



*Final  
Report*

# County of San Diego, California

---

**Auditor and Controller**

## **Procurement Card Program Audit**

Office of **A**udits & **A**dvisory **S**ervices

---

**September 2009  
Report No. A09-001**



# COUNTY OF SAN DIEGO

## INTER-DEPARTMENTAL CORRESPONDENCE

September 11, 2009

TO: Winston McColl, Director  
Purchasing & Contracting

Christopher Gilmore, Deputy Controller  
Auditor and Controller

Lynne M. Prizzia, IT Audit Manager  
Auditor and Controller

April F. Heinze, Director  
General Services

Terry Hogan, Finance Director  
Health & Human Services Agency

Kathleen A. Flannery, Group Finance Director  
Land Use & Environment Group

Brian Albright, Director  
Parks & Recreation

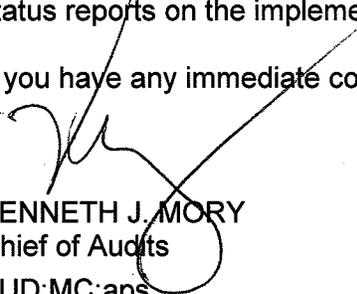
FROM: Kenneth J. Mory  
Chief of Audits

### FINAL REPORT: PROCUREMENT CARD PROGRAM AUDIT

Enclosed is our report on the Procurement Card Program Audit. The report includes various audit findings and recommendations.

We have reviewed your responses and have attached them to the audit report. The actions taken and planned, in general, are responsive to the findings and recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.

  
KENNETH J. MORY  
Chief of Audits

AUD:MC:aps

### Enclosure

- c: Mikel D. Haas, Deputy Chief Administrative Officer, Community Services Group  
Nick N. Macchione, Director, Health & Human Services Agency  
Chandra L. Wallar, Deputy Chief Administrative Officer, Land Use & Environmental Group  
Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Kaye Hobson, Group Finance Director, Community Services Group  
Ebony N. Shelton, Group Finance Director, Finance & General Government Group

**BACKGROUND**

In accordance with the annual audit plan, the Office of Audits & Advisory Services (OAAS) completed an audit of the Procurement Card (P-Card) program.

**Procurement Card Program** – As part of the State's CAL-Card program, the County's P-Card program is a tool for effectively and efficiently purchasing and paying for goods and services. The P-Card Unit of the County's Department of Purchasing & Contracting (P&C) administers the program. The five-staff P-Card Unit manages and monitors the program, facilitates the training required for all program participants, establishes and communicates rules and guidelines, oversees participants' compliance with the program's policies and procedures, and coordinates the interfaces between the bank and the County's Oracle Financial system.

As of May 2009, P-Card program participants included 623 cardholders, 208 approving officials, and 65 department coordinators. Relevant statistics are listed in the table below.

<b>Fiscal Year</b>	<b>Number of P-Card Transactions</b>	<b>Total Transaction Amount</b>
FY 08-09	92,017	\$34,418,627
FY 07-08	92,978	\$34,266,837
FY 06-07	89,646	\$32,111,179

**ACL Continuous Controls Monitoring Application** – In Fiscal Year 2005-06, the County management decided to procure, develop, and install a continuous auditing software system. Eventually, the County purchased the Procurement Cards and Purchase-to-Payment modules of the ACL Continuous Controls Monitoring (CCM) application.<sup>1</sup> Implementation of the P-Cards module was completed in December 2006, and deployment was completed in May 2008.

The CCM modules come with multiple standard analytics with the capability to add customized analytics. Currently, there are 36 P-Card analytics. The CCM Advisory Team<sup>2</sup> recommended certain analytics be centrally monitored by P&C and Accounts Payable with the remaining analytics decentralized to 12 County Groups/Departments.<sup>3</sup> At deployment, all of the 14 CCM entities had assigned staff to be their CCM Monitors, including a primary monitor and at least one backup monitor.

**AUDIT SCOPE AND LIMITATIONS**

The objectives of the audit were: 1) to assess the effectiveness of monitoring activities related to the P-Cards module of the ACL CCM application; and 2) to review the controls of the County's P-Card program for the six months ending December 2008.

<sup>1</sup> The software vendor is ACL (Audit Command Language).

