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September 11, 2012

To: The Honorable Paul L. Beeman
Presiding Judge

From: Supervisor Linda J. Seifert
Chair, Board of Supervisors

RE: Responses to the FY2011/2012 Grand Jury Report titled, "Purchasing Card Program"

The Honorable Judge Beeman:

Pursuant to Penal Code sections 933(c) and 933.05, the Solano County Board of Supervisors responds to the findings and recommendations contained in the FY2011/12 Grand Jury Report released on June 20, 2012 on the Purchasing Card Program.

Finding 1

Seven CAL-Card users were no longer employed by the County or were on extended leave of absence. In one case an active cardholder was found to have retired in 2010.

Response to Finding 1

General Services: General Services partially disagrees with the finding. A thorough review of the records revealed that there were only two CAL-Card holders not in active employment status who had an open CAL-Card account, one of which retired in 2010 and the other in 2011. No purchases and/or charges had been made on either of these accounts after the employees left County service.

Board of Supervisors: The Board partially disagrees with the finding as set forth in the response by General Services.

Recommendation 1

Director, General Services, coordinate with Director, Human Resources, to develop and implement a process sufficient to ensure that CAL-Cards are routinely cancelled for all cardholders who leave County service or are placed on extended leave of absence.

Response to Recommendation 1

General Services: The recommendation will be implemented over the next six months. General Services will work with Human Resources to explore ways to enhance existing exit procedures for employees leaving County service. In addition, General Services will send a memo to

Department Heads on an annual basis requesting confirmation that all CAL-Cards issued to their departmental employees are active and appropriately assigned.

Board of Supervisors: The recommendation will be implemented as set forth in the response to Recommendation 1 by General Services.

Finding 2

Not all approving officials were organizationally above the CAL-Card users under their purview. In one case, the approving official was organizationally subordinate to five cardholders, which was contrary to County policy.

Response to Finding 2

General Services: General Services agrees with the finding.

Board of Supervisors: The Board agrees with the finding.

Recommendation 2

Director, General Services, take appropriate steps to ensure that approving officials are not organizationally subordinate to the CAL-Card users under their purview.

Response to Recommendation 2

General Services: The recommendation has been implemented. The CAL-Card Administrator reviews an application and verifies that all information is properly completed. The Administrator further verifies that the designated Approving Authority is an appropriate official to perform the duties of an Approving Authority for the CAL-Card applicant in accordance with the *Purchasing Card Program Manual*.

Board of Supervisors: The recommendation has been implemented as set forth in the response to Recommendation 2 by General Services.

Finding 3

County policies and procedures manual Purchasing Card Program:

- *did not accurately reflect County processes*
- *included obsolete/superseded forms*
- *was missing the purchase log attachment*
- *contained requirements of no obvious value to the purchase-card program*

Response to Finding 3

General Services: General Services partially disagrees with the finding. The *Purchasing Card Program Manual* does detail the processes from point of purchase to reconciliation of purchases and payment approval. While some forms included in the manual are mandatory, others are used as optional tools to increase efficiencies and provide clear direction for appropriate charging. The most up-to-date version of the *Purchasing Card Program Manual* is maintained on the County's Employee Intranet. Upon request of a new CAL-Card, recipients are required to download and read the Purchasing Card Manual. The older paper manual referenced in the report, which is no longer maintained, did not include the most recent Vendor Payment Claim form from the Auditor-Controller's Office or the Purchase Log.

Board of Supervisors: The Board partially disagrees with the finding as set forth in the response by General Services.

Recommendation 3

Director, General Services, thoroughly and critically review County purchasing-card processes and requirements and revise/update the policies and procedures manual Purchasing Card Program accordingly.

Response to Recommendation 3

General Services: The recommendation has not yet been implemented, but will be implemented by January 2013.

Board of Supervisors: The recommendation has not yet been implemented, but will be implemented as set forth in the response to Recommendation 3 by General Services.

Finding 4

Some CAL-Card spending limits exceeded County maximums and/or the limits identified and approved on the original CAL-Card request. For example, three cardholders had limits that exceeded the County's maximum monthly-spending limit of \$5,000: One cardholder had a \$50,000 limit and two had \$10,000 limits.

