

County of Napa

Auditor-Controller

Internal Audit Report

County-Wide Internal Audit Review
Amazon Capital Services, Inc.
e-Commerce Account

For the Period of July 1, 2024 – March 31, 2025

Report Date: May 12, 2025



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze
Auditor-Controller

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May 12, 2025

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Executive Summary

The Internal Audit Section of the Napa County Auditor-Controller's Office (Internal Audit) has completed a county-wide audit of Napa County's Amazon Capital Services Inc. (Amazon e-Commerce) account activity for the period of July 1, 2024, through March 31, 2025 (Audit Period).

The primary objectives of this audit were to assess departmental use of the Amazon e-Commerce platform and its associated subaccounts for compliance with Napa County's Purchasing Policy, and to evaluate whether internal controls over the procurement process were properly designed and operating effectively. Based on our review of transactions during the audit period, we found that, overall, County departments are adhering to the Purchasing Policy. However, a number of observations and recommendations are presented in the following report to support continuous improvement for this evolving and increasingly utilized purchasing platform.

This audit was conducted in accordance with the Global Internal Audit Standards issued by the Institute of Internal Auditors. These standards require that audit work be performed with independence, objectivity, and due professional care, and that sufficient and appropriate evidence be obtained to support audit findings and conclusions.

This report is a matter of public record and is intended for the information and use of the Napa County Board of Supervisors, County Executive Officer, Purchasing Manager, and department heads. We extend our appreciation to the Purchasing Manager and departmental staff for their cooperation and professionalism throughout this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tracy A. Schulze".
Tracy A. Schulze
Auditor-Controller

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Background and Authority

The County of Napa utilizes the Amazon e-Commerce platform for procurement purposes in accordance with all applicable state laws, the Napa County Code, and the Napa County Purchasing Policy.

Participation in the Amazon platform is made possible through a cooperative purchasing agreement facilitated by OMNIA Partners, a group purchasing organization. By leveraging the collective buying power of public agencies, OMNIA Partners secures competitive pricing and favorable contract terms for a wide range of goods and services.

Administration of the County's Amazon e-Commerce account is managed by the Purchasing Manager, acting as the designee of the County Purchasing Agent. The Purchasing Manager is authorized to create and manage departmental subaccounts to support purchasing needs across County departments.

The Amazon e-Commerce platform was implemented to streamline the procurement process, enhance purchasing efficiency, and ensure the timely delivery of supplies, particularly during emergency situations.

Objectives and Scope

The primary objective of this audit was to assess the use of Napa County's Amazon e-Commerce account to determine compliance with the County's Purchasing Policy and procedures. Additionally, the audit evaluated the administration and oversight of departmental subaccounts to ensure that appropriate internal controls were in place and functioning effectively. The scope of the review covered transactions and supporting documentation for the period of July 1, 2024, through March 31, 2025.

Procedures

To achieve the audit objectives, Internal Audit performed the following procedures:

1. Reviewed Napa County's Purchasing Policy and the vendor contract governing the Amazon e-Commerce account.
2. Examined documentation required by the Purchasing Manager for the establishment of departmental subaccounts.
3. Analyzed the Accounts Payable Detail report to identify all Amazon e-Commerce transactions within the audit period.
4. Selected a sample of transactions and reviewed corresponding invoices and supporting documentation to assess compliance with the County's Purchasing Policy.
5. Conducted interviews and engaged with departmental staff to obtain clarification on

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purchases and to evaluate the effectiveness of internal controls in preventing fraud, waste, and abuse.

6. Compared the Purchasing Manager's internal control procedures for the Amazon e-Commerce account with those used for the Cal-Card Purchasing Card Program (P-Card) and the Office Depot e-procurement platform.

Results and Observations

During the Audit Period, Napa County departments made a total of \$210,591 in purchases through the Amazon e-Commerce account. A detailed breakdown of departmental spending exceeding \$1,000 is provided in **Exhibit A**.

Internal Audit selected and reviewed a sample of 64 transactions—ensuring at least one transaction per department—along with associated documentation to evaluate compliance with the County's Purchasing Policy. While most purchases appeared to align with policy guidelines, a few transactions were noted that may fall near the margins of full compliance. These are presented here to provide context for the recommendations made later in this report.

1. Compliance with Purchasing Policy – Section 3: Goods, Materials, Supplies, and Equipment

Section 3-1 of the Purchasing Policy allows purchases under \$5,000 to be made without a purchase order but explicitly prohibits splitting purchases to circumvent this threshold.

