

OFFICE OF AUDITS & ADVISORY SERVICES



COUNTYWIDE P-CARD AUDIT

FINAL REPORT

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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

May 9, 2023

TO: Marko Medved, Director
Department of General Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: COUNTYWIDE P-CARD AUDIT

Enclosed is our report on the Countywide P-Card Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:CJE:nb

Enclosure

c: Ebony N. Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group



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JUAN R. PEREZ
CHIEF OF AUDITS

May 9, 2023

TO: Jack Pellegrino, Director
Department of Purchasing and Contracting

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: COUNTYWIDE P-CARD AUDIT

Enclosed is our report on the Countywide P-Card Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Ebony N. Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group

INTRODUCTION

Audit Objective The Office of Audits & Advisory Services (OAAS) completed a Countywide Procurement Card (P-Card) audit. The objective of the audit was to evaluate the appropriateness of P-Card purchases and determine if internal controls are in place and operating effectively.

Background As a charter county under State of California law, the authority to procure goods and services with public funds is held by the Director of Purchasing and Contracting (Purchasing Agent), as prescribed in County Administrative Code (Admin Code), Section 400.1. The P-Card Program is based on the Purchasing Agent's delegation of limited purchasing authority to trained employees; this authority may not be reassigned. Thus, a P-Card may not be reassigned or passed to another to make purchases.

Admin Code Section 407 specifies that the Department of Purchasing and Contracting (DPC) is responsible for coordinating efforts to improve the County's contracting process, including development of standardized contract administration practices.

To meet the responsibilities outlined in Section 407, County Administrative Manual Item 90-01 requires DPC to issue supplemental guidance, including developing standard procedures for life-cycle contract administration and a Guidebook with subject matter sections relating to the County's purchasing and contracting function.

County Board of Supervisor's (BOS) Policy A-81 establishes that Department Heads are responsible for the overall performance of contracts, and Program Managers are responsible for contract administration.

The objective of the County's P-Card program is to streamline small dollar purchases, reducing overhead costs and time delays while ensuring compliance with all applicable laws and regulations. DPC as the County's P-Card Administrator, is responsible for ensuring that adequate guidance and controls are in place for P-Card purchases.

County departments must abide by requirements established by DPC, as published in the DPC P-Card Manual. To properly administer the P-Card program, department P-Card participants are expected to be familiar with P-Card manual policies and procedures, as well as establish roles and responsibilities among department personnel. If a cardholder is found to repeatedly violate policies or procedures as prescribed in the P-Card Manual, DPC reserves the right to suspend credit card activity for the applicable individual or department.

P-Card responsibilities are not assigned to non-County employees, including retirees. Additionally, P-Card responsibilities are not typically assigned to part-time or temporary employees. This is because County

personnel have no direct supervisory or disciplinary authority over contractor employees.

If there is an existing Countywide Blanket Purchase Agreement (BPA) for a needed product, the BPA supplier must be used as the mandatory first source. Items or services purchased against a BPA are restricted to only those items or services listed on the BPA.

Audit Scope & Limitations

The scope of the audit included an evaluation of the appropriateness of P-Card purchases and to determine if internal controls are in place and operating effectively. The audit focused on transactions during FY 2020-21 through FY 2021-22.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Interviewed County stakeholders including DPC Management, Department P-Card Coordinators & Approving Officials.
- Reviewed the P-Card Manual, Board of Supervisors Policy A-81 Procurement of Contract Services & A-87 Competitive Procurement, and other guidance provided by DPC to understand County codes, policies, requirements, and processes.
- Identified, reviewed, and tested controls for design and operating effectiveness to verify that:
 - P-Card purchases were made only by authorized cardholders, approved and trained by DPC, and if P-Cards were deactivated for separated employees.
 - Required documentation was collected, stored, reviewed, and competitive quotes were obtained.
 - If prohibited items were purchased, or if cardholders were splitting transactions.
 - Key fields of transaction information were entered correctly in Oracle, and if departments were verifying and approving P-Card transactions promptly.

