



# City of Albuquerque

## Office of Internal Audit

FOLLOW-UP

PURCHASING CARD USE AND OVERSIGHT

Report #17-14-106F

June 28, 2017

### **INTRODUCTION**

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 14-106, Purchasing Card (P-Card) Use and Oversight during fiscal year (FY) 2017. The purpose of this follow-up is to report on the progress made by the Department of Finance & Administrative Services (DFAS) – Purchasing and Accounting Divisions in addressing the audit findings and recommendations. Our follow-up procedures rely on the department providing the status of the recommendations.

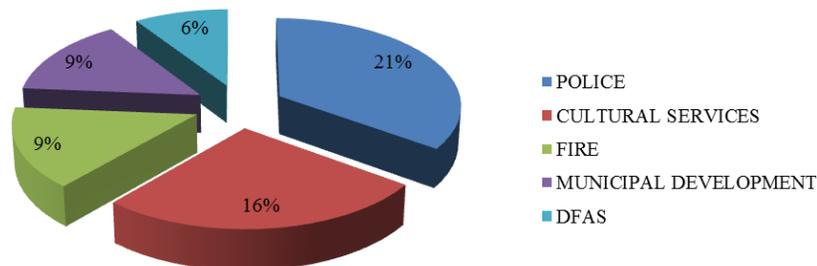
A follow-up is substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the audit findings and recommendations.

We limited our scope to actions taken to address the audit recommendations from the final audit report dated October 29, 2014 through the submission of actions taken on April 7, 2017.

### **BACKGROUND**

The City began using P-Cards in 2000, and as of March 31, 2017 had 262 active P-Cards distributed throughout City departments. During the 12-month period of April 1, 2016 through March 31, 2017 there were 10,942 purchases made on P-Cards totaling \$3.2 million. The number and dollar value of P-Card purchases varied widely among City departments. The graph below represents the top five departments who spent the highest percentage of the \$3.2 million.

**Top Five Departments with the Largest Percentage of P-Card Purchases**



Source: P-Card transaction report from Works.

The City uses Works, which is a system provided by Bank of America to maintain data related to each P-Card. Works enables Program Administrators to request new P-Cards, make changes to existing P-Cards, and deactivate P-Cards. In addition, Works is extensively used by the Card Coordinators to perform their weekly reconciliation and sign off process for purchase transactions. The P-Card process involves the following roles, each of which has responsibilities vital to the success of the P-Card program:

- The Cardholders are responsible for making the purchases in accordance with City Ordinance, City Administrative Instructions, and P-Card Policies and Procedures (P&P).
- The Card Coordinators are responsible for the review and reconciliation of the purchase supporting documentation submitted by the Cardholders, and the sign off of transactions within the Works system.
- The Department Directors or designees are responsible for the prior and post review and approval of purchases made by the Cardholders.
- The Program Administrators from the Purchasing and Accounting Divisions are responsible for the distribution, maintenance, and termination of all P-Cards.

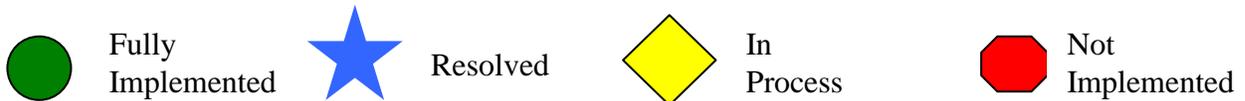
The Program Administrators have implemented multiple controls throughout the P-Card process designed to prevent misuse of the cards. Some of these controls include Department Director or designee review and approval, reconciliations and sign offs performed by the Card Coordinators, and retention of purchase supporting documentation.

The use of P-Cards provides a variety of benefits to the City, and is an easy way of obtaining the items needed to continue business in an effective and efficient manner. While the City has designed and implemented strong controls over the use and oversight of P-Cards, the operation and monitoring of the controls are not always followed.

### **SUMMARY**

The four recommendations addressed in the original audit report are in process.

The status of the recommendations is identified by the symbols in the following legend:



#### **Recommendation #1** DFAS should:

- A. Obtain a refund for the overcharge of \$90 by the vendor.
- B. Update the P-Card P&P to:
  - Require that the Department Director or designee pre-approval of purchases be done in writing or through email.
  - State that the P-Card purchase envelope must be signed by the Cardholder to certify all documentation is included, by the Card Coordinator to certify that they have

completed the review and reconciliation of the purchases, and by the Department Director or designee to certify that they have reviewed and approved all purchase and reconciliation documentation.