Response to Finding 4

General Services: General Services partially disagrees with the finding. The Purchasing Card Program was approved by the Board of Supervisors in December 1999. When the Purchasing Card Program was implemented, purchase card limits were established not to exceed \$5,000. Lower limits can be specified by card users and higher limits are available with prior approval. Department Heads approve the issuance of purchase cards in their departments and establish card limits, including purchase restrictions, within the Department's delegated purchasing authority consistent with County procurement policies.

Further, on December 14, 2004, the Board of Supervisors approved a request to increase the CAL-Card monthly spending limit of the Emergency Services Manager to \$50,000.

One employee was provided a \$10,000 limit in a clerical error, which has since been remedied. The other card holder with a \$10,000 limit was given authority by the former County Administrator as an operational efficiency as that position is responsible for coordinating all travel expenses for the County Administrator's Office (CAO) as well as the Board of Supervisors. It was proven that the \$5,000 limit was not sufficient to accommodate airfare, accommodations and registration when CAO staff and Board members participated in such events as the National Association of Counties conferences and legislative advocacy visits to Washington, D.C.

Board of Supervisors: The Board partially disagrees with the finding as set forth in the response by General Services.

Recommendation 4

Director, General Services, ensure that all CAL-Card limits comply with County policy and are adequately supported and approved.

Response to Recommendation 4

General Services: The recommendation has not yet been implemented, but will be implemented by January 2013. General Services will conduct a full audit of all card holders to ensure that

credit limits are consistent with the application forms and any updates to either increase or decrease spending limits.

Board of Supervisors: The recommendation has not yet been implemented, but will be implemented as set forth in the response by General Services.

Finding 5

Mandatory CAL-Card training was not always recorded or was completed after the CAL-Card was issued. Specifically, review of 19 cardholder files found 4 where no training was recorded or where training was completed after the purchase card was issued.

Response to Finding 5

General Services: General Services agrees with the finding. Prior to 2007, training records were recorded inconsistently. Some training dates were recorded directly on the CAL-Card application and some were recorded on a training log. In 2007, the CAL-Card training program was streamlined and improved to keep efficient record of all applications and training records.

Board of Supervisors: The Board agrees with the finding.

Recommendation 5

Director, General Services, ensure that no CAL-Card is issued without the cardholder first completing the mandated training.

Response to Recommendation 5

General Services: The recommendation has been implemented. In 2007 a single point of contact with a back-up substitute was designated as the CAL-Card Administrator. One duty of the CAL-Card Administrator is to ensure that all CAL-Card applicants are properly trained on the policies and procedures related to the Purchasing Card Program. Training logs are kept and maintained in a single location. All CAL-Card recipients are required to sign their name verifying that they attended the training program.

Board of Supervisors: The recommendation has been implemented as set forth in the response to Recommendation 5 by General Services.

Finding 6

Complete individual cardholder files were not maintained by General Services. Instead all cardholder documents were lumped into 26 alphabetic files based on cardholder last name. As a result, individual cardholder records were difficult to locate and nearly impossible to inventory for completeness.

Response to Finding 6

General Services: General Services partially disagrees with the finding. The original CAL-Card files are maintained in a single location in the Central Services Manager's office. The file folders are alphabetized and well organized.

Board of Supervisors: The Board partially disagrees with the finding as set forth in the response by General Services.

Recommendation 6

Director, General Services, establish individual folders for each CAL-Card holder and ensure that records retained for each cardholder provide a history from application to cancellation.

Response to Recommendation 6

General Services: The recommendation has been implemented. Effective July 1, 2012, every County staff person in possession of an active CAL-Card procurement has an individual file folder maintained in the office of the Central Services Manager. Inactive and/or canceled card holders are maintained in a separate file.

Board of Supervisors: The recommendation has been implemented as set forth in the response to Recommendation 6 by General Services.

Finding 7

The County used a manual paper-based system to process monthly billing statements, even though an automated option was available through U.S. Bank.

Response to Finding 7

General Services: General Services agrees with the finding.

Board of Supervisors: The Board agrees with the finding.

Recommendation 7

Director, General Services, coordinate with the Auditor-Controller to determine the possibility and feasibility of implementing the automated bill-processing option provided by U.S. Bank.