AUDIT RESULTS

Summary

Within the scope of the audit, OAAS determined the effectiveness of internal controls currently in place for P-Cards purchases can be improved. OAAS identified the following opportunities.

Finding I: Cardholder's Splitting Transactions

OAAS determined that cardholders are splitting large transactions into smaller transactions to circumvent the Single Transaction Limit (STL). Out of 274,272 P-Card transactions made during the audit period, OAAS identified 8,329 transactions (3%) where the cardholder made multiple purchases to the same vendor within a 3-day period that exceed their STL in the aggregate. The OAAS analysis excluded transactions that referenced a BPA number. These transactions were made by 229 out of 693 (33%) cardholders. OAAS sampled 31 sets of transactions and confirmed 27 instances of split transaction activity.

For 5 of the 27 confirmed instances of split transactions, purchases made were COVID-related and allowed during an emergency declaration, per DPC. The remaining 22 instances were not COVID-related and occurred primarily due to the Approvers pre-approving the transactions without knowing the cardholder's credit limit or knowing that the cardholder would have to split the transactions to make the large purchase. There is currently no system in place to detect possible split transactions.

The P-Card Manual (Section: 3 P-Card Rules & Restrictions) states, "Attempting to split the purchase into two or more transactions to circumvent the \$2,500 STL is strictly forbidden since it violates County A-87 guidelines for competitive procurement."

Splitting transactions allows cardholders to circumvent the controls in place around approvals and credit limits on individual transactions. This increases the risk of inappropriate transactions occurring by attempting to avoid the appearance of exceeding authorized limits. Finally, this is an infringement of the rules around competitive procurement.

Recommendation: To address the issues noted with cardholders splitting transactions to circumvent the STL, DPC should:

1. Emphasize in the initial P-Card training and refresher training required every 2 years (yearly for Public Works / Facilities Maintenance):
 - a. Splitting transactions is not allowed per policy.
 - b. Approvers need to be mindful when reviewing cardholder transactions to the same vendor to identify possible instances where cardholders are attempting to circumvent the STL.
2. Provide additional training to the individuals/departments identified as having split transactions, and require them to provide an action plan to ensure they have addressed the issue.
3. Evaluate if any changes to the P-Card Manual are needed to emphasize/clarify that split transactions are not allowed.

4. Discuss and evaluate with the Analytics Exchange (AX) Advisory Team whether an analytic is needed to allow departments to identify possible split transactions more readily.¹

Finding II: Required Documentation Not Available for Public Works / Facilities Maintenance Purchases

Required documentation for Public Works / Facilities Maintenance (PW/FM) purchases over \$1,000 is not being sufficiently collected, stored, and reviewed as required by P-Card policy. Out of 10 sampled PW/FM transactions, the following issues were noted:

- 9 did not have evidence of obtaining at least two quotes (or three quotes for charges over \$2,500) before purchase.
- 4 did not include evidence that form PWC-100 was completed or that the Department of Industrial Relations Registration was verified.
- 3 did not have sufficient purchase supporting documentation available.

The P-Card Manual (Section 4.7: Cardholder Responsibilities & Procedures), specifies the required documentation for PW/FM purchases over \$1,000 that must be collected, stored, and reviewed including the PWC-100 form, Department of Industrial Relations Registration, and at least two quotes obtained (or three quotes for charges over \$2,500).

The Department of General Services (DGS) cited a combination of a lack of understanding of the requirements and the necessity to get the procurement completed quickly, because most of these transactions were due to a DGS declared emergency where remediation of a problem needed swift action. DGS indicated it was difficult for staff to get the necessary quotes and documentation when their focus was on the emergency and not the necessary documentation.

Insufficiently following PW/FM P-Card policy subjects the County to increased risk including, but not limited to, State code violations by not verifying contractors used comply with California Codes regarding licensing, workers' compensation, and prevailing wage requirements.

Recommendation: To address the issues noted with documentation for PW/FM purchases over \$1,000, DGS should:

1. Develop a checklist to ensure all proper documentation is collected and saved. This will strengthen checks and balances as well as document retention.

