


**County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM**

To: Mark Lorenzen, Fire Chief

Date: April 13, 2016

From:  Jeffery S. Burgh

Subject: AUDIT OF THE USE AND CONTROL OF PROCUREMENT AND TRAVEL CREDIT CARDS FOR THE VENTURA COUNTY FIRE PROTECTION DISTRICT

We have completed our audit of the use and control of procurement and travel credit cards for the Ventura County Fire Protection District ("VCFPD"). The results of our audit are summarized below.

BACKGROUND

The General Services Agency provides requesting departments with procurement credit cards issued by U.S. Bank to facilitate operational efficiency and to reduce the number of requisitions and purchase orders associated with small dollar purchases. Each procurement credit card is assigned a maximum dollar limit (e.g., \$3,500 for a single purchase) and is subject to certain purchase restrictions (e.g., no services due to income reporting requirements).

The Auditor-Controller's Office provides departments with travel credit cards issued by the Ventura County Credit Union ("VCCU") to streamline travel arrangements and to eliminate the paperwork associated with travel advances and reimbursements. The travel credit card 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 nearly \$436,000 for VCFPD procurement credit card charges and VCCU was paid nearly \$203,000 for VCFPD travel credit card charges. VCFPD was assigned 32 procurement credit cards and 80 travel credit cards during FY 2012-13.

SCOPE

Our overall audit objective was to determine whether VCFPD'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 4 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

Overall, we found that VCFPD appropriately used and controlled procurement and travel credit cards. For example:

- Our samples of \$47,269 in procurement credit card charges (11% of payments made) confirmed that the charges appeared reasonable for department operations and were supported with receipts/invoices.
- Our sample of \$74,473 in travel credit card charges (37% of payments made) confirmed that the charges 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, VCFPD travel credit card procedures were not always sufficient to ensure submittal of proper receipt documentation and timely repayment of non-County charges. Following are details of the areas where improvements were needed. VCFPD management initiated corrective action during the audit as noted.

1. **Lack of Proper Travel Receipts.** Travel credit card charges were not always supported with proper receipt documentation 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. However:
 - Our sample of \$74,473 in charges on travel credit card statements during 4 months of FY 2012-13 disclosed that charges of \$1,296 (2%) were not supported with sales receipts of any kind. Although these charges were appropriately reported on the Detail of Trip Expenses Log to describe the business purpose of expenses, receipts were needed to verify the appropriateness of charges.
 - Of the 115 meal charges totaling \$8,642 we reviewed on the February and May 2013 travel credit card statements, 26 (23%) charges totaling \$1,589 (18%) 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. VCFPD 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. VCFPD management stated: "Currently, VCFPD annually trains the named travel cardholders on the County's Administrative Travel Reimbursement Policy. Employees who use unnamed cards are given a packet that includes a copy of the Auditor-Controller's Department Travel Credit Card-Cardholder Instructions along with a copy of page 7 and 8 of the current County Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, Administrative Travel Reimbursement Policy. VCFPD will continue to train and educate employees on the County's travel policy."

2. **Lack of Timely Repayment of Non-County Travel Charges.** Non-County travel credit card charges were not always repaid to the County in a timely manner. The *Ventura County Department Travel Credit Card Cardholder Instructions* issued by the Auditor-Controller state that payment for all non-County charges should be submitted within 5 working days of return from County travel. Our sample of three travel credit card charges during the 4 months sampled during FY 2012-13 requiring repayment to the County disclosed that none of the three repayments were submitted within the 5 days. These three repayments, which totaled \$308, were submitted between 13 and 370 days after returning from travel. Submitting repayments in a timely manner helps the travel credit card custodian to ensure that all required repayments are collected.

Recommendation. VCFPD management should follow the *Ventura County Department Travel Credit Card Cardholder Instructions* and pursue repayment for all non-County charges in a more timely manner.

Management Action. VCFPD management stated: "The majority of employees who use the travel credit card work in one of the 34 offsite facilities throughout Ventura County and a 24 hour shift that makes it difficult to collect the payment within five (5) days. VCFPD will continue with the process in place before the audit of sending emails to employees on amounts due to the county and will continue to work with the supervisor to seek reimbursement from the employee. VCFPD will continue to educate employees on the County's policy."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that VCFPD 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 Linda Parks, Chair, Board of Supervisors
Honorable John C. Zaragoza, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Kathy Long, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Michael Powers, County Executive Officer
David Sasek, Director, General Services Agency
Valerie Barraza, Deputy Director, Auditor-Controller's Office