



**SOLANO COUNTY GRAND JURY  
2011-12**

**PURCHASING CARD PROGRAM**

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2011-12 Solano County Grand Jury

## **I. SUMMARY**

Solano County contracts with U.S. Bank for purchase (credit) card service. The purchase cards are issued to employees to procure goods and services needed to conduct County business. In 2011, County employees used purchase cards for more than 3,700 transactions totaling in excess of \$700,000.

Review by the 2011-12 Solano County Grand Jury found that the County's purchase-card program could be improved. Examples include:

- policies and procedures governing the program needed updating
- some unnecessary processes could be eliminated
- some individuals identified as active cardholders were no longer employed by the County
- at least one approving official was organizationally subordinate to five cardholders
- three cardholders had monthly purchase limits that exceeded the County's \$5,000 maximum
- a manual system is used to process billing statements, even though an automated option is available
- an opportunity exists for the County to receive a greater cash rebate by paying credit-card bills more promptly

## **II. INTRODUCTION**

Solano County has an agreement for purchase card services with U.S. Bank. A State negotiated agreement is available to all tax-supported agencies/governments in California. In accordance with the agreement, U.S. Bank issues Visa credit/purchase cards (referred to as CAL-Cards). Government entities use CAL-Cards to procure goods and services. According to County staff, CAL-Cards are issued at no cost, and carry no fees.

Solano County has used CAL-Cards since 1999. According to County purchase-card policy,

“In order to streamline the County of Solano purchasing process for purchases under \$5,000, the Board of Supervisors approved and Central Services/Purchasing Services and the Auditor-Controller initiated the purchasing card program by participating in the State of California's Cal-Card program. The purchasing card is a VISA credit card issued by U.S. Bank and issued to employees designated as cardholders. The card is imprinted with the County of Solano logo and the cardholder's name.”

The General Services Department administers the County's purchase-card program.

Agencies who use the CAL-Card receive cash-back rebates based on volume,<sup>1</sup> average transaction amount,<sup>2</sup> and prompt payment (the quicker the payment, the higher the rebate).<sup>3</sup>

Solano County use of CAL-Cards for the last three calendar years:

	2009	2010	2011
<b>Volume</b>	\$795,447	\$707,497	\$716,014
<b>Transactions</b>	3,548	3,304	3,731
<b>Cash-Back Rebate</b>	\$ 4,072	\$ 3,743	\$ 4,154

All consumers (including government entities) who do business in a state that collects sales tax are required to pay the tax to the state even when an Internet retailer does not collect it. Solano County government pays sales tax to the State of California for Internet purchases even if sales tax was not charged at the time of the initial transaction.

The 2011-12 Grand Jury elected to review Solano County’s purchasing card program to identify potential operational and organizational weaknesses that could present risk if adequate oversight is not performed.

**III. METHODOLOGY**

In accomplishing this investigation the Grand Jury performed the following:

- Reviewed Solano County Policies and Procedures manual *Purchasing Card Program*, dated April 2008
- Obtained and analyzed employment information for cardholders
- Interviewed County purchasing card program administrators/coordinators
- Reviewed and analyzed a sample of purchasing card program records
- Reviewed and analyzed a sample of completed billing statements

**IV. STATEMENT OF FACTS**

At the time of review, County records provided to the Grand Jury indicated the County had 173 cardholders and 27 approving officials (County employees who have authority to approve payment for purchases made by one or more cardholders) in 18 departments:

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<sup>1</sup> The volume rebate = Volume X 0.00393.

<sup>2</sup> The transaction rebate = Volume/Transactions X 0.75. The transaction rebate is capped at two percent.

<sup>3</sup> The payment rebate = (45 - Client Held Days)/(45 X 0.0045 X Quarterly Volume Sales).