- One department made multiple purchases of the same item (desks) over a 10-day span, with a combined total exceeding \$5,000 and without obtaining a purchase order. After discussions with department staff, it was determined that the purchases were made in phases to support staff relocations and manage delivery logistics, rather than to avoid procurement rules. Staff was reminded of the policy, and Internal Audit considers this item resolved.
- Only one purchase during the review period exceeded \$5,000. That transaction followed policy, and the department obtained a purchase order as required.

2. Compliance with Purchasing Policy – Section 2-4: Unauthorized Purchases

This section prohibits purchases for personal use and allows for ratification of unauthorized expenditures when warranted.

- Internal Audit noted several purchases across multiple departments that, at first glance, did not clearly demonstrate compliance with policy. Each department was asked to provide supporting documentation or justification. Upon review, Internal Audit determined these purchases were appropriate for programmatic use and consistent with the County's Purchasing Policy.

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- In eight departments, transactions were initially submitted without sufficient documentation to justify the business need for items that appeared atypical for government procurement, including baby products, children's games, pet supplies, cooktops, stuffed animals, and party favors. Follow-up with requestors confirmed the items were tied to County services and events. Staff were advised to provide clearer documentation and justification when submitting similar invoices in the future to enhance transparency and accountability.

3. Account Access and User Oversight

Internal Audit requested and reviewed the list of authorized users on the Amazon e-Commerce account, which was provided by the Purchasing Manager. As of the audit date, 13 departments had active access to place orders directly.

- User roles within the Amazon e-Commerce platform include:
 - **Requisitioner** – Submits purchase requests.
 - **Finance** – Views invoices, schedules reports, and tracks spending analytics.
 - **Administrator** – Manages settings, user permissions, payment methods, and shipping addresses. Administrator access is limited to the user's own department and does not provide broader system-wide capabilities.
- User roles are clearly defined during assignment and documented within the Amazon platform. Department-level Administrator access is granted by the Purchasing division based on a demonstrated history of responsible purchasing activity. Although the process for granting these permissions is not formally codified, Purchasing typically coordinates with a Staff Services Manager or a supervisor at least one level above the user.

Conclusion

The Amazon e-Commerce enables departments to compare pricing across multiple vendors within a single interface and supports direct invoicing to the County. Departments are not required to obtain additional quotes as the prices are competitively sought via the Omnia Contract. However, Purchasing always advises additional quotes - especially on Amazon - when possible, regardless of the Omnia Cooperative Agreement.

Based on our review, Internal Audit is satisfied that all tested transactions during the Audit Period were in compliance with the Napa County Purchasing Policy. While no purchases were found to be explicitly prohibited by policy, we observed a broad range of goods being procured—ranging from office furniture and supplies to under-desk treadmills, desktop vacuums, pet products, and party favors. In each case, departments were able to provide justification and demonstrate alignment with County programs or services, with evidence of

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department head approval when requested.

As this is Internal Audit's first review of the Amazon e-Commerce platform, we evaluated its internal controls in comparison to those in place for the Office Depot e-procurement account and the County's P-Card program. We noted that, unlike Office Depot, the Amazon e-Commerce account does not require requisitions or purchase orders for purchases under \$5,000. Further, in contrast to the P-Card program, there is no formal authorization process involving department head or user signatures, nor are there user-specific spending limits, merchant category restrictions, or mandatory training requirements. Account access is granted solely on the basis of having a valid County email address.

While the Amazon e-Commerce platform is not directly comparable to the P-Card program—which functions primarily as a payment method rather than a procurement system—it does represent a distinct approach to purchasing that warrants its own set of best practices and administrative controls.

While the Amazon e-Commerce platform provides notable benefits - including streamlined purchasing, vendor price comparisons, and faster delivery - its flexibility also introduces potential vulnerabilities. Given the lack of formal access controls and the growing risk of online fraud and invoice manipulation (e.g., scammers impersonating Amazon support or vendors), Internal Audit recommends enhancements to internal controls to strengthen accountability, mitigate risk, and improve transparency.

Recommendations

1. Policy and Procedures

- While no fraudulent activity was identified during the audit, we recommend implementing user training as a best practice. This training should reinforce compliance with County purchasing policies, educate staff on appropriate use of the Amazon platform, and raise awareness of behaviors that may constitute misuse or potential fraud within the Amazon marketplace.

2. User Authorization

- Due to the ease and convenience of making purchases through the Amazon e-Commerce platform, we recommend requiring all assigned users to sign an acknowledgment form outlining their responsibilities and accountability. This process would mirror the authorization and acknowledgment procedures currently in place for the County's P-Card program.

3. Internal Control Enhancement

- As with all invoices submitted to Accounts Payable, Amazon e-Commerce invoices should include sufficient supporting documentation and authorization for the purchase(s).

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Exhibit A

Amazon Spending by Department

