



Internal Audit Division

Compliance Audit Report

CAL-Card Program

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Engagement No: 3108

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TABLE OF CONTENTS

Executive Summary	1
Introduction & Background.....	2
Scope & Methodology.....	5
Results	6
Prior Year Recommendations & Implementation Status	7
Priority Ratings and Definitions	8

Executive Summary

As part of the 2024/2025 Annual Audit Plan, the Internal Audit Division of the Auditor-Controller-Treasurer-Tax Collector (ACTTC), conducted an audit of Sonoma County's (County) CAL-Card Program (CAL-Card Program).

The objective of the audit was to determine if a sample of CAL-Card transactions generally complied with the County's policies and procedures and are supported by adequate documentation.

CAL-Card transactions tested complied with the CAL-Card policies and procedures and adequate documentation is maintained to support CAL-Card program purchases. CAL-Card statements for tested transactions were supported by review and approval controls.

As part of this audit, we conducted a follow-up of the CAL-Card Program Sheriff's Office and Sonoma Water Internal Audit dated October 8, 2024. The report contained two recommendations, which were accepted by management. As of the date of this report, both recommendations are in process.

Introduction

The Internal Audit Division (IA) completed a compliance audit of the CAL-Card program for the period July 1, 2023, to June 30, 2024. We reviewed CAL-Card transactions to determine whether they comply with the County CAL-Card Policy (CAL-Card Policy), Meal Policy and have adequate documentation to support CAL-Card purchases. Our audit is designed to identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results contained in our report.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

The Internal Audit Division (IA) as well as the Assistant Auditor-Controller-Treasurer-Tax Collector, and the General Accounting Division report to the elected ACTTC. The General Accounting Division is responsible for approving CAL-Card payments submitted by departments. Except for conducting this audit, the Internal Audit Division has no other responsibilities or involvement in the CAL-Card program administration.

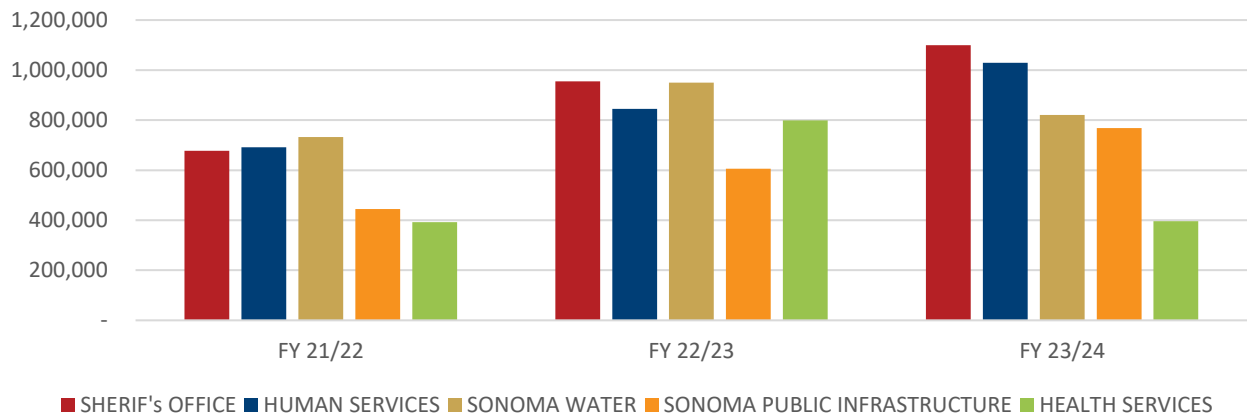
Background

According to the CAL-Card Policy, dated August 4, 2023, the ACTTC will periodically conduct audits to ensure compliance with the CAL-Card regulations, policies, and procedures. Our audit is a part of that requirement and covers the CAL-Card purchase transactions from July 1, 2023 through June 30, 2024. The County spent approximately \$9.4 MM through the CAL-Card program in fiscal year 2023-24, out of which \$2.8MM was spent on utilities which was not part of this audit. As a result, our CAL-Card population for testing was \$6.6MM.

