

Salt Lake County Auditor's Office
Craig B. Sorensen, *AUDITOR*



May 15, 2003

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Dear Darren:

We recently completed an audit of the VISA purchasing card system at Salt Lake County. Our audit criteria encompassed standards and guidelines for the procurement of goods and services within Salt Lake County found in Countywide Policy #7035, "VISA Purchasing Card Program." We examined purchasing logs and accompanying receipts for compliance with provisions in this policy. In accordance with the areas examined during our audit, we first summarize our findings and then divide the letter into the following sections reflecting individual divisions or offices where the card is used: 1) Assessor, 2) Contracts and Procurement, 3) Fire, 4) Fleet, 5) Information Services, 6) Library, 7) Parks and Recreation, 8) Sheriff, 9) Mayor's Office, and 10) Economic Development.

INTRODUCTION

The Salt Lake County Commission, in one of its last acts as a governmental body, approved Visa purchasing card usage on December 20, 2000. The idea for implementing the card here was initiated and promoted by Contracts and Procurement Director Richard L. Chamberlain. Mr. Chamberlain had served on a committee for the State of Utah that solicited proposals from credit card companies in the State's own pursuit of a purchasing card program. His experience on this committee, as well as a survey of programs by other governmental entities throughout the country that included knowledge of extensive purchasing card usage at the University of Utah, convinced him of the program's viability for the County.

The opening paragraph of the governing policy for the card, Countywide Policy #7035, states that it *“is established to provide a more efficient, cost-effective method of purchasing and payment for small-dollar transactions. The program is designed to replace a variety of processes including petty cash, local check writing, low-value authorizations, small dollar purchase orders and small cost blanket orders.”*

The effect of eliminating these processes is a perceived or hoped-for reduction in costs, and a faster delivery of products to end-users. Retail clerks who are presented with the more-cumbersome small-dollar purchase order, for example, may not know what to do with it, and the retailer may first require a credit check before going ahead with the transaction. A purchasing card eliminates any of this confusion or delay. The card is also useful to Information Services personnel, who now order many products over the Internet from companies that will not accept small-dollar purchase orders in electronically-placed transactions. Payment to the credit card company for the amount owed each month is by electronic transfer of funds, instead of a general warrant.

Policies are in place to mitigate the risk that occurs from empowering employees with abilities that supercede the scrutiny of ordinary purchasing procedures. The purchasing card program was implemented with two important control features in mind: 1) All card users would retain their receipts from purchases made, and 2) No sales tax would be charged. These requirements are spelled out in Policy #7035, and also in a more detailed “Policies and Procedures Manual” produced for the County by the credit card company, US Bank. Section 6.0 of this manual states, *“It is required...that you retain all receipts for goods and services purchased! If you purchase via phone, fax, mail or e-mail, or other electronic means, ask the supplier to include the receipt...”* Further, Section 10.0 states, *“You should NOT pay sales tax. Your card will state tax exempt on it.”* All card users are given this manual in their training materials, and sign a statement that they have read it.

SUMMARY OF FINDINGS

In the Contracts and Procurement office, we found on file for each cardholder an “Employee Agreement to Accept the U.S. Bank ‘Visa’ Purchasing Card,” indicating that the cardholder understands the intent of the program and agrees to adhere to the guidelines established for the program, and also a signed “Purchasing Card New Account Information Record.” The cardholders are required to fill out a Purchasing Log each month to reconcile their receipts to the monthly statement. Countywide Policy #7035, Section 4.2, states, *“The log allows management to review the types of goods and services purchased on the card and determine where the card is being used. A separate line item is required for each purchase. The original log and receipts must be signed by the cardholder’s manager to indicate approval and review.”*

We found the following areas that should be brought to the attention of the Accounts Payable section of the Auditor’s Office and the cardholders themselves:

- **Purchases have been made for which no receipt was obtained.**
- **Non-detailed receipts are attached to the Purchasing Log, with no information regarding items purchased.**
- **Tax has been charged on purchases.**
- **Purchases have been split into two invoices to circumvent the \$1,000 single-purchase limit.**
- **A person other than the cardholder has made purchases.**
- **The card has been used for purchases of meals and lodging.**

Purchases have been made for which no receipt was obtained. Countywide Policy #7035, Section 4.3, states, *“The cardholder must always obtain a receipt when using the Purchasing Card.”* The use of receipts itemizes the purchases, provides a record of activity, and records whether or not sales tax has been paid for the purchase. We found several instances, as outlined in subsequent sections, where receipts were not obtained.

