

June 23, 2021

Performance Audit

CITYWIDE PURCHASE AND TRAVEL CARD USAGE

Finance & Administrative Services

Report No. 21-108



City of Albuquerque - Office of Internal Audit

CITYWIDE PURCHASE AND TRAVEL CARD USAGE

Performance Audit

June 23, 2021

Audit #21-108

The objective of the audit was to determine whether the Department of Finance & Administrative Services (DFAS) has a framework in place to effectively administer, manage, and monitor purchase card (P-Card) and travel card (T-Card) usage. Specifically, the Office Internal Audit (OIA) assessed whether:

- P-Card and T-Card transactions were made in accordance with City procurement regulations and policies.
- P-Card and T-Card transactions were appropriately used for City business, adequately supported by documentation, and properly recorded.

Recommendations

DFAS should:

- Attempt to obtain repayment or credit for gross receipts tax overpayments.
- Remind Cardholders and Reconcilers to verify tax-exempt certificates are on-file prior to making a purchase.
- Implement a programmatic, periodic review of individual purchase card transactions and practices across the City for compliance policies.
- Communicate to Reconcilers and department directors or their designees of their ongoing responsibilities for performing reconciliations and to ensure that purchases related to food must receive appropriate preapproval, business justifications, and legible itemized receipts.
- Define within policy the practice for purchasing in amounts greater than the \$2,500 threshold.
- Revise policy to require that travelers provide evidence of attendance.

Executive Summary

The audit found that while T-Card purchases were compliant with policy requirements, several areas of noncompliance were noted with regards to the use of P-Cards. Of 107 P-Card transactions tested, 40 involved purchases for food and refreshments totaling \$20,172. Preapprovals were not properly obtained for 16 of these transactions, totaling \$9,571. OIA also found that New Mexico Gross Receipt Tax (GRT) was incorrectly paid on 28 of the P-Card transactions tested, resulting in overpayments totaling \$1,076. These issues went undetected because Reconcilers failed to identify them during their review. Further, DFAS Purchasing Division does not currently perform programmatic monitoring activities, which could include a transaction level review to ensure appropriate approvals, business justifications for purchases, and itemized receipts are obtained and that costs such as GRT are excluded.

Further, OIA found that reconciliations for 50 transactions had not been completed or could not be provided and 8 reconciliations did not include the required department director or designee approvals. There were also 11 instances where the associated purchase receipt could not be provided. All of these purchases in question totaled \$97,196. While all 63 T-Card transactions tested complied with regulations, existing regulations could be strengthened to require that travelers provide documentation evidencing their attendance as justified in the business need for travel. Lastly, the ability to make P-Card purchases greater than the \$2,500 limit is not currently formalized, resulting in inconsistent application and policies do not require that itemized receipts be provided.

DFAS agrees with the findings and recommendations made. The response of the department is attached as an appendix. OIA will work with the department to on the status of the open recommendations made in this report.



City of Albuquerque

Office of Internal Audit

June 23, 2021

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Citywide Purchase and Travel Card Usage
Audit No. 21-108

INTRODUCTION

The Office of Internal Audit (OIA) conducted a performance audit of the usage of the City of Albuquerque's (City) Purchase Cards (P-Card) and Travel Cards (T-Card). The Department of Finance & Administrative Services (DFAS) Purchasing Division (Purchasing Division), oversees the City's P-Card program. The City's P-Cards are credit-limited charge cards issued by the Purchasing Division that allow authorized cardholders to make purchases of \$2,500 per transaction and limits that range from \$2,000 to \$15,000 per month. In fiscal year 2019, a total of 391 Cardholders¹ within 35 city departments and divisions participated in the P-Card Program and executed 12,168 transactions totaling \$3,363,520, with an average transaction amount of \$276. In fiscal year 2020 there were 399 Cardholders¹ within 35 city departments

1 - For fiscal years 2019 and 2020, these are the Cardholders who made P-Card transactions within the period. This does not account for all active P-Cards, as there may be active P-Cards that were not used to make purchases during the timeframe.

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and divisions who participated in the P-Card Program and executed 11,895 transactions totaling \$3,861,293, with an average transaction amount of \$298².

The DFAS Accounting Division oversees the City's T-Card program, which serves as purchasing mechanism for official City travel costs. In fiscal year 2019, 27 T-Cards executed 2,254 transactions totaling \$1,168,892, with an average transaction amount of \$519. In fiscal year 2020, 25 T-Cards executed 1,708 transactions totaling \$813,360, with average transaction amount of \$476.

The objective of the audit was to determine whether P-Card and T-Card transactions were made in accordance with city procurement regulations and policies. Specifically, the audit assessed whether P-Card and T-Card transactions were appropriately used for city business, adequately supported by documentation, and properly recorded. The scope of the audit included all P-Card and T-Card transactions during the period July 1, 2018 through June 30, 2020. The audit is included in OIA's work plan for fiscal year 2021. Information pertaining to the audit objectives, scope and methodology can be found in Appendix A.

BACKGROUND

PURCHASING CARD PROGRAM

The City's P-Card program was implemented in 2000 to serve "as an alternative and more efficient method for purchasing small dollar goods and services within the guidelines of the City's Public Purchases Ordinance." The P-Card program delegates responsibility for small dollar goods and services to City departments and allows them to place an order directly with a vendor to make purchases of goods and services up to \$2,500 per transaction and up to \$15,000 in total transactions per month. Those amounts include total cost, shipping and handling, freight charges, or applicable taxes.

2- In fiscal year 2020, an emergency purchase in the amount of \$312,000 was made for personal protective equipment (PPE) for the City's frontline workers in response to the COVID-19 pandemic. This atypical purchase was removed from the calculation of the average P-Card transaction amount for that year.

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P-Card Transactions for Fiscal Years 2019 and 2020 ³		
Departments and Divisions	# of Transactions in FY19	# of Transactions in FY20
311 CITIZEN CONTACT CENTER	3	2
ACCOUNTING DIVISION	99	117
ANIMAL WELFARE	312	313
AVIATION	644	507
BIOPARK	1262	989
CITY CLERK	24	26
CITY COUNCIL	272	285
CIVILIAN POLICE OVERSIGHT AGENCY	27	29
CULTURAL SERVICES ADMIN	328	323
DFAS DIRECTORS OFFICE	45	64
ECONOMIC DEVELOPMENT	118	151
ENVIRONMENTAL HEALTH	660	468
FAMILY COMM SERVICES	789	947
FIRE	759	941
FLEET MANAGEMENT	95	157
HUMAN RESOURCES	45	33
INTERNAL AUDIT/INSPECTOR GENERAL	51	35
TECHONLOGY AND INNOVATION	172	260
LEGAL	213	194
LIBRARY	150	110
MAYORS OFFICE	121	150
MUNICIPAL DEVELOPMENT	355	417
MUNICIPAL DEVELOPMENT - FACILITIES	546	374
MUSEUM	313	135
PARKS RECREATION	651	604
PARKS RECREATION OPEN SPACE	112	160
PARKS RECREATION PARKS MANAGEMENT	457	376
PLANNING	318	271
POLICE	1343	1942
PURCHASING ADMIN	35	27

3 - Purchase card data obtained from Wells Fargo for the purposes of this audit.