Response to Recommendation 7

General Services: The recommendation has not yet been implemented, but General Services will work with the Auditor/Controller over the next six months to determine the possibility and feasibility of using the automated bill processing option.

Board of Supervisors: The recommendation has not yet been implemented, but will be implemented as set forth in the response by General Services.

Finding 8

CAL-Card purchases were not always adequately supported or described thereby making it difficult or impossible to determine what was purchased. Although a purchase log was available and recommended to record and describe CAL-Card activity, review of 40 cardholder billing statements found only 13 purchase logs used.

Response to Finding 8

General Services: General Services partially disagrees with the finding. The purpose of the optional Purchase Log is to assist CAL-Card users in identifying and assigning budget codes to multiple purchases, not to serve as the vehicle for providing support documentation of the purchase. However, General Services recognizes the importance of CAL-Card users providing complete documentation for purchases. Refresher training as outlined in the response to Recommendation 9 will emphasize this importance.

Board of Supervisors: The Board partially disagrees with the finding as set forth in the response by General Services.

Recommendation 8

Director, General Services, require all CAL-Card users record purchase activity on the purchase log.

Response to Recommendation 8

General Services: The recommendation will not be implemented because it is not warranted. The Purchasing Log was created as an optional tool to assist departments in identifying and assigning budget codes to multiple purchases.

Board of Supervisors: The recommendation will not be implemented as set forth in the response by General Services.

Finding 9

Sales tax logs were not used to identify Internet purchases that did not charge sales tax. Review of 12 Internet purchases with no sales tax found 10 that were not recorded on a sales tax log.

Response to Finding 9

General Services: General Services agrees with the finding.

Board of Supervisors: The Board agrees with the finding.

Recommendation 9

Director, General Services, reiterate to all billing officials the requirement to complete sales tax logs for Internet purchases that do not charge sales tax.

Response to Recommendation 9

General Services: The recommendation has not yet been implemented, but will be implemented by August 31, 2012. All CAL-Card holders, approving officials and billing officials will be provided with a memo reiterating their responsibility to follow the policies and procedures outlined in the *Purchasing Card Program Manual*. In addition, the CAL-Card Administrator will partner with Central Services staff to offer mandatory refresher training to all CAL-Card holders who have not received training within six months of receiving a CAL-Card. The refresher training courses will be complete by December 31, 2012.

Board of Supervisors: The recommendation has not yet been implemented, but will be implemented as set forth in the response to Recommendation 9 by General Services.

Finding 10

The County did not maximize the prompt-payment rebate available from U.S. Bank. Specifically, a rebate is available when CAL-Card bills are paid within 45 calendar days. The faster the County pays, the higher the rebate. Review of 40 cardholder billing statements found the average time from billing date to payment was 48 days.

Response to Finding 10

Board of Supervisors: The Board agrees with the finding.

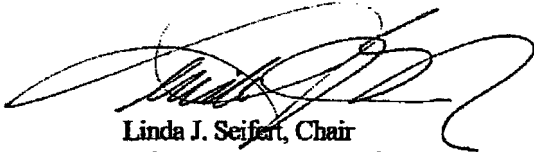
Recommendation 10

Board of Supervisors direct the Auditor-Controller and Director, General Services, to develop and implement a process to pay monthly CAL-Card statements in full immediately upon receipt. Support documents and billing disputes can be processed and resolved after the bill is paid.

Response to Recommendation 10

Board of Supervisors: The recommendation will not be implemented, because it is not warranted. The paying of credit card bills without the proper supporting documentation and the resolution of billing disputes is not an acceptable public policy. A more appropriate solution is to streamline the review, compilation and approval of supporting documentation, and timely submission to the Auditor's Office for payment. The Board will ask the Auditor's Office work with General Services and the County Departments to improve and streamline the payment process to maximize the payment rebates from U.S. Bank.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Linda J. Seifert', written over a horizontal line.

Linda J. Seifert, Chair
Solano County Board of Supervisors

cc: Simona Padilla-Scholten, Auditor-Controller
Marc Fox, Director, Human Resources
Michael Lango, Director, General Services