

Internal Audit Division
City of Greensboro



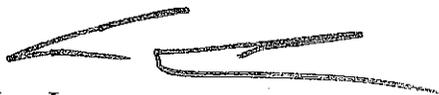
September 10, 2015

TO: Mary Vigue, Assistant City Manager for General Government Results Area

FROM: Internal Audit Division

SUBJECT: Procurement Card Review for January 1 through March 31, 2015
(No Response Required)

The Internal Audit Division has completed our review of Procurement Card Program as administered by the Financial & Administrative Services Department. Attached you will find our review report; the departmental response and our replies to their responses. We feel that our concerns have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.



Len Lucas
Internal Audit Director

cc: Rick Lusk, Director of Financial and Administrative Services
Chris Payne, Deputy Finance Director of Administrative Services
Dale Dillon, Purchasing Manager
Angie Waters, Buyer

Internal Audit Division
Executive Department
City of Greensboro



August 7, 2015

TO: Rick Lusk, Finance Director

FROM: Internal Audit Division

SUBJECT: Procurement Card Review for January 1 through March 31, 2015
(Response Required by August 21, 2015)

The Internal Audit Division has completed the quarterly review of the Procurement Card program, as administered by the Financial and Administrative Services Department, for the months of January, February and March 2015. The objectives of our review were to:

- Obtain copies of the procurement card statements for the months of January, February and March 2015.
- Select approximately 1% of the cardholder files for review. Review the files, ensuring each file contains a timely proxy signature, the individual transactions each contain a valid receipt, the sales tax is properly coded and the transaction appears to be for a valid business purpose. Review the files and transactions and ensure procurement card policies appear to have been followed.
- Obtain the list of cardholders submitting files late for the months of January, February and March 2015. Also obtain a list of individuals that were late reconciling their transactions for each month.
- Obtain the Procurement Card Quarterly Facts report from Financial and Administrative Services.

Total procurement card spending for the quarter was \$1,813,771.69. January charges were \$472,243.56, February charges were \$700,720.37 and March charges were \$640,807.76.

Cardholders selected for the review were from the following departments: Budget and Evaluation, Coliseum, Engineering & Inspections, Field Operations, Finance, Fire, Information Technology, Neighborhood Development, Parks & Recreation, Police, Transportation and Water Resources. We will include steps in future reviews to ensure the other City departments get selected for review.

Monthly Reports

We obtained copies of the procurement card statements for the months of January, February and March 2015 from Angie Waters, Buyer for the Purchasing Division in the Financial & Administrative Services Department. We used the reports to select the sample of items to review.

Transaction Review

We selected 15 cardholder files for review. The first 11 were selected based on materiality; we chose the cardholders with the largest monthly transaction totals (only choosing one month for each cardholder) that had not been selected in previous reviews. The remaining 4 files were chosen randomly, in order for their department to be represented in our sample. The sample was selected to not have duplicate cards from the same department or division with the exception of 3 cards from the Finance department (Equipment Services Division) and 2 cards from the Engineering & Inspections Department. Our sample of transactions totaled \$115,454.28, which represents 6.37% of the total dollar amount of transactions for

the review period. The 15 files reviewed represent approximately 1% of the total files submitted (with slightly over 500 active cards for each month).

We reviewed the monthly procurement card folders, comprised of the monthly statements and receipts for the selected cardholders. We attempted to confirm that each file contained a timely proxy signature, the individual transactions each contained a valid receipt, the sales tax was properly coded and that the transaction appeared to be for a valid business purpose. We also attempted to note any potential split transactions, where the card was charged multiple times on the same day by the same vendor to circumvent single transaction limits.

Finding #1: Documentation Issues

Fourteen transactions contained supporting documentation that did not include line-item detail of items purchased. The documentation did include total prices and various information but was not complete. Purchasing contacted the cardholders and obtained the proper documentation for 13 of the 14 items questioned.

Recommendation:

The Department staff will continue to stress to cardholders the importance of including sufficient documentation and request additional documentation, when necessary. Proxies should also be notified when documentation is insufficient, since they are responsible for reviewing the documentation.

Finding #2: Sales Tax Issues

There appear to be 45 transactions where sales tax was not properly coded, entered or classified in the Works Software. There were 15 instances where sales tax on an invoice was not entered in Works, 5 instances where the sales tax amount entered in Works was different from the invoice, 1 instance where freight on the invoice was entered as sales tax in Works, 20 transactions where it appears use tax was due but it was not coded in Works properly and 4 transactions that appear to be non-taxable but were not coded as non-taxable in Works.

Additional Facts:

The Financial and Administrative Services Department makes an entry to correct sales tax coding. This resulted in sales tax amounts being recorded for the 15 instances, with no sales tax entered, listed above. In situations like this, there is a possibility the sales tax amount will be incorrect (if the invoices contain both taxable and nontaxable items, for instance).

Recommendation:

The Department staff will continue to educate cardholders about proper coding of sales taxes in Works. We did note there were less sales tax issues in this review period than prior periods.

Finding #3: Unauthorized Charge

For one transaction, it appears the vendor was storing credit card information. We noted a charge was made to a card that was not authorized. The cardholder had already contacted the vendor upon review of their monthly reports and had the charge credited. The Purchasing Division was also aware of the situation and stated they had already contacted the vendor and requested the information not be stored.