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RISK MANAGEMENT	98	56
SENIOR AFFAIRS	1176	864
SOLID WASTE	340	336
TRANSIT	213	216
TREASURY	22	16
Total # of P-Card transactions	12,168	11,895
Total # of departments and divisions	35	35

In order for a city employee to obtain a P-Card, the DFAS Accounting Administrator must receive a request via the *Card Request/Employee Agreement Form* (Form) from the requestor's department director or designee. The form serves to inform the potential cardholder of their responsibilities in the use of the card and include consequences if the card is misused. The employee's department director must give final approval for the request, establish the card dollar limit and any special limitations that may be more restrictive than P-Card program requirements. The table below details the roles and responsibilities outlined by the *Purchasing Card Policies and Procedures Manual*.

Roles	Responsibilities
Department Accounting Administrator	Manages the general ledger (GL) from PeopleSoft, maintains records, and verifies bank payments.
Cardholder	Receives preapproval from the department director or designee prior to making a purchase and determining if needed items are available through existing City contracts or the City Warehouse before incurring any charges by checking the websites listed in the <i>Purchasing Card Policies and Procedures Manual</i> .
Department Director	The department director is the head of the department or the designee whose signature authority is on file with the Program Administrator. The department director or designee's responsibilities include ensuring the department complies with the approved policies and procedures, approving issuance of new cards, setting transaction and billing cycle amounts, and cancelling cards.

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Reconciler	<p>The Reconciler is responsible for:</p> <ul style="list-style-type: none"> • Monitoring the use of P-Cards issued to employees of their respective department and ensure Cardholder has provided all required documentation to support each transaction. • Assigning all cost center, fund, and account numbers to the purchasing card transaction file if charges vary from default values, and obtain department director's signature authorization for expenditures made by Cardholders. • Maintaining secure records of each Cardholder and their card account numbers. • Reviewing each transaction report and ensuring that Cardholders explain any unusual transactions and perform follow-up as needed. • Monitoring signed documents to ensure and confirm only the designated Cardholder has used the card. • Monitoring departmental accounts to ensure funds are not overspent. • Notifying Cardholders of the fiscal year cut-off dates as required by Accounting Administrator. • Promptly notifying the Purchasing Administrator of any problems. • Confiscating, audit and return card to the Program Administrator whenever a respective Cardholder moves departments, resigns, has been terminated, retires, or passes away.
Program Administrators	<p>The City has designated two Purchasing Administrators and an Accounting Administrator to oversee the Purchasing Card Program. Each administrator has a primary responsibility and is responsible for specific functions. However, in some instances both administrators can handle the same function.</p>
Wells Fargo	<p>Wells Fargo is the City's contracted credit card provider for the P-Card program.</p>

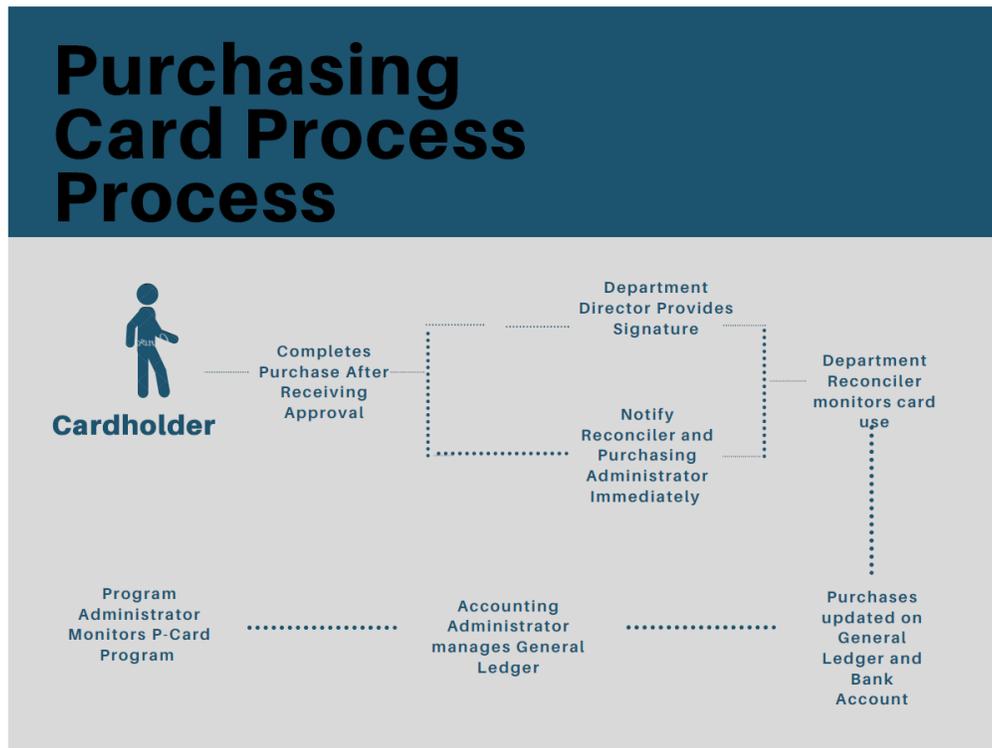
However, per the *Purchasing Card Policies and Procedures Manual*⁴, "The DFAS Accounting Administrator, Reconcilers, and other personnel as authorized by the Chief Procurement

4 - *Purchasing Card Policies and Procedures Manual*, Department of Finance & Administration – Purchasing Division, April 9, 2019.

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Officer... are responsible for the management of the P-Card Program.” The P-Card approval process is illustrated below.



Source: OIA created based on the City's Purchasing Manual, Roles and Responsibilities.

On a weekly basis department Reconcilers reconcile P-Card transactions to the transaction log and receipts provided by cardholders. Reconcilers compares the Commercial Card Expense Reporting (CCER) Application report provided by Wells Fargo to weekly P-Card transaction logs and receipts. Cardholders are required to provided receipts for each transaction in order for their Reconciler to determine whether purchases are compliant with requirements and amounts are accurate. Additionally, as of January 2020, the Purchasing Division receives monthly Card Integrity Reports (CIR) from Wells Fargo and distributes them to the department Reconcilers. The CIR reports provide additional parameters to assist the Reconcilers in determining whether the department's P-Card transactions are compliant with requirements and can highlight anomalous activity for further research by both the Reconciler and the Cardholder. The Reconciler will follow-up with Cardholders to explain any unusual transactions and if there are any issues, it is the responsibility of the Cardholder to resolve the matter with the vendor. Once complete, the reconciliations are submitted to the

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department directors or their designees for review and approval. The signed reconciliations are then returned to the departments' Reconciler for retention.

TRAVEL CARD PROGRAM

Government agencies often use T-Cards to reduce costs associated with administering employees official travel and for the travelers' convenience. T-Cards are issued in the cardholder's name while the card remains the property of Wells Fargo (Provider) and the City. Both the T-Card and P-Card Program regulations prohibit the transfer, assignment, or usage of cards by or to anyone other than the designee. There were 27 active T-Cards in use during fiscal year 2019 and 2,254 travel transactions made, totaling \$1,168,892. In fiscal year 2020, there were 25 active T-Cards in use and transactions made, totaling \$813,360. Due to the COVID-19 pandemic, travel was not permitted without preapproval from the Chief Administrative Officer (CAO), effective March of 2020.

