

County of Napa

Auditor-Controller

Internal Audit Report

County-Wide Audit Procurement Card (P-Card) Program

For the Period of January 1, 2021 to June 30, 2021

Report Date: November 15, 2021



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

November 15, 2021

To the Board of Supervisors
Napa County, CA

Executive Summary

The internal audit section of the Napa County Auditor-Controller's Office has a county-wide audit of Napa County's Procurement Card (P-Card) Program for the period of January 1, 2021 to June 30, 2021.

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* established by the Institute of Internal Auditors. These *Standards* require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our objectives; and that the internal audit activity be independent, objective, and perform engagements with proficiency and due professional care.

The primary objectives of this engagement were to review P-Card usage for compliance with the County's P-Card Procedures and to evaluate the administration of the P-Card Program for adequate internal controls. We reviewed a sample of the P-Card purchase transactions and related documents to ensure P-Card Holders' compliance with the County's P-Card Procedures, and to determine if adequate internal controls were in place and operating as designed.

Based on our audit, we noted no findings. We believe that P-Card usage complies with the County's P-Card Procedures and the administration of the P-Card Program has adequate internal controls.

This report is a matter of public record and is intended solely for the information and use of the Napa County's Board of Supervisors, County Executive Officer, Purchasing Manager, and P-Card Holders. I want to thank Internal Audit, Purchasing Manager, and P-Card Holders for their expertise and professionalism in conducting this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Schulze", is written over the name Tracy A. Schulze, CPA.

Tracy A. Schulze, CPA
Auditor-Controller

County-Wide Audit
Procurement Card (P-Card) Program
For the Period of January 1, 2021 to June 30, 2021

Background and Authority

CAL-Card is the registered name of the State of California's Purchase Card Program. CAL-Card is a VISA purchase card provided by a State of California leveraged procurement agreement (LPA) and offered to participating state local government agencies. CAL-Card provides a flexible payment mechanism for the acquisition of goods and services with flexible spending limits and merchant category codes (MCC) for each card. Cards are issued in the name of the cardholder and billed to the agency.

On August 13, 2013, the Board of Supervisors approved and authorized an addendum to the State of California's Purchase Card Program Master Services Agreement (DGS MSA 5-06-99-01) with U.S. Bank National Association to implement a Procurement Card (P-Card) Program for Napa County. In doing so, the Board of Supervisors also authorized a P-Card "Pilot" Program to ensure the County's P-Card Procedures could be developed with strong internal controls prior to a county-wide implementation.

On February 10, 2015, the Board of Supervisors adopted Board Resolution No. 2015-13, authorizing the P-Card Program. The Purchasing Agent is the County Executive Officer, who has designated the Purchasing Manager as the Program Coordinator. The Program Coordinator is responsible for overall coordination and administration of the P-Card Program. The Auditor-Controller is responsible for monitoring and auditing all activity of the P-Card Program to ensure no violations of the County's P-Card Procedures exist.

The P-Card Program is intended to facilitate the acquisition of goods and travel-related services necessary for accomplishing the County's goals and objectives of automation and streamlining processes. The P-Card itself is issued to individual employees, who have been designated by the County and may only use it for the type of purchases authorized by the Board of Supervisors. Several unique controls have been developed for the P-Card Program to ensure that P-Cards can be used only for specific categories of purchases (i.e. MCC) and within specific dollar limits. Through U.S. Bank, there are enhanced controls and data reporting tools available that enables the County to streamline the traditional paper and labor-intensive procurement process. The P-Card Program allows the County to efficiently purchase authorized items directly without the necessity of preparing individual purchase requisitions and processing individual receiving reports for each transaction.

County-Wide Audit
Procurement Card (P-Card) Program
For the Period of January 1, 2021 to June 30, 2021

Objectives and Scope

The primary objectives of this engagement were to review P-Cards usage for compliance with the County's P-Card Procedures and to evaluate the administration of the P-Card Program for adequate internal controls. The scope included a review of P-Card transactions and related documents for the period of January 1, 2021 to June 30, 2021.