<b>DEPARTMENT/ OFFICE</b>	<b>CARDHOLDERS</b>	<b>APPROVING OFFICIALS</b>
Sheriff	41	1
Health & Social Services	40	8
General Services	20	6
Resource Management	15	2
District Attorney	14	1
Library	11	1
Probation	9	1
Information Technology	6	1
Human Resources	3	1
Registrar of Voters	3	0 <sup>4</sup>
Assessor/Recorder	2	1
Child Support Services	2	1
County Administrator	2	2
Agriculture	1	0 <sup>5</sup>
Auditor-Controller	1	1
Board of Supervisors	1	0 <sup>5</sup>
First Five	1	0 <sup>5</sup>
Public Defender	1	0 <sup>5</sup>
<b>TOTAL</b>	<b>173</b>	<b>27</b>

County records indicated that 7 of the 173 active cardholders were no longer employed by the County or were on extended leave of absence. In one case, an employee who retired in December 2010 was shown as an active CAL-Card user.

County policy states, "None of the cardholders assigned to an approving official may be the approving official's supervisor, manager or other higher level position with authority over the approving official." Based on records provided, the Grand Jury found one approving official who authorized purchases of five employees at higher level positions, including the official's direct supervisor.

County purchase-card policies and procedures are contained in a manual titled, *Purchasing Card Program*, dated April 2008. Review of the manual found that it did not accurately reflect the County's purchasing program or processes; included obsolete/superseded forms; and was missing the purchase log attachment. According to County staff, the manual also includes requirements that provided little or no value to the purchasing card process. As an example, the manual states, "All orders made by telephone, mail order, or the Internet must be documented by the cardholder on a Record of Orders Log." Grand Jury review of 15 Internet purchases found 13 that were not recorded on the required order log. However, non-compliance had no effect on the processing or payment of the billing statements. In response to Grand Jury inquiries, the General Services staff revised/updated/corrected the *Purchasing Card Program* manual at least twice between January and May 2012. However, at the time of this review, the *Purchasing Card Program* manual still contained errors and omissions.

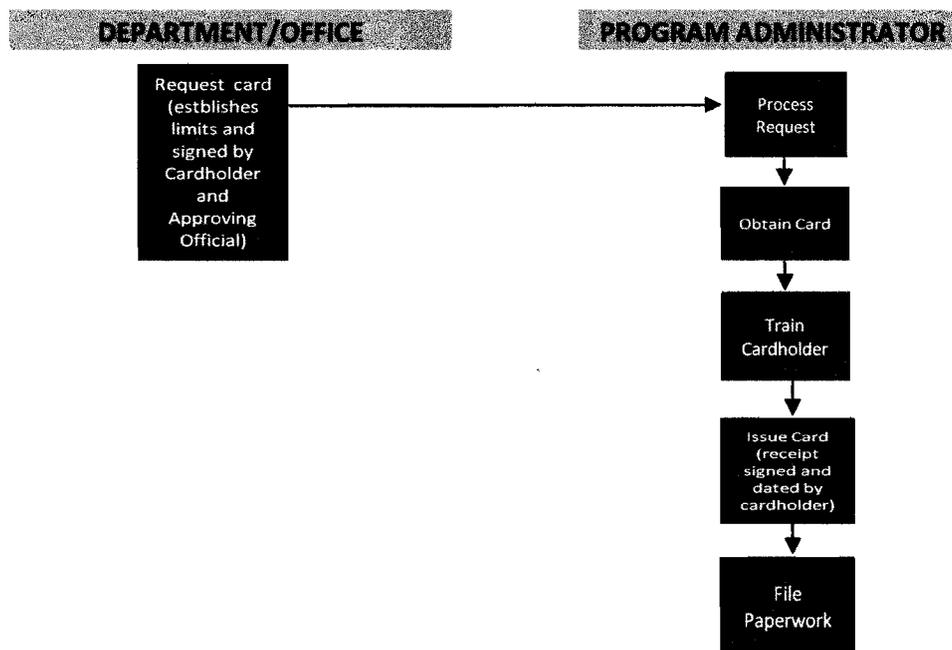
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<sup>4</sup> The approving official is the same as shown for Information Technology.

<sup>5</sup> The approving official is one of the approving officials shown for County Administrator.