The Peoplesoft Travel and Expense Module is the software used to request official City travel and obtain authorization. All travel for official City business is required to be approved in advance with the submission of a *Travel Request Form*, which is an online form required to be completed and submitted by the traveling employee to their Department Travel Liaison (DTL) who maintains possession of the T-Card(s). If the department does not have a designated DTL, an employee from the DFAS Accounting Division who oversees the City's T-Card program is assigned to assist the department.

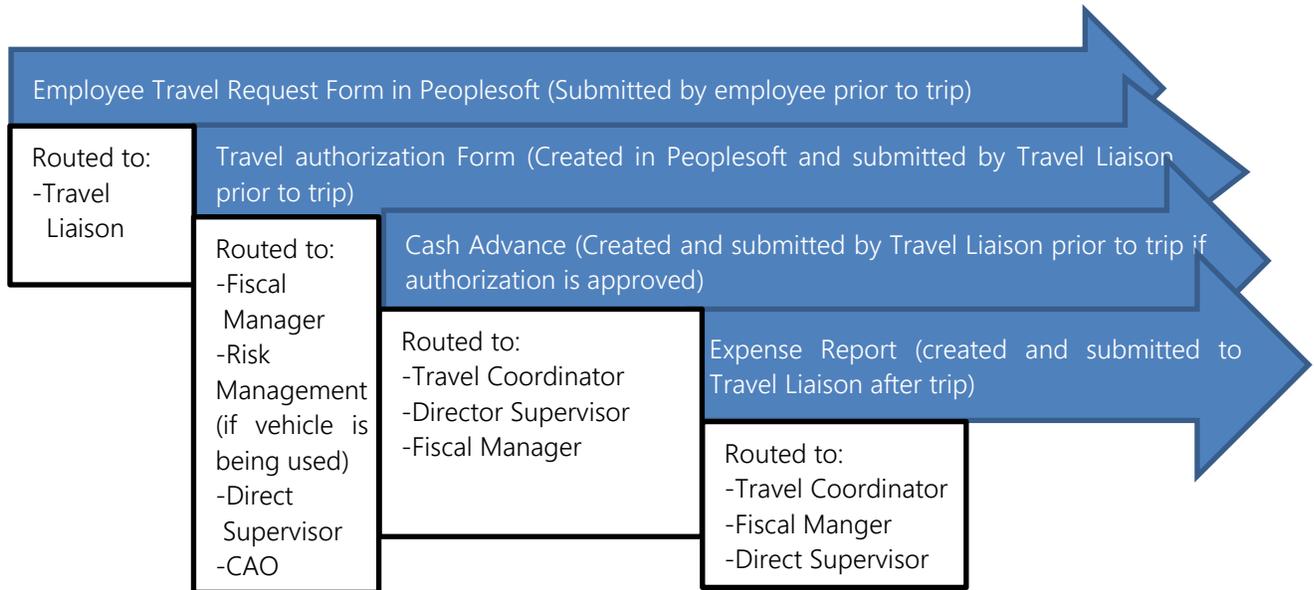
Amounts input into the *Travel Request Form* are typically estimates, although some travel booking is done so close in proximity to the request that actual amounts may be included as well. The DTL then creates a travel authorization, with the costs provided on *the Travel Request Form* and U.S. General Service Administration (GSA) Per Diem Rates⁵ information to generate a total estimate, in PeopleSoft for routing and approvals from the Fiscal Manager, Direct Supervisor, and Deputy Chief (APD only). Additionally, notifications are sent to the

5 - Per Diem Rates as set on October 1st of every year by the United States General Services Administration. These amounts include lodging (excluding taxes), meals and incidental expenses for destinations within the lower 48 Continental United States.

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DFAS Department Fiscal Analyst, to supervisory staff in the chain of Command above the direct supervisor for the specified employee, and the CAO. The authorization of T-Card workflow is illustrated below.



Source: Created by OIA based on the City of Albuquerque Travel Approvals Workflow and Routing Process Training Manual.

Travel costs can be incurred 24-hours after the final approval is received in PeopleSoft. Use of T-Cards is specifically authorized for costs associated with hotels, flights, and out-of-state conference registration fees. Other costs associated with Per Diem Rates and transportation will provided to the employee as a cash advance with an Automated Clearing House (ACH) deposit into the employee’s direct deposit account.

Once travel is complete, employees must provide their DTL itemized receipts documenting actual travel costs within 10 calendar days of their return so that the DTL can complete an expense report on behalf of the traveler. The expense report is then routed within the system’s workflow and approved by the Travel Coordinator, Fiscal Manager and Direct Supervisor.

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Various city regulations and requirements govern the appropriate use of funds for official City business. However, per the City's *Travel Regulations*⁶, "it is the responsibility of the CAO to issue regulations governing the payment of travel and transportation expenses while on official business for the City of Albuquerque. The CAO has delegated approval authority to the Department and/or Agency Directors to approve travel authorizations." Additionally, "an individual or official City business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and travel in the most economical manner possible." The table below details the roles and responsibilities outlined by the *Travel Regulations*.

6 - *Travel Regulations*, City of Albuquerque, Revised and Reissued Effective October 1, 2020.

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Role	Responsibilities
Chief Administrative Officer	Issues regulations governing the payment of travel and transportation expenses incurred while conducting official business for the City of Albuquerque
Department Responsibilities	<p>A travel authorization must be prepared and approved before travel occurs. Only in the case of an emergency may an oral authorization for travel be given, in which event written confirmation of the authorization shall be prepared as soon as possible. The authority delegated to Department or Agency Directors includes:</p> <ul style="list-style-type: none"> • Authorize travel for employees and non-city employees; • Authorize the use of City owned vehicle; • Authorize privately owned vehicle (POV) for City business; • Authorize qualified travel advance request; • Authorize to sign travel exception; • Communicate where to locate Travel Regulations for travelers; • Ensure travel essential to the purposes of the City and Departments; • Authorize travel is accomplished in economical manner; • Verify employee travel plans are in accordance with the City's Rules and Regulations; • Review and Approve collection action on all outstanding travel advances; • Appoint one Travel Liaison and a backup; and • Ensure all documentation, statements, justification, and receipts accompany a travel advance or request for reimbursement.
Travel Liaison	<ul style="list-style-type: none"> • Coordinate the timely preparation of travel authorizations , qualified travel advance, and travel reimbursements; • Clearing outstanding travel advances to departments employees; • Booking the most economical and logistically sound airfare; • Ensuring all unused or canceled tickets are re-used within one year; • Ensuring that travel costs are held to minimum; and • Processing travel reimbursements within 30 days of return of trip.
Accounting Department	<ul style="list-style-type: none"> • Maintain travel Liaison Assignments; • Maintain Travel Coordinator Assignments; • Maintain Training Materials; and • Provide approvals for security systems access once training is taken.

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Accounts Payable/Travel Coordinator	<ul style="list-style-type: none"> • Ascertain the accuracy of the amounts claimed; • Determine whether the types of expenses being claimed are authorized and allowable expenses; • Ensure requested receipts, statements, justification are attached to reimbursement expenses; • Notify department of outstanding travel advances that have not cleared; and • Reject any claim to be improper and request additional justification.
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Various city regulations and requirements govern the appropriate use of funds for official City business. However, per the City's *Travel Regulations*⁷, "it is the responsibility of the CAO to issue regulations governing the payment of travel and transportation expenses while on official business for the City of Albuquerque. The CAO has delegated approval authority to the Department and/or Agency Directors to approve travel authorizations." Additionally, "an individual or official City business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and travel in the most economical manner possible."