¹ The AX Advisory Team provides operational guidance over the AX System including analytic additions, adjustments, and exception resolution procedures. The team is made up of managers and functional subject matter experts for the business processes being reviewed in the AX System.

2. Have DPC provide training specific to DGS staff on what documentation is needed as part of any procurement/payment of invoices.
3. Remind DGS staff (cardholders and Approving Officials), through internal DGS meetings, of the documents that need to be collected and saved.

Finding III:

P-Card Purchases Made for Prohibited Items

OAAS determined that cardholders purchased prohibited items using P-Cards. Out of 274,272 P-Card transactions made during the audit period, approximately 13,000 (5%) transactions were flagged, after OAAS analysis, as potentially prohibited based on the transaction description. Out of a sample of 27, OAAS confirmed 11 transactions were made for prohibited items as outlined in Table 1:

Table 1. P-Card Sample Transactions by Prohibited Category

Prohibited Item Category	Sample Exceptions
Food For Employees	5
Professional Licenses	1
Gifts	1
Memberships	1
Domain Name Registration	1
Federal Stimulus-Funded Projects	2
Total	11

The P-Card Manual (Section 3: P-Card Rules & Restrictions), specifies the items that are prohibited from being purchased with P-Cards, including food for employees, donations & gifts, professional licenses, certain memberships, domain name registration, capital assets, federal stimulus-funded projects, and others.

The sample cardholders did not realize the purchases made were prohibited when using P-Cards. Additionally, the Approving Official may not have been aware that the purchases were prohibited, otherwise, they should have rejected them.

Recommendation:

To address the issues noted with the purchase of prohibited items, DPC should:

1. Emphasize in the initial P-Card training, and refresher training required every 2 years, the items that are prohibited from being purchased using P-Cards.
2. Provide additional training to the individuals/departments identified as having purchased prohibited items, and require them to provide an action plan to ensure they have addressed the issue.

3. Evaluate if any changes to the P-Card Manual are needed to emphasize/clarify the types of purchases that are prohibited.
4. Discuss and evaluate with the AX Advisory Team whether an analytic needs to be set up that will allow departments to identify transactions more readily for prohibited items.

Finding IV:**Cardholders Not Obtaining Competitive Quotes for Purchases**

OAAS conducted testing on 20 sampled transactions and identified 9 transactions where mandated competitive quotes were not obtained:

- 4 out of 8 transactions, amounting to \$1,000 to \$2,500 each, did not have at least 2 competitive quotes obtained.
- 5 out of 12 transactions, amounting to over \$2,500 each, did not have at least 3 competitive quotes obtained.

Without the required competitive quotes, it is difficult to determine whether the price paid was Fair & Reasonable (FNR), and may have resulted in paying a higher price than was necessary.

The P-Card Manual (Section 1: General Information) requires cardholders to obtain at least 2 documented competitive quotes for purchases over \$1,000, and at least 3 for purchases over \$2,500. Regarding obtaining competitive quotes for a purchase made during a Board of Supervisor (BOS) declared emergency, DPC indicated that under emergency circumstances, competitive quotes may not be required, but reasonable efforts would be performed to obtain an FNR price. However, the P-Card Manual does not provide any exceptions for obtaining competitive quotes during emergencies.

Recommendation: To address the issue noted with cardholders not obtaining the necessary quotes, DPC should:

1. Emphasize the requirement of obtaining competitive quotes for purchases over \$1,000 in the initial P-Card training and refresher training required every 2 years.
2. Provide additional training to the individuals/departments identified as not having obtained competitive quotes, and require them to provide an action plan to ensure they have addressed the issue.
3. Evaluate whether the P-Card Manual should have a separate section, or a separate manual, just related to emergency purchase procedures and information.

Finding V: P-Card Transactions Made with Vendor Lacking California Seller's Permit

Out of a sample of 35 transactions, OAAS identified 5 transactions that were made from a business without a California Seller's Permit, and that appear to not have had California sales tax collected. For these transactions, the Approving Official did not require the Seller's Permit to be obtained before approving the purchase.