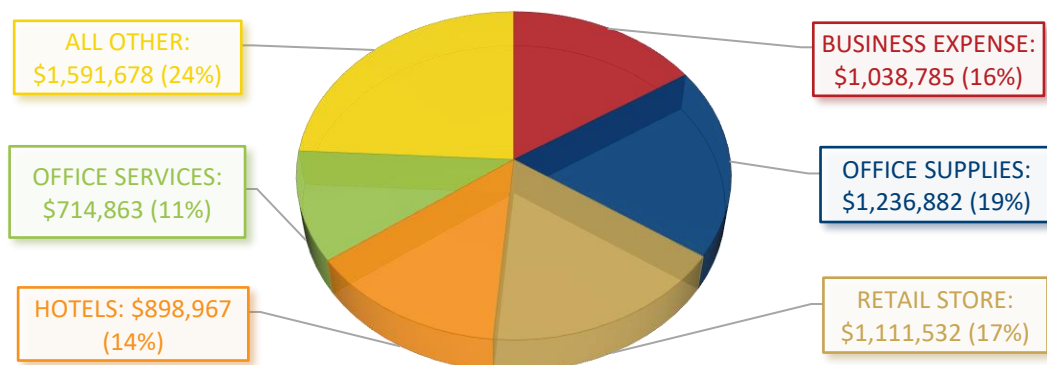
The CAL-Card can be used to obtain routine, allowable purchases for county purposes such as supplies for maintenance, repair or operations, travel expenses such as airline tickets, hotels, and meals (for county business within county guidelines).

The County policy prohibits the use of the CAL-Card to procure certain types of goods and services. Due to the nature of these transactions, reviews and approvals performed by the County departments and Program Administrator (Purchasing) are necessary to reduce a variety of risks. Some purchases that do not meet CAL-Card policy requirements are discussed with the Program Administrator and, in some instances, exceptions may be granted by the Program Administrator.

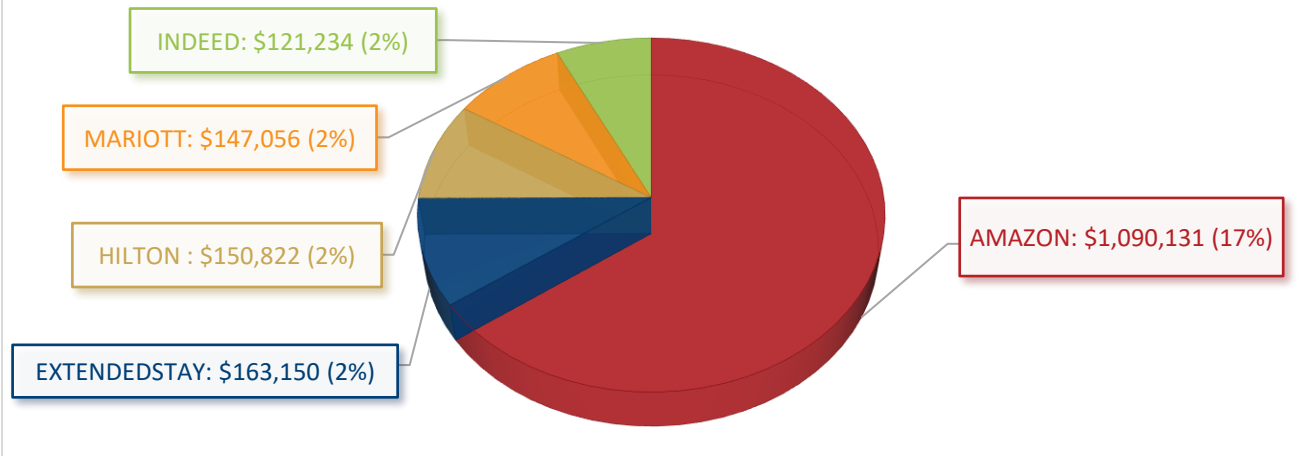
Top 5 Department CAL-Card Activities FY 21/22 through FY 23/24



COUNTYWIDE TOP 5 CATEGORIES OF CAL-CARD EXPENDITURES FY 23/24



COUNTYWIDE TOP 5 VENDORS OF CAL-CARD EXPENDITURES FY 23/24



COUNTYWIDE CAL-CARD TOP 5 USERS (FY 23/24)

VENDORS	AMOUNT	%
AMAZON	1,090,131	17%
EXTENDEDSTAY	163,150	2%
HILTON	150,822	2%
MARIOTT	147,056	2%
INDEED	121,234	2%
ALL OTHER	4,920,315	75%
TOTAL COUNTYWIDE SPENDING	6,592,707	100%

Scope

The audit covers the period July 1, 2023 through June 30, 2024 and includes a review of all CAL-Card expenditures (excluding utilities) over \$5,000 (high value items) and a sample of non-high value transactions, which are below \$5,000.

IA utilized data provided by the Program Administrator to select a sample of CAL-Card purchases, which was downloaded directly from US Bank. IA judgmentally selected a sample of CAL-Card transactions totaling \$616,667 or approximately 9.35% of Cal-Card testing population, which is CAL-Card expenditures less utilities.