Non-detailed receipts are attached to the Purchasing Log, with no information regarding items purchased. When a purchase is charged to a card, there are usually two receipts given: one that shows only the total amount charged to the card, and the other that itemizes goods and services purchased. Countywide Policy #7035, Section 9.2, states, *“The cardholder is responsible for the transactions identified on the statement. If an audit is conducted on the account, the cardholder must be able to produce receipts and/or proof that the transaction occurred.”* While the non-detailed receipt indicates that a purchase has been made, it does not identify what was purchased or if any tax was charged. Even if the explanation appears in the comments section of the Purchasing Log, there is no verification of the items purchased.

Tax has been charged on purchases. As a government entity, Salt Lake County is not taxed on its purchases. Countywide Policy #7035, Section 11.1, states, *“The cardholder should NOT pay sales tax. The card will state tax exempt on it.”* Inspection of several cards found that the tax-exempt statement does appear on the card. Yet, there have been several occasions where tax was charged. Fiscal officers from the various offices we examined said that they pursue a refund where a significant amount of tax is charged, but do not feel it is worth their time to pursue small tax charges. While the amount of tax charged on a single purchase may be small, the sum of these individual charges may be significant to the County. Several of the purchases that were charged tax were for local purchases made in person where a reminder to the vendor of the County’s tax-exempt status would have precluded tax being charged. We did find a few instances where tax had been charged and the refund requested and received. We have found that

many vendors maintain a listing of tax-exempt organizations, which can be referred to when purchases are made in person.

Purchases have been split into two invoices to circumvent the \$1,000 single-purchase limit. Countywide Policy #7035, Section 2.5, states, *“The Purchasing Card may be used for any item normally purchased under the small cost provisions in County Ordinance.”* Small cost purchases are defined as purchases of \$1,000 or less which are requested by a County organization and approved by Contracts and Procurement. County organizations have the authority to make purchases of \$1,000 or less without competitive bids. If organizations circumvent the intent of the \$1,000 limit, the County may not receive the best price for the purchase.

A person other than the cardholder has used the card. Countywide Policy #7035, Section 1.2, states, *“The cardholder is responsible for the security of the card(s) and the transactions made with the card(s). The card is issued in the cardholder’s name and it will be assumed that any purchases made with the card will have been made by that individual.”* We found at least one purchase that appeared to be made by someone other than the cardholder. We also found several receipts that were signed by someone other than the cardholder. When questioned, the cardholder said that they had phoned in the purchase request along with the card information, and the person picking up the item was asked to sign the receipt indicating possession of items purchased.

The card has been used for purchases of meals and lodging. Countywide Policy #7035, Section 2.6, states, *“Items the Purchasing Card May Not be used for . . . Travel and Entertainment.”* We found four incidents where the card was used for food or lodging. In each case, Contracts and Procurement was aware of the purchase and had either given approval, or had informed the cardholder that this type of purchase was not to be made again. The purchasing card is made available to employees to assist with small cost purchases for the department, not for use as a travel card.

ASSESSOR’S OFFICE

The Assessor’s office does not use the card every month and in general, uses the card appropriately. We found five cases where tax was charged. The cardholder said that he had not asked for refund of the tax charged because of the small amounts.

		<i>Charge</i>	<i>Tax</i>	<i>Total</i>
7/29/02	CompUSA	29.99	1.98	31.97
8/13/02	CompUSA	24.99	1.65	26.64
10/24/02	CompUSA	39.99	2.64	42.63
11/1/03	CompUSA	15.32	.66	15.98
2/28/03	Best Buy	27.99	1.85	29.84

There were two occasions where the Purchasing Log noted that there was no receipt, that a receipt had been asked for and promised, but no receipt was received.

There was also one incident where the cardholder bought lunch for employees who were attending an Alliant Tech meeting. Contracts and Procurement said that it had been approved because the employees were called as witnesses, were sequestered, and the cardholder was required to bring them lunch.

RECOMMENDATIONS:

- 1. We recommend that the cardholder ensure tax is not charged on purchases.*
- 2. We recommend that the cardholder obtain receipts for all purchases.*

CONTRACTS AND PROCUREMENT

In examining the logs for signatures, we found three that did not have either the cardholder's signature, the manager's signature, or both. The manager was informed of this, and the signatures were obtained that day. Moreover, in January 2002, several purchases were made for a retirement party for an employee of Contracts and Procurement. The manager said that the cardholder had been informed that purchases of this type are not appropriate for the purchasing card. Also in January 2002, three of the purchases had tax charged of \$8.26. No refund was requested.

