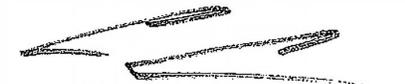




**DATE:** May 3, 2016  
**TO:** Jim Westmoreland City Manager  
**FROM:** Internal Audit Division  
**SUBJECT:** Procurement Card Review for October through December 2015  
(No Response Required)

The Internal Audit Division has completed our review of Procurement Card Program along with a Programmatic Review by the Purchasing Division 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  
Connie Hammond, Human Resources Director  
Matthew Schweitzer, Safety & Health Manager  
Dale Dillon, Purchasing Manager  
Kim Culp, Buyer



**DATE:** April 20, 2016  
**TO:** Rick Lusk, Finance Director  
**FROM:** Internal Audit Division  
**SUBJECT:** Procurement Card Review for the Quarter Ended December 31, 2015  
(Response Required by May 4, 2016)

The Internal Audit Division has completed the quarterly review of the Procurement Card program expenditures, as administered by the Financial and Administrative Services Department, for the months of October, November and December. The objectives of our review were to:

- Obtain copies of the procurement card statements for the months of October, November and December 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 October, November and December 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 \$2,032,795.17. October charges were \$656,652.67, November charges were \$726,383.51 and December charges were \$649,758.99. There were 378 cards with balances in October, 364 cards with balances in November and 369 cards with balances in December.

Cardholders selected for the review were from the following departments: Coliseum, Engineering & Inspections, Field Operations, Finance, Fire, Information Technology, Legislative, Parks & Recreation, Planning, Police, Transportation and Water Resources. Our procedures include steps to ensure all City departments get selected for review periodically.

#### **Monthly Reports**

We obtained copies of the Procurement Card statements for the months of October and November 2015 from Angie Waters, Buyer in the Financial & Administrative Services Department. We obtained the December 2015 Procurement Card statement from Kimberly Culp, also a Buyer in the Financial & Administrative Services Department. We used Excel to compile the procurement card data by cardholder and sorted the totals, from largest balance to smallest balance, for each individual month.

### **Transaction Review**

We selected 15 cardholder files for review. The first 13 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 2 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 Coliseum Department.

The sample of transactions totaled \$95,041.80, which represents 4.68% of the total dollar amount of transactions for the review period. Based on the number of cards with balances during the quarter, the sample represents 1.35% of cardholders.

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.

### **Issues Noted Relating to the Procurement Card Program:**

#### **Finding #1: Sales Tax Issues**

There were twenty-one instances where sales tax on an invoice was not entered in Works. There were thirteen transactions where it appears use tax was due but it was not coded in Works. There were three instances where the sales tax amount entered in Works was different from the sales tax amount on the invoice. There were fourteen transactions that appear to be non-taxable but were coded as taxable in Works.

#### **Additional Facts:**

The Financial and Administrative Services Department makes an entry to correct sales tax coding (if no sales tax is entered and the code is taxable). This resulted in sales tax amounts being recorded for most of the transactions noted above. In such situations, there is a possibility the sales tax amount will be incorrect (if the invoices contain both taxable and nontaxable items, for instance).

#### **Recommendation:**

We have advised the Department staff to continue to educate cardholders about proper coding of sales taxes in Works.

#### **Finding #2: Documentation Issues**

There were three issues with supporting documentation. There were 8 transactions relating to an event and associated program (training and meeting) but the supporting documentation did not include an agenda of the program. The supporting documentation for two other transactions contained past-due balances but did not include detail of the items comprising the past-due balances; both items were recurring charges. The supporting documentation for another transaction did not include