



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Purchase Card Program
Audit Report
September 28, 2022**

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INTRODUCTION

The Office of the County Auditor performed an audit of Fulton County's Purchase Card (P-Card) program in accordance with the County Auditor's 2022 audit plan. Fulton County's Purchase Card program is under the purview of the Department of Purchasing and Contract Compliance.

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 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.

Fulton County Board of Commissioners adopted Fulton County Code § 102-383 in accordance with Georgia General Assembly HB 192 and O.C.G.A. § 36-80-24 , to govern the issuance of purchasing credit cards to constitutional officers and elected officials. 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 2021, there were eighty-five (85) cardholders and thirty-nine (39) user departments/divisions assigned purchasing cards based upon departmental needs and specific job functions relevant to procurement. The County spent over \$3.2 million dollars on purchase card transactions.

OBJECTIVE

The objectives of the audit were to evaluate whether the P-Card program was operating effectively and to determine the adequacy of controls and compliance with P-Card policies and procedures.

SCOPE

The scope of this audit was from January 1, 2021 – December 31, 2021.

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.

To achieve our audit objectives, we performed the following procedures:

- Met with key staff from Department of Purchasing and Contract Compliance and the Finance Department to discuss any updates and concerns involving the processes and procedures related to the purchase credit card;
- Conducted a review of the updated Purchasing Card Manual;
- Reviewed the Georgia General Assembly House Bill 192 (Committee Substitute)(AM), Fulton County adopted and approved Resolution 13-0052, Fulton County Code § 102-838, and O.C.G.A. § 36-80-24 which govern the issuance and use of County purchasing cards and/or credit cards for authorized elected officials, constitutional officers and employees;
- Requested and reviewed pertinent documentation of department’s purchase cardholders, liaisons and other associated files, records and data;
- Selected a sample of ninety-three (93) transactions from the following six (6) departments to test the effectiveness of the internal controls: Clerk to the Commission, District Attorney, Public Works, Registration & Elections, Sheriff’s Office and Tax Commissioner; and
- Analyzed and observed invoices, receipts and other supporting documentation for each sampled transaction.

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below:

FINDINGS AND RECOMMENDATIONS

Finding 1 – Lack of Supporting Documentation

Pursuant to the Purchasing Card Manual, monthly reconciliation report packets must include the following: correctly completed Purchasing Card Reconciliation Form, original itemized receipts/invoices, and submitted Purchasing Reconciliation Credit Card “PRCC” on the AMS-3 system. During our review of ninety-three (93) transaction, we noted three (3) transactions for which no supporting documentation could be provided. Additionally, there were nine (9) transactions that did not include documentation showing proof of payment. We were informed by the Finance Department that there was difficulty sending the electronic files, which is the

method used to store the documents. Failure to maintain proper supporting documentation may increase the risk of unauthorized charges, overpayment of expenses, and the inability to determine reasonableness and accuracy of transactions.

Recommendation

We recommend the Department of Purchasing and Contract Compliance, along with the Finance Department, conduct a thorough review to ensure each transaction includes all required supporting documentation to confirm the validity and accuracy of transactions.

Finding 2 – Untimely Payment of Invoices

Best practices suggest that invoices be paid within 30 days, especially if goods and services have been received. We reviewed a total of ninety-three (93) transactions; we noted thirteen (13) of those transactions involved invoices that were paid later than thirty (30) days. The late payments included:

- Six (6) invoices paid between (31 – 60) days; and
- Seven (7) invoices paid (61 – 141) days late

It is unclear why invoices were paid late, with one invoice being paid almost five (5) months later. The oldest invoice was dated as far back as February, 2021 and was paid with the P-Card in late June, 2021. Failure to pay invoices in a timely manner may cause unnecessary late fees, accounting and reporting issues, hinder growth of local small businesses and vendor relationships.

Recommendation

We recommend the Department of Purchasing and Contract Compliance establish specific standards for the timely submission of P-Card payments. In addition to consistently educating P-Card users on best practices in purchasing.

Finding 3 – Failure to Obtain Required Signatures for Reconciliation Reports

Per review of the Purchasing Card Manual, “the monthly reconciliation form must be approved by the authorized cardholder, Department Purchasing Card Liaison, and the Department Head”. It further states, “The Department Head of the respective department is responsible for approving the monthly Reconciliation Report(s) provided to her/him by the Purchasing Card Liaison/Cardholders as accurate with their signature or their designee’s.” During our review, we noted sixteen (16) instances or 17% of the ninety-three (93) transactions reviewed, where the P-Card reconciliation reports did not contain the signature of the department head as evidence of approval. Additionally, we identified ten (10) transactions where the P-Card reconciliation reports were missing the P-Card Liaison signature. The lack of effective oversight prevented the

department from determining whether the necessary approvals were present. Failure to obtain the required approval signatures on the reconciliation documents violates the P-Card policies and procedures. It also increases the risk of unauthorized charges and incorrect coding of expenses.

Recommendation

To strengthen controls surrounding the reconciliation review process, we recommend a thorough assessment be completed of all reconciliation documents by the P-Card Liaisons, the P-Card Administrator, and the Finance Department to ensure all signatures and required components are present before processing.

Finding 4 – Failure to Approve Reconciliation Reports by Evidence of Signature

The Purchasing Card Program Administrator section of the *Purchasing Card Manual* states “the Purchasing Card Program Administrator *must* approve all completed and correctly submitted reconciliation reports and PRCC entries with the Purchasing Card Administrator signature by the 12th day of the month following the end of each spending cycle.” Of the ninety-three (93) transactions reviewed during our audit, we identified eighty-eight (88) or 95% of reconciliation reports that did not contain the Purchasing Card Program Administrator’s signature as evidence of approval. The Purchasing Card Program Administrator’s inability to approve the reconciliation reports may be due to the magnitude of transactions and heavy workload, given the Program Administrator is responsible for reviewing all P-Card transactions. Failure to sign and approve reconciliation reports reduces the validity and accuracy of said reports. It violates the guidelines established for the P-Card Program while reducing the operating efficiency of internal controls and the overall efficiency of the Purchasing Card program.