FINDINGS

1. 26 PERCENT OF P-CARD TRANSACTIONS TESTED INAPPROPRIATELY INCLUDED GROSS RECEIPT TAX, RESULTING IN \$1,076 IN COSTS THAT SHOULD HAVE NOT BEEN INCURRED BY THE CITY.

OIA tested a sample of 107 P-Card transactions totaling \$0.49 million and found that New Mexico Gross Receipt Tax (GRT) was incorrectly paid on 28 transactions (26 percent), resulting in overpayments totaling \$1,076. New Mexico imposes a GRT on entities conducting business in the state who, in turn, can pass those costs onto the purchaser by

7 - *Travel Regulations*, City of Albuquerque, Revised and Reissued Effective October 1, 2020.

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separately stating it on an invoice or combining with the selling price. Tax rates vary across the state and the rate is determined as a combination of the rates imposed by the state, the counties, and the municipalities.

According to the *City's Purchase Card Policies and Procedure Manual*, "the City is exempt for paying local, county, and state gross receipts tax for goods." Additionally, according to the manual cardholders should "contact the vendor prior to purchasing items to verify if the vendor requires the City's Tax-Exempt Certificate. If a nontaxable certificate is not on file with a vendor, the Purchasing Division shall issue a nontaxable certificate." The manual further states that if tax is charged by vendor the cardholder "must promptly notify the Purchasing Division of such an occurrence. If a nontaxable certificate is not already on file with vendor, the Purchasing Division shall issue a nontaxable certificate."

Cardholders failed to ensure that nontaxable certificates were on file with vendors and if they were not on file, the cardholders did not request the Purchasing Division to issue one. Additionally, neither the Reconcilers nor the department directors (or their designees) identified during their reviews that these GRTs should not have been approved for payment. Lastly, the Purchasing Division does not perform any periodic programmatic monitoring activities, which could include transaction level review, to identify if GRT costs were properly excluded.

According to the *Auditing and Investigating the Internal Control of Government Purchase Card Programs*⁸, "A well-designed system of internal control for a purchase card program is needed to provide reasonable assurance that the program is operating as intended and is not vulnerable to significant fraudulent, improper, and abusive purchases." A well-designed system of internal controls consists of the structure, policies, and procedures used to ensure that the objectives are accomplished, payment is made only for goods and services allowed by the contract, and vendors meet their responsibilities. An effective

8 - United States General Accounting Office, Office of Financial Management and Assurance. "Auditing and Investigating the Internal Control of Government Purchase Card Programs". November, 2003. The document states the guidance can "be applied by program management oversight personnel in assessing the adequacy of policies, procedures, and internal controls and conducting ongoing monitoring of adherence to internal control activities."

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monitoring system mitigates risk and may have numerous components, such as training, communication of clear expectations, and routine assessments to monitor that controls are working as intended. Inadequate monitoring can cause financial and programmatic consequences, including paying for costs that should be excluded such as GRT. In January 2020 the Purchasing Division began providing Reconcilers with weekly CIR reports, which detail overview, priority review, split, limits, taxes, list of all transaction and instructions. While the reports identify GRT charges, this is a detective control in nature and only identifies the costs after they have been incurred.

RECOMMENDATIONS:

The Department of Finance & Administrative Services should:

1. Attempt to obtain repayment or credit from vendors or the State for the \$1,076 in gross receipts tax costs that should have been excluded from purchase card transactions.
2. Routinely remind Purchase Cardholders and Reconcilers to verify tax exempt certificates are on-file with vendors prior to making a purchase and if one is not, request that the Purchasing Division issue one to the vendor.
3. Routinely communicate to Cardholders and Reconcilers that per *City's Purchase Card Policies and Procedure Manual*, they "must promptly notify the Purchasing Division of such an occurrence" for mitigation activities.
4. Implement a programmatic, periodic review of individual purchase card transactions and practices within City Departments and Divisions for compliance with the *Purchasing Card Policies and Procedures Manual*.
5. Modify the requirement that Cardholders and Reconcilers must receive periodic purchase card training.

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2. P-CARD RECEIPTS WERE NOT ALWAYS PROVIDED AND RECONCILIATIONS WERE NOT ALWAYS AS REQUIRED, RESULTING IN THE LACK OF EVIDENCE THAT PURCHASES WERE LEGITIMATE AND PROPERLY REVIEWED AND APPROVED.

For each of the 107 P-Card transactions tested, 103 should have had an associated reconciliation performed⁹. OIA attempted to verify whether these reconciliations were performed and found 50 reconciliations (49 percent) had not been completed or could not be provided and eight reconciliations (8 percent) where the department director or designee approvals were not obtained. Additionally, there were 11 instances where the associated receipt of purchase could not be provided. All of these purchases in question totaled \$97,196.

Transaction reports are obtained by the Reconciler from Wells Fargo's CCER Application. Cardholders must provide associated receipts in order for the Reconciler to support that purchases are compliant with requirements and the amount charged is accurate. The Reconciler will have the Cardholder explain any unusual transactions and if there are any problems, it is the Cardholders responsibility to resolve the matter with the vendor. Once complete, the reconciliations are submitted to Department Directors or their designees for review and approval. The signed reconciliations are then returned to the Department's Reconciler for record retention.

According to the *City's Purchase Card Policies and Procedure Manual*, the Department Director or designee is responsible to "assign an employee to serve as a Reconciler and ensure the employee is fully knowledgeable of the policies and procedures required." The Reconciler has the responsibility to, "(a) run a weekly report; (b) upload all sales receipts, invoices, and credit slips; (c) ensure transactions on the weekly activity statement agree with retained receipts, sales slips, credit Card slips, and invoices; (d) check box noting all receipts have been submitted; (e) approve; and (d) verify goods have been received." Furthermore, "the Department Director or designee must (a) review the reconciled weekly activity statement for overall legitimacy and accuracy of all charges; (b) return signed

9 - The other four purchases were related to transaction disputes and therefore, did not require a reconciliation to be performed.

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activity statement to the department's Reconciler to retain records in a secure and orderly manner.”

Obtaining a receipt for every transaction is a requirement of the *Purchase Card Policies and Procedure Manual* because that documentation helps to substantiate that purchases were compliant with policy and amounts are accurate when recorded during the reconciliation process. Reconciliations involve cross-checking transactions or records of activity to ensure that the information reported is accurate. For example, revenue and expense activity recorded on accounting reports should be reconciled or compared to supporting documents such as itemized receipts to ensure that the transactions are recorded in the correct account and for the right amount. For the instances noted in test work, Reconcilers failed to either to perform or maintain the weekly reconciliations as required by the *Manual* and therefore, failed to maintain the complete documentation of the purchase that is readily accessible for substantiation. For those instances where approval signatures were missing from the department directors or designees, the Reconcilers failed to either forward the reconciliations to the department director or designee for review and approval or failed to ensure signatures were properly documented on the reconciliations. Additionally, the Purchasing Division does not perform any programmatic monitoring activities, which could include reviews of reconciliations to ensure they are completed, compliant, properly reviewed and approved, and maintained as records. While the current use of the CIR report may identify the lack of reconciliation completion, the Purchasing Division should proactively monitor the reconciliation process to ensure all those involved are aware of the responsibilities for completing them.

