



# City of Greensboro

Date: August 12, 2002  
To: Ed Kitchen, City Manager  
From: Internal Audit  
Subject: Procurement Card Program

We have performed an audit of the City's Procurement Card Program administered by the Finance Department. This program's goal is to provide a more rapid turnaround of requisitions for low dollar value goods, and to reduce paperwork and handling costs. By using the procurement card, the traditional requisition – price inquiry – order placement – delivery of goods and invoice – voucher review – payment cycle is greatly reduced. Procurement card purchases represented \$323,298.36 of the total purchases made during the fiscal year 2000-2001. At April 30, 2002, procurement card purchases totaled \$573,595.35, representing a year to date increase of 77% in card usage.

The purpose of this audit is to:

- Determine if there are adequate internal controls in place related to procurement card administration.
- Determine if controls are in place to reasonably prevent procurement card misuse and abuse.
- Determine if card-issuer billing reports are being reconciled on the departmental level and the Procurement Card Administration level.

We audited all of the procurement card transactions for the month of February 2002 and a sample of the April 2002 transactions.

### Findings:

Our testing verified that the majority of cardholders appear to adhere to the established policies and procedures. However, we did note the following:

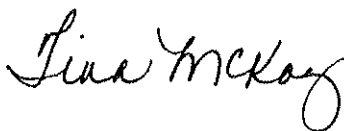
- The Procurement Card Policy & Procedures Manual states: "Each procurement card will have the employee's name and department embossed on it and shall only be used by the Cardholder. No other person is authorized to use this card." During our examination of February 2002 procurement card statements, it was noted that 6 out of 126 cardholders' purchases were made by Department personnel other than the cardholder.

- The Procurement Card Policy & Procedures Manual states: "It is a policy violation to split purchases into multiple charges to circumvent the \$500 single purchase limit." During our examination of both February and April 2002 statements, we noted four instances where split purchasing was apparent.
- Each cardholder is assigned at least one proxy. The proxy's responsibility is to review and approve the cardholder's transactions. The proxy may be a cardholder's supervisor or Departmental Coordinator. The Procurement Card Policy & Procedures Manual states: "Each cardholder and proxy is required to verify and acknowledge on the face of the receipt envelope that an accurate receipt exists for each transaction on the monthly statement. Additionally, the proxy is acknowledging that all charges are in accordance with this policy." During our examination of the February 2002 receipt envelopes, it was noted on two envelopes that the cardholders appeared to have printed their proxy's name instead of obtaining their proxy's signature.

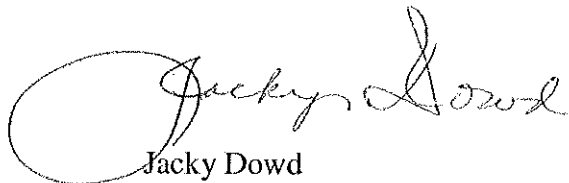
Recommendations:

- The Procurement Card Administrator should reiterate established policies to employees who violate (1) the use of procurement cards by anyone other than the cardholder and (2) split purchases. Further violations by cardholders should result in the immediate revocation of that cardholder's purchase privileges.
- The Procurement Card Administrator and Internal Audit recommend maintaining a signature log with all assigned proxies to periodically verify receipt envelopes submitted by cardholders to ensure that proxies are aware and in agreement with all purchases made.

We would like to thank the staff of the Finance Department for the courtesy and cooperation shown us during this audit. We are requesting a response to the findings and recommendations of this audit by September 12, 2002. If you have any questions or concerns, please contact us at 373-4528.



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Internal Auditor



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