

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT

**AGREED-UPON PROCEDURES FOR
PROCUREMENT CARD PROGRAM**

**COUNTY OF SACRAMENTO
PROBATION DEPARTMENT**

**FOR THE PERIOD JULY 1, 2021, TO
AUGUST 31, 2023**



Audit Committee Submittal Date: 03/21/2024

SUMMARY

Background

The County of Sacramento (County), Probation Department (Probation), participates in the County of Sacramento Procurement Card Program (Program). The Program for Probation was previously reviewed for the period of December 1, 2015, to April 30, 2018, dated August 1, 2018. The Department of Finance, Internal Audit Unit selected Probation for a current Program agreed-upon procedures.

Audit Objective

To verify that Probation's Program activities are in compliance with the County Program Guidelines and Procedures Manual, Program Policy, County Travel (Travel) Guidelines and Procedures, and Travel Policy for the period July 1, 2021, to August 31, 2023.

Summary

We reported an issue relating to sales/use taxes.

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

February 21, 2024

Marlon Yarber, Chief Probation Officer
County of Sacramento, Probation Department
8745 Folsom Blvd.
Sacramento, CA 95826

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Mr. Yarber:

In accordance with the County of Sacramento (County) Procurement Card Program (Program) Guidelines and Procedures Manual, County Program Policy, County Travel Guidelines and Procedures, and County Travel Policy, we have performed the procedures enumerated below related to the County, Probation Department (Probation) participation in the Program for period July 1, 2021, to August 31, 2023.

Probation's management is responsible for establishing and maintaining effective internal controls, and compliance with the Program and Travel's guidelines, policies and procedures, and all other applicable laws, regulations, and statutory requirements. The sufficiency of the procedures is solely the responsibility of Probation. Consequently, we make no representation regarding the sufficiency of the procedures described below, and on the following page, either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the procedures referred to below, and on page 2, and is not intended to pertain to any of Probation's other operations, procedures, or compliance with laws and regulations.

Our procedures and the results are summarized as follows:

- We inspected Probation's records to identify any non-compliance with the above cited guidelines, policies, and procedures.

Result: We noted Probation's December 2021 procurement card payment was made three days late, and April 2022 procurement card payment was underpaid by three dollars. We did not note additional late and under payments, and no penalty/interest as results of the late and under payments. However, we noted several sales/use tax accrual exceptions. See ATT1 - *Current Findings and Recommendations*.

- We selected and tested a total 30 procurement card purchases for the months of August 2021, September 2021, December 2021, April 2022, June 2022,

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November 2022, February 2023, March 2023, and July 2023 to identify any non-compliance with the previously cited guidelines, policies, and procedures.

Result: We noted one exception regarding sales/use taxes. See ATT 1 - *Current Findings and Recommendations*.

- We determined the current status of prior findings and recommendations reported on Probation's procurement card agreed-upon procedures report for the period December 1, 2015, to April 30, 2018, dated August 1, 2018.

Result: It appears that six out of seven prior recommendations have been implemented. See ATT 2 - *Current Status of Prior Findings and Recommendations*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards contained in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States of America. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on the Probation's accounting records, compliance, or results of our procedures referred above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the results of our procedures referred to above and on the previous page, and does not extend to Probation's operations as a whole.

Probation's responses to the findings identified during our procedures are described in ATT 1 – *Current Findings and Recommendations*. We did not perform procedures to validate the Probation's responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the information and use by the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Department of Finance, Department of General Services, and the Probation's management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments:

ATT 1 – *Current Findings and Recommendations*

ATT 2 – *Current Status of Prior Recommendations*

COUNTY OF SACRAMENTO
PROBATION DEPARTMENT
PROCUREMENT CARD REVIEW
AGREED-UPON PROCEDURES
CURRENT FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

1. Sales/Use Tax

Condition

During our testing of sample Procurement Card purchases, for the County of Sacramento (County), Probation Department (Probation) we randomly selected 30 transactions from nine (9) months to test, 12 of the 30 transactions included sales/use tax accruals. We noted that one (1) out of 12 tax accruals had an incorrect tax accrual amount that was over claimed. We also noted that Probation made five (5) monthly payments out of nine (9) monthly payments with the incorrect tax accrual amounts in Sacramento County Financial System (COMPASS) resulting in four (4) over and one (1) under accrual payment of sale/use taxes.

Criteria

Per California law and the Manual, if the merchant does not charge sales/use tax, sales/use tax must be paid by the purchaser when items are purchased on the internet or out of state with the intent to be used in California to avoid underpaying or overpaying the tax.

In addition, COMPASS entries of sales/use tax liabilities/receivables should be thoroughly reviewed before releasing the entries.

Effect

Probation did not comply with California law and the Manual. The incorrect entries in COMPASS resulted in an under/over accrued and outstanding tax liability.