The California Seller's permit issued by the California Board of Equalization (BOE) certifies that the vendor has agreed to collect and pay California Use tax. Purchasing from vendors without a California Seller's Permit may result in lost tax revenue. The County is responsible and liable to pay Use Tax and cannot systematically accrue the tax if the goods are paid through a P-Card. The California Seller's Permit is needed to show that the County complies with the use tax laws in the event the County is audited by the BOE. Otherwise, the County may be subject to fines and interest penalties.

OAAS also noted that the P-Card Manual (under Out-of-State Supplier Purchases) states, "Amazon does not collect tax for third parties." However, the Marketplace Facilitator Act requires marketplace facilitators to collect tax. Amazon states on its website that it is a marketplace facilitator, and they are obligated to collect tax on third party sellers on Amazon's website. The P-Card Manual not being up to date could result in cardholders not being aware of the latest requirements on taxes associated with their purchases.

Recommendation: DPC should:

1. Within the initial P-Card training, and refresher training, emphasize that cardholders need to obtain the California Seller's Permit from vendors, and Approving Officials should not approve purchases before cardholders have obtained the permit.
2. Update the P-Card Manual to reflect the latest legislation on taxes associated with purchases from third party sellers on Amazon.
3. Ensure the following corrective actions are taken by offending cardholders and departments as stated in the P-Card Manual (under Out-of-State Supplier Purchases): submit a signed letter of acknowledgement from department to DPC, pay interest and penalties on identified transactions, cardholder retraining, and review prior transactions to locate and report any additional improper out-of-state purchases.

Finding VI: P-Card Transaction Information Missing, Insufficient, or Incorrect
OAAS identified instances where key transaction fields were entered in Oracle incorrectly, or insufficiently, by cardholders. OAAS analysis identified 346 transactions where the transaction description entered was either blank or did not contain sufficient information. Additionally, out of 274,272 P-Card transactions made during the audit period, OAAS

analysis identified 36,972 (13%) transactions that possibly had either an incorrect BPA number listed, or a blank BPA field, when it should have had a BPA number. From a sample of 29 of these transactions, OAAS confirmed 28 transactions where the BPA number was incorrectly entered, or was left blank, when it should have had a BPA number.

Through discussions with DPC and departments, these issues were due to human error. Cardholders with a high volume of P-Card purchases were more likely to enter information in Oracle incorrectly. During the audit period, a control was put in place in Oracle so that when the cardholder is entering the transaction information, the transaction description field cannot be left blank. However, there is no control on the BPA field that verifies that the BPA number and vendor name match.

The P-Card Manual (Section 4.6: Approving Official Responsibilities & Procedures), requires the Approving Official to review each P-Card transaction in Oracle to ensure that transactions contain a correct and adequate description and, if not, to reject it.

P-Card transactions with missing or incorrect BPA information could imply the cost advantage associated with using a BPA vendor was not obtained, and may have resulted in increased costs to the County that could have been avoided. P-Card transaction descriptions that are missing, incorrect, or inadequate make it difficult to determine the nature of purchases, and might allow inappropriate activity, against County policy, to slip through without being caught by Approving Officials and/or Department Coordinators.

Recommendation: DPC should:

1. Emphasize in the initial P-Card training, and refresher training required every 2 years, the importance of providing an adequate and correct transaction description and BPA number.
2. Evaluate if any changes to the P-Card Manual are needed to emphasize/clarify the importance of providing an adequate and correct transaction description and BPA number.
3. Inquire with Information Technology Management Services (ITMS) whether any additional controls can be added to the BPA field in Oracle to ensure the BPA numbers entered are accurate.
4. Discuss and evaluate with the AX Advisory Team whether an analytic needs to be set up that will allow departments to identify transactions with missing, insufficient, or incorrect transaction fields.