Procedures

To accomplish our audit objectives, our procedures included, but not limited to, the following:

- Interviewed Accounting Staff and Purchasing Manager to gain an understanding of the P-Card Program.
- Interviewed various P-Card department approvers to gain an understanding of how individual departments are interpreting and applying the County's P-Card Procedures.
- Reviewed the County's P-Card Procedures.
- Conducted a walk-through of a P-Card transaction to identify any changes in key controls.
- Reviewed P-Card Holders' profiles within the US Bank system to ensure spending and merchant code limits were properly supported and authorized.
- Verified P-Cards were properly terminated or placed on hold, if applicable.
- Reviewed declined P-Card purchase transactions to ensure controls were functioning properly
- On a sample basis, reviewed P-Card expenditures to ensure compliance with the County's P-Card Procedures.
- Cross examined P-Card purchase transactions against employees' travel reimbursements and cash advances to ensure expenditures were not duplicated.

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Conclusion

We reviewed a sample of the P-Card purchase transactions and related documents to ensure P-Card Holders' compliance with the County's P-Card Procedures, and to determine if adequate internal controls were in place and operating as designed.

Based on our audit, we noted no findings. We believe that P-Card usage complies with the County's P-Card Procedures and the administration of the P-Card Program has adequate internal controls.

As of June 30, 2021, there were fourteen active P-Cards utilized by County employee

County-Wide Audit
Procurement Card (P-Card) Program
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Exhibit A

Top Spending by Merchant Category

<u>Merchant Category</u>	<u>Total Amount Spent</u>	<u>Percentage</u>
Hotels ¹	\$ 30,765	33.70%
Office Services ²	26,666	29.21%
Business Expense ³	13,234	14.50%
Wholesale Trade ⁴	6,831	7.48%
Other ⁵	4,333	4.75%
Office Supplies ⁶	3,586	3.93%
Airline ⁷	2,359	2.58%
Other Travel ⁸	1,176	1.29%
Vehicle Expense ⁹	820	0.90%
Medical ¹⁰	650	0.71%
Mail/Telephone ¹¹	405	0.44%
Eating/Drinking ¹²	233	0.26%
MRO Supplies ¹³	225	0.25%
Total	\$ 91,281	100.00%

¹ Hotels for conferences and training

² Ad services, membership renewal, Human Resource recruitment services, and training

³ Membership renewal, training, conferences, and Netflix subscription (Juvenile Probation)

⁴ Client supplies, books

⁵ Dropbox and mail services

⁶ General office supplies

⁷ Flights for conferences and training

⁸ Hotels for conference and training

⁹ Law Enforcement vehicle supplies

¹⁰ Children Development Program

¹¹ Display port cables and craft supplies (Juvenile Probation)

¹² Board of Supervisor work meetings (2)

¹³ Human Resource recruitment postings

Source: US Bank

**County-Wide Audit
Procurement Card (P-Card) Program
For the Period of January 1, 2021 to June 30, 2021**

Exhibit B

Top 10 Merchants

<u>Merchant Name</u>	<u>Total Amount Spent</u>	<u>Percentage</u>
Hampton Inn & Stes ¹	\$ 11,361	32.85%
Google ²	4,000	11.57%
CASQA ³	3,710	10.73%
Drury Inn ⁴	3,343	9.67%
Diamond Mountain Casino ⁵	2,746	7.94%
Vistapr*Vistaprint.com ⁶	2,280	6.59%
Paypal *TGPSales ⁷	2,020	5.84%
SafariLand ⁸	1,795	5.19%
EIG*constantcontact.com ⁹	1,781	5.15%
Holiday Inn Express ¹⁰	1,549	4.48%
Total	\$ 34,585	100.00%

¹ Hotel for conferences and training

² Advertising and data processing services

³ California Stormwater Quality Association- Consultation

⁴ Hotel for conferences and training

⁵ Hotel for conferences and training

⁶ Printing company, business cards

⁷ Panasonic VCR and remote for digital file conversions

⁸ Law Enforcement supply and armory retailer

⁹ Marketing Company continuity subscription

¹⁰ Hotel for conferences and training

Source: US Bank