

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Internal Audit
CAL-Card Program
Sheriff's Office and Sonoma Water**

For the Period: July 1, 2022 to June 30, 2023

Engagement No: 3108
Report Date: October 8, 2024



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Executive Summary

As a part of the 2023/2024 Annual Audit Plan, the Internal Audit Division of the Sonoma County Auditor-Controller-Treasurer-Tax Collector's (ACTTC) Office conducted an audit of Sonoma County's CAL-Card Program (CAL-Card Program).

The two objectives of the audit were to determine if:

- 1) A sample of CAL-Card transactions complied with the County's policies and procedures for a sample of departments and CAL-Card cardholders (Sheriff's Office and Sonoma Water).
- 2) A sample of monthly CAL-Card statements include adequate supporting documentation for a sample of CAL-Card cardholders (Sheriff's Office and Sonoma Water).

Except for in county meals purchased for employees attending training, all other transactions tested from the Sheriff's Office and Sonoma Water generally complied with the CAL-Card policies and procedures and adequate documentation is maintained to support CAL-Card program purchases. CAL-Card statements sampled were supported by well-organized adequate documentation and the Sheriff's Office and Sonoma Water's review and approval controls.

Opportunities exist to improve internal controls over County food purchases and to update and clarify some sections of the Administrative Policy 3-2 Travel and Meal Reimbursement (Meal Policy), which are discussed in more detail within the Findings, Recommendations and Management Responses section of this report (page 5).

The CAL-Card Program Administrator (Purchasing Agent), Sheriff's Office and Sonoma Water's staff were very helpful during the audit.

Introduction and Background

Introduction

The Internal Audit Division (IA) completed an audit of the CAL-Card program for the period July 1, 2022, to June 30, 2023. We reviewed CAL-Card transactions to determine whether they comply with the County CAL-Card Policy (CAL-Card Policy), Meal Policy and have adequate documentation to support CAL-Card purchases. We designed this audit to identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results, findings and recommendations contained in our report.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

The Internal Audit Division (IA) as well as the Assistant Auditor-Controller-Treasurer-Tax Collector, and the General Accounting Division report to the elected ACTTC. The General Accounting Division is responsible for approving CAL-Card payments submitted by departments. Except for conducting this audit, the Internal Audit Division has no other responsibilities or involvement in the CAL-Card program administration.

Background

According to the CAL-Card Policy, dated March 2021 the ACTTC will periodically conduct audits to ensure compliance with the CAL-Card regulations, policies, and procedures. Our audit is a part of that requirement and covers the CAL-Card purchase transactions from July 1, 2022 through June 30, 2023. The County spent approximately \$8.6 MM through the CAL-Card program in fiscal 2023, out of which \$2.1MM was spent on utilities which was not part of this audit. The Sheriff's Office and Water Agency are by far the largest users, accounting for approximately 30 % of the County's total annual CAL-Card purchases.

The CAL-Card can be used to obtain routine, allowable purchases for county purposes such as supplies for maintenance, repair or operations, travel expenses such as airline tickets, hotels, and meals (for county business within county guidelines).

The County policy prohibits the use of the CAL-Card to procure certain types of goods and services. Due to the nature of these transactions, reviews and approvals performed by the County departments and Program Administrator (Purchasing) are necessary to reduce a variety of risks. Some purchases that do not meet CAL-Card policy requirements are discussed with the Program Administrator and, in some instances, exceptions may be granted by the Program Administrator.

Scope & Methodology

Scope

The audit covers the period July 1, 2022 through June 30, 2023 and includes a review of a sample of Sheriff's Office and Sonoma Water's CAL-Card transactions.

IA utilized data provided by the Program Administrator to select a sample of CAL-Card purchases, which was downloaded directly from US Bank. IA judgmentally selected a sample of CAL-Card transactions totaling \$551,681 or approximately 29% of Sheriff's Office and Sonoma Water expenditures.

Methodology

To address our audit objectives, the Internal Audit Division conducted the following activities:

- Review written CAL-Card policies and procedures for the County.
- Select a sample of largest CAL-Card user departments and test a sample of transactions.
- Select a sample of largest CAL-Card cardholders and test a sample of transactions.
- Select a sample of meal expenses and evaluate compliance with the CAL-Card and the Travel and Meal Reimbursement Policies.
- Review a sample of monthly CAL-Card statement reconciliations.
- Interviewed department personnel regarding the controls over CAL-Card Purchases.

Results

Objective 1 Results:

Except for in county meals purchased for employees attending training, all other transactions tested from the Sheriff's Office and Sonoma Water generally complied with the CAL-Card policies and procedures and adequate documentation is maintained to support CAL-Card program purchases. The Sheriff's Office and Sonoma Water used the CAL-Card to purchase in county meals for employees attending in-house training, without any indication that employees were required to work during mealtimes. See Findings, Recommendations and Management Response section of this report (page 5).