<sup>2</sup> The Advisory Team consists of key Accounts Payable and P&C managers and staff.

<sup>3</sup> The entire County is divided into 12 CCM entities to facilitate monitoring of *decentralized* analytics. Any departments with more than 10 P-Cards are set up as a separate CCM entity. All other departments are monitored at the County Group level.

This audit was conducted in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236.

## **METHODOLOGY**

OAAS implemented a multi-faceted audit methodology. Key steps are highlighted below:

- Reviewed results of audit fieldwork performed on the P-Card program by OAAS in 2006;
- Interviewed P-Card Unit staff to inquire about updates of the 2006 audit fieldwork and reviewed supporting documents;
- Judgmentally selected seven CCM Monitors to interview in order to understand the qualification of monitors, monitoring compliance, management support and oversight, and benefits of the system;
- Reviewed the P-Card transactions flagged by the CCM system on a sample basis to determine the extent of follow-up activities performed by CCM Monitors; and
- Conducted a risk assessment on CCM analytics. For analytics of higher risk, reviewed CCM Monitors' notes, and supporting documents if deemed necessary, to assess the effectiveness of monitoring activities.

## **AUDIT RESULTS**

Based on the results of this audit, OAAS can provide reasonable assurance that P&C has implemented internal controls required to meet the objectives of the County's P-Card program. However, improvements to the program can be made in the following areas:

### **Finding I: CCM Monitoring Should be Performed by all Groups/Departments**

Five of the 14 CCM entities had not performed any CCM monitoring prior to the commencement of this audit, but two of the five started monitoring in January 2009.<sup>4</sup> Additionally, as of June 2009, two of the 14 CCM entities had no backup monitors for at least six months;<sup>5</sup> however, both entities identified new backup monitors in July 2009.

Based on interviews with CCM Monitors and some of their supervisors,<sup>6</sup> monitoring was not performed because of resource limitations, staff turnover, and/or the lack of operational focus and oversight to enforce CCM monitoring.<sup>7</sup> Also, certain operational management did not identify replacement monitors when CCM Monitors left the department.

<sup>4</sup> The five CCM entities are Land Use & Environment Group, Health & Human Services Agency (HHSA), Department of Parks & Recreation, Department of General Services, and Accounts Payable. However, HHSA and Accounts Payable started regular monitoring in January 2009.

<sup>5</sup> The two CCM entities are Department of Parks & Recreation and Department of General Services.

<sup>6</sup> Interviewees represented seven of the 14 CCM entities, including four of the five CCM entities which did not perform any CCM monitoring.

<sup>7</sup> OAAS interviewed representatives from four of the five CCM entities which did not perform any CCM monitoring. One CCM Monitor stated that she did not perform any monitoring because of competing priorities.

According to the CCM User Manual, each analytic should be monitored at least monthly so that any potential issues can be resolved in a timely manner. Besides, the ACL CCM monitoring has been listed as a key control for various financial risks identified in the County's Financial Risk Assessment and Control initiative. The lack of CCM monitoring in several Groups/Departments exposes the County to potential financial loss and financial statement errors.

### **Finding II: Fine-tuning Opportunities Exist for ACL CCM Application**

OAS audit work determined that three of the 36 analytics (8%) had over 10,000 exceptions per analytic in the six-month sample period. For instance, there were 27,633 exceptions for the Analytic *Same Amount Multiple Cards* in the six-month sample period. The analytic matches each P-Card transaction with all other P-Card transactions with the same merchant and of the same amount in the past three months across all County departments. However, each CCM entity can only view its own transactions. As a result, when different departments do business with the same merchant, each CCM Monitor can only view one of the multiple matched transactions, causing a lot of confusion for the monitor.

The logic of certain CCM analytics is very complex; therefore, the extent of resulting "false positive" exceptions could not be accurately predicted prior to CCM system deployment. The excessive "false positive" exceptions may cause CCM Monitors to potentially spend unnecessary time attempting to resolve low-risk exceptions.

### **Finding III: Exception Resolution Procedures for Centralized Analytics Need to be Added to the CCM User Manual**

Currently, there are no exception resolution procedures for centralized analytics in the CCM User Manual. P-Card Unit only has a few simple notes on the exception resolution procedures for the five centralized analytics it is responsible for. Accounts Payable has drafted detailed exception resolution procedures for the two centralized analytics it is responsible for, but the procedures are not included in the CCM User Manual. In case of staff turnover, CCM Monitors for centralized analytics may not have transitioned the necessary knowledge to resolve the exceptions.