County purchase cards must have both single-purchase and monthly credit limits. As stated by the County policy, "Each card is established with a monthly not-to-exceed amount determined by the cardholder's department. This limit may not exceed \$5,000 per month for any County cardholder." The Grand Jury identified three cardholders who had credit limits that exceeded the established maximum (one with a \$50,000 limit and two with \$10,000 limits). The Grand Jury was unable to obtain a Board of Supervisors' resolution or other document that allowed or authorized exception to the \$5,000 limit.

A departmental request is required to obtain a CAL-Card. The request must indicate the single purchase and monthly purchase limits, and is signed by the requesting cardholder and approved by the approving official. Upon receipt of the request, the program administrator/coordinator arranges for a purchase card. When the purchase card is received, the program administrator/coordinator trains the cardholder on its use. Following the mandatory training, the purchase card is issued to the cardholder. Receipt of the card is documented by a signature and date.



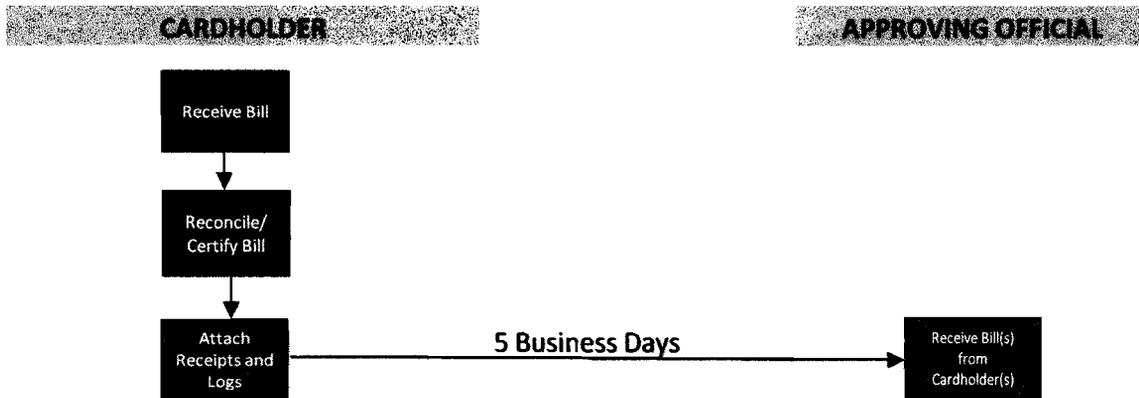
Original requests, training records, purchase-card delivery receipts, and other pertinent documents are maintained by General Services' staff. The records are intended to provide a chronological history from cardholder application to CAL-Card cancellation. However, files are not kept for individual cardholders. Instead, documents for all cardholders whose last name start with "A" are placed in a folder labeled "A," cardholders whose last name start with "B" are placed in a folder labeled "B," and so on. As a result, individual cardholder records are difficult to locate and nearly impossible to inventory for completeness.

**Grand Jury review of records for 19 cardholders found:**

- Two request forms were either not signed by the cardholder or the approving official
- One cardholder was identified on records as having single-purchase and monthly-credit limits of \$1,000; however, the limit amounts requested and approved by departmental support documents was \$500
- One cardholder had a monthly-credit limit of \$10,000; however, the limit amounts requested and approved by departmental support documents was \$5,000
- Four files had no training recorded or indicated training was completed after the purchase card was issued
- Four purchase-card delivery receipts were not signed
- Ten purchase-card delivery receipts were not dated

An automated bill-processing option is available; however, the County has chosen to process billing statements manually. As a result, 173 paper bills (one for each cardholder) with support documents (itemized receipts, purchase logs, and required forms) are processed each month.

At the end of the monthly billing cycle, the cardholder receives a hard-copy statement. County policy requires the cardholder to “provide a description of and applicable account coding for all items purchased, and sign the certification statement on each page.” In lieu of providing a description and account code on the billing statement, a cardholder may use a County-designed purchase log, which General Services staff stated was the preferred method. In addition, the cardholder must maintain original itemized receipts. The cardholder attaches the applicable logs, support documents, and itemized receipts to the billing statement and forwards the package to the approving official within five business days.

