

## INTEROFFICE MEMORANDUM



**TO:** Fulton County Board of Commissioners

**FROM:** Anthony Nicks, County Auditor

**DATE:** November 17, 2021

**SUBJECT:** Purchase Card Follow-up Audit

DocuSigned by:

*Anthony Nicks*

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In accordance with the approved 2021 Audit Plan, the Office of the County Auditor performed a follow-up audit of the Purchase Card (P-Card) program. This audit serves as a follow-up audit to the P-Card audit completed July 31, 2020. The scope of the audit was from January 1, 2020 through December 31, 2020. We have also attached management's responses to the audit.

If you have any questions or need additional information, please feel free to contact me at extension 21019.

**Cc:** Richard "Dick" Anderson, County Manager  
Sharon Whitmore, Chief Financial Officer  
Felicia Strong-Whitaker, Director, Purchasing and Contract Compliance



**FULTON  
COUNTY**

**FULTON COUNTY, GEORGIA  
OFFICE OF THE COUNTY AUDITOR  
Purchase Card Follow-up Audit  
November 17, 2021**

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## **INTRODUCTION**

The Office of the County Auditor performed a follow-up audit of Fulton County's Purchase Card (P-Card) program in accordance with the 2021 Audit Plan. Fulton County's Purchase Card program is under the purview of the Department of Purchasing and Contract Compliance. This audit serves as a follow-up to the P-Card audit completed July 31, 2020.

## **BACKGROUND**

The P-Card program is an innovative method the County has undertaken to acquire goods and services and to streamline the procurement process to allow the User Departments to procure goods and services under \$2,500.00 in an efficient and timely manner. The P-Card program is currently managed by Bank of America and administered by the County. The Department of Purchasing is responsible for program compliance, policy development and implementation, auditing and training of County personnel. Department liaisons and/or cardholders are also accountable for ensuring effective program management. Each department liaison and/or cardholder has the responsibility to review, reconcile and submit the appropriate receipts and signature for processing and payment by the established due date.

The primary benefits of the P-Card are:

- Accepted by any supplier who accepts Visa;
- Faster purchase and receipt of goods;
- Reduction in transaction costs associated with processing purchase orders;
- Increased information about purchasing transactions, tracking of expenses;
- Improved supplier relations;
- Customer empowerment;
- Ability to take advantage of supplier discounts; and
- Ability to redirect purchasing staff to more value added activities.

The Fulton County Purchasing code 102-383 (Small Purchases) and the Purchasing Card Manual must be adhered to by all user departments. The P-Card is the property of the County and any failure to comply can result in the suspension from the P-Card program. In 2020, there were eighty-nine (89) cardholders and thirty-seven (37) user departments/divisions assigned purchasing cards based upon departmental needs and specific job functions relevant to procurement. The County spent over \$3.9 million dollars on purchase card transactions, averaging over 10,200 P-Card transactions.

## **OBJECTIVE**

The objectives of the follow-up audit were to observe the updated policies and procedures implemented in response to the July 31, 2020 audit report. In addition, to determine whether internal controls were operating effectively.

## SCOPE

The scope of this audit was from January 1, 2020 – December 31, 2020.

## METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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.

To achieve our audit objectives, we performed the following:

- Reviewed management’s responses and corrective action plan;
- Obtained supporting documentation to determine the status of implementation of management’s corrective action plan;
- Selected a sample of 64 transactions totaling \$21,894.52 from the Clerk of Superior court and the Department of Information Technology; and
- Reviewed the Purchasing Card written policies and procedures.

## STATUS OF CORRECTIVE ACTION PLAN

In response to the July 31, 2020 Purchase Card Program audit report, the Department of Purchasing and Contract Compliance addressed the nine (9) findings reflected in the report. Based on our review, five (5) recommendations were implemented, one (1) finding is in progress, and three (3) findings were not implemented. Table 1 summarizes the implementation status of each finding.

We classified the status of implementation as follows:

- **Implemented** – The Division has fully implemented the recommendation.
- **Partially Implemented** – The Division has partially implemented the recommendation.
- **In Progress** – The Division intends to fully implement the recommendation.
- **Not Implemented** – The Division has not implemented the recommendation.