RECOMMENDATIONS:

The Department of Finance & Administrative Services should:

6. Routinely communicate to Cardholders, Reconcilers and Department Directors or their designees their ongoing responsibilities for obtaining and providing receipt documentation as well as completing, reviewing, approving, and maintaining weekly reconciliations as required by the *Purchasing Card Policies and Procedures Manual*.

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7. Implement a programmatic, periodic review of individual purchase card reconciliations and practices citywide for compliance with the *Purchasing Card Policies and Procedures Manual* to ensure that reconciliations are performed, reviewed, and approved.

3. P-CARD PREAPPROVAL WAS NOT OBTAINED FOR \$9,571 IN PURCHASES AND RECEIPTS OR BUSINESS JUSTIFICATIONS WERE NOT ALWAYS PROVIDED.

Of 107 P-Card transactions tested, 41 (38 percent) involved purchases related to food items classified as de minimis benefits (minimal), which include food and refreshments for board, commission or committee meetings; food and/or beverages for employees furnished at the site of a business meeting or activity; cakes and/or cookies up to \$100 for graduation ceremonies or as off-site meals with a clear purpose. Of those 41 purchases which totaled \$20,172, preapprovals were not properly obtained for 16 purchases totaling \$9,571. Further, of the 41 purchases, only 33 had the associated purchase receipt and only 23 of the receipts were itemized. For instance, a P-Card purchase was made at a Rio Rancho brewery in the amount of \$121, for which preapproval was not obtained from either the Department Director or the CAO. Additionally, the business justification was for a seasonal event held in Rio Rancho and the itemized receipt provided was illegible.

According to *Administrative Instruction (AI) 3-14 (2016)*¹⁰, a minimal benefit is "any good or service provided to any employee that has little value, that accounting for it would be unreasonable or administratively impracticable... all purchases under this section by employees must be approved in advanced in writing by the Department Director and shall be approved in advance by the CAO." The AI also requires that offsite business meals must have a clear and convincing purpose and be preapproved by the CAO. Per the AI, "A written or oral statement that the meals are furnished for the Department's convenience is not sufficient. There must be a substantial business reason." The AI goes

10 - *Administrative Instruction NO: 3-14(2016) Purchase of Goods or Services for Use by Employees: Section 1 De Minimis Benefits*, Department of Finance & Administrative Services, March 7, 2017.

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on to further state that "City funds may not be used to pay for off-site business meals with City or non-city employees unless there is a clear and convincing purposes for the business meal. Any off-site business meals must be approved in advance in writing by the CAO¹¹." Per the City's *Purchase Card Policies and Procedure Manual*, while the requirement does not specifically state the term "itemized", best practice requires the use of an itemized receipt in order to ensure line item transactions are compliant, appropriate, and accurate, as well as to help substantiate the number of people in attendance.

While cardholders did not obtain or provide evidence of preapprovals, provide business justifications, and/or provide receipts for these purchases, the Reconcilers failed to identify these issues during their review. Additionally, the Purchasing Division does not perform any programmatic monitoring activities, which could include transaction level review to ensure appropriate approvals, business justification, and itemized receipt are obtained prior to incurring costs for these types of transactions. Finally, the *Purchasing Card Policies and Procedures Manual* does not include all relevant requirements regarding the purchase of snacks, refreshments, and meals, (only those items categorized as minimal) and the Manual does not specifically use the term "itemized" in regards to what types of receipts must be obtained. Food related requirements under the "Unallowable Purchases" portion of the AI are not included in the *Manual*. This lack of inclusion may be creating circumstances in which cardholders and their management are not aware of the specific rules that govern all purchases of snacks, refreshments, and meals. Additionally, not specifically requiring itemized receipts to be obtained and preserved creates risk that every item purchased may not be compliant, accurate or support the number of attendees. There is a distinction between requiring a receipt for goods and services provided by a vendor and an itemized listing of every item purchased. The lack of inclusion of the term "itemized" in the *Manual* may be creating confusion as to the level of detail needed for proper evaluation of every transaction.

11 - *Administrative Instruction NO: 3-14(2016) Purchase of Goods or Services for Use by Employees: Section 6 Unallowable Purchases*, Department of Finance & Administrative Services, March 7, 2017.

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RECOMMENDATIONS:

The Department of Finance & Administrative Services should:

8. Routinely communicate to Cardholders, Reconcilers and Department Directors or designees of their ongoing responsibilities to ensure that purchases that are minimal or related to food must include an appropriate business justification and have an associated receipt. Additionally, those purchases must receive appropriate preapproval from the Department Director or the Chief Administrative Officer.
 9. Consider revising the *Purchasing Card Policies and Procedures Manual* to include the requirement that Cardholders must obtain and provide a legible itemized receipt for every transaction.
 10. Implement a programmatic, routine review of individual P-Card reconciliations and practices within City Departments and Divisions for compliance with the *Purchasing Card Policies and Procedures Manual* to ensure that purchases that are minimal or related to food must receive appropriate approval from the Department Director or the Chief Administrative Officer prior to purchase.
4. THE ABILITY TO MAKE P-CARD PURCHASES GREATER THAN THE \$2,500 LIMIT IS NOT FORMALIZED, RESULTING IN INCONSISTENT APPLICATION.

According to the *Purchasing Card Policies and Procedures Manual*, "The P-Card allows departments to purchase items and/or services up to and including \$2500 as designated by the Chief Procurement Officer." OIA reviewed all P-Card transactions during fiscal years 2019 and 2020 and identified 47 transactions that exceed the \$2,500 limit. Of these transactions, 16 were related to COVID related emergency purchases for the health and safety of City employees and to ensure continuity of City operations during the pandemic and therefore, did receive the necessary overrides by the Purchasing Division.

According to the *Purchasing Card Policies and Procedure Manual*, "Department Directors requesting to change dollar limits or impose specific restrictions to a Card must submit

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the request to Accounting Administrator via the Card Maintenance Form.” The *Manual*, further states, “the regular restrictions imposed include a maximum of \$2,500 per transaction and limits range from \$2,000 to \$15,000 per month. Some departments may choose to lower the card limits. The Chief Procurement Officer may impose other limits based on the results of periodic reviews. Department Directors requesting to change a dollar limit or impose specific restrictions to card must submit the request to Accounting Administrator via the Card Maintenance Form.”

Although *the Purchasing Card and Policies and Procedure Manual* has a process in place for departments to request a change in dollar limits as defined above, the practice for obtaining overrides and the circumstances in which overrides may be authorized is not defined in the *Manual*. Additionally, the current practice lacks an automated workflow within a system. For instance, emails are sent to obtain and authorize approvals between departments and the Purchasing Division and are not stored within a central repository for record retention. Furthermore, the Purchasing Division currently does not have monitoring practices in place to routinely review overrides to evaluate whether they are still necessary, have reverted back to the \$2,500 as appropriate, or if those overrides have been misused to purchase items that are not compliant with the *Manual* or the justification for the override.