Recommendation:

It appears this was an isolated incident and it appears it was promptly handled.

Late Cardholder Information

As noted in prior reports, prior policy did not include a provision for suspending cards for lateness in providing information to Financial and Administrative Services. The revised policy, effective March 4, 2015, does include a provision for suspending cards for lateness.

Reviewed folders (including the monthly statement, receipts and a proxy signature) are due to Purchasing by the 15th of each month. The report lists 32 late folders for January, 33 late folders for February and 20 late folders for March.

The department also keeps a list of cardholders that do not reconcile their transactions in the Works system timely each month. The transaction reconciliation/approval is due by the tenth of the following month. The report lists 15 late for January, 13 late for February and 11 late for March.

For the amounts listed above (both late folders and late reconcilers), we were provided a report of totals by department but not the detail of the actual late cardholders.

There were two procurement cards suspended during the review period for policy infractions.

Facts Report

Please find the facts report from Financial and Administrative Services attached to this document. We agreed the amounts noted on the report to the documentation obtained in this review and noted the facts presented appear accurate.

We would like to thank the staff of Financial and Administrative Services for their assistance and cooperation during this review. Please provide a written response by Friday, August 21. If there are any questions concerning the details of this review, please call us at 373-2230.



Garland Wells
Internal Auditor



Len Lucas
Internal Audit Director

cc: Mary Vigue, Assistant City Manager for General Government Results Area
Chris Payne, Deputy Director for Administrative Services
Dale Dillon, Purchasing Manager
Angie Waters, Buyer, Purchasing Division

August 7, 2015

Procurement Card Audit Reporting

The City of Greensboro Purchasing and Treasury Departments compile monthly reporting during the reconciliation period verifying completeness. The findings may identify possible policy infractions. This summary is showing information from January , February and March 2015.

Electronic Approval

Cardholder transactions that are electronically approved before the required deadline. The result of the cardholder's non approval is the necessity to apply charges to a "miscellaneous" account and not the appropriate section or object code.

Forced charges

January 2015 - 15 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle so the actual forced transaction count is 33.

February 2015 - 13 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle so the actual forced transaction count is 27.

March 2015 - 11 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle so the actual forced transaction count is 18.

Reference the 3rd Quarter Review file for a breakdown of infractions within a department.



Receipt of the P-card Envelope (Signed by Proxy)

It is a requirement for cardholders to have their Proxy's review the receipts and statement each cycle for policy compliance and forwarded to Treasury. These are also reviewed in Treasury and filed. It is necessary to receive all envelopes and any delay in receiving an envelope for review will hinder the completed process.

January 2015 – 32 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to Treasury for review and filing.

February 2015 – 33 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to Treasury for review and filing.

March 2015 - 20 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to Treasury for review and filing.

Reference the 3rd Quarter Review file for a breakdown of infractions within a department.

Suspended Cards

The following cardholders have had their cards suspended during this quarter:

| Cardholder | Date of suspension | Length of suspension | infraction |
|---------------|--------------------|----------------------|--|
| Bob Brooks | 1/15/2015 | 60 days | mixed personal use |
| Tammy Dickens | 1/28/2015 | 30 days | Split Transaction & Sharing her card with another employee |

Dale Dillon,
Purchasing Manager

Internal Audit Division
Executive Department
City of Greensboro



September 4, 2015

TO: Rick Lusk
Director, Financial and Administrative Services

FROM: Internal Audit Division

SUBJECT: Response to the Procurement Card Review March 31, 2015

The Internal Audit Division has received your department's response to the Procurement Card Review report for the quarter ended March 31, 2015. We find the response sufficient and no further action is required.

We would like to thank the Financial and Administrative Services staff for their assistance and cooperation during this review. If there are any questions concerning the details of this review, please call us at 373-2230.

Garland Wells
Internal Auditor

Len Lucas
Internal Audit Director

cc: Mary Vigue, Assistant City Manager for General Government Results Area
Chris Payne, Deputy Finance Director - Administrative Services
Dale Dillon, Purchasing Manager
Angie Waters, Buyer

Wells, Garland

From: Payne, Chris
Sent: Thursday, September 03, 2015 10:17 AM
To: Wells, Garland
Cc: Dillon, Dale; Waters, Angie (Wade)
Subject: Re: PCard Report for Q/E 3-31-15
Attachments: image001.jpg

Garland:

I have reviewed the subject report and agree with your findings and recommendations. We will continue to emphasize these challenges in our cardholder and proxy training sessions.

Thanks for your review and feedback.

-Chris

Chris S. Payne, C.P.M., CLGPO

Deputy Finance Director – Administrative Services

Financial and Administrative Services Department

City of Greensboro

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From: "Wells, Garland" <Garland.Wells@greensboro-nc.gov>

Date: Tuesday, September 1, 2015 at 1:43 PM

To: Chris Payne <Chris.Payne@greensboro-nc.gov>

Subject: RE: PCard Report for Q/E 3-31-15

Chris:

Thanks. The report was issued (hard copy) on August 7. You probably have it somewhere but let me know if you need an official copy. I'm just looking for the response to the 3 findings. I have attached it again for quick reference.

Have a nice afternoon.

Garland Wells, Internal Auditor
Internal Audit Division