

County of Napa

Auditor-Controller

Internal Audit Report

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

For the Period of July 1, 2024 – December 31, 2024

Report Date: February 3, 2025



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

Table of Contents

	<u>Page</u>
Executive Summary	1
Background and Authority	2
Objectives and Scope	2
Procedures.....	3
Results.....	3
Conclusion	4
Exhibit A – Top Spending by Merchant Category	5
Exhibit B – Top 10 Merchants.....	6
Exhibit C – Top Spending by Department	7

Internal Audit Team

Christine Hernandez – Manager, Internal Audit & Grant Compliance
Susan MacDonald – Internal Auditor



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller
1195 Third Street · Room B10
Napa, CA 94559

Main: (707) 253-4551
Fax: (707) 226-9065
www.countyofnapa.org

Tracy A. Schulze
Auditor-Controller

February 3, 2025

To the Board of Supervisors
Napa County, CA

Executive Summary

The internal audit section of the Napa County Auditor-Controller's Office has completed a county-wide audit of Napa County's Procurement Card (P-Card) Program for the period of July 1, 2024 – December 31, 2024.

Internal Audit conducted the audit in conformance with the *Global Internal Audit Standards (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 Napa County's Procurement Card usage for compliance with the County's Purchasing Policy, as approved by the Board of Supervisors in 2024, and to evaluate the administration of the Program for adequate internal controls. Based on Internal Audit's review, we believe that overall, P-Card usage does comply with the County's P-Card procedures.

This report is a matter of public record and is intended solely for the information and use of Napa County's Board of Supervisors, County Executive Officer, Purchasing Manager, and individual cardholders. I want to thank the Purchasing Manager and cardholders for their assistance and professionalism in conducting this engagement.

Sincerely,

A handwritten signature in blue ink that reads "Tracy A. Schulze".

Tracy A. Schulze, CPA
Auditor-Controller

County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2024 – December 31, 2024

Background and Authority

CAL-Card is the registered name of the State of California’s Purchase Card Program (P-Card). CAL-Card is a VISA purchase card provided by a State of California leveraged procurement agreement (LPA) and offered to participating state and 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 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 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 State or County Purchase Card policies exist.

The Purchase 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 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 US Bank, there are enhanced controls and data reporting tools available that enable 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.

Objectives and Scope

The primary objectives of this engagement were to review Procurement Card usage for compliance with the State and County’s Purchasing Policy and P-Card procedures and to evaluate the administration of the program for adequate internal controls. The scope included a review of transactions and related document files for the period of July 1, 2024 – December 31, 2024.

County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2024 – December 31, 2024

Procedures

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

- Engaged with Cardholders, Accounting Staff and Purchasing Manager to evaluate the administration of the P-Card Program.
- Reviewed the County's Purchasing Policy and P-Card procedures, and the County Travel Policy.
- Conducted a walk-through of P-Card transactions to identify any changes in key controls.
- Reviewed P-Card holders' profiles within the US Bank system to ensure spending and merchant category codes, including 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.
- Reviewed sampled P-Card expenditures to ensure compliance with the County's Purchasing Policy and P-Card procedures, and the County Travel Policy.
- Sampled transactions were also tested against employee expense claims for potential duplication of payments.

Results

As of December 31, 2024 there were 20 active P-Cards utilized by County employees.

Per US Bank reports, there were 871 approved transactions for the six-month period totaling \$316,120, with the largest volume being spent on hotels and airfare. Exhibits A & B provide snapshots of the top 30 percent of spending by Categories and Merchants, while Exhibit C breaks down the spending by County departments where P-Card expenditures exceeded \$1,000 during the review period.

Multiple P-Card transactions were tested for each active cardholder and verified that they were in compliance with the County's P-Card procedures.

236 attempted transactions were declined due to US Bank's internal controls. 56% of declined transactions were for "Unapproved Merchant Category Code". This occurs when the cardholder has not been approved to utilize a specific merchant code, or when an external attempt is made to use the card number for a purchase and the merchant code is not assigned to that card number.

For those cardholders with more than 25 declined transactions during the 6-month review, the cardholder was asked to confirm whether these were attempted by the cardholder or attempted by an external party. If it was a recurring attempt by a vendor, the cardholder was asked to contact the vendor to resolve the issue.

County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2022 – December 31, 2022

Conclusion

The P-Card procedures do not supersede County policies, and it is the role of the Auditor-Controller to audit *“all activity of the P-Card Program, ensuring no violations of the County policies and procedures exist”*.

Internal audit sampled P-Card transactions for each cardholder and related documentation to ensure cardholders’ compliance with current policies and procedures, and to determine if adequate internal controls are in place and operating as designed. Based on the audit, we believe that overall, P-Card usage does comply with the Purchasing Policy for the Procurement Card.