Formalizing dollar limitation override practices within policy and defining what circumstances warrant overrides of the \$2,500 will help ensure consistency in implementation across the City. Additionally, establishing monitoring activities of active overrides will assist in mitigating any potential for misuse or non-compliant transactions.

RECOMMENDATIONS:

The Department of Finance & Administrative Services should:

11. Define within the *Purchasing Card Policies and Procedures Manual* how dollar limitation overrides must be completed and establish the circumstances in which overrides may be authorized, this may include developing supplemental emergency procurement policies.

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12. Consider automating the purchase card workflow in order to more efficiently obtain and document required reviews and approvals.
 13. Implement a programmatic, periodic review of active overrides to ensure misuse has not occurred, purchases are compliant with the policy, and purchases align with the override's justification.
5. WHILE T-CARD TRANSACTIONS COMPLIED WITH POLICIES, OPPORTUNITIES EXIST TO FURTHER IMPROVE PROCESSES TO PROVIDE FOR GREATER TRANSPARENCY.

The audit found that all 63 T-Card transactions tested complied with the *City of Albuquerque's Travel Regulations (Regulations)*. OIA obtained receipts associated with travel costs, approval documentation, registration documents, flight itineraries, training agendas, and various other documentation related to the travel and found that all samples complied with the *City's Regulations*. However, the existing *Regulations* do not require that travelers provide documentation evidencing their attendance as justified in the business need for travel.

Per the *Travel Training Manual for City Employees*, justification for travel requires employees to "provide the reason for your trip as required for the scope of your work (i.e. Annual training for certification)." Additionally, according to the *Travel Training Manual for City*, travel "documentation should include event registration and any agenda, training schedule or brochure in electronic format."

While business justification and documentation requirements exist to explain the need for travel, there is no requirement that travelers provide evidence of attendance of the training, conference, or other event that required them to travel for business purposes. Without such a requirement, risk exists that employees may have travelled to that location yet were not present for the event they travelled for. Additionally, requiring attendance documentation be submitted to the DTL, along with receipts and other supporting documentation would provide further evidence to expense report approvers to substantiate costs were legitimate and necessary.

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Updating the *Travel Training Manual for City Employees* to require attendance documentation will help to ensure that all travel for City business is sufficiently justified and costs are appropriate.

RECOMMENDATION:

14. The Department of Finance & Administrative Services should consider revising the *City of Albuquerque's Travel Regulations* and the *Training Manual for City Employees* to require that travelers provide evidence of attendance that is in alignment with the business justification for travel and submit that documentation, along with other supporting documentation, to the Department Travel Liaison.

CONCLUSION

By implementing the recommendations detail in this report, DFAS can improve its ability to more effectively administer, manage, and monitor the City's P-Card and T-Card Usage. DFAS's response to the recommendations made are included in the APPENDIX B of the report. We greatly appreciate the assistance of DFAS that participated throughout this audit and made both their staff and requested documents readily available, as well as the involvement and cooperation of the various Departments and Divisions within the City.

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APPENDIX A

OBJECTIVES

The object of the audit is to determine whether P-Card and T-Card transactions were made in accordance with City procurement regulations and policies. Specifically, the audit will assess whether P-Card and T-Card transactions were appropriately used for City business, adequately supported by documentation, and properly recorded.

SCOPE AND LIMITATIONS

The scope of the audit included all city P-Card and T-Card transactions during July 1, 2018 through June 30, 2020. This audit was included in OIA's work plan for fiscal year 2021.

This report and its conclusions are based on information taken from a sample of financial records, systems, and users and do not represent an examination of all related financial records, systems, and users for the P-Card and Travel card programs. The audit report is based on our examination of functions and activities through the completion of fieldwork on June 6, 2021, and does not reflect events after that date. City management is responsible for establishing and maintaining effective internal control and complying with laws and regulations.

In performance audits, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct (1) impairments of effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) noncompliance with applicable laws, regulations, standards, guidelines, and/or best practices. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met. In the performance audit requirements, the term significant is comparable to the term material as used in the context of financial statement engagements. A deficiency in operation exists when a properly

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designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Our consideration of internal control was for the limited purpose described in our audit objectives and was not designed to identify all deficiencies in internal control. Therefore, unidentified deficiencies may exist. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

As part of the performance audit, we tested the City's compliance with applicable laws, requirements, and regulations. Noncompliance with these requirements could directly and significantly affect the objectives of our audit. However, opining on compliance with all provisions was not an objective of our performance audit and accordingly, we do not express an opinion.

We conducted this performance audit in accordance with generally accepted government auditing standards for performance audits, as prescribed in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following:

- Interviewed management regarding staffing, procedures, and processes;
- Reviewed and analyzed applicable City policies, procedures, and regulations;
- For a sample of 52 P-Card transactions with a total amount of \$67,800.21 in fiscal year 2019 and 55 P-Card transactions with a total amount of \$424,715.84 (\$312,000 of which was for personal protection equipment) in fiscal year 2020, performed the following:

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- Reviewed transaction amounts for accuracy
 - Verified that NM GRT was not paid
 - Ensured reconciliations were performed, reviewed and appropriately approved for transaction legitimacy and accuracy
 - Determined that receipts or other supporting documentation were maintained to support transaction legitimacy and accuracy
 - Ascertained that appropriate preapprovals were obtained
 - Assessed de minimis items and other food purchases for proper preapproval
 - Reviewed length -of-service purchases for adherence to policy requirements.
 - Performed data analysis to evaluate purchases for:
 - Exceeding the \$2,500 threshold limitation
 - Potential purchase splitting
 - Duplicate transactions
 - Purchasing with a contracted vendor
 - Anomalous activity related to purchase description and/or vendor
- For a sample of 34 T-Card transactions with a total amount of \$34,634.53 in fiscal year 2019 and 29 T-Card transactions with a total amount of \$21,145.45 in fiscal year 2020, performed the following:
 - Reviewed transaction amounts for accuracy
 - Ascertained that appropriate approvals were obtained for the travel authorization
 - Assessed the travel justification for appropriate business-related needs
 - Determined that required receipts and other supporting documentation was maintained
- Reviewed the reconciliation of information from the Wells Fargo financial data to the City's PeopleSoft GL data; Evaluated the results of testing to determine and document if sufficient, appropriate evidence has been obtained to address audit objectives and reduce audit risk to an acceptable level and that evidence is sufficient and appropriate to support findings and conclusion; and

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- Summarized all findings and provided the auditee with recommendations that will help to strengthen internal control, cost savings, and operating efficiency and effectiveness.

