

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Valerie Barraza, Deputy Director, Auditor-Controller's Office

Date: December 6, 2016

From: Barbara Beatty 

Subject: SUMMARY AUDIT REPORT OF THE USE AND CONTROL OF TRAVEL CREDIT CARDS

We have completed our audits of the use and control of procurement and travel credit cards for three County departments and issued separate audit reports during December 2015 through September 2016. This report is a summary of our individual departmental audits to address travel credit card issues that impacted departments Countywide.

BACKGROUND

The Auditor-Controller's General Accounting Division's Accounts Payable Section ("Accounts Payable") administers the Countywide Travel Credit Card Program to streamline travel arrangements and to eliminate the paperwork associated with travel advances and reimbursements. Accounts Payable provides requesting departments with travel credit cards issued by the Ventura County Credit Union ("VCCU") and provides departments with guidelines to ensure proper use and control of cards. During fiscal year ("FY") 2012-13, over 400 travel credit cards were issued to departments and VCCU was paid over \$1.7 million for travel credit card charges Countywide.

SCOPE

Our overall objective of the travel credit card portion of our audits was to determine whether departmental use and control of travel credit cards was appropriate and compliant with County policy. We reviewed three departments as follows: 1) Fire Protection District; 2) Human Services Agency; and 3) Sheriff's Office. Specifically, we:

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

We sampled 4 to 6 months of travel credit card activity for review of supporting documentation, compliance with meal reimbursement limits, and various other attributes. We verified that travel credit card charges were not also submitted on individual employee reimbursement requests and that unallowable charges were reimbursed to the County.

Except as discussed in the following paragraph, our audits were performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors ("*IIA Standards*") using documents from July 2012 through June 2013.

In connection with the impact of Accounts Payable on our audits, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." Although the Internal Audit Division and Accounts Payable both reside in the Auditor-Controller's Office, we believe that the following safeguards and division of responsibility exist. The Internal Audit Division staff, having the responsibility to perform audits, resides in a stand-alone division of the Auditor-Controller's Office and has no other responsibility of the accounts and records being audited. Therefore, the reader of this report can rely on the information contained herein.

FINDINGS

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

- Our samples of \$305,318 in travel credit card charges for the three departments reviewed (or 18% of payments made to VCCU during FY 2012-13) confirmed that the charges were reasonable for the described purpose.
- Travel credit cards held centrally for general department use were vested in a responsible custodian, subject to periodic inventories, and safeguarded properly.

However, the travel credit card instructions needed revision to help employees comply with policies as described below. Accounts Payable management initiated corrective action during the audit as noted.

Cardholder Instructions. The Auditor-Controller's *Department Travel Credit Card County of Ventura Cardholder Instructions* ("*Cardholder Instructions*") could be strengthened. All three of the departments that we audited lacked proper travel receipts to some extent:

- For one department, travel credit card charges of \$1,296 (2% of the charges sampled for the department) were not supported with sales receipts of any kind.
- For all three departments combined, meal charges of \$6,055 (31% of the meal charges sampled for the departments) were not supported with itemized receipts.

In contrast, all procurement credit card transactions that we reviewed were supported with proper receipts. While the General Services Agency's *Procurement Credit Card Policy and Procedure Manual* distinguished cardholder responsibilities from approver and billing official responsibilities, the *Cardholder Instructions* were not as clear. We noted that an attachment to the *Cardholder Instructions* was available to specify travel credit card custodian responsibilities; however, the main *Cardholder Instructions* continued to lack clarity on whether individual instructions applied to custodians, assigned cardholders, or unassigned cardholders. We also noted that:

- Although the County Administrative Policy No. Chapter VII(C)-1, *Reimbursement of Employees County Business Expenses*, was revised in 2013 to specify that itemized receipts are required for meals, the *Cardholder Instructions* did not specify the need for itemized receipts.

- Supervisors were not expected to review travel credit card statements or the *Detail of Trip Expenses* form for authorized purpose and proper documentation of expenses.
- Training was not provided regularly to new custodians or new assigned cardholders by Accounts Payable.
- The *Detail of Trip Expenses* form, although a fundamental component of the travel credit card procedures, was not attached to the *Cardholder Instructions* or available on the Auditor-Controller's intranet site.
- Custodian responsibilities did not include guidelines for how long custodians are expected to follow-up with employees on amounts requiring repayment, as we had noted one repayment took 370 days.

Recommendation. Accounts Payable management should update the *Cardholder Instructions* to clarify requirements and responsibilities, and training should be provided to new custodians and cardholders. The *Detail of Trip Expenses* form should be readily available in electronic format on the Auditor-Controller's intranet site, and completed forms should be reviewed by the employee's supervisor.

Management Action. Accounts Payable management stated:

"The Auditor-Controller concurs with the audit findings. Accounts Payable will revise the *Department Travel Credit Card Cardholder* instructions to clarify responsibilities for custodians and employees using the travel cards. The modifications will include: 1) adding a provision that requires itemized receipts; 2) requiring a supervisor and/or authorized staff to review and sign the employee's *Detail of Trip Expenses* form; 3) publishing the *Detail of Trip Expenses* form to the travel card procedures on the Auditor-Controller's intranet website; 4) adding a reference to Chapter VII (A)-11, '*Reimbursement for Overpayments and Underpayments*' of the County Administrative Manual regarding procedures for seeking reimbursements from employees for charges exceeding allowable amounts; and 5) developing a *Department Travel Credit Card* training package outlining key features of the program and publishing the package on the Auditor-Controller's intranet web site.

"Further, Accounts Payable will establish a program to conduct training for any new custodians. Given the majority of management level employees have travel credit cards issued in their names, we will train department fiscal staff using a 'train the trainer' approach. Department fiscal staff will then be required to train cardholders and certify training has occurred."

AUDITOR'S EVALUATION OF MANAGEMENT ACTION

We believe that Accounts Payable management's planned corrective action was responsive to the audit finding. Corrective action is planned to be completed by January 31, 2017.

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

Valerie Barraza, Deputy Director, Auditor-Controller's Office

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cc: Honorable Jeffery S. Burgh, Auditor-Controller
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