IA judgmentally selected \$387,795 (or 156) individual CAL-Card transactions (including largest CAL-Card cardholders) from selected departments and verified that the transactions are:

- Routine, allowable purchases for county purposes
- Supported with sufficient information, such as itemized receipts and any other required documentation (travel authorization form, memo for in-county food purchases, etc.)
- Approved by an authorized preparer and approver on the CAL-Card Statement and Monthly CAL-Card Report
- Within the CAL-Card established single purchase limit.

Objective 2 Results:

CAL-Card statements sampled were supported by well-organized adequate documentation. The Sheriff's Office and Sonoma Water's review and approval controls over sampled CAL-Card purchases are well documented.

IA judgmentally selected individual CAL-Card statements for total of \$163,886 (or 14 CAL-Card statements, including largest CAL-Card cardholders) and performed the following procedures:

- Reconcile CAL-Card statement to the monthly CAL-Card Report.
- Verify that each transaction has adequate supporting documentation such as itemized receipts and any other necessary supporting documentation (travel authorization form, memo for in-county food purchases, etc).
- Recalculate totals on the Monthly CAL-Card Report and tie to the CAL-Card Statement.
- Verify that CAL-Card statement and individual transactions are within established Single and Monthly Transaction Limits.
- Determine whether the US Bank Monthly CAL-Card Statements and monthly CAL-Card Cardholder Reports have signatures of the CAL-Card Cardholder (preparer) and Approver.
- Review monthly CAL-Card statements for split transactions.
- Compare title of the approver to the title of the preparer to identify incompatible duties.

Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
1a	<p>Administrative Policy 3-2-Travel and Meal Reimbursements (dated 9.11.2007): With Department/Agency Head/General Manager or designee approval, meals, or snacks, purchased by the department, for staff, trainers, speakers, and subject matter experts required to attend trainings, meetings and events, which result in staff working during mealtime, may be paid or reimbursed by the County. In the case when staff is working after normal work hours, and it is more practical to provide meals than to have staff leave and return, meals may be paid or reimbursed by the County. The need to schedule meetings during mealtime should be necessary and extraordinary. In these cases, additional documentation must be provided with the request for payment as noted below under additional documentation related to in county purchases of food/drinks/snacks.</p>	<p>Risk Classification: C – Control Weakness: In March 2023, the Sheriff’s Office held first responder training and in September 2022, Sonoma Water held leadership training for employees. Meals for employees who attended this in county training were purchased for \$7,548 (\$4,533 and \$3,016 respectively), although employees were not required to work during mealtime.</p> <p>Recommendation: The ACTTC management in collaboration with the Purchasing Agent should perform an outreach to departments/agencies and clarify Travel and Meal Reimbursement policy regarding purchasing meals for in county employee training. The communication should highlight that the need to schedule meetings and training during mealtime should be necessary and extraordinary.</p>	<p>We agree and will collaborate with the Purchasing Agent to perform outreach to the organization about the requirements for in-county meal purchases.</p>
1b	<p>Policies should be periodically reviewed and updated.</p>	<p>Risk Classification: C – Control Weakness: Administrative Policy 3-2-Travel and Meal Reimbursements, has not been updated since September 2007.</p> <p>Recommendation: ACTTC management in collaboration with the County Administrator’s Office should periodically review the Sonoma County Travel and Meal Policy and update it as necessary. Management should consider updating requirements for “within</p>	<p>We agree and will collaborate with the County Administrator’s Office to review and update (if necessary) Administrative Policy 3-2.</p>

Findings, Recommendations & Management Responses

#	Criteria	Findings	Management Response
		county meal purchases". Allowable in county meal purchases should be better defined with clear criteria regarding purchasing meals for employees attending in county meetings or training. Meal reimbursement of \$90 per day should be reviewed and updated as necessary with consideration of implementing Federal reimbursement rates.	

Appendix A

For purposes of reporting our audit findings and recommendations, we classify audit report items into four distinct categories to identify the perceived risk exposure:

- **Risk Classification A: Critical Control Weakness:**
Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.
- **Risk Classification B: Significant Control Weakness:**
Audit findings or a combination of Control Weaknesses that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.
- **Risk Classification C: Control Weakness:**
Audit findings concerning internal controls, or compliance issues that require management's corrective action to implement or enhance processes and internal controls. Control Weaknesses are expected to be addressed within our follow-up process.
- **Risk Classification D: Opportunity for Improvement:**
Audit findings concerning opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes. Opportunities for improvement are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.