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APPENDIX B

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled *Department Response* whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
1. Attempt to obtain repayment or credit from vendors or the State for the \$1076 in gross receipts tax costs that should have been excluded from P-Card transactions.	The Department of Finance and Administrative Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Purchasing will work with Department Fiscal Managers to attempt repayment or credit of inapplicable gross receipts tax from applicable vendors. <u>ESTIMATED COMPLETION DATES</u> Purchasing estimates it will send out a communication to the applicable Fiscal Managers within two weeks of Purchasing’s receipt of the final audit report and the list of identified Departments, GRT amounts, and vendors. Fiscal Managers will be given a 3-week turnaround time. We will aim for a completion date of September 15, 2021.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
<p>2. Routinely remind Purchase Cardholders and Reconcilers to verify tax exempt certificates are on-file with vendors prior to making a purchase and if one is not, request that the Purchasing Division issue one to the vendor.</p>	<p>The Department of Finance and Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Purchasing will communicate to end users the importance of checking each P-card transaction for tax and ensuring that taxes are not charged on tangible goods. This should occur prior to the completion of the purchase transaction. Purchasing will begin to save the NTTCs in its SharePoint site for Fiscal Managers (rather than its X: drive) so that existing NTTCs are readily available to end users. Purchasing will also communicate how end users can obtain a NTTC through the Purchasing Division if there is no existing NTTC. Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User e-mail communication estimated date: July 15, 2021 • Purchasing Liaison User Group Meeting communication: July 15, 2021 • Move NTTCs to the SharePoint Drive and begin saving them there permanently: July 31, 2021 • Clarify tax review obligations in P-Card Manual (currently undergoing major renovations): estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to clarify tax review obligations: estimated completion date January 31, 2021 	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	OIA Use Only Status Determination*
<p>3. Implement a programmatic, periodic review of individual purchase card transactions and practices within City Departments and Divisions for compliance with the <i>Purchasing Card Policies and Procedures Manual</i>.</p>	<p>The Department of Finance and Administrative Services</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>Purchasing partially concurs with this recommendation, because while the programmatic, periodic review needs to be formally established, Purchasing does conduct a review of P-card transactions at this time. Card Integrity sends out monthly reports directly to Reconcilers. In the Card Integrity Report, Reconcilers are directed to review and complete the reports and return them to Purchasing. The Program Administrator spot checks the returned reports. When Card Integrity Reports are returned to Purchasing and the Reconciler has identified any items as "fail" on the report (which means that the end user or Reconciler did not get preapproval, backup documentation including receipts, taxes were charged on tangible goods, no business purpose was identified, or had split purchases), the Purchasing Senior Administrative Assistant pulls the "fails" into spreadsheet. The Procurement Manager spot checks the spreadsheet against Card Integrity Reports for accuracy and makes recommendations to the Reconciler, if any, for corrective action.</p> <p>Purchasing will incorporate its current practice and enhance its audit spot checks into a written programmatic, periodic review of individual purchase card transactions and practices within City Departments and Divisions for compliance with the <i>Purchasing Card Policies and</i></p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
		<p><i>Procedures Manual.</i> Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: September 15, 2021 • Purchasing Liaison User Group Meeting communication: September 15, 2021 • Update the P-Card Manual to clarify Purchasing's role in the programmatic, periodic review of P-Card transactions for compliance with the P-Card Manual and use of the Card Integrity tool (currently undergoing major renovations): estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) the P-Card Manual to clarify Purchasing's role in the programmatic, periodic review of P-Card transactions for compliance with the P-Card Manual and use of the Card Integrity tool: estimated completion date January 31, 2021 	
4. Modify the requirement that Cardholders and Reconcilers	The Department of Finance and	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Cardholders and reconcilers are currently required to attend training every two years. Once the updates to the P-Card Manual and the	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
must receive periodic purchase card training.	Administrative Services	<p>recorded trainings are complete, Purchasing will begin conducting yearly P-Card and Reconciler Trainings. Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: within a month after updates to P-Card Manual and recorded trainings are complete • Purchasing Liaison User Group Meeting communication: the next scheduled meeting after updates to the P-Card Manual and recorded trainings are complete • Update the P-Card Manual (currently undergoing major renovations) to include the new yearly training dates: estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to include new yearly training dates: estimated completion date January 31, 2021 	
5. Routinely communicate to Cardholders, Reconcilers and department directors or their designees their ongoing responsibilities for obtaining	The Department of Finance and Administrative Services	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Purchasing will continue to routinely communicate to Cardholders, Reconcilers and department directors or their designees their ongoing responsibilities for obtaining and preserving receipt documentation as well as completing, reviewing, approving, and maintaining the</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
and preserving receipt documentation as well as completing, reviewing, approving, and maintaining weekly reconciliations as required by the <i>Purchasing Card Policies and Procedures Manual</i> .		<p>reconciliations as required by the <i>Purchasing Card Policies and Procedures Manual</i>. Communication avenues and deadlines are set forth below in estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: July 15, 2021 • Purchasing Liaison User Group Meeting communication: July 15, 2021 • Update the P-Card Manual (currently undergoing major renovations) to strengthen and clarify the responsibility for obtaining and retaining supporting documentation and conducting reconciliations at the Department level: estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to strengthen and clarify responsibility for obtaining and retaining supporting documentation and conducting reconciliations at the Department level: estimated completion date January 31, 2021 	
6. Implement a programmatic, periodic review of individual purchase card reconciliations and practices citywide for compliance with the	The Department of Finance and Administrative Services	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur Purchasing partially concurs with this recommendation, because while the programmatic review needs to be formally established, Purchasing does conduct a review of P-card transactions at this time. Card Integrity sends out monthly reports directly to Reconcilers. In the Card Integrity	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
<p>Purchasing Card Policies and Procedures Manual to ensure that reconciliations are performed and reviewed and approved.</p>		<p>Report, Reconcilers are directed to review and complete the reports and return them to Purchasing. The Program Administrator spot checks the returned reports. When Card Integrity Reports are returned to Purchasing and the Reconciler has identified any items as "fail" on the report (which means that the end user or Reconciler did not get preapproval, backup documentation including receipts, taxes were charged on tangible goods, no business purpose was identified, or had split purchases), the Purchasing Senior Administrative Assistant pulls the "fails" into spreadsheet. The Procurement Manager spot checks the spreadsheet against Card Integrity Reports for accuracy and makes recommendations to the Reconciler, if any, for corrective action.</p> <p>Purchasing will incorporate its current practice and enhance its audit spot checks into a written programmatic, periodic review of individual purchase card transactions and practices within City Departments and Divisions for compliance with the <i>Purchasing Card Policies and Procedures Manual</i>. Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: September 15, 2021 	

