concur Do not concur

- b. Management comments:

From February 2019 through April 2019, management has trained approximately half of all cardholders on cardholder policies and procedures. A formal continuous training program for cardholders will be developed by June 30, 2019 based on the feedback from these training sessions. Formal training for Approving Officials will be completed by September 30, 2019 and formal training for Reconcilers will be completed by October 31, 2019.

Written procedures for card issuance, cancellation, transfers and terminations will be developed by July 31, 2019. Written procedures for violations will be developed by December 31, 2019.

Lists of cardholders assigned to approving officials will be developed by July 31, 2019.

US Bank recently introduced a compliance tool for the Office of Foreign Asset Control's legal name requirement. Procurement Division staff have been, and continue to, update cardholder records incrementally, with expected completion by July 31, 2019.

The Procurement Division will conduct a review of low/no balance cardholders in Fiscal Year 2018/2019 by August 30, 2019.

The Procurement Division will meet with the County Department that utilizes dual purchase cards as part of their regular operations and determine if alternative arrangements are possible by July 31, 2019.

Written procedures/criteria addressing monthly- and single-transaction credit limits will be developed by June 30, 2019.

Optional tools available from US Bank, the card issuer, were implemented in January 2019, allowing for greater visibility in monitoring restricted Cal-Card activity, such as restricted MCCs. Current tools turned on allow monitoring of weekend/holiday purchases, select vendor purchases, airline purchases, and possible split transactions. The Procurement Division will continue to improve its use and implementation of these monitoring tools in its regular processes by December 31, 2019.

- c. Actual / estimated Date of Corrective Action: Completion of all tasks is planned for December 31, 2019

Finding 3: Purchase Card Procedures Manual not up to date

The Purchase Card Procedures Manual does not provide clear instructions of what is required as a receipt for travel related expenses. The manual also does not include the contact name of the new program administrator and the requirement to submit all supporting documentation along with the journal entry to DFS. Furthermore, the manual does not reflect the current procurement thresholds and the updated forms from the new procurement policy adopted on January 1, 2019.

- a. Management position concerning the finding:

Concur Do not concur

- b. Management comments:

The Procurement Division agrees that the Manual needs updating to remain current and provide additional guidance to departments.

Recommendation 3: The Program Administrator should regularly update the Purchase Card Procedures Manual to reflect all changes to procedures, personnel and updates to the Cal-Card system. It is also recommended that the updated manual be sent to all Cardholders, Approving Officials, Reconcilers and other employees involved in the purchase card program.

- a. Management position concerning the recommendation:

Concur Do not concur

- b. Management comments:

The Procurement Division will update the manual and will distribute to employees prior to December 31, 2019.

- c. Actual / estimated Date of Corrective Action: December 31, 2019



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MEMORANDUM

TO: Kim Eldredge, CGAP
Senior Auditor

FROM: Sou Xiong, Accountant III
General Accounting Division

DATE: May 7, 2019

AUDIT WORK: Report on the Audit of Yolo County Purchase Card Program, Audit No. 2019-2

SUBJECT: Management Response to Draft Report

In response to the Audit of Yolo County Purchase Card Program for the period of July 1, 2016 to June 30, 2018, our comments are provided below:

Finding 2: Monthly reconciliations of the purchase card program not performed

The monthly purchase card billing cycle ends on the 22nd of each month. The General Accounting Division pays the monthly invoice through a wire transfer as soon as the invoice is received. Departments are required to submit approved cardholder statements and journal entries by the end of each month. The General Accounting Division is responsible for approving the journal entries and maintaining the accounting records. During the audit, it was found that the reconciliation of the purchase card transactions had not been completed only a tracking of the department journal entries as received. Additionally, the department journal entries were found to be more than one month(s) behind.

a. Management position concerning the finding:

Concur Do not concur

b. Management comments:

The Accounting & Financial Reporting Division acknowledges the audit finding and will devote staff resources toward the completion of timely reconciliation.

Recommendation 2: The General Accounting Manager should develop a process to ensure that the department journal entries are received and posted to the general ledger timely, in order, to complete the monthly reconciliation of the purchase card account.

a. Management position concerning the recommendation:

Concur Do not concur

b. Management comments:

The journal entry approval process has been a shared effort among all staff in the Accounting & Financial Reporting Division while the reconciliation process is completed by an Accounting Technician. The division has experienced staff turnover which has contributed to untimely reconciliation. The Accounting Supervisor has taken steps to achieve timely reconciliation by elevating the reconciliation process to a more experienced staff, however, progress has been slow due to an increased workload stemming from recent departures and leave of absence within the division. The Accounting & Financial Reporting Division will develop a process and procedures to ensure timely reconciliation of the purchase card account.

c. Actual / estimated Date of Corrective Action: October 31, 2019