Office of Audits & Advisory Services

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DEPARTMENT'S RESPONSE
(DEPARTMENT OF GENERAL SERVICES)



County of San Diego

DEPARTMENT OF GENERAL SERVICES

5560 OVERLAND AVENUE, SUITE 410, SAN DIEGO, CA 92123

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MARKO MEDVED, PE, CEM
DIRECTOR

NICOLE J. ALEJANDRE
ASSISTANT DIRECTOR

March 20, 2023

TO: JUAN R. PEREZ, Chief of Audits
Office of Audits and Advisory Services

FROM: MARKO MEDVED, Director
Department of General Services

Nicole J.
Alejandre

Digitally signed by Nicole
J. Alejandre
Date: 2023.03.20
11:39:26 -07'00'

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: COUNTYWIDE P-CARD AUDIT

Finding II: Required Documentation Not Available for Public Works / Facilities Maintenance Purchases

OAAS Recommendation: To address the issues for PW/FM purchases over \$1,000, DGS should:

1. Develop a checklist to ensure all proper documentation is collected and saved. This will strengthen checks and balances as well as document retention.
2. Have DPC provide training specific to DGS staff on what documentation is needed as part of any procurement/payment of invoices.
3. Remind DGS staff (cardholders and Approving Officials), through internal DGS meetings, of the documents that need to be collected and saved.

Action Plan: The Department of General Services (DGS) agrees with the audit recommendations:

1. DGS will establish a checklist listing the required documents and provide to cardholders and Approving Approvals for use with their purchases.
2. DGS will coordinate with DPC to schedule a training for cardholders and Approving Officials.
3. DGS will remind staff at regularly scheduled meetings of the required documentation.

Planned Completion Date: June 30, 2023

Contact Information for Implementation: Danielle Enriquez, Chief, Departmental Operations

If you have any questions, please contact Danielle Enriquez (Finance & Support) at Danielle.Enriquez@sdcounty.ca.gov or 619-643-0824.



DEPARTMENT'S RESPONSE
(DEPARTMENT OF PURCHASING AND CONTRACTING)



County of San Diego

JOHN M. PELLEGRINO
DIRECTOR

DEPARTMENT OF PURCHASING AND CONTRACTING
5560 OVERLAND AVENUE, SUITE 270, SAN DIEGO, CALIFORNIA 92123-1204
Phone (858) 505-6367 Fax (858) 715-6452

ALLIEN R. HUNSBERGER
ASSISTANT DIRECTOR

May 5, 2023

TO: Juan R. Perez
Chief of Audits

FROM: Jack Pellegrino, Director
Department of Purchasing and Contracting

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: COUNTYWIDE P-CARD AUDIT – Report No. A22-016 dated April 2023

This memo outlines the **Department of Purchasing and Contracting’s (DPC)** acknowledgement of this report and presents our action plans to address all the Findings and Recommendations included in the referenced Audit Report No. A22-016 dated April 2023. DPC has thoroughly reviewed this report and has initiated corrective actions for each of the Findings. To immediately correct these findings, **DPC is initiating a MANDATORY refresher training session for ALL 766 P-Card Approvers and Holders.** This refresher training will highlight these specific findings and reinforce the programs’ requirements, responsibilities, and expectations of program participants. Multiple sessions will be scheduled. **As of this date two scheduled refresher sessions have been completed with 461 staff attending (sessions conducted on May 1, 2023).** Two additional MANDATORY refresher training sessions are scheduled for **May 9, 2023**, and additional sessions will be scheduled if needed to ensure ALL participants attend. **Staff that do not complete this refresher training will lose their P-Card privileges and be removed from the program.**

Finding I: Cardholder's Splitting Transactions

OAAS Recommendation 1: DPC should emphasize in the initial P-Card training and refresher training required every 2 years (yearly for Public Works / Facilities Maintenance) that splitting transactions is not allowed per policy and approvers need to be mindful when reviewing cardholder transactions to the same vendor to identify possible instances where cardholders are attempting to circumvent the STL.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing splitting transactions that are above the Single Transaction Limit (STL) are not allowed per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Additional emphasis will be highlighted for department approvers who need to be mindful when reviewing cardholder transactions to the same vendor to identify possible instances where cardholders are attempting to circumvent the STL.