We also found a disputed amount on the March 2003 bill from the credit card company. One of the Contracts and Procurement employees attended a seminar in 2002 for which he was not charged. The cardholder followed up to have the seminar paid for appropriately and found that her card was charged both in February and March 2003 for this event. She has called and written to the company, and asked for a refund for the amount duplicated.

RECOMMENDATIONS:

- 1. We recommend that the cardholder resolve the disputed amount on the March 2003 bill.*
- 2. We recommend that no charges for food or parties be made on the card.*

FIRE

Review of the Fire Division found that the five cards assigned to that Division are used appropriately. Cards are physically safeguarded and used only by the cardholder. The Purchasing Logs are filled out correctly and are signed by the cardholder and the Fire Chief. Purchases are appropriate and do not exceed the authorized \$3,000 per month limit. There is adequate documentation for purchases and the receipts are retained with the log. The cardholder reconciles the statement each month.

Although policy states that the VISA cards are not to be used for food or travel, the Contracts and Procurement Division has approved use of the card for food and

lodging when fire fighting requires travel. There are no recommendations for this division.

FLEET

Review of the Fleet Division found that the card assigned to that Division is used appropriately. The card is physically safeguarded and used only by the cardholder. The Purchasing Log is filled out correctly and signed by the cardholder and his manager. Purchases are appropriate and do not exceed the \$3,000 per month limit.

We reviewed fifteen months and found three purchases that did not have an accompanying receipt. One item was purchased over the Internet from Sam's Club. The other two were computer programs for the emissions program. These latter two purchases were made on the same day and were for \$705.00 and \$700.00 each. This could have been a purchase split to circumvent the \$1,000 limit on a single purchase. Also, without accompanying paperwork, there is no way to determine if tax was charged.

1/14/03	Sam's Club	TV/VCR	407.77
10/11/02	Livewire Publishing	Computer program – IM	705.00
10/11/02	Livewire Publishing	Computer program – IM	700.00

RECOMMENDATIONS:

1. *We recommend that the cardholder receive a receipt for each purchase.*
2. *We recommend that the cardholder not circumvent the small-cost purchase limit by splitting invoices.*

INFORMATION SERVICES

Review of the Information Services Division found that the two cards assigned to that Division are used appropriately. The cards are physically safeguarded and used only by the cardholder. The Purchasing Log is filled out correctly and purchases do not exceed the \$7,500 per month limit.

Of the Purchasing Logs we reviewed, we found one purchase with no receipt.

3/19/02	CompUSA	2-100 MB HDD, graphics card	514.96
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We also found one purchase for a hotel deposit in conjunction with a seminar, which, according to Countywide Policy #7035 is not appropriate. Contracts and Procurement contacted the cardholder regarding this purchase and reminded him that the card should not be used for this purpose.

5/16/02	Share	Housing deposit	150.00
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We found tax had been charged on four purchases. In March 2003, the cardholder received a refund of \$39.60 from Sony E-solutions for sales tax charged, but the amount did not equal the tax charged on the invoices we reviewed for these transactions, detailed as follows:

			<i>Charge</i>	<i>Tax</i>	<i>Total</i>
2/16/03	Sony E-solutions	Sony Clie NZ90	799.99	52.80	852.79
6/2/02	Sony E-solutions	Stylus	19.60	.99	20.58
6/2/02	Sony E-solutions	Sony Clie cable	59.18	3.29	62.47
6/2/02	Sony E-solutions	Sony Clie adaptor	69.18	3.96	73.14

RECOMMENDATIONS:

1. *We recommend that the cardholder not use the card for housing.*
2. *We recommend that the cardholder obtain receipts for all purchases.*
3. *We recommend that the cardholder ensure tax is not charged on purchases.*

LIBRARY

We found several occasions where no receipt was attached to the Purchasing Log. Three of these charges were for seminars. Also, several ads were placed in newspapers last year for which the Library did not receive confirmation from the publisher. In addition, on four occasions with no invoice, either the packing slip or the purchase request was attached, verifying the product purchased, but including no dollar amounts. No receipts were attached for the following:

Jan-02	The Office Depot	Label machines	385.40
Feb-02	NAC	Ads for recruitment	216.66
			117.75
Feb-02	UVSC	Workshop	99.00
Feb-02	Center for Lifelong Learning	Workshop	69.00
			69.00
Apr-02	Mountainland Business	Purchase request, but no invoice or delivery slip	403.00
4/16/02	Office Depot	Chair dollies, phone order	486.00
4/24/02	Office Pavillion	Modular panels to enclose printers	725.24
5/29/02	Adobe Systems	3 ea. Photoshop Software for Marketing	460.85
6/5/02	Office Depot	Heavy duty shredder for collections office – State contract price – Scott Handy	899.00