- Require all departments to use the updated P-Card purchase envelope so that there is consistency within the City.
  - State that to cancel a P-Card for a terminated or transferred employee, the Card Coordinator must complete the Card Maintenance Form and submit it to the Accounting Division on or before the Cardholders' termination or transfer date.
  - Require that all Department Directors or designees also attend the P-Card P&P training every two years.
- C. Create a form that documents the Department Director or designee's preapproval of the P-Card purchase. The form should include the name of the purchaser; the date the purchase will be made; a description of the items to be purchased and what they are intended for; the quantity of items to be purchased; the approximate cost of the purchase; and the Department Director or designee's signature and date of approval. This will make it easy for the Card Coordinator to verify that the Cardholder obtained approval prior to making the purchase, and for the Department Director or designee, during the post purchase review, to ensure that what was pre-approved to be purchased is what was actually purchased.
- D. Update the current training classes for Card Coordinators to go into more step-by-step detail of their responsibilities and process steps, which must be completed upon becoming the Card Coordinator, with renewal training every two years after that. Perhaps create a flowchart that shows step-by-step what to do during the Card Coordinator review and sign off process, or provide a test at the end of training where Card Coordinators must list the process steps.
- E. Update the P-Card purchase envelope to include signature lines for the Cardholder, Card Coordinator, and Department Director or designee. This way it will be easy for the Card Coordinator to ensure all individuals have reviewed and completed their portion of the P-Card approval process.
- F. Implement consequences for Card Coordinators who repeatedly do not sign off on purchases within five days of the purchase being posted to Works.

**Response:** *“DFAS agrees with the finding that all Card Coordinators should be properly trained on their roles and responsibilities.*

*“With respect to item A, the Accounting Program Administrator has already started to work on obtaining a refund for the \$90.00 overcharge.”*

**Estimated Completion Date:** *“DFAS will undertake to complete items B – F by January 30, 2015. DFAS will seek Executive sponsorship to ensure that Department Directors attend mandatory training.”*

**Status Reported by DFAS:**

- A. “Per review of reports by the Accounting Division, it does not appear the \$90.00 has been returned to the City. Some additional research will be done to determine why the supplier has not refunded the City.
- B. Card Coordinators have been provided training as it relates to the Director pre-approvals;

written pre-approvals; and the use of P-Card envelope. The P-card envelope; however, has not been updated but is scheduled for update no later than August 30, 2017. Department Directors have not yet been trained on the Pcard P&P due to the e-Procurement remediation.

A new training program for the Directors and their designees is being designed to encompass all expenditure approvals. This training will be conducted no later than August 30, 2017.

- C. Form for Director's to sign has not been formalized. It will be rolled-out with the approval training no later than August 30, 2017.
- D. Card Coordinators have been receiving information and training regarding their duties and responsibilities.
- E. Updated envelope will be completed no later than August 30, 2017.
- F. Consequences for Card Coordinators who repeatedly do not sign off on purchases within 5 days of the purchase being posted to Work will be included in the new P&P manual to be"



**In Process**

***Overall, the implementation of this recommendation is in process. A. requires additional research by the DFAS Accounting Division; B. C. and E. will be implemented no later than August 30, 2017; D. will be implemented August 15, 2017; and F. is expected to be updated by the second quarter of FY18.***

**Recommendation #2:** DFAS should:

- A. Update the P-Card P&P to state that the P-Card P&P training must be completed every two years. Currently the P-Card P&P state that Cardholders and Card Coordinators are encouraged to attend training every two years.
- B. Implement a tracking system or spreadsheet for the Purchasing Division that details all Cardholders and Card Coordinators and the last time P-Card P&P training was completed. This tracking system or spreadsheet should be continuously monitored to ensure all Cardholders and Card Coordinators receive the P-Card P&P training at least once every two years.
- C. Implement a tracking system or spreadsheet for the Accounting Division that details all Card Coordinators and the date they received Works training. This tracking system or spreadsheet should be periodically reviewed against a list of current Card Coordinators to ensure they have all received the Works training.

**Response:** *“DFAS agrees with the finding that all Cardholders and Card Coordinators should be trained in accordance with the P-Card P&P and Works System Training Schedule.”*

**Estimated Completion Date:** *“DFAS will complete A by January 30, 2015. Work on items B and C has already commenced and the expected completion date for these items is October 30, 2014. This item will be handled jointly by the Purchasing and Accounting Divisions.”*

**Status Reported by DFAS:**

- A. "Although the P-Card P&P has not been updated, Cardholders and Coordinators have been contracted to complete their training every 2 years.
- B. Purchasing maintains a file for each Cardholder and Card Coordinator. The Files for each Cardholder and Coordinator are filed by the due date of training within the 2 year training cycle. In addition, Purchasing maintains a spreadsheet tracking the date of training for each Cardholder and Card Coordinator.
- C. Since the audit of the P-Card program, another employee was assigned the duty of training the P-Card Coordinators and has since left the Accounting Division. Per review of records, it does not appear a spreadsheet was kept up. However, the Accounting Division does provide certificates of training for those who have completed the training since the P-Card Audit. Accounting can compile the information and create the log based on who has been trained. From there, the log will be kept updated on a consistent basis."