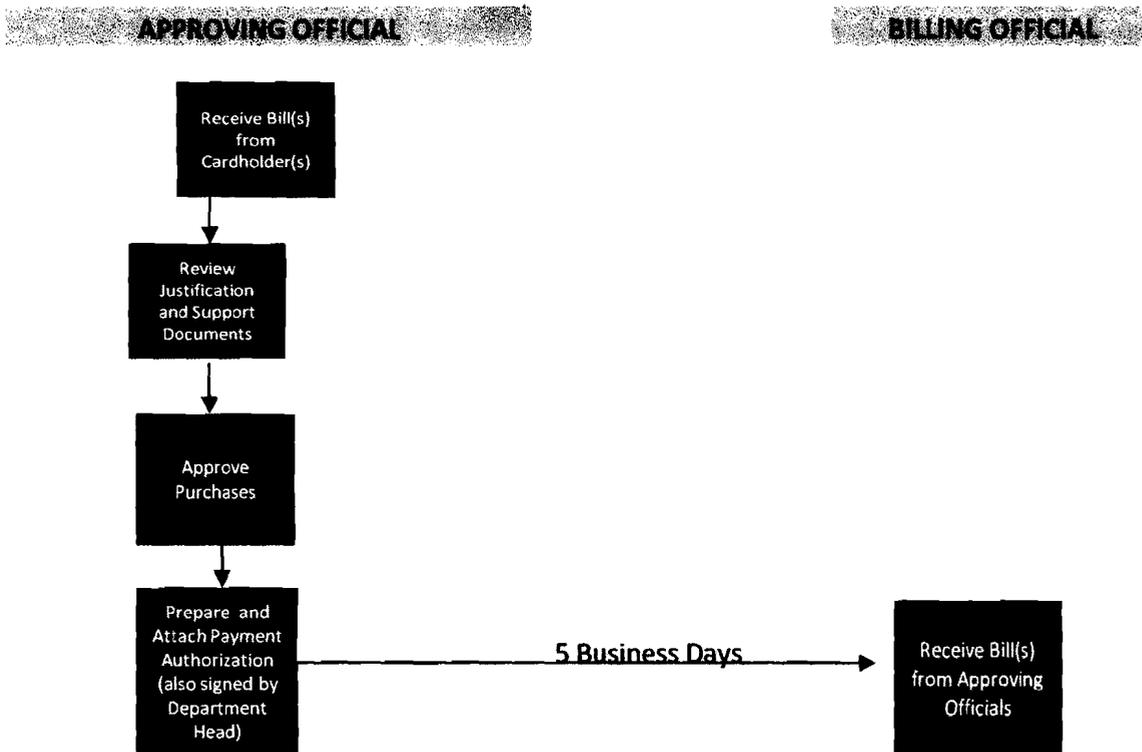


**Grand Jury review of 40 cardholder billing statements and support documents found:**

- One purchase was not supported by an itemized receipt
- Two purchases did not include account codes
- A majority of support documents did not include required purchase descriptions