Recommendation

We recommend the Department of Purchasing and Contract Compliance evaluate the workload of the Purchasing Card Program Administrator to identify the need for additional resources. We also recommend assessing the adequacy of overall staffing needs to strengthen internal controls and ensure the efficient operation of the P-Card program.

Finding 5 – Failure to Submit Timely Reconciliation Packets

As noted in the Purchasing Card Manual, the P-Card billing cycle ends on the 25th day of each month. The Purchasing Card Liaison is responsible for forwarding the correctly completed reconciliation form, receipts/invoices and correctly submitted PRCCs on the AMS-3 system to the Purchasing Card Administrator by close of business on the 1st day of the following month. Our audit revealed that forty-five (45) out of ninety-three (93) reconciliation packets, or 48%, were not submitted by the due date. The late submissions ranged from days to weeks to over six (6) months late. We were informed by the department that action was taken for these policy violations, however, departments continue to submit reconciliation packets beyond the due

date. Failure to submit timely reconciliation documentation may cause delays in review by both, the Purchasing Card Administrator and the Finance Department. Consequently, this may cause delinquent payments to Bank of America, interruption of the County's P-Card usage and violation of Fulton County Code of Laws and Ordinances.

Recommendation

We recommend the Purchasing Card Administrator continue to monitor untimely submittals of the reconciliation package. Furthermore, continue to enforce the policies that govern the P-Card, and consistently enforce consequences on those departments with repeat policy violations. The Administrator should also revisit and revise policies as necessary, and consistently discipline all policy violators governed under the Fulton County Purchase Card Manual.

Finding 6 – Separation of Duties Not Enforced for Cardholders and Liaisons

In accordance with the Purchasing Card Manual, "The P-Card Liaison is the designated person within the User Department, who is not a P-Cardholder, who is responsible for entering the cardholder's purchasing information into the AMS System." Our audit revealed fifteen (15) instances where the Cardholder and Liaison were the same employee. This may be the result of insufficient staffing or a need for required training. However, failure to identify the user departments that are not adhering to the policy and not separating the duties of cardholder and Liaison increases the risk of errors, prevents proper oversight and increases the risk of fraud.

Recommendation

We recommend the Department of Purchasing and Contract Compliance identify barriers that may prevent them from identifying user departments that lack separation between cardholder and Liaison. Additionally, perform a thorough review of P-Card documentation to ensure no one individual is performing multiple duties.

Concern 1 – Workload of Purchase Card Administrator

The Purchase Card Program Administrator is the primary individual within the Department of Purchasing, responsible for the daily management of the Fulton County P-Card program. This individual is the liaison to Fulton County Employees, constitutional officers and elected officials whom are authorized to use a P-card while conducting business on behalf of the County. The Purchasing Card Program Administrator responsibilities include:

- Serve as the primary point of contact with the provider bank (Bank of America);
- Requesting and canceling cards, setting profiles, creating electronic templates, providing policies and procedures training and providing reports;
- Monitoring of all cardholder and user department purchasing card activity;

- Conducting audits of cardholder and user department activity; cooperating fully with any audits conducted;
- Viewing user department/cardholder reconciliation reports and electronic entries for accuracy, timely submittal, invoices/receipts, proper and valid fund accounting information, valid vendor/merchant listing and related correspondence for approval forward to Finance-Accounts Payable for payment processing;
- Developing purchasing card policies and procedures regarding; usage of the P-Card; internal controls to prevent and/or detect misuse or abuse, ordering and cancelling cards, updating policies as necessary to comply with State or local laws, and communicating any information regarding any changes to such information;
- Developing and conducting training/re-fresher training for all cardholders, liaisons and supervisors on an annual basis;
- Must approve all completed and correctly submitted reconciliation reports;
- Must sign all reconciliation reports by the 12th day of the month following the end of each spending cycle; and
- Must maintain a knowledge of County and internal procurement policies and procedures related to use of the P-Card.

During 2021, there was only one (1) Purchase Card Program Administrator responsible for the review, approval and oversight of more than 9,300 P-card transactions totaling approximately \$3.2M. We noted findings above relating to missing documentation, failure to obtain proper signatures on reconciliation reports and failure to approve reconciliation reports by evidence of signature that may be the result of the sizeable workload. We were notified in 2021 that the department was working on hiring a Purchasing Card Coordinator, although that has not yet occurred.

Recommendation

We recommend the Department of Purchasing and Contract Compliance continue its efforts to fulfill the coordinator position while reviewing the necessary steps to expedite the process. Additionally, we recommend the department review possible solutions to reduce the workload of the Purchase Card Program Administrator until additional positions are filled.

CONCLUSION

Based on the audit performed, we identified the following six (6) findings and one (1) concern that require the attention of management:

- Lack of Supporting Documentation
- Untimely Payment of Invoices
- Failure to Obtain Required Signatures for Reconciliation Reports
- Failure to Approve Reports by Evidence of Signature

- Failure to Submit Timely Reconciliation Packets; and
- Separation of Duties Not Enforced for Cardholder and Liaison

In addition, we noted one (1) concern related to the workload of the Purchase Card Administrator.

We recognize that enhancements have been made to the program since our last audit, although instances of non-compliance with policies and procedures still exist. We suggest that management 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 Joi Hargis, Audit Coordinator, in the Office of the County Auditor at joi.hargis@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.