### **Finding IV: Blanket Pre-approval Letter**

The Department of Parks and Recreation (DPR) issued a blanket pre-approval letter to its cardholders, covering 329 vendors (e.g., Albertsons, AMC Theaters) and various types of materials.<sup>8</sup> The pre-approval letter appears to cover almost all P-Card purchases made by the Department, thus significantly reducing the effectiveness of the pre-purchase control and

---

Another CCM entity's monitor stated that her supervisor never requested any reports related to CCM and that her department had not had adequate staffing for the past several months due to management and staff turnover. An operational manager of the third CCM entity stated that his staff did not perform CCM monitoring due to resource limitations. An operational manager of the fourth CCM entity stated that CCM monitoring was overlooked due to management turnover.

<sup>8</sup> Such as: Miscellaneous lumber, fencing, sheetrock, cement, window glass, screening, roofing materials and supplies for facility maintenance, paints, dirt, metal, road repair.

increasing the risk for unauthorized purchases. Besides, one prohibited merchant is listed on the pre-approval letter.<sup>9</sup>

According to the P-Card Manual,<sup>10</sup> Approving Officials “must explicitly pre-approve all purchases made by [their] cardholders in writing. This may be done individually before each purchase, or by providing precise guidelines concerning types or categories of items, and/or by specifying the supplier(s) [they] allow, etc.”

Pre-approvals are designed to insure segregation of duties among approval, custody and recording of P-Card transactions. However, the blanket pre-approval letter has effectively removed the pre-approval control, thus weakening the overall segregation of duties for the purchasing process using a P-Card.

Upon discussion of the finding with OAAS, the P-Card Unit performed further research and noted that there was only one approver for all 62 cardholders in DPR. According to P-Card Unit management, the ideal approver to cardholder ratio is one to five (1:5) or one to six (1:6), while the maximum ratio should be one to ten (1:10). The exceptionally high ratio of one to 62 (1:62), and thus the high volume of workload for the approver, may have caused DPR to use the blanket pre-approval letter to inappropriately reduce the approver’s workload. P-Card Unit management indicated that they had contacted the DPR management and recommended that more approvers should be added.

To strengthen the controls on pre-approval letters, P-Card Unit management has planned the following actions:

- Pre-approval policies in the P-Card Manual will be tightened. P-Card Unit management will add more stringent rules for pre-approval lists, and each list of commodities will be tied into specific vendors; and
- P-Card Unit management will review and approve all departmental pre-approval lists of P-Card purchases.

## **RECOMMENDATIONS**

### **Recommendation I:**

1. To resolve any potential P-Card control issues in a timely manner, Group/Department management should require regular CCM monitoring in accordance with the CCM Manual requirements;
2. To ensure CCM monitoring is continually conducted, Group/Department management should identify replacements for CCM Monitors and ensure an adequate transition process when there is staff turnover;

---

<sup>9</sup> According to the P-Card Unit, cardholders should not purchase from Amazon.com because the merchant does not hold a California sales tax permit. However, Amazon.com was listed as an approved merchant in Department of Parks and Recreation’s blanket pre-approval letter.

<sup>10</sup> Pages 25-26, Section 4.6

3. OAAS should schedule CCM refresher training as needed but at least semi-annually; and
4. To facilitate communication with CCM Monitors, OAAS and P&C should conduct quarterly CCM User Group meetings.

**Recommendation II:** To improve the cost-effectiveness of CCM monitoring, CCM analytics should be evaluated for fine-tuning opportunities.

1. OAAS should work with the CCM Advisory Team to conduct a risk assessment to identify analytics related to critical controls.<sup>11</sup> Any system issues related to the high-risk analytics should be resolved in a timely manner; and
2. OAAS should continue to work with ACL and Northrop Grumman Information Technology to resolve various ACL CCM system issues by identifying root causes and resolutions, and related implementation costs. Different options should be considered, such as adjusting parameters within the analytics and requesting ACL programming changes. Cost-benefit analysis should be conducted to optimize the value received.

