



# INTEROFFICE MEMORANDUM

DEPARTMENT OF PURCHASING

**TO:** Anthony Nicks, County Auditor  
*Office of the County Auditor*

**FROM:** Felicia Strong-Whitaker, Director  
*Department of Purchasing*

**DATE:** September 22, 2015

**RE:** Purchasing Card Audit Report

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Thank you for the opportunity to review and respond to the Purchasing Card Audit Report. This is the first complete audit conducted of the Purchasing Card Program since its inception in 1998.

The Department of Purchasing has reviewed the findings and recommendations and concurs with all of the findings and recommendations. We have provided a response to each finding with specific action(s) that management plans to take to correct the finding.

Many of the recommendations were already in the process of implementation, such as the plan to fully implement the entire reconciliation process into Bank of America Works® System and the Refresher Training classes which will address many of the findings regarding the reconciliation process and policy violations.

The Department of Purchasing will utilize the recommendations as a blueprint to strengthen the Purchasing Card Program.

These findings and recommendations will also ensure that our Purchasing Card Program and Purchasing Card Manual are in compliance with State Law HB192 that will be effective as January 1, 2016.

c: Dick Anderson, County Manager  
Sharon Whitmore, Chief Financial Officer



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### **Finding 1 – Volume of Cardholders Assigned to Purchasing Card Program Coordinator**

#### **Purchasing Response:**

We agree with the auditor's recommendation.

The number of Purchasing Card (P-Card) transactions has increased by 17% over the last five years to more than 10,000 transactions in FY2014. In addition, mid-year 2014 the Travel Card (T-Card) Program was implemented and we anticipate approximately 1,600 additional transactions that must be reviewed annually. The Purchasing Card Program Administrator is responsible for reviewing every purchase/transaction.

The following action(s) will be taken:

- For the FY2016 Budget, the Department of Purchasing will submit a budget enhancement request for additional resources based on the Audit Report recommendations in order to ensure more effective monitoring, verification and tracking of all Purchasing card purchases/transactions.

### **Finding 2 – Lack of Refresher Training**

#### **Purchasing Response:**

We agree with the auditor's recommendation.

For FY2015, Purchasing Card Training was conducted on January 9, 2015, prior to the P-Cards being reactivated. The training was an overview of P-Card usage policies and procedures and the reconciliation process. A total of 95 P-Cardholders and P-Card Liaisons attended the training.

The following action(s) will be taken:

- The Department of Purchasing will ensure that Refresher Training is conducted on an annual basis and will be mandatory for P-Cardholders and P-Card Liaisons and other staff members identified by the User Department, Purchasing and/or Finance Director.
- The Refresher training class will be conducted at the end of each year during Year-End Close-out, when the Purchasing Card is cut-off. Each P-Cardholder and P-Card Liaison will be required to attend the mandatory training before their P-Card(s) will be reactivated for the new budget year.
- The Department of Purchasing will work with the Department of Training to add this course to the Training Schedule.

### **Finding 3 – Past Due Invoices Submitted for Payment**

#### **Purchasing Response:**



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We agree with the auditor's recommendation, and the following action(s) will be taken:

The Department of Purchasing and the Finance Department is currently working with Bank of America (BOA) to fully implement Works®. Works® is a web-based solution that will automate, streamline and integrate our existing payment authorization and reconciliation process that will allow the P-Card Holder/P-Card Liaison to reconcile P-Card statements only in one system. Currently, the P-Card Holder/P-Card Liaison must reconcile in AMS System and BOA Works®, which is a duplication of efforts and results in additional processing time and errors.

The following action(s) will be taken:

- Works® will be in place starting January 2016 before P-Cards are reactivated for FY2016.
  
- Training for P-Card Holders/P-Card Liaisons will be conducted in December 2015 by Bank of America.

## **Finding 4 –Lack of Established Tracking System/Inadequate Monitoring**

### **Purchasing Response:**

We agree with the auditor's recommendation.

The Department of Purchasing with assistance from Internal Audit Staff has implemented a tracking system that will allow the Purchasing Card Program Administrator to monitor and track policy violations and non-compliance issues.

The following action(s) will be taken:

- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of policy violations and non-compliance issues for corrective action(s).
  
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.



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### **Finding 5 – Split Invoice Payments**

#### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- A review of the policy regarding split invoice payments will be covered in the Refresher Training classes which will be conducted in December 2015. Each P-Card Holder/P-Card Liaison will be required to attend the mandatory training before their P-Card will be reactivated for the new budget year.
- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.
- Due to the large number of transactions to be reviewed, the Department of Purchasing will request additional resources as a budget enhancement for FY2016. This will ensure that appropriate review, monitoring, tracking and reporting is performed for every transaction and that User Departments are in compliance with the Purchasing Card Manual.
- Effective as of September 10, 2015, the Purchasing Card Program Administrator will ensure that all exceptions approved in accordance with the Purchasing Card Manual are attached to each P-Card Reconciliation package as supporting documentation.

### **Finding 6 – Exceeded Monthly Hospitality Approved Amounts**

#### **Purchasing Response:**

We agree with the auditor's recommendation.

A new process was implemented for FY2015 with the establishment of the Budget Approved Hospitality Expenditure Request along with the ability to use the P-Card for hospitality purchases. Because this was a new requirement, many User Departments did not include all of their needs and are required to obtain approval from the Purchasing Director, Finance Director and/or the County Manager for each request.