**Table 1**

	<b>Finding</b>	<b>Recommendation</b>	<b>Corrective Action Plan</b>	<b>Current Status of Corrective Action Plan</b>
1	Purchasing Card Administrator’s Workload	The Office of the County Auditor recommends management assess the workload of the Purchasing Card Program	The Department of Purchasing & Contract Compliance request for the Purchasing Card Coordinator position was submitted in	Purchasing is working with Human Resources to fill the Purchasing Card Coordinator position and

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
		Administrator to determine areas where additional resources may be needed. We also recommend management take the necessary steps to ensure staffing is maintained at the appropriate level to ensure workloads are assigned appropriately to administer the Purchasing Card program efficiently.	2019 for the FY2020 Budget. The position was approved as part of the FY2020 Budget. However, due to the COVID-19 Pandemic, a hiring freeze was approved by the Board of Commissioners. A copy of the correspondence from the County Manager regarding budgetary and spending control measures as well as a copy of the 2020 Adopted Budget New Positions List is provided as Attachment 1.	plan to hire someone within this year. <b>(In Progress)</b>
2	Non-compliance with Mandatory P-Card User Training	We recommend the attendance of all cardholders and liaisons be closely tracked and monitored by the Department of Purchasing, to ensure the completion of all required trainings. We also recommend new and renewal cards not be issued by the Department of Purchasing before issuance to cardholders until the P-Card Intro Training and/or the P-Card Refresher training has been completed by the cardholder.	Upon review, Purchasing has identified 11 additional staff that attended the required 2019 P-Card Refresher Training held on January 11, 2019 but were identified as not in attendance. A copy of the attendance sheets with the names highlighted is provided in Attachment 2. Purchasing is working to develop a web based training platform that will require completion by the Purchasing cardholder and liaisons electronically. Staff will have up to 45 days to complete the training during the End-of-Year Close-out process when the Purchasing Cards are inactivated and prior to the cards being reactivated in the new Fiscal Year. This new initiative will be implemented for FY2020.	There is no record of a Purchasing Cardholder or Liaison not being in attendance for the 2020 Purchasing and Travel Card Refresher Training. <b>(Implemented)</b>

	<b>Finding</b>	<b>Recommendation</b>	<b>Corrective Action Plan</b>	<b>Current Status of Corrective Action Plan</b>
3	Failure to Enforce the P-Card Violations and Penalties	We recommend the Purchasing Card Program Administrator ensure prompt disciplinary action is taken for all violators of the P-Card policies. As such, we recommend the Department of Purchasing reinforce the penalties set forth in the <i>Purchasing Card Manual</i> for lack of policy compliance.	The P-Card Administrator has been counseled that enforcement of the regulations as set forth in the Purchasing Card Manual must be adhered to.	We note that the Purchasing Department sent notifications/warnings to the sampled departments for late, undelivered, and past due reports. <b>(Implemented)</b>
4	Failure to Follow Split Invoices & Single Purchase Transaction Limit Policy	The Office of the County Auditor recommends the Department of Purchasing take necessary steps to ensure all departments are in compliance with the guidelines outlined in the Purchasing Card Manual. We also recommend the Department of Purchasing strengthen its review process to ensure all P-card invoices submitted for similar goods and services are within the single purchase credit limit and show no evidence of split transactions. Additionally, evidence of split transactions should be closely monitored and corrective actions should be issued according to the Purchasing Card Manual.	Upon review, Purchasing has determined that this was a single occurrence. The finding made was a system generated error and a one-time occurrence in which the system allowed the transaction to go through. Cardholders are strongly made aware of the policy regarding split purchases. Each card account spend profile in the Bank of America system is created with the single-transaction limit of \$2,499.99.	Based on our review of the sixty-four (64) sampled transactions, there were no occurrences of split transactions to avoid the single purchase limit of \$2,499.99. <b>(Implemented)</b>
5	Lack of Itemized Receipt	We recommend the P-Card Liaison and Purchasing Card Program Administrator carefully review each receipt to ensure adequate details are present on all receipts to demonstrate a legitimate business	Upon review, Purchasing has determined that this was a single occurrence. Cardholders and user departments must use the Purchasing Card Missing Receipt Form provided in the	During our review, we noted eight (8) transactions were missing one or more of the following: receipt/proof of payment, or no supporting documentation. <b>(Not Implemented)</b>