Planned Completion Date: Not later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

DPC Response dated 5 May 2023

COUNTYWIDE P-CARD AUDIT – Report No. A22-016 dated April 2023

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OAAS Recommendation 2: DPC should provide additional training to the individuals/departments identified as having split transactions and require them to provide an action plan to ensure they have addressed the issue.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing splitting transactions that are above the Single Transaction Limit (STL) are not allowed per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Individuals/departments identified as having split transaction will be contacted and require their department to provide DPC an action plan to ensure that they have addressed the issue.

Planned Completion Date: Not later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 3: DPC should evaluate if any changes to the P-Card Manual are needed to emphasize/clarify that split transactions are not allowed.

Action Plan: DPC agrees with the audit recommendation and will be evaluating the P-Card Manual to re-emphasize/clarify that split transactions are not allowed and will update the manual as necessary.

Planned Completion Date: Not later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 4: DPC should discuss and evaluate with the Analytics Exchange (AX) Advisory Team whether an analytic is needed to allow departments to identify possible split transactions more readily.

Action Plan: DPC agrees with the audit recommendation and will review and evaluate with the Analytics Exchange (AX) Advisory Team whether an analytic is needed to allow departments to identify possible split transactions more readily. DPC will identify additional tools and reports to allow better visibility of potential split transactions.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

Finding II: Required Documentation Not Available for Public Works / Facilities Maintenance Purchases – (Department of General Services)

Action Plan: Department of General Services (DGS) will respond with action plan.

Finding III: P-Card Purchases Made for Prohibited Items

OAAS Recommendation 1: DPC should emphasize in the initial P-Card training, and refresher training required every 2 years, the items that are prohibited from being purchased using P-Cards.

DPC Response dated 5 May 2023

COUNTYWIDE P-CARD AUDIT – Report No. A22-016 dated April 2023

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Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing splitting transactions is not allowed per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Individuals/departments identified as having purchased prohibited items will be contacted and require their department to provide DPC an action plan to ensure this does not reoccur in the future.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 2: DPC should provide additional training to the individuals/departments identified as having purchased prohibited items and require them to provide an action plan to ensure they have addressed the issue.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing prohibited items are not allowed per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Individuals/departments identified as having purchased prohibited items will be contacted and require their department to provide DPC an action plan to ensure this does not reoccur in the future.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 3: DPC should evaluate if any changes to the P-Card Manual are needed to emphasize/clarify the types of purchases that are prohibited.

Action Plan: DPC agrees with the audit recommendation and will be evaluating the P-Card Manual if needed to emphasize/clarify about prohibited items that are not allowable via P-Card Manual/Policy and will update the manual/policy as necessary.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 4: DPC should discuss and evaluate with the AX Advisory Team whether an analytic needs to be set up that will allow departments to identify transactions more readily for prohibited items.

Action Plan: DPC agrees with the audit recommendation will discuss and evaluate with the Analytics Exchange (AX) Advisory Team to allow departments to identify items that are prohibited and not allowable via P-Card.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

DPC Response dated 5 May 2023

COUNTYWIDE P-CARD AUDIT – Report No. A22-016 dated April 2023

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Finding IV: Policies & Procedures Not Updated or Approved

OAAS Recommendation 1: DPC should emphasize the requirement of obtaining competitive quotes for purchases over \$1,000 in the initial P-Card training and refresher training required every 2 years.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing competitive quotes are required for purchase(s) over \$ 1,000 per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Individuals/departments identified that did not get the required quotes will be contacted and require their department to provide DPC an action plan to ensure this does not reoccur in the future.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 2: DPC should provide additional training to the individuals/departments identified as not having obtained competitive quotes and require them to provide an action plan to ensure they have addressed the issue.

Action Plan: DPC agrees with the audit recommendation and will be conducting additional training to individuals/departments identified as having purchased prohibited items and require them to provide an action plan to ensure they have addressed the issue.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 3: DPC should evaluate whether the P-Card Manual should have a separate section, or a separate manual, just related to emergency purchase procedures and information.