6/7/02	Adobe Systems	Adobe Go Live Software – Phone order	104.95
6/17/02	Univ. of Utah	Children’s Literature Workshop	79.00
10/02	Achieva	Receipt of delivery and order but no dollar amount, card charged to Worthington Direct	689.57
10/17/02	Chart House International	Packing slip no \$ amts. Phone order	850.50
1/23/03	The Library Store	Packing slip no \$ amts.	343.49
2/6/03	School Specialty	Packing slip no \$ amts.	81.95

We found two occasions where tax was charged. One was for furniture purchased from RC Willey with a note to file saying “I forgot to inform RC Willey of tax exemption.” Additionally, we found tax of \$5.07 charged on a \$76.88 purchase from School Specialty.

		<i>Charge</i>	<i>Tax</i>	<i>Total</i>
4/17/02	RC Willey		16.83	
2/6/03	School Specialty	76.88	5.07	81.95

RECOMMENDATIONS:

- 1. We recommend that the cardholder obtain receipts for all purchases.*
- 2. We recommend that the cardholder ensure tax is not charged on purchases.*

PARKS AND RECREATION

We found that a cardholder attached a non-detailed receipt as the only verification of purchase for many of her purchases. Following are a list of those purchases in 2002 and 2003:

7/18/02	SDI	Fitness t-shirts	133.00
7/26/02	Replicolor Lab	Color prints	119.19
7/30/02	Pool n Patio	Spa thermometer	97.95
7/31/02	US Figure Skating	Skating registrations	205.00
8/28/02	Quality Stamp	Deposit stamps	116.45
9/9/02	Automated Business	Service call and repair	212.50
9/13/02	Commercial Lighting	Replacements bulbs	317.04
9/13/02	Commercial Lighting	Replacements bulbs	123.36
9/19/02	US Figure Skating	Registration for LTS	708.00
10/11/02	Automated Business	Ink for duplicator	148.20
10/11/02	Automated Business	Laminating pouches	125.00
11/21/02	USFSA	Skating registrations	436.00
12/4/02	Wave Products	Tutor shooter repairs	100.00

12/17/02	USFSA	Figure skating registrations	355.00
1/17/03	Advance Display	Display Fixtures	258.85
1/23/03	USFSA	Registration for LTS	623.00
1/23/03	Advance Display	Pro Shop Fixtures	212.45
1/27/03	USFSA	Registration for LTS	506.00
1/31/03	Waxie	Product for dispense	72.25
2/6/03	Colonial Flag	Flags for ice rink	345.00
2/18/03	Marker	Staff Jackets	585.60

We found that on at least one occasion, tax was charged and no refund requested.

		<i>Charge</i>	<i>Tax</i>	<i>Total</i>
1/20/03	Adobe – Software	263.95	16.43	280.38

We found a September 24, 2002 purchase by a Recreation employee for numerous shirts. It appeared to us that the purchase was split to avoid having to put the purchase out to bid. When asked about the purchase, the purchasing coordinator thought it should have been made on the contract that the County has with Adwear rather than using the purchasing card.

				<i>Total</i>
9/24/02	Adwear	Volleyball shirts	331.90	
9/24/02	Adwear	Volleyball shirts	331.90	
9/24/02	Adwear	Basketball Champ shirts	69.00	
9/24/02	Adwear	Basketball Champ shirts	184.00	
9/24/02	Adwear	Staff Shirts	475.25	1,392.05

RECOMMENDATIONS:

1. *We recommend that the cardholder obtain a detailed receipt to verify purchases.*
2. *We recommend that the cardholder ensure tax is not charged on purchases.*
3. *We recommend that the cardholder not circumvent the small-cost purchase limit by splitting invoices.*

SHERIFF

We found tax was charged on the following three purchases. No request to refund the tax was made.

		<i>Charge</i>	<i>Tax</i>	<i>Total</i>
5/1/02	Pacific Supply	35.52	2.35	37.87
11/18/02	X-ergon	476.51	30.21	506.72
12/26/02	Architectural Bldg	13.14	1.11	14.25

We found several occasions where no receipt was attached to the Purchasing Log. Following are a summary of those purchases.