Methodology

To address our audit objectives, the Internal Audit Division conducted the following activities:

- Review written CAL-Card policies and procedures for the County.
- Perform analysis of the CAL-Card transactions by department, merchant category and transaction description.
- Perform analytical procedures of the CAL-Card transactions year over year to identify unusual variances.
- Select the high value CAL-Card transactions and test a sample of transactions.
- Select a sample from the remaining CAL-Card transactions.
- Select a sample of meal expenses and evaluate compliance with Cal-Card and Travel and Meal Reimbursement Policies.
- Select a sample from the largest spending CAL-Card category and test a sample of transactions.

Results

CAL-Card transactions tested generally complied with the CAL-Card policies and procedures and adequate documentation is maintained to support CAL-Card program purchases.

IA selected all high-value transactions (excluding utilities) totaling \$434,748 . In addition, IA selected a judgmental sample of non-high value transactions totaling \$181,919. IA verified that the tested transactions are:

- Routine, allowable purchases for county purposes
- Supported with sufficient information, such as itemized receipts and any other required documentation (travel authorization form, memo for in-county food purchases, etc.)
- Approved by an authorized preparer and approver on the CAL-Card Statement and Monthly CAL-Card Report
- Not duplicate and/or split transactions.

CAL-Card policy allows gift/credit card purchases with prior written approval by the Purchasing Agent or the Purchasing Agent's designee and cannot be used for stipends. Departments must establish a policy for tracking and accounting for the distribution of gift cards before requesting advance written approval. Out of \$616,667 tested, \$125,850 was related to gift/credit card purchases. Gift/credit cards are considered "cash equivalents" and they are inherently risky.

All gift/credit card purchases tested have adequate approvals, however we didn't audit controls over gift /credit cards at the department level. Consequently, we are unable to express an opinion on the adequacy of department gift/credit card internal controls, such as monitoring, appropriate tracking and reconciling gift/credit card activities.

Follow up on prior years recommendations:

As part of this audit, we conducted a follow-up of the CAL-Card Program Sheriff's Office and Sonoma Water Internal Audit dated October 8, 2024. The original report contained 2 recommendations which were accepted by management. As of the date of this report, both recommendations are in process.

The status and details of the two recommendations are included in this report beginning on page 7.

Prior Year Recommendations & Implementation Status

Recommendations are from the CAL-Card Program Sheriff's Office and Sonoma Water Internal Audit dated October 8, 2024.

No.	Recommendations	Implementation Status
1a	<p>Recommendation: High / Priority 1</p> <p>The ACTTC management in collaboration with the Purchasing Agent should perform an outreach to departments/agencies and clarify Travel and Meal Reimbursement policy regarding purchasing meals for in county employee training. The communication should highlight that the need to schedule meetings and training during mealtime should be necessary and extraordinary.</p>	<p><u>Status: In Process</u></p> <p>The ACTTC is in the process of collaborating with the Purchasing Agent to perform outreach to the organization about the requirements for in-county meal purchases.</p>
1b	<p>Recommendation: High / Priority 1</p> <p>ACTTC management in collaboration with the County Administrator's Office should periodically review the Sonoma County Travel and Meal Policy and update it as necessary. Management should consider updating requirements for "within county meal purchases". Allowable in county meal purchases should be better defined with clear criteria regarding purchasing meals for employees attending in county meetings or training. Meal reimbursement of \$90 per day should be reviewed and updated as necessary with consideration of implementing Federal reimbursement rates.</p>	<p><u>Status: In Process</u></p> <p>The ACTTC is in the process of collaborating with the County Administrator's Office to review and update Administrative Policy 3-2.</p>

Priority Ratings and Definitions

Priority Ratings	Definition of Priority Ratings and Suggested Implementation Timeframe
High / Priority 1	<p>Priority 1 recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, which results in the likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority One recommendations also include issues related to non-compliance with laws, regulations or policies and procedures.</p> <p>Management should urgently implement these recommendations within one to three months after issuance of the final audit report to avoid risk exposure.</p>
Medium / Priority 2	<p>Priority 2 recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls provide reasonable assurance that the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors; however, additional action is needed to strengthen current practices.</p> <p>Management should promptly implement these recommendations within three to six months after issuance of the final audit report to improve internal control processes.</p>
Low / Priority 3	<p>Priority 3 recommendations are assigned to the lowest assessed level of risk. For these recommendations, internal controls are operating as designed to ensure the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors. These recommendations are desired actions to enhance current practices.</p> <p>Management should consider implementing these recommendations within six to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.</p>
Opportunity for improvement/ Priority 4	<p>Priority 4 recommendations are assigned to matters which do not involve internal controls, they typically involve opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes.</p>