

**CITY OF FREMONT**  
Purchase Card Program  
Independent Accountant's Report and  
Observations and Recommendations  
As of April 30, 2022



Certified  
Public  
Accountants

**CITY OF FREMONT**  
**Purchase Card Program**  
Independent Accountant’s Report and Observations and Recommendations  
As of April 30, 2022

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November 30, 2022

David Persselin, Finance Director/Treasurer  
City of Fremont  
3300 Capitol Ave., Bldg. B  
Fremont, CA 94538

We have performed a direct examination of the design of the City of Fremont's (City) Purchasing Card (Cal Card) Program's internal controls and processes as of April 30, 2022. Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. The direct examination opinion is included on page 2.

During the examination we identified opportunities to enhance and strengthen the Cal Card Program's monitoring, communication, training, documentation, and record keeping. Observations and Recommendations are included on pages 3 through 5.

Sincerely,

Macias Gini & O'Connell LLP  
Walnut Creek, California



## Independent Accountant's Report

David Persselin, Finance Director/Treasurer  
City of Fremont  
3300 Capitol Ave., Bldg. B  
Fremont, CA 94538

We have performed a direct examination of the design of the City of Fremont's (City) Purchasing Card (Cal Card) Program's internal controls and processes as of April 30, 2022. Management of the City's Finance Department is responsible for the design of the City's Cal Card Program's internal controls and processes. Our responsibility is to obtain reasonable assurance by evaluating the design of the City's Cal Card Program's internal controls and processes as of April 30, 2022 for consistency with the City's Cal Card Procedures Manual and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating the design of the City's Cal Card Program's internal controls and processes as of April 30, 2022 for consistency with the City's Cal Card Procedures Manual and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the design of the City's Cal Card Program's internal controls and processes as of April 30, 2022. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the City's Cal Card Program's internal controls and processes were not suitably designed and appropriate to prevent and detect material deviations from the City's Cal Card Procedures Manual. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our report solely addresses the suitability of the design of the City's Cal Card Program's internal controls and processes and does not address whether the controls were operating effectively, and accordingly, we express no opinion on operating effectiveness.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the City's Cal Card Program's internal controls and processes as of April 30, 2022 were suitably designed and appropriate to prevent and detect material deviations from the City's Cal Card Procedures Manual.

This report is intended solely for the information and use of the City, and is not intended to be and should not be used by anyone other than the specified party.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
November 30, 2022

**CITY OF FREMONT**  
**Purchase Card Program**  
Observations and Recommendations  
As of April 30, 2022

We have examined, in accordance with the attestation standards for a direct examination engagement established by the AICPA, the City of Fremont's (City) design of the Purchasing Card (Cal Card) Program's internal controls and processes as of April 30, 2022, and have issued our report thereon dated November 30, 2022. In performing our examination, we evaluated the design of the Cal Card Program's internal controls and processes as of April 30, 2022 for consistency with the City's Cal Card Procedures Manual and performed other procedures to obtain sufficient appropriate evidence to express an opinion. Our examination solely addresses the suitability of the design of the City's Cal Card Program's internal controls and processes and does not address whether the controls were operating effectively, and accordingly, we express no opinion on operating effectiveness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify opportunities to enhance and strengthen the Cal Card Program's monitoring, communication, training, documentation, and record keeping.

The City should consider the following recommendations for the Cal Card Program:

**1. Strengthen controls over the monitoring processes.**

As of July 12, 2022, there were 274 cardholders in 14 departments. The following five departments: Fire, Human Services, Police, Community Services, and Public Works had 84 percent (229) of the city-wide cardholders. The Purchasing Department with the City's Finance Department (Purchasing) is responsible for overseeing the Cal Card Program, and therefore, it should be performing regular monitoring of the parties involved in the Cal Card Program to ensure that the Cal Card Procedures Manual (Manual) is being followed and that the Cal Card Program's internal control is operating effectively. Purchasing isn't currently analyzing card usage to evaluate whether certain cards should be deactivated due to low or no activity, nor does it maintain a list of current approving officials, who are responsible for ensuring the cardholders comply with the Manual. While Purchasing is reviewing the monthly transaction reports for sufficient documentation and compliance with the Manual, those procedures are not documented.