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Recommendation	Responsible Department	Department Response	OIA Use Only Status Determination*
		<ul style="list-style-type: none"> • Purchasing Liaison User Group Meeting communication: September 15, 2021 • Update the P-Card Manual to clarify Purchasing's role in the programmatic, periodic review of reconciliations and use of the Card Integrity tool (currently undergoing major renovations): estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) the P-Card Manual to clarify Purchasing's role in the programmatic, periodic review of reconciliations and use of the Card Integrity tool: estimated completion date January 31, 2021 	
<p>7. Routinely communicate to Cardholders, Reconcilers and department directors or designees of their ongoing responsibilities to ensure that purchases that are minimal or related to food must receive appropriate business justification and have an associated itemized receipt. Additionally, those purchases</p>	<p>The Department of Finance and Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Purchasing will continue to routinely communicate to Cardholders, Reconcilers and department directors or designees of their ongoing responsibilities to ensure that purchases that are related to food must receive appropriate business justification and have an associated itemized receipt. Purchasing will also communicate that those purchases must receive appropriate preapproval as required by Administrative Instruction 3-14. Communication avenues and deadlines are set forth below in the estimated completion dates.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
<p>must receive appropriate preapproval from the department director or the Chief Administrative Officer prior to purchase.</p>		<p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: July 15, 2021 • Purchasing Liaison User Group Meeting communication: July 15, 2021 • Update the P-Card Manual (currently undergoing major renovations) to ensure that purchases that are related to food must receive an appropriate business justification, have an associated itemized receipt, and receive preapproval: estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler)) to include information that purchases that are related to food must receive an appropriate business justification, have an associated itemized receipt, and receive preapproval: estimated completion date January 31, 2021 	
<p>8. Consider revising the <i>Purchasing Card Policies and Procedures Manual</i> to include the requirement that cardholders must obtain and provide a legible itemized</p>	<p>The Department of Finance and Administrative Services</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>The P-Card Manual currently requires receipts and supporting documentation. Purchasing will clarify the need for itemized receipts. Communication avenues and deadlines are set forth below in the estimated completion dates.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	OIA Use Only Status Determination*
receipt for every transaction.		<p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: July 15, 2021 • Purchasing Liaison User Group Meeting communication: July 15, 2021 • Update the P-Card Manual (currently undergoing major renovations) to include a requirement for itemized receipts: estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to include a requirement for itemized receipts: estimated completion date January 31, 2021 	
9. Implement a programmatic, routine review of individual P-Card reconciliations and practices within City Departments and Divisions for compliance with the Purchasing Card Policies and Procedures Manual to ensure that purchases that are minimal or related to food must receive	The Department of Finance and Administrative Services	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>Purchasing partially concurs with this recommendation, because while the programmatic review needs to be formally established, Purchasing does conduct a review of P-card transactions at this time. Card Integrity sends out monthly reports directly to Reconcilers. In the Card Integrity Report, Reconcilers are directed to review and complete the reports and return them to Purchasing. The Program Administrator spot checks the returned reports. When Card Integrity Reports are returned to Purchasing and the Reconciler has identified any items as "fail" on the report (which means that the end user or Reconciler did not get</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
<p>appropriate approval from the Department Director or the Chief Administrative Officer prior to purchase.</p>		<p>preapproval, backup documentation including receipts, taxes were charged on tangible goods, no business purpose was identified, or had split purchases), the Purchasing Senior Administrative Assistant pulls the "fails" into spreadsheet. The Procurement Manager spot checks the spreadsheet against Card Integrity Reports for accuracy and makes recommendations to the Reconciler, if any, for corrective action.</p> <p>Purchasing will incorporate its current practice and enhance its audit spot checks into a written programmatic, periodic review of individual purchase card transactions and practices within City Departments and Divisions for compliance with the <i>Purchasing Card Policies and Procedures Manual</i>. Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: September 15, 2021 • Purchasing Liaison User Group Meeting communication: September 15, 2021 • Update the P-Card Manual to clarify Purchasing's role in the programmatic, periodic review of P-Card transactions involving food purchases and use of the Card Integrity tool (currently undergoing major renovations): estimated completion date January 31, 2021 	

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
		<ul style="list-style-type: none"> Update recorded trainings (P-Card and Reconciler) to clarify Purchasing's role in the programmatic, periodic review of P-Card transactions involving food purchases and use of the Card Integrity tool: estimated completion date January 31, 2021 	
<p>10. Define within the <i>Purchasing Card Policies and Procedures Manual</i> how dollar limitation overrides must be completed and establish the circumstances in which overrides may be authorized, this may include developing supplemental emergency procurement policies.</p>	<p>The Department of Finance and Administrative Services</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>While Purchasing currently uses the P-Card Maintenance Form to ensure approvals of dollar limitation overrides, the process is not currently identified in the P-Card Manual. Purchasing will amend the P-Card Manual to state how dollar limitation overrides must be completed and establish the circumstances in which overrides may be authorized. Purchasing will also develop a written supplemental emergency process for circumstances when an override is emergent.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> Update the P-Card Manual (currently undergoing major renovations) to include the override process, including emergencies: estimated completion date January 31, 2021 Update recorded trainings (P-Card and Reconciler) to include the override process, including emergencies: estimated completion date January 31, 2021 	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	OIA Use Only Status Determination*
<p>11. Consider automating the purchase card workflow in order to more efficiently obtain and document required reviews and approvals.</p>	<p>The Department of Finance and Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>ERP has completed the automation of the P-Card forms, which means that the forms will have an approval workflow and will be searchable/reportable. The forms will move to UAT soon and then will be communicated to the City P-card holders and Reconcilers, and other approvers. Communication avenues and deadlines are set forth below in the estimated completion dates.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Purchasing City End User communication estimated date: within two weeks of form completion • Purchasing Liaison User Group Meeting communication: the next scheduled meeting after form completion • Update P-Card Manual to include automated form process (currently undergoing major renovations): estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to include automated form process: estimated completion date January 31, 2021 	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
12. Implement a programmatic, periodic review of active overrides to ensure misuse has not occurred, purchases are compliant with the policy, and purchases align with the override's justification.	The Department of Finance and Administrative Services	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>We partially concur with this recommendation, because while the programmatic review needs to be formally established, we do conduct a review of P-card transaction overrides at this time.</p> <p>Purchasing has started to centralize the electronic mail communication it receives for override requests using the Merchandise Category Code for those requests. Purchasing then reviews the trends that may be of concern and the Procurement Manger reaches out to Departments to discuss. Purchasing will incorporate our current practice into a programmatic, periodic review of active overrides to ensure misuse has not occurred, purchases are compliant with the policy, and purchases align with the override's justification.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> • Clarify Purchasing's role in the programmatic, periodic review of overrides in P-Card Manual (currently undergoing major renovations): estimated completion date January 31, 2021 • Update recorded trainings (P-Card and Reconciler) to clarify Purchasing's role in the programmatic, periodic review of overrides: estimated completion date January 31, 2021 	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

Citywide Purchase and Travel Card Usage
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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
<p>13. Consider revising the <i>City of Albuquerque's Travel Regulations</i> and the <i>Training Manual for City Employees</i> to require that travelers provide evidence of attendance that is in alignment with the business justification for travel and submit that documentation, along with other supporting documentation, to the Department Travel Liaison.</p>	<p>The Department of Finance and Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>We concur with the recommendation; perhaps a certification of attendance can be signed by the employee and supervisor.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> Accounting will discuss and evaluate options and incorporate new requirements in the Training Manual by July 31, 2021 Accounting will communicate new requirements to all Departments by August 31, 2021 All travel starting September 1, 2021 will follow the new requirement(s). 	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>14. Consider revising the <i>City of Albuquerque's Travel Regulations</i> and the <i>Training Manual for City Employees</i> to require that travelers provide evidence of attendance that is in alignment with the business justification for</p>	<p>The Department of Finance and Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>We concur with the recommendation; perhaps a certification of attendance can be signed by the employee and supervisor.</p> <p><u>ESTIMATED COMPLETION DATES</u></p> <ul style="list-style-type: none"> Accounting will discuss and evaluate options and incorporate new requirements in the Training Manual by July 31, 2021 	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

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Recommendation	Responsible Department	Department Response	<u>OIA Use Only</u> Status Determination*
travel and submit that documentation, along with other supporting documentation, to the Department Travel Liaison.		<ul style="list-style-type: none">Accounting will communicate new requirements to all Departments by August 31, 2021 All travel starting September 1, 2021 will follow the new requirement(s).	