Action Plan: DPC agrees with the audit recommendation and will be evaluating the P-Card Manual to add more information and include additional section in the P-Card Manual/Policy related only to emergency purchase(s) procedures and information.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

Finding V: P-Card Transactions Made with Vendor Lacking California Seller's Permit

OAAS Recommendation 1: DPC should within the initial P-Card training, and refresher training, emphasize that cardholders need to obtain the California Seller's Permit from vendors, and Approving Officials should not approve purchases before cardholders have obtained the permit.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing cardholders need to obtain the California Seller's Permit (out-of-state vendors) and

DPC Response dated 5 May 2023

COUNTYWIDE P-CARD AUDIT – Report No. A22-016 dated April 2023

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Approving Officials should not approve purchases before cardholders have obtained the permit per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Individuals/departments identified that did not obtain California Sellers Permit (out-of-state vendors) will be contacted and require their department to provide DPC an action plan to ensure this does not reoccur in the future.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 2: DPC should update the P-Card Manual to reflect the latest legislation on taxes associated with purchases from third party sellers on Amazon.

Action Plan: DPC agrees with the audit recommendation and will update the P-Card Manual to reflect the latest legislation on taxes associated with purchases from third party sellers on Amazon.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 3: DPC should ensure the following corrective actions are taken by offending cardholders and departments as stated in the P-Card Manual (under Out-of-State Supplier Purchases): submit a signed letter of acknowledgement from department to DPC, pay interest and penalties on identified transactions, cardholder retraining, and review prior transactions to locate and report any additional improper out-of-state purchases.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing cardholders need to obtain the California Seller's Permit (out-of-state vendors) and Approving Officials should not approve purchases before cardholders have obtained the permit per P-Card Manual/Policy during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance). Additionally, DPC will require departments to submit a signed letter of acknowledgement to pay interest and penalties on identified transactions, provide additional cardholder retraining, and review prior transactions to locate and report any additional improper out-of- state purchases.

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

Finding VI: P-Card Transaction Information Missing, Insufficient, or Incorrect

OAAS Recommendation 1: DPC should emphasize in the initial P-Card training, and refresher training required every 2 years, the importance of providing an adequate and correct transaction description and BPA number.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing

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during the training and refresher training required every 2 years the importance of providing an adequate and correct transaction description and BPA number.

Planned Completion Date: Not later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 2: DPC should evaluate if any changes to the P-Card Manual are needed to emphasize/clarify the importance of providing an adequate and correct transaction description and BPA number.

Action Plan: DPC agrees with the audit recommendation and will be re-emphasizing the importance of providing an adequate and correct transaction description and BPA number during a Mandatory Audit Refresher training being immediately scheduled. This will also be re-emphasized during the recurring refresher training required for P-Card participants every 2 years (yearly for Public Works/Facilities Maintenance).

Planned Completion Date: Not Later than June 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 3: DPC should inquire with Information Technology Management Services (ITMS) whether any additional controls can be added to the BPA field in Oracle to ensure the BPA numbers entered are accurate.

Action Plan: DPC agrees with the audit recommendation and will consult with Information Technology Management Services (ITMS) to add additional controls which can be added to the BPA field in Oracle to ensure the BPA numbers entered are accurate.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

OAAS Recommendation 4: DPC should discuss and evaluate with the AX Advisory Team whether an analytic needs to be set up that will allow departments to identify transactions with missing, insufficient, or incorrect transaction fields.

Action Plan: DPC agrees with the audit recommendation and will review/discuss/evaluate with the Analytics Exchange (AX) Advisory Team and add analytics which will allow departments to identify transactions with missing, insufficient, or incorrect transaction fields.

Planned Completion Date: Not Later than October 2023

Contact Information for Implementation: Marigene Lim-Viernes, Program Coordinator

Please contact Marigene Lim-Viernes at 858-505-6417, Program Coordinator P-Card and Countywide Administration, should you have any questions on these actions. We will update your office as each of these corrective actions are completed.