**2. Strengthen controls over the communication processes.**

The Cal Card Program's processes are mainly manual and rely heavily on the communication of the different parties involved. Purchasing is responsible for deactivating the credit cards for terminated employees; however, it may not be receiving the monthly list of terminated employees. Approving officials are responsible for ensuring cardholders comply with the Manual. However, approving officials may not be receiving notification from Purchasing of which cardholders had monthly activity, and therefore, may not be aware that a cardholder did not submit a monthly transaction report as required. As mentioned above, Purchasing does not maintain a list of approving officials which may lead to higher risks that important communications are not reaching responsible parties. In addition, Purchasing is relying on the parties involved to report to the Program Coordinator any inappropriate card activity or non-submission of the monthly transaction reports, but there are no procedures requiring such reporting.

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**3. Improve the training provided to cardholders and approving officials.**

Throughout the Manual, it mentions required training for new cardholders and approving officials. Due to the COVID-19 pandemic, the in-person training for the Cal Card Program was stopped and replaced with an email with the Manual and related forms attached. New cardholders are required to sign the “Cardholder Acknowledgement” form and return it to Purchasing before they actually receive their credit card. Multiple parties involved in the Cal Card Program stated during our interviews that more training, whether in-person or virtual, is needed for the Cal Card Program. In addition, Purchasing has identified cardholders that could benefit from training due to infractions, such as late monthly transaction report submissions or missing receipts. Also, staff suggested that during training, cardholders would sign up for electronic bank statements, which the bank emails days before the hard copy statements are received in the mail, further increasing the time for cardholders to prepare their monthly transaction reports.

**4. Revise documentation to reflect current practices and present information consistently.**

The Manual describes the internal controls and processes to be followed for the Cal Card Program. However, the Manual was last updated on August 14, 2009 and contains outdated information, such as phone numbers, staff names, and purchase prohibitions and restrictions. In addition, the Manual presents some information inconsistently throughout the Manual itself. For example, the Approving Official and Department head are separate positions in Section 10 of the Manual but are used interchangeably in other sections of the Manual. While these positions may be the same individual in smaller departments, they are separate individuals in the Police and Fire Departments, which typically have the cardholder’s supervisor as the approving official. Other examples of inconsistent information are requiring cardholders to obtain quotes for purchases over \$1,000, but not requiring the quotes to be submitted with the monthly transaction reports; or listing the responsibilities of the cardholder in the Cardholder Acknowledgment Form, except for the mandatory requirement to keep a log of transactions and submit a monthly transaction report. It is difficult to hold employees accountable for following the Manual if the information in the Manual is out-of-date and inconsistent.

**5. Revise recordkeeping processes to increase efficiency.**

The recordkeeping for the Cal Card Program is heavily manual and paper-based, despite the City’s access to the Purchasing Card module in Munis. Currently, only Purchasing is using the Purchasing Card module of Munis, while all other parties are preparing and reviewing hard copy monthly transaction reports and supporting documentation, such as receipts and invoices. All documentation maintained for the Cal Card Program is in hard copy form.

Switching from a manual and paper-based process to a fully electronic or automated process presents certain challenges to the Cal Card Program, such as a large number of employees would need access to Munis, a system they do not currently use; the firehouses would need scanners to be able to scan receipts and other supporting documentation; and each department would need its own workflows for reviewing and approving purchase card transactions. For example, the Police Department’s Business Services Group reviews and codes all cardholders’ monthly transaction reports, while an administrative staff reviews and codes the Fire Department’s cardholders’ monthly transaction reports.

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There are process changes that Purchasing could make to improve the efficiency of the Cal Card Program without affecting the entire Cal Card Program. For example, while the credit card transactions are electronically downloaded from the bank and imported into Munis each month, the import process is manually performed and requires manipulation of the bank file. Purchasing could review alternative file formats available from the bank and for import into Munis to determine if a different file format could be used that requires less manipulation.

In addition, Purchasing could improve the manual process to identify and notify the cardholders with transactions each month by using formulas in Excel. For example, using the Excel report of transactions from Munis, the “remove duplicates” function could be used on the cardholder name and department columns to identify the unique users. Then the “vlookup” function could be used to add the cardholder email addresses, which are copied and pasted into the “to” of the email. Once the list of approving officials is prepared, the “vlookup” function could be used to identify the corresponding approving officials to add to the email notification.

**6. Regularly review the Cal Card Program and update the Manual and related forms.**

After Purchasing has made changes to the Cal Card Program, it should update the Manual and related forms to reflect those changes. Purchasing should periodically review the Manual, e.g., annually, to evaluate the Cal Card Program’s controls and processes and determine if the Manual and related forms need to be updated.

We believe these recommendations will provide the Cal Card Program with a stronger system of internal control while also making its operations more efficient.