	<b>Finding</b>	<b>Recommendation</b>	<b>Corrective Action Plan</b>	<b>Current Status of Corrective Action Plan</b>
		expense. In the instances where this is not possible, we recommend the department make contact with the vendor prior to the reconciliation submission and request supporting documentation be provided.	Purchasing Manual while pursuing an itemized/detailed copy of the original invoice/receipt from the vendor.	
6	Failure to Obtain Proper Signatures for Reconciliation Reports	In order to strengthen the reconciliation review process, the Office of the County Auditor recommends departmental P-Card Liaisons, the P-Card Administrator, and the Finance Department, ensure all required signatures are present on reconciliation documents in order to confirm the form has been officially reviewed and approved by the appropriate authorities.	The findings made were duplicate reports delivered directly from the user departments. The reconciliation report would be signed by the cardholder, the Purchasing Card Liaison or their back-up and the Department Head or their designee. Finance routinely does not process reconciliation reports without the proper signatures.	Of the two (2) departments reviewed, we noted one (1) department did not obtain the required signatures on six (6) P-Card Reconciliation Forms. <b>(Not Implemented)</b>
7	Failure to Submit Timely Reconciliation Packets	The Office of the County Auditor recommends the Purchasing Card Program Administrator ensure all P-Card reconciliation documents are submitted to the Finance Department by the agreed upon date to allow for adequate review and to avoid delays or partial payments to Bank of America.	User departments and cardholders will be held accountable for late submittals as set forth in the Purchasing Card Manual. The pending transitioning to the Bank of America/Works reconciliation process will eliminate the current paper based process and will ensure a more timely reconciliation submittal process.	There were no late submissions of reconciliation packets noted during our review. <b>(Implemented)</b>
8	Circumventing Treasury Department Gift Card Policies	We recommend the Department of Purchasing require all departments follow the gift card policies set forth by the Office of Treasury. We further recommend the Purchasing	In all instances justification and approval was provided by Senior Level officials. The purchase was for an approved Fulton County Board of Health program as part of a grant requirement.	During our review there were no P-card transactions for the purchase of gift cards. <b>(Implemented)</b>

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
		Department perform thorough reviews of all purchases to ensure there are no policies and procedures being circumvented.	All user departments are made aware that any need for the purchase of gift cards must be made to and obtained through the Department of Finance-Treasury Division.	
9	Separation of Duties not Enforced for Cardholders and Liaisons	We recommend internal controls be strengthened to identify instances where user departments have failed to select different employees to serve in the role as P-Card Liaison and cardholder. We further recommend the Department of Purchasing conduct thorough reviews of P-Card documentation to ensure there is no one person performing multiple duties related to the P-Card.	Some user department/divisions only have two employees, thereby making it difficult for compliance. This issue is being reviewed to determine a best practice resolution for all parties involved and a recommendation will be presented to the Internal Auditor for discussion prior to any revisions to the Purchasing Card Manual.	The department of Purchasing has revised the Purchasing Card Manual to include approval of the monthly reconciliation and monthly cardholder by the authorized cardholder, P-card Liaison and Department Head. However, this revision does not address the fact that there are twenty-two (22) departments with an employee holding both titles as the department's cardholder and purchase card liaison. <b>(Not Implemented)</b>

In addition to the status of the findings listed in Table 1, we identified three (3) findings and one (1) concern during our follow-up review.

**FINDINGS AND RECOMMENDATIONS**

**Finding 1 – Untimely Payment of Invoices**

Best practices suggest that invoices be paid within 30 days, especially if goods and services have been received. We sampled a total of sixty-four (64) transactions; we noted that twenty-six (26) transactions involved invoices that were paid later than thirty (30) days. The late payments included:

- Six (6) invoices paid between (31 – 60) days;
- Eleven (11) invoices paid (61 – 199) days; and
- Nine (9) invoices paid 200 or more days late.

The department informed us that some of the invoices were initially submitted for payment via a purchase requisition, but rejected because they were eligible to be paid on the P-card. It is unclear why other invoices were paid almost a year later. The oldest invoice was dated as far back as August, 2019 and was paid with the P-Card in November, 2020. Failure to pay invoices in a timely manner may cause unnecessary late fees, an adverse credit rating, accounting and reporting issues, and hinder vendor relationships.