In Process

*Overall, the implementation of this recommendation is in process.*

- *A. - is expected to be updated by the second quarter of FY18,*
- *B. - the Purchasing Division has implemented a tracking spreadsheet, which will be monitored by the Assistant Procurement Officer whose starting date with the division is May 1, 2017, and*
- *C. - the Accounting Division is determining the best course of action for tracking the training of Card Coordinators.*

**Recommendation #3:** DFAS should:

- A. Implement a more frequent and detailed review of P-Card activity to identify:
  - Violations of segregation of duties between Cardholders and Card Coordinators;
  - Purchase of restricted items, such as airline tickets;
  - Payment of gross receipts tax on the purchase of goods that was not credited by the vendor;
  - Split purchases;
  - TRC approval not being obtained for the purchase of IT items over the Cardholders' single transaction credit limit; and
  - Unused P-Cards.
- B. Implement a periodic review of P-Card files to identify:
  - Missing required forms;
  - Unapproved required forms; and
  - Required forms approved by unauthorized individuals.
- C. Request that the Bank of America issue P-Cards and T-Cards that are significantly different looking so that Cardholders are less likely to get the two cards mixed up.
- D. Request that the Bank of America include the City's tax exempt ID number on the face of all P-Cards.

- E. Implement consequences for Cardholders who make split purchases.
- F. Update P-Card P&P regarding TRC approval to match the IT Policies and Standards.

**Response:** *"DFAS agrees in part with the finding that it must ensure periodic reviews are conducted over P-Card information and documentation."*

**Estimated Completion Date:** *"The DFAS Purchasing Division currently conducts quarterly audits to review and address such items as outlined in items A and B, but agrees that there is a benefit to conducting more detailed reviews of the these items."*

**Status Reported by DFAS:**

- A. "Bank statements are reviewed by Accounting on a monthly basis to curtail the violations of segregation of duties between Cardholders and Card Coordinators. The Accounting department established a new travel program in PeopleSoft and updated its Travel Policy whereby all travel related items are approved and paid from the PeopleSoft program. The P-card is monitored for travel and travel related activities, gross receipts tax and split purchases.
- B. Purchasing periodically reviews the P-card files to identify if the files are complete regarding required forms that contain all of the authorized approvals.
- C. & D. Bank of America has informed the City that it will not issue cards distinguishing the differences between the P-card and the T-card or to identifying the difference the tax exempt status of the card.
- E. The Purchasing Division has submitted an Administrative Instruction (AI) to address Purchasing violations when an employee makes a purchase, either knowingly or unknowingly that violates either the Public Purchases Ordinance or Purchasing Rules. (Split purchases are a violation of the Public Purchases Ordinance).
- F. The Purchasing Division in conjunction with the Accounting Division will update the P-Card P&P by the second quarter of FY18."



**In Process**

*Overall the implementation of this recommendation is in process.*

- *A.- the DFAS Accounting and Purchasing Divisions need to determine and document who will be responsible for reviewing the various P-Card oversight concerns identified in the audit,*
- *B.- the duties of the Assistant Procurement Officer, whose starting date with the division is May 1, 2017, will include monitoring the P-Card program on a regular and consistent basis,*
- *C.&D.- are considered resolved, are not controlled by the City, and will not be implemented,*
- *E.- was implemented as the AI was approved by the CAO on June 5, 2017, and*
- *F. - the P-Card P&P are expected to be updated by the second quarter of FY18.*

**Recommendation #4:** DFAS should:

Update the P-Card P&P to establish a limit for the number of Cardholders that a single Card Coordinator should be responsible for.

**Response:** *“DFAS agrees with the finding that it should implement limitations on the number of Cardholders for which each Card Coordinator is responsible.”*

**Estimated Completion Date:** *“While DFAS agrees with this finding, it does not agree that a finite number of Cardholders should be established for each Card Coordinator, but rather that guidelines should be established in the Policies and Procedures Manual to address the issue of ineffective review. These limitations relating to a Card Coordinator's responsibilities for review will be fully addressed in the Policies and Procedures Manual, to be completed by January 30, 2015.*

*“This item will be handled jointly by the Purchasing and Accounting Divisions.”*

**Status Reported by DFAS:**

“This activity has not yet been addressed because other changes are being proposed for the use of the P-Card by the DFAS Treasury, Accounting and Purchasing Divisions.”



**In Process**

*The limitations relating to a Card Coordinator's responsibilities will be included in the revised P-Card P&P which is expected to be updated by the second quarter of FY18.*

Follow-Up  
Citywide  
June 28, 2017

#17-14-106F

SUBMITTED:

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Senior Information Systems Auditor

REVIEWED & APPROVED:

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Lawrence L. Davis, Acting City Auditor  
Office of Internal Audit

APPROVED FOR PUBLICATION:

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Chairperson, Accountability in  
Government Oversight Committee