**Recommendation III:**

1. P&C should draft the exception resolution procedures for their centralized analytics and add the procedures to the CCM User Manual; and
2. Accounts Payable should add the exception resolution procedures for their centralized analytics to the CCM User Manual.

**Recommendation IV:** P&C management should regularly review any blanket pre-approval lists for appropriateness. P-Card desk reviews should be done at least annually on departments with extensive blanket pre-approval lists due to higher risks.

**Recommendation V:** To improve the awareness and knowledge of best practice management controls for the P-Card program, different County staff should receive related training.

1. County managers whose departments participate in the P-Card program should receive training on the P-Card program and related internal control practices;<sup>12</sup>
2. P-Card program participants should receive training on P-Card controls; and
3. The P-Card Unit management should participate in the training on Management Control Initiative<sup>13</sup> offered by the OAAS.

<sup>11</sup> For example, analytics related to key financial risks as stated in the County's Financial Risk Assessment and Control initiative.

<sup>12</sup> Specific instruction would focus on the five interrelated components of internal control systems, adopted in reference to the Sarbanes-Oxley Act of 2002 (Public Law 107-204) and OMB Circular A-123 entitled, *Management's Responsibility for Internal Control*. The five components are control environment, risk assessment, control activities, information and communication, and monitoring.

<sup>13</sup> In order to strengthen countywide internal controls, OAAS started the Management Control Initiative (MCI). Under the MCI, OAAS provides training to key staff from various County departments so that the trainees will be able to implement management controls within their departments.

### **COMMENDATION**

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the Department of Purchasing & Contracting's officers and staff throughout this audit.

### **AUDIT TEAM**

Mady Cheng, Senior Auditor

**DEPARTMENT RESPONSE  
PURCHASING AND CONTRACTING**



# County of San Diego

**Department of Purchasing and Contracting**  
10089 Willow Creek Road, Suite 150, San Diego, California 92131-1699

Winston F. McColl  
Director

TELEPHONE (858) 537-2500  
FAX (858) 715-6452

August 13, 2009

**RECEIVED**

**AUG 18 2009**

**OFFICE OF AUDITS &  
ADVISORY SERVICES**

TO: Kenneth J. Mory, Chief of Audits  
Audit and Controller

FROM: Winston F. McColl, Director  
Department of Purchasing and Contracting

**RESPONSE TO FINAL DRAFT REPORT: PROCUREMENT CARD PROGRAM  
AUDIT A90-001**

Attached is our response to your Final Draft Report: Procurement Card Program Audit A90-001.

If you have any questions, please contact Ken Carstens, Procurement Manager at (858) 537-2560.

WINSTON F. McCOLL, Director  
Department of Purchasing and Contracting

WFM:co

Attachment

**Response to P-Card Program Audit Report No. A09-001:**

The Department of Purchasing and Contracting (P&C) is committed to implementing necessary improvements in the areas identified in this audit that are within P&C's responsibility and where possible to support improvements in areas within the responsibility of other Groups and Departments.

P&C concurs with all Findings and Recommendations, and has taken or plans to take corrective or improvement actions as follows:

**Recommendation I:** CCM Monitoring Should be Performed by all Groups/Departments

1. P&C will continue to perform monthly monitoring of P-Card analytics in accordance with CCM Manual requirements.
2. P&C has established backup monitors and will ensure an adequate transition process when staff turnover occurs.
3. P&C will take advantage of future OAAS scheduled CCM refresher training as often as possible.
4. P&C will work jointly with OAAS to conduct quarterly CCM User Group meetings to facilitate communications with CCM monitors. Minutes should be distributed from each of these meetings.

**Recommendation II:** Fine-Tuning of CCM Application

1. P&C will participate with OAAS and other members of the Advisory Team to conduct a risk assessment to identify analytics related to critical controls as indicated in the County's Financial Risk Assessment and Controls (FRAC) initiative, and to assist with resolution of any issues with these analytics. Minutes should be distributed from each of these meetings.

**Recommendation III:** Exception Resolution Procedures for Centralized Analytics Need to be Added to CCM Users Manual

1. P&C Exception Resolution Procedures for the five P&C centralized analytics will be completed and provided to OAAS no later than September 1, 2009.