Without thorough review processes, Probation may under or over accrue future sales/user tax liabilities without detecting the errors in a timely manner.

Recommendation

We recommend that Probation provide proper training on sales/use tax calculation and COMPASS data input to its procurement card users and staff who are involved in Procurement Card payment processes. In addition, Probation should perform thorough reviews of COMPASS entries prior to notifying Department of Finance, Payment Services staff that the procurement card payment is ready for processing.

Management Response

Probation ensures our staff is aware of the process for sales/use tax calculation. Our Fiscal managers will ensure fiscal team has proper training on sales/use tax calculation and COMPASS data input to its procurement card users. In addition, the

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Probation designated Deputy Auditor Controller (DAC) will ensure thorough reviews of COMPASS entries and the Unit Program Coordinator will provide guidance to new fiscal staff.

As a recommendation, it would be helpful to new staff if the Procurement Card Program Training covers the "Sale/Use Tax" more in depth for clarification and provides proper tools or a template that is user-friendly to procurement cardholders.

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CURRENT STATUS OF PRIOR RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2021, TO AUGUST 31, 2023

FROM THE PRIOR PROCUREMENT CARD AGREED-UPON PROCEDURES FOR THE PERIOD OF DECEMBER 1, 2015, TO APRIL 30, 2018, DATED AUGUST 1, 2018.

1. **Missing Signatures from Deputy Auditor-Controller**

Prior Recommendation

We recommended Probation comply with the Program Guidelines and Procedures Manual and have the Deputy A-C sign all appropriate documentation to indicate that a proper review was performed. We further recommended Probation to have their Deputy A-C review the responsibilities of the Deputy A-C listed on the Procurement Guidelines and Procedures Manual.

Current Status

It appears that the prior recommendation has been implemented.

2. **Access Unit Billing Office Contact**

Prior Recommendation

We recommended Probation comply with the Program Guidelines and Procedures Manual and have another individual, who is not a Cardholder, perform the duties of Unit Billing Office Contact. We further recommended Probation to review the Program Guidelines and Procedures Manual.

Current Status

It appears that the prior recommendation has been implemented.

3. **Sales/Use Tax**

Prior Recommendation

We recommended Probation comply with Program Guideline and Procedures Manual and California law and accrue appropriate tax when the merchant fails to charge Probation sales/use tax. If California sales tax charged by the merchant is incorrect and the difference is due to an under charge or over charge of California sales tax, Probation needs to accrue the difference in COMPASS, or resolve the difference with the merchant, respectively. We also recommended Probation not accrue tax in COMPASS when tax is not required for "shipping only" line-item

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FROM THE PRIOR PROCUREMENT CARD AGREED-UPON PROCEDURES FOR
THE PERIOD OF DECEMBER 1, 2015, TO APRIL 30, 2018, DATED
AUGUST 1, 2018.

charges. Furthermore, we recommended Probation to not accrue tax when it is not necessary.

Current Status

It appears that the prior recommendation has not been implemented. See ATT1 *Current Findings and Recommendations*.

4. Missing Activity and Quarterly Reports for FasTrak Purchases

Prior Recommendation

We recommended Probation comply with Program Guidelines and Procedures Manual and exemption responsibilities and track account activity and provide quarterly usage reports of activity matching FasTrak statement to DOF. We further recommended Probation to review all current exemptions that apply to them and ensure they have a complete understanding of additional documentation that needs to be documented and provided to other departments.

Current Status

It appears that the prior recommendation has been implemented.

5. County Travel Requests

Prior Recommendation

We recommended Probation comply with Program Guidelines and Procedures Manual and send all exemption requests to the Program Administrator and ensure that the exemption requests are approved by the Directors of DOF and General Services. In addition, if Probation identifies specific individuals in the exemption requests, Probation should ensure that individuals who do not fall under the exemptions are following all applicable policies and procedures. We further recommended Probation comply with County of Sacramento Travel Guidelines and Procedures and obtain and retain an approved County Travel Request for all transactions made with the Travel Procurement Card.

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Current Status

It appears that the prior recommendation has been implemented.

6. Prohibited Transaction and Unnecessary Costs to the County

Prior Recommendation

We recommended Probation to implement a process that will allow them to pay invoices on time to avoid paying late fees. In addition, we recommended Probation to discontinue using the County of Sacramento Procurement Card to pay for EarlyBird Check-In fees and transactions related to fundraising.

Current Status

It appears that the prior recommendation has been implemented, since Probation has avoided late fees and early bird check-in fees.

7. Repeat Finding

Prior Recommendation

We recommended Probation to implement the prior recommendations in a timely manner.

Current Status

It appears that the prior recommendations have been implemented, except for Prior Recommendation #3.