#### **Recommendation**

We recommend the Department of Purchasing and Contract Compliance establish specific standards for the timely submission of P-card payments in an effort to cultivate vendor relationships, and continue to enforce policies and procedures for departmental non-compliance.

#### **Finding 2 – Unauthorized Purchase of Information Technology (IT) Related Item**

The Purchasing Card Manual states that printers are not an authorized P-Card purchase and should be purchased utilizing the County’s standard procurement procedures. Certain IT-related items such as computers, software and licenses, printers, laptops, and other items are listed as unauthorized purchases to maintain standardization of devices and compatibility throughout the County’s network. Superior Court purchased five (5) printers at \$239.00 each, totaling \$1,195.00. The department informed us that all technology purchases for the court are pre-screened for compatibility by the Court Technology Director, not the County’s IT department. Failure to comply with the County’s purchasing procedures may cause the County to incur additional costs. Additionally, items that malfunction may not be eligible for return.

#### **Recommendation**

We recommend the Department of Purchasing and Contract Compliance update the Purchasing Card Manual to include verbiage related to the steps that should be taken to purchase an item on the unauthorized purchase list, to include sending the request to the IT department for approval. In addition, the department should continue to thoroughly review reconciliation packets and enforce Purchase Card policies and procedures.

#### **Finding 3 – Lack of Supporting Documentation**

The Purchasing Card Manual states that monthly reconciliation report packets must include a “correctly completed Purchasing Card Reconciliation Form, original itemized receipts/invoices, and correctly submitted Purchasing Reconciliation Credit Card “PRCC” on the AMS-3 system.” During our review of the sixty-four (64) samples, we noted five (5) transactions did not include a receipt or supporting documentation to show proof of payment and three (3) transactions had no supporting documentation. We were informed by the department that these invoices were approved based on the documentation provided to the purchaser/user department showing the

amount billed and charged to be consistent with the billing statement charges. The other three (3) transactions with no supporting documentation are all listed as “International Transaction”. We were informed that Bank of America categorizes these charges on the bank statement typically when a purchase is bought in a foreign currency. Additionally, a “no receipt included item” should have been included on the reconciliation to show the amount was accounted for. Failure to maintain proper supporting documentation may increase the risk of unauthorized charges, overpayment of expenses, lack of proper review and oversight, and incorrect financial reporting.

### **Recommendation**

We recommend the Department of Purchasing and Contract Compliance conduct a thorough review to ensure each transaction includes all required supporting documentation to ensure the validity and accuracy of transactions. We also recommend updating the Purchasing Card Manual to include an invoice showing a zero balance is an acceptable form of proof of payment.

### **Concern – Purchasing Card Manual Does Not Reflect COVID-19 Purchases**

Additionally, there are concerns with the Purchasing Card Manual not reflecting the current spending of the County due to Covid-19. As a result of the pandemic caused by the Covid-19 Coronavirus national outbreak, the County was forced to operate and conduct business outside of tradition. A COVID funding line code (COVD) was created for purchases of goods and services that directly relate to Covid-19 health concerns. Many departments, both essential and non-essential, made purchases for Personal Protective Equipment (PPE) items, to include, hand sanitizers, face masks/shields, air purifiers, and other items which were outside the normal spending habits. It is unclear as to when the COVD funding line code should be used for COVID-related items. As such, we recommend Purchasing update the Purchasing Card Manual to reflect procedures related to Covid-19 purchases.

### **CONCLUSION**

Based on the audit performed, we identified the following three (3) findings and one (1) concern in addition to the status of the findings noted in the July 31, 2020 audit report that require the attention of management:

- Untimely Payment of Invoices
- Unauthorized Purchase of Information Technology (IT) Related Item
- Lack of Supporting Documentation

In addition, we noted one (1) concern related to procedures surrounding Covid-19 related purchases. We suggest the Department of Purchasing and Contract Compliance continue monitoring the activity of the Purchase Card Program and enforce the policies and procedures surrounding its use.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Shauna Herbert, Audit Manager, in the Office of the County Auditor at [Shauna.Herbert@fultoncountyga.gov](mailto:Shauna.Herbert@fultoncountyga.gov). We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.