**Recommendation IV:** Blanket Pre-Approval Letters

1. P&C concurs with this recommendation and has strengthened P-Card Program procedures to require Departmental Pre-Approval letters approve only routine repetitive purchases of specified categories of items from named suppliers within stated transaction dollar limits for each category and/or supplier. All Pre-Approval Letters are now being reviewed by the P-Card Program supervisor or manager to ensure they meet these new guidelines before the letters can be utilized. These changes have been announced to the P-Card community via a global email on March 24, 2009 and have been incorporated into the P-Card Manual on pages 29 and 30.

2. P&C will conduct desk reviews at least annually on departments with extensive pre-approval letters due to higher risks to use pre-approval letters.
3. Additionally, P&C recommended that the number of Approving Officials (AOs) in Parks& Recreation be increased to mitigate the excessive pre-approval workload on the single AO. The number of AOs was subsequently increased to five which significantly improves the span of control and the ability to properly pre-approve P-Card purchases.

**Recommendation V:** To improve awareness and knowledge of best practice management controls for the P-Card program, provide related training to appropriate County staff.

1. To implement this recommendation, P&C will work to develop an LMS training session for managers whose departments participate in the P-Card program. The training will focus on internal control practices as related to the P-Card program. We will need assistance from Human Resources to set up the training in the LMS system, and anticipate completion by September 2010.
2. P-Card participants already receive training on the P-Card controls as identified in the P-Card Financial Risk Assessment & Controls (FRAC) matrix and flowcharts. But P&C will tailor the training to more directly speak to the MCI concepts of risk assessment, controls to mitigate these risks, monitoring, etc as covered in the MCI workshops. This training modification will be accomplished no later than October 30, 2009.
3. The P-Card Manager has already attended MCI training workshops conducted by OAAS and will continue to attend MCI training sessions in the future.

**DEPARTMENT RESPONSE  
AUDITOR AND CONTROLLER**



## County of San Diego

DONALD F. STEUER  
CHIEF FINANCIAL OFFICER  
(619) 531-5413  
FAX (619) 531-5219

AUDITOR AND CONTROLLER  
1600 PACIFIC HIGHWAY STE 166, SAN DIEGO, CALIFORNIA 92101-2478

TRACY M. SANDOVAL  
ASST. CHIEF FINANCIAL OFFICER/  
AUDITOR & CONTROLLER  
(619) 531-5413  
FAX (619) 531-5219

August 18, 2009

To: Ken Mory  
Office of Audits and Advisory Services

From: Christopher P. Gilmore  
Deputy Controller

RECEIVED

AUG 26 2009

OFFICE OF AUDITS &  
ADVISORY SERVICES

PROCUREMENT CARD (P-Card) AUDIT

Per Board Policy B-44, our response to the recommendation included in your final draft audit report of the P-Card Program is noted below.

### Audit Recommendation

Accounts Payable should add the exception resolution procedures for their centralized analytics to the CCM User Manual.

### Response

As noted in your report, the Accounts Payable Division has drafted detailed exception resolution procedures for its two centralized analytics. However, these procedures are not included in the CCM User Manual. Consequently, when there is staff turnover, it is possible that CCM Monitors may not properly transition the necessary knowledge to resolve these exceptions. To ensure continuity, these procedures will be added to the CCM User Manual by September 30, 2009.

If you have any questions regarding this response, please contact Michele Crichlow, Manager of Accounts Payable at 619-531-5334.

CHRISTOPHER P. GILMORE  
Deputy Controller

AP:MC:lr

c: Tracy Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Michele Crichlow, Senior Auditor and Controller Manager



COUNTY OF SAN DIEGO  
INTER-DEPARTMENTAL CORRESPONDENCE

August 24, 2009

RECEIVED

AUG 24 2009

OFFICE OF AUDITS &  
ADVISORY SERVICES

TO: Kenneth J. Mory  
Chief of Audits

FROM: Lynne Prizzia  
IT Audit Manager

RESPONSE TO FINAL DRAFT REPORT NO. A09-001: PROCUREMENT CARD PROGRAM  
AUDIT

OAAS concurs with the Findings and Recommendations, and has taken or plans to take improvement actions as follows:

**Recommendation I:** OAAS Should Schedule CCM Refresher Training as Needed and Conduct Quarterly CCM User Group Meetings

OAAS conducted two ACL CCM training sessions in August 2009 and will continue to provide user support and additional training as needed. OAAS plans to work with the Advisory Team to organize quarterly user group meetings and will provide refresher training at these meetings.

