

**County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM**

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**To:** Barry Zimmerman, Director, Human Services Agency

**Date:** December 28, 2015

**From:** Jeffery S. Burgh

**Subject: AUDIT OF THE USE AND CONTROL OF PROCUREMENT AND TRAVEL CREDIT CARDS  
FOR THE HUMAN SERVICES AGENCY**

We have completed our audit of the use and control of procurement and travel credit cards for the Human Services Agency ("HSA"). The results of our audit are summarized below.

**BACKGROUND**

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To facilitate operational efficiency, the County has contracted with U.S. Bank to provide procurement credit cards and with the Ventura County Credit Union ("VCCU") to provide travel credit cards for departmental use. Procurement credit cards can be used for small dollar purchases (e.g., \$3,500 for a single purchase) with certain restrictions (e.g., no services due to income reporting requirements). Travel credit cards may be used only for airfare, lodging, ground transportation, meals, conferences, and other incidental travel expenses. The procurement and travel credit cards must not be used for personal purposes.

During fiscal year ("FY") 2012-13, U.S. Bank was paid over \$177,000 for HSA procurement credit card charges and VCCU was paid over \$220,000 for HSA travel credit card charges. HSA was assigned 4 procurement credit cards and 61 travel credit cards during FY 2012-13.

**SCOPE**

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Our overall audit objective was to determine whether HSA's use and control of procurement and travel credit cards was appropriate and compliant with County policy. Specifically, we:

- verified that procurement and travel credit card purchases during FY 2012-13 were appropriate and supported; and
- evaluated departmental monitoring controls over procurement and travel credit cards to ensure accountability over cards.

For procurement credit cards, we identified and sampled high risk transactions, including those with questionable merchant names and category codes (e.g., jewelry stores), for review of authorized purpose, supporting documentation, etc. We also verified that purchases were not split to circumvent spending limits and that purchases were appropriate when other purchasing mechanisms (e.g., price agreements) exist.

For travel credit cards, we sampled 6 months of activity for review of supporting documentation, compliance with meal reimbursement limits, and various other attributes. We verified that credit card charges were not

also submitted on individual employee reimbursement requests and that unallowable charges were reimbursed to the County. We evaluated the timeliness of departmental actions to resolve erroneous or fraudulent credit card charges with the credit card vendor and to submit credit card statements and logs to the Auditor-Controller.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents from July 2012 through June 2013.

## **FINDINGS**

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Overall, we found that HSA appropriately used and controlled procurement and travel credit cards. For example, through our audit samples, we verified that:

- Procurement credit card charges of \$31,992 (18% of payments made) appeared reasonable for department operations and were supported with receipts/invoices.
- Travel credit card charges of \$107,032 (49% of payments made) were reasonable for the described purpose and appropriately reviewed by the department.
- Travel credit cards held centrally for general department use were vested in a responsible custodian, subject to periodic inventories, and safeguarded properly.

However, procedures were not always sufficient to ensure submittal of itemized meal receipts and surrender of credit cards from employees upon termination or transfer. Following are details of the areas where improvements were needed. HSA management initiated corrective action during the audit as noted.

1. **Lack of Itemized Receipts.** Meal charges on travel credit cards were not always supported with detailed receipts in noncompliance with County policy. The current County Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, as revised in January 2013, states that itemized receipts are required unless the per diem reimbursement method applies and is utilized by the employee. Our sample of 189 meal charges totaling \$3,696 on travel credit card statements during February through June 2013 disclosed that 55 (29%) charges totaling \$1,193 (32%) were not supported with itemized receipts. Although receipts supported the total amounts charged, the receipts did not show the items purchased and therefore could not be reviewed for potential unallowable charges.

**Recommendation.** HSA management should follow the current County Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, and obtain itemized receipts from employees upon return from travel.

**Management Action.** HSA management stated: "Since the time of the 12/13 activity reviewed and prior to your audit of the 12/13 activity, HSA took steps to ensure staff provide itemized receipts."

2. **Employee Exit Procedures.** HSA's employee exit procedures were in need of improvement to assure that County procurement and travel credit cards were properly surrendered. HSA stated on the 2010 Control Self-Assessment Program *Department Internal Control Questionnaire* that a request to surrender credit cards was included on the Human Resources ("HR") Exit Checklist. However, the HR Exit Checklist did not actually include this request. Without a formal exit procedure to surrender credit cards, a credit card may not be returned by a departing or transferring employee.

**Recommendation.** HSA management should revise the HR Exit Checklist to include a request to surrender credit cards.

**Management Action.** HSA management stated: "HSA-HR has added this to the employee exit checklist."

#### **AUDITOR'S EVALUATION OF MANAGEMENT ACTION**

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We believe that HSA management actions taken or planned were responsive to the audit findings. Responses indicated that corrective actions were completed during the course of the audit.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

cc: Honorable Kathy Long, Chair, Board of Supervisors  
Honorable Linda Parks, Vice Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Peter C. Foy, Board of Supervisors  
Honorable John C. Zaragoza, Board of Supervisors  
Michael Powers, County Executive Officer  
Paul Grossgold, Director, General Services Agency