The following action(s) will be taken:



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- Effective as of September 10, 2015, the Purchasing Card Program Administrator will ensure that all additional approvals are attached to each P-Card Reconciliation package as supporting documentation.

### **Finding 7 – Signature Stamp on Documents versus Original Signature**

#### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- The Purchasing Director will notify all Department Heads that all P-Card Reconciliation documents authorizing their approval must contain their original signatures and that signature stamps will no longer be accepted after September 30, 2015.
- The Purchasing Card Manual will be updated to reflect this requirement by September 30, 2015.

### **Finding 8 – Lack of Itemized Receipts**

#### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- In instances where a merchant does not provide an itemized receipt, the Department of Purchasing has developed a standardized form (Invoice Itemization Form) the P-Card Holder/P-Card Liaison must complete detailing each purchase made. The form must be submitted with the P-Card Reconciliation package.
- Due to the large number of transactions to be reviewed, the Department of Purchasing will request additional resources as a budget enhancement for FY2016. This will ensure that appropriate review, monitoring, tracking and reporting is performed for every transaction and that User Departments are in compliance with the Purchasing Card Manual.

### **Finding 9 – Incomplete Reconciliation Forms**

#### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- The Department of Purchasing and the Finance Department are currently working with Bank of America (BOA) to fully implement Works® which will allow the P-Card Holder/P-Card Liaison to complete the reconciliation



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process entirely in the Works®. Currently, the P-Card Liaison must reconcile in two systems which is a duplication of efforts and results in additional processing time and errors.

- Works® will be in place beginning January 2016 before the P-Cards are reactivated for FY2016.
- Training for P-Card Holders/P-Card Liaisons will be conducted in December 2015 by Bank of America.
- The reconciliation process will be covered in the Refresher Training classes which will be conducted in December 2015. Each P-Card Holder/P-Card Liaison will be required to attend the mandatory training before their P-Card will be reactivated for the new budget year.
- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.

### **Finding 10 – Sales Tax Charges**

#### **Purchasing Response:**

We agree with the auditor's recommendation.

The Purchasing Card Program Administrator reviews each Reconciliation package to ensure sales tax is not charged. When sales tax is charged, the Purchasing Card Program Administrator notifies the P-Card Holder/Liaison of the charges. The charge has to be reversed and the reversal, depending on when the charge was assessed, may be credited within the same billing cycle or may be credited on the next billing cycle. The Purchasing Card Program Administrator has not been reporting this as a non-compliance violation.

The following action(s) will be taken:

- Effective as of September 10, 2015, the Purchasing Card Program Administrator will ensure that the corrected invoice and/or the credit memo is attached to each P-Card Reconciliation package as supporting documentation.
- Effective as of September 10, 2015, the Purchasing Card Program Administrator will document and report as a non-compliance violation.



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- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.
- Due to the large number of transactions to be reviewed, the Department of Purchasing will request additional resources as a budget enhancement for FY2016. This will ensure that appropriate review, monitoring, tracking and reporting is performed for every transaction and that User Departments are in compliance with the Purchasing Card Manual.

## **Finding 11 – Late Submission of Reconciliation Documents**

### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- The Department of Purchasing and the Finance Department are currently working with Bank of America (BOA) to fully implement Works® which will allow the P-Card Holder/P-Card Liaison to complete the reconciliation process entirely in the Works®. Currently, the P-Card Liaison must reconcile in two systems which is a duplication of efforts and results in additional processing time and errors.
- Works® will be in place beginning January 2016 before the P-Cards are reactivated for FY2016.
- Training for P-Card Holders/P-Card Liaisons will be conducted in December 2015 by Bank of America.
- Effective as of September 10, 2015, the Purchasing Card Program Administrator will document and report as a non-compliance violation.
- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.





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### **Finding 12 – Exceeding Single Transaction Limit**

#### **Purchasing Response:**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- This information will be covered in the Refresher training classes which will be conducted in November 2015. Each P-Cardholder/P-Card Liaison will be required to attend the mandatory training before their Purchasing Card will be reactivated for the new budget year.
- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.

### **Finding 13 – Unauthorized Purchase/Incorrect Object Code**

We agree with the auditor's recommendation, and the following action(s) will be taken:

- This information will be covered in the Refresher training classes which will be conducted in November 2015. Each P-Cardholder and P-Card Liaison will be required to attend the mandatory training before their Purchasing Card will be reactivated for the new budget year.
- A monthly report will be generated for review by the Purchasing Director and will be used to notify the respective User Department Head of violations and non-compliance issues for corrective action(s).
- Penalties will be assessed in accordance with the Purchasing Card Manual, *Policy Violations and Penalties* policy prior to card revocation.

### **Audit Concern 1 – Purchasing Card Audit Program Needs to be Strengthened**

We agree with the auditor's recommendation, Based on the recommendations by Internal Audit, the Department of Purchasing will work with the Department of Finance to develop a formal audit plan.

The following action(s) will be taken:

- The Audit Plan will include the methodology to be used, a schedule that will ensure all departments are audited at least once over an established





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audit cycle and the procedural steps to be utilized by the Purchasing Card Program Administrator.

- The Audit Plan will be submitted to the Internal Auditor for review and comment no later than November 30, 2015.