**Recommendation II:** OAAS Should Work with the Advisory Team to Conduct a Risk Assessment and Work with ACL and NGIT to Resolve ACL CCM System Issues

To improve the cost-effectiveness of CCM monitoring, OAAS plans to evaluate CCM analytics for fine-tuning opportunities. OAAS will work with the CCM Advisory Team to conduct a risk assessment to identify analytics related to critical controls. Issues related to high-risk analytics will be resolved timely.

OAAS will continue to work with ACL and NGIT to resolve various ACL CCM system issues by identifying root causes and resolutions, and related implementation cost. Different options will be considered and a cost-benefit analysis will be conducted to maximize the value received.

If you have any questions or need additional information, please contact me at (858) 495-5526.

A handwritten signature in cursive script that reads "Lynne Prizzia".

LYNNE PRIZZIA  
IT Audit Manager

AUD:LP:aps

**DEPARTMENT RESPONSE  
GENERAL SERVICES**



# County of San Diego

APRIL F. HEINZE, P.E.  
Director  
(858) 694-2527  
FAX (858) 694-8929

DEPARTMENT OF GENERAL SERVICES

5555 OVERLAND AVE., STE. 2240, SAN DIEGO, CA 92123-1294

FACILITIES OPERATIONS  
(858) 694-3610  
FLEET MANAGEMENT  
(858) 694-2876  
MAIL SERVICES  
(858) 694-3018  
PROJECT MANAGEMENT  
(858) 694-2040  
REAL ESTATE SERVICES  
(858) 694-2291

August 14, 2009

RECEIVED

TO: Kenneth J. Mory, Chief  
Office of Audits & Advisory Services

FROM: April F. Heinze, P.E., Director  
Department of General Services

AUG 14 2009

OFFICE OF AUDITS &  
ADVISORY SERVICES

## AUDIT RESPONSE – PROCUREMENT CARD PROGRAM AUDIT

In response to the final draft report (No. A09-001) dated July 2009, the following response details the recent and confirming activities which management believes will address the findings of this audit. In general, the Department of General Services (DGS) concurs with the audit findings and will fully support the recommendations to approve the accountability of procurement card program.

Finding I: CCM Monitoring should be Performed by all Groups/Departments

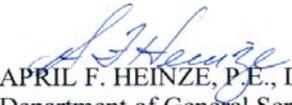
**Response:** Concur.

### Response to Recommendations:

In general, DGS concurs in principle with the issues that the recommendation addresses. Primarily cited in the recommendation 1) To resolve any potential P-Card control issues in a timely manner, Group/Department management should require regular CCM monitoring in accordance with the CCM Manual requirements; and 2) To ensure CCM monitoring is continually conducted, Group/Department management should identify replacements for CCM Monitors and ensure an adequate transition process when there is staff turnover.

Effective July 22, 2009, DGS identified a new CCM Monitor and back-up monitor and communicated such to OAAS. Training is being scheduled by OAAS at which time the new CCM monitor will commence compliance with the CCM Manual requirements.

If you need any further information, please feel free to contact me at (858) 694-2338.

  
APRIL F. HEINZE, P.E., Director  
Department of General Services

*MISSION: To provide cost-effective, efficient, high quality and timely support services  
to County departments, groups and agencies*

**DEPARTMENT RESPONSE  
HEALTH AND HUMAN SERVICES AGENCY**



County of San Diego  
HEALTH AND HUMAN SERVICES AGENCY

NICK MACCIONE  
DIRECTOR

TERRY HOGAN  
FINANCE DIRECTOR

1700 PACIFIC HIGHWAY, SAN DIEGO, CALIFORNIA 92101-2417  
(619) 515-6555 Fax (619) 515-6556

August 24, 2009

RECEIVED

AUG 26 2009

OFFICE OF AUDITS &  
ADVISORY SERVICES

TO: Ken Mory, Chief of Audits  
Office of Audits and Advisory Services

FROM: Terry Hogan, Executive Finance Director  
Financial and Support Services Division

**RE: PROCUREMENT CARD PROGRAM AUDIT DRAFT REPORT JULY 2009**

We have reviewed the recommendations noted in the July 2009, Procurement Card Program Audit *Draft Report*. We would like to respectfully present our response to the findings and recommendations. We have coordinated the responses to your recommendations in Attachment A. The responses indicate actions that comply with the cited recommendations.