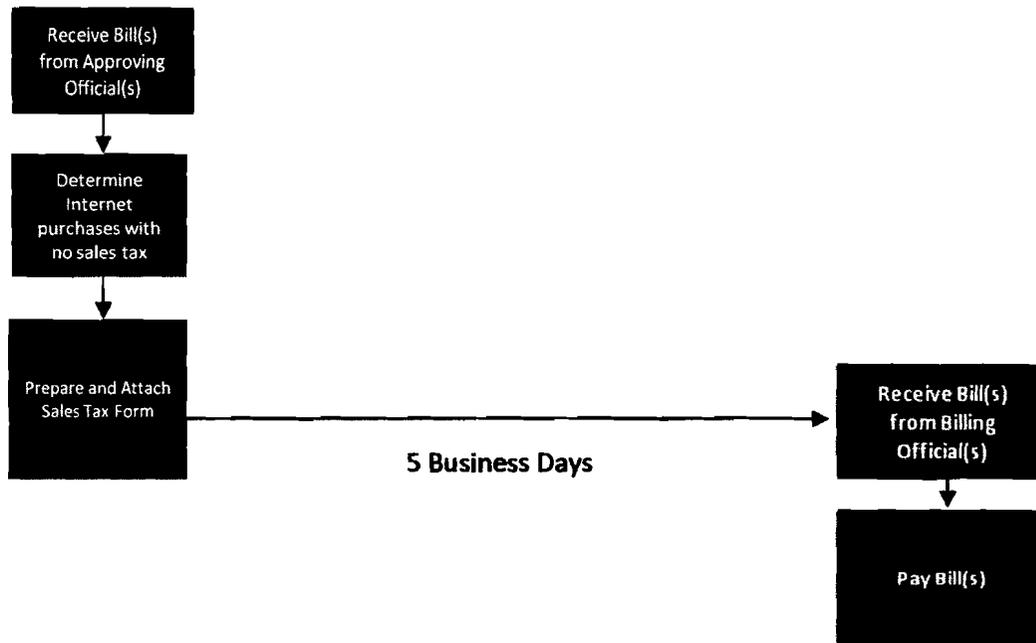
- At least 27 billing statement packages were not processed by cardholders within the required five business days
- 27 cardholders did not use the Purchase Log to record purchases

County policy states, “Upon receipt of reconciled Cardholder Statements of Accounts and supporting documentation and verification that all purchases were for County purposes, the approving official authorizes payment on the Purchasing Card Payment Approval Claim form [which is also signed by the Department head] and forwards it, with the Cardholder Statements of Accounts, to the agency/department Billing Office Contact” within five business days.



Grand Jury review of seven approving officials found two who did not approve and forward billing packages within the required five business days. The Grand Jury also found one approving official who attached a version of the Purchasing Card Payment Approval Claim form that did not require the Department head’s signature. In addition, review of 40 cardholder billing packages found that 10 were approved by someone other than the designated approving official, or the approving official’s signature was not legible.

According to the *Purchasing Card Program* manual, the billing office contact (billing official) is required to complete a sales tax log for all Internet purchases that did not charge sales tax. The billing official has five business days to forward the billing package to the Auditor-Controller for payment.

**BILLING OFFICIAL****AUDITOR-CONTROLLER**

Grand Jury review of 12 Internet purchases with no sales tax noted on the receipt found 10 that were not documented on a sales tax log. In addition, two of four billing officials reviewed did not forward billing statements and support documents to the Auditor-Controller within the required five business days.

The County’s purchasing card policy does not specify a timeframe for the Auditor-Controller to pay the purchasing card statements. Review of 40 cardholder statements found the average time from Auditor-Controller receipt to payment was 12 calendar days.

The County receives cash back for using the CAL-Card. Rebates are determined based on volume, average transaction amount, and prompt payment. Realistically, the County has little control over the volume and transaction rebates. However, the County does control the prompt payment rebate, which is based on how long it takes the County to pay the bill. Bills paid more than 45 calendar days following receipt receive no rebate. Grand Jury review of 40 cardholder billing statements found the average processing time (billing date to payment) was 48 days. If the County had paid the purchase-card bills on day one of receipt, the County would have potentially realized a prompt payment rebate of approximately \$3,200 in 2011.

## V. FINDINGS AND RECOMMENDATIONS

**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.

**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.

**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.

**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.

**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

**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.

**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.

**Recommendation 4** – Director, General Services, ensure that all CAL-Card limits comply with County policy and are adequately supported and approved.

**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.

**Recommendation 5** – Director, General Services, ensure that no CAL-Card is issued without the cardholder first completing the mandated training.

**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.

**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.

**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.

**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.

**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.

**Recommendation 8** – Director, General Services, require all CAL-Card users record purchase activity on the purchase log.

**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.

**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.

**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.

**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.

#### **REQUIRED RESPONSES**

Director, Solano County General Services Department (Findings 1-9)  
Solano County Board of Supervisors (Finding 10)

#### **COURTESY COPIES**

Solano County Auditor-Controller  
Director, Solano County Human Resources Department