**County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2024 – December 31, 2024**

Exhibit A

**Top Spend by Category
July 1, 2024 – December 31, 2024**

<u>Merchant Category</u>	<u>Total Spend</u>	<u>Percentage</u>
Hotels ¹	30,135	32%
Airline ⁴	25,525	27%
Wholesale Trade ⁵	11,950	13%
Other ⁷⁻¹²	10,450	11%
Business Expense ²	8,947	10%
Restaurants/Food ⁶	6,623	7%
Total \$	93,630	100%

Source: US Bank

Definitions of Merchant Categories (not all apply)

¹ Hotels for Conferences and Trainings

² Memberships, Cable Services, Charitable and Social Services, Education and Trade School Expenses

³ Advertising, Information Retrieval Services, Employment Agencies, Continuity Subscriptions

⁴ Flights to Attend Conferences and Trainings

⁵ Discount Stores (Wal-Mart, Costco), Wholesale Books and Magazines, Office Supplies

⁶ Restaurants/Food Services including for shelters

⁷ Artists Supply and Crafts, Dropbox Services, Theaters, Domain Hosting

⁸ Conferences and Training

⁹ Stationery Stores/Supplies, Computer Software Stores

¹⁰ Trains and Ground Transportation

¹¹ Tolls and Bridge Fees

¹² Office Depot Mail/Phone

**County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2024 – December 31, 2024**

Exhibit B

**Top Spend by Merchant
July 1, 2024 – December 31, 2024**

<u>Merchant Name</u>	<u>Total Spend</u>	<u>Percentage</u>
Southwest Airlines ¹	18,989	20%
Hotel Dena Pasadena ⁵	12,299	13%
The Webstaurant Store Inc. ⁸	11,950	13%
DoubleTree Hotels ⁵	11,726	13%
Expedia ¹	10,450	11%
California District Attorney ²	8,947	10%
Panera Bread ⁴	6,623	7%
United Airlines ¹	6,536	7%
Holiday Inn Express ⁵	6,110	6%
Total	\$ 93,630	100%

Source: US Bank

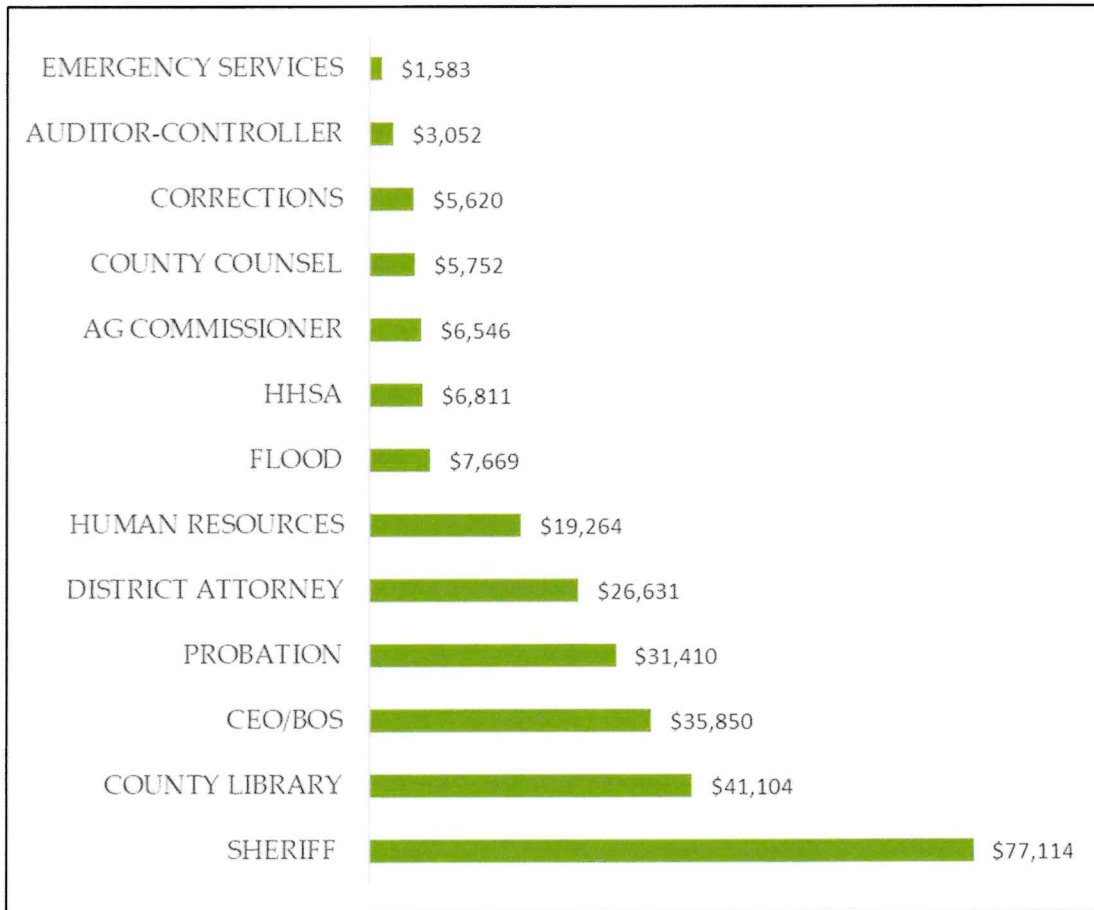
Services Provided by Merchants (not all apply)

- ¹ Flights for Conferences
- ² Membership / Political / Government Organization
- ³ Conferences
- ⁴ Restaurants/Food Services
- ⁵ Hotel for conferences and training
- ⁶ Office Services
- ⁷ Business Expense
- ⁸ Wholesale Trade

**County-Wide Audit
Procurement Card (P-Card) Program
For the Period of July 1, 2024 – December 31, 2024**

Exhibit C

**P-Card Usage by Department
July 1, 2024 – December 31, 2024**



Source: Tyler Munis P-Card Disbursements

Note: Departments with less than \$1,000 in spending during review period not included.