If you have any questions or comments please feel free to contact me or to contact Jim Lardy.

Sincerely,

A handwritten signature in blue ink that reads "Terry Hogan".

TERRY HOGAN  
Executive Finance Director

TH/JL/dm  
Attachment

cc: Jim Lardy, Finance Officer (W403)

Attachment A

COUNTY OF SAN DIEGO  
Response Schedule

Recommendation	STATUS
<p>1.1 To resolve any potential P-Card control issues in a timely manner, Group/Department management should require regular CCM monitoring in accordance with the CCM Manual requirements.</p>	<p>We agree with this recommendation and have been regularly monitoring the CCM since January 2009.</p>
<p>1.2 To ensure CCM monitoring is continually conducted Group/Department management should identify replacements for CCM Monitors and ensure an adequate transition process when there is staff turnover.</p>	<p>We agree with this and if HHSA has any turnover we will identify replacements and ensure an adequate transition process.</p>
<p>1.3 OAAS should schedule CCM refresher training as needed but at least semi-annually.</p>	<p>This recommendation is tailored to OAAS, but if it is implemented we will participate in the training as offered.</p>
<p>1.4. To facilitate communication with CCM Monitors, OAAS and P&amp;C should conduct quarterly CCM User Group meetings.</p>	<p>We agree that a CCM meeting would be useful and HHSA personnel will participate in any meetings.</p>
<p>2. To improve the Cost-effectiveness of CCM monitoring, CCM analytics should be evaluated for fine-tuning opportunities.</p>	<p>We agree that some of the CCM analytics could be improved and will assist if we need to.</p>
<p>2.1 OAAS should work with the CCM Advisory Team to conduct a risk assessment to identify analytics related to critical controls. Any system issues related to the high-risk analytics should be resolved in a timely manner.</p>	<p>We agree and will assist if needed.</p>
<p>2.2 OAAS should continue to work with ACL and Northrop Grumman Information Technology to resolve various ACL CCM system issues by identifying root causes and resolutions and related implementation costs. Different options should be considered such as adjusting parameters within the analytics and requesting ACL programming changes. Cost-Benefit analysis should be conducted to optimize the value received.</p>	<p>We agree and will assist if needed.</p>
<p>3.1 P &amp; C should draft the exception resolution procedures for their centralized analytics and add the procedures to the CCM User Manual.</p>	<p>This recommendation is tailored to P and C. We will utilize any new procedures that are added.</p>

<p>3.2 Accounts Payable should add the exception resolution procedures for their centralized analytics to the CCM user Manual.</p>	<p>This recommendation is tailored to Accounts Payable. We will utilize any new procedures that are added.</p>
<p>4. P &amp; C management should regularly review any blanket pre-approval lists for appropriateness. P-card desk reviews should be done at least annually on departments with extensive blanket pre-approval lists due to higher risks.</p>	<p>This recommendation is tailored primarily to P and C; however HHSA will review any pre approval requests before forwarding them to P and C for appropriateness.</p>
<p>5. To improve the awareness and knowledge of best practice management controls for the P-card program, different County Staff should receive related training.</p>	<p>We concur with this recommendation and HHSA will participate in any training.</p>
<p>County managers whose departments participate in the P-Card program should receive training on the P-Card program and related internal control practices.</p>	<p>We concur with this recommendation and HHSA will participate in any training.</p>
<p>P-Card program participants should receive training on P-Card controls; and</p>	<p>We concur with this recommendation and HHSA will participate in any training on P-Card controls.</p>
<p>The P-Card Unit management should participate in the training on Management Control Initiative offered by the OAAS.</p>	<p>This recommendation is tailored to P and C; however HHSA will participate in any training offered.</p>