6/27/02	The Home Depot	Hardware	11.28
7/24/02	The Home Depot	Refrigerator	449.00
7/29/02	The Home Depot	Shelving, weed killer	284.62
8/1/02	The Home Depot	Refrigerator	898.00
8/5/02	GE Polymer Shapes	Plastic Speaker Covers	37.26
8/23/02	Lowe's	Cove Base Adhesive	15.90
8/23/02	The Home Depot	Misc. Hardware	53.88
9/25/02	Checker	Auto Parts	11.87
10/14/02	White Cap Industries	Epoxy works	815.00
10/29/02	The Home Depot	Misc. Hardware	55.92
10/31/02	Lowe's	Cove Base Adhesive	75.20
12/26/02	The Home Depot	Misc. Hardware	69.20
1/2/03	Lowe's	Cove Base Adhesive	30.62
1/7/03	Sherwin Williams	Painting Supplies	310.50
1/9/03	Cramer Inc.	Chair hardware	154.98
1/23/03	Sherwin Williams	Misc. Painting Supplies	737.38
1/23/03	Sherwin Williams	Misc. Painting Supplies	959.40
1/23/03	The Home Depot	Gorilla Racking	21.53
1/30/03	Viking Sales	Concrete adhesive	137.14
2/19/03	The Home Depot	Misc. steel products	14.80

We found what appears to be invoices split to circumvent the \$1,000 single-purchase limit.

				<i>Total</i>
10/09/02	Vapor Technology	Vapor Jet 2400	211.00	
10/09/02	Vapor Technology	Vapor Jet 2400	950.00	
10/20/02	Vapor Technology	Vapor Jet 2400	950.00	2,111.00
12/19/02	Envirovac	Plumbing Supplies	558.03	
12/10/02	Envirovac	Plumbing Supplies	558.04	1,116.07
1/23/03	Sherwin Williams	Misc. Painting Supplies	737.38	
1/23/03	Sherwin Williams	Misc. Painting Supplies	959.40	1,696.78

We found one non-detailed receipt with no itemization as to what was purchased. While we found a description of the purchase in the Purchasing Log, the receipt contained only the total charged for that purchase.

8/15/02	Black and Decker	Sawsall Switch	16.74
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In reviewing the Purchasing Logs for the Sheriff's office on file at Contracts and Procurement, we found one log signed by a cardholder who also signed as manager.

Contracts and Procurement notified him at the time that this was not acceptable, and that the manager must sign all future purchasing logs.

RECOMMENDATIONS:

1. *We recommend that the cardholder ensure tax is not charged on purchases.*
2. *We recommend that the cardholder not circumvent the small-cost purchase limit by splitting invoices.*
3. *We recommend that the cardholder obtain a detailed receipt for all purchases to verify all purchases.*

MAYOR'S OFFICE

The cardholder began using the card in May 2002. Purchases are appropriate. We found two incidents where tax had been charged. The cardholder was unaware that she should ask the vendor for a refund, but indicated that she would do so now. The following purchases were charged tax.

		<i>Charge</i>	<i>Tax</i>	<i>Total</i>
Mar-03	Black Tie Tuxedo	68.00	4.75	
Mar-03	Black Tie Tuxedo	66.00	4.09	142.84
3/12/03	HP Direct	206.74	13.64	220.38

RECOMMENDATION:

We recommend that the cardholder ensure tax is not charged on purchases.

ECONOMIC DEVELOPMENT

The two cardholders in this division began using the card in October 2002. We found tax charged on one purchase, but the cardholder requested a refund and it was received. We found tax of \$.33 charged on a purchase of \$269.82, but the cardholder was advised not to pursue the refund because of the very small amount of tax charged. All sales were appropriate. We found only one non-detail receipt, noted as follows:

12/19/02	Medical Plaza	Client BCC (waiting for Medicaid)	22.85
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RECOMMENDATION:

We recommend that a detailed receipt be attached for all purchases.

We interviewed many of the cardholders and fiscal managers to determine if the card was of benefit to the division or office. In each instance, they stated that using the purchasing card had saved time for many of the purchases that previously had required a purchase order or a check. The cardholders said that many companies will accept only a government credit card to do business with them. Additionally, the cards have made purchasing goods and services over the Internet easier.

We appreciate the prompt and efficient attention provided to us by each of the cardholders and supervisors whom we asked for information. It is hoped that the recommendations made in this letter will help improve use of the Purchasing Card so that it will be a continuing benefit to the County.

Sincerely,

James B. Wightman
Director, Internal Audit Division

cc: Randy J. Allen
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