**DEPARTMENT RESPONSE  
LAND USE AND ENVIRONMENT GROUP/  
PARKS AND RECREATION**



## County of San Diego

CHANDRA L. WALLAR  
DEPUTY CHIEF ADMINISTRATIVE OFFICER

LAND USE AND ENVIRONMENT GROUP

1600 PACIFIC HIGHWAY, ROOM 212, SAN DIEGO, CALIFORNIA 92101-2422  
(619) 531-6256 • FAX (619) 531-5476

August 14, 2009

RECEIVED

AUG 18 2009

TO: Ken Mory  
Chief of Audits

OFFICE OF AUDITS &  
ADVISORY SERVICES

FROM: Kathleen A. Flannery, Group Finance & Human Resources Director  
Land Use & Environment Group

### FINAL DRAFT REPORT: PROCUREMENT CARD PROGRAM AUDIT

This is in response to the Procurement Card Program Audit report dated July 31, 2009. Although this was an enterprise wide report, we will only address those items which impact this Group's departments.

#### Finding I: CCM Monitoring should be performed by all Groups/Departments:

It should be noted that the Land Use and Environment Group Executive Office does not have an issued P-card. The purpose of the CCM monitoring by this Executive Office was for the purpose of having oversight over all of the departments within the Group. We scheduled one of our staff for a refresher course and will review department's usage on a routine basis.

As for the Department of Parks and Recreation, CCM monitoring was not performed due to staff turnover resulting in inadequate staffing for several months. Below are actions to be taken:

1. The department has identified Parks & Recreation's new CCM Monitor, Tanya Eames, who is replacing the former CCM Monitor who left the department several months ago. Toroshinia Kennedy will be Ms. Eames back-up to ensure seamless transition in the event of staff turnover.
2. Tanya Eames attended the training on August 11, 2009 and Toroshinia Kennedy is registered for the Refresher course.
3. Department management will schedule a regular meeting with the CCM Monitors in accordance with CCM Manual requirements regarding updates/issues and to resolve these issues in a timely manner.
4. The department CCM Monitors will attend the recommended quarterly CCM User Group meetings to be hosted by Purchasing & Contracting and

Ken Mory  
August 14, 2009  
Page 2

the Office of Audits & Advisory Services in order to facilitate communication.

**Finding II & III**

Concerning the findings in these two areas – Fine Tuning CCM Application and Resolution Procedures for Centralized Analytics - we would suggest starting a users' group for CCM. We find that our department CCM monitors have useful suggestions for the furtherance of this application. For example, we'd suggest identifying "false positives" at a group level rather than at a county-wide enterprise level as being more efficient, e.g., purchasing handguns may be acceptable in PSG, but not the other four groups.

**Finding IV: Blanket Pre-Approval Letter:**

The Department of Parks and Recreation issued a blanket pre-approval letter which covers almost all P-card purchases by the department and included on the list one prohibited merchant. Upon further research, it was also noted that there was only one approver for all 62 cardholders which may have caused the use of blanket pre-approval to reduce approver's workload. Below are actions to be taken:

1. The department's pre-approval list was revised on June 23, 2009. The list only contains vendors from which the department makes "routine" purchases and each list of commodities is tied to a specific vendor. P-cardholders must request written pre-approval individually for P-card purchases from vendors that are not listed on the pre-approval list.
2. Purchasing & Contracting reviewed and approved the department's pre-approval lists and ensured compliance with the P-card Manual Pre-Approval policies.
3. The department will communicate to all P-cardholders not to purchase from Amazon.com as the merchant does not hold a California sales tax permit.
4. The Financial Services unit recently assigned additional approvers to have sufficient staff to perform reviews and be able to strengthen the controls on pre-approval letters. The increased number of Approving Officials should fall within the recommended ratio.
5. All P-card program participants will receive regular training on the P-card program and related internal control practices to improve awareness and knowledge of best practice management controls.
6. Furthermore, the Parks and Recreation Department agrees to review the number of P-cards (62) currently issued and will make any necessary adjustments to improve the efficiency of this purchasing tool.

Ken Mory  
August 14, 2009  
Page 3

Please contact me, or Moises Ortiz, Assistant Group Finance Director at 557-4192, if you have any questions or need additional information concerning the above.



Kathleen A. Flannery  
Group Finance & Human Resources Director  
Land Use & Environment Group

copies: Chandra Wallar, Deputy Chief Administrative Officer, (LUEG)  
Donald Steuer, Chief Financial Officer  
Tracy Sandoval, Assistant Chief Financial Officer (Auditor & Controller)  
Brian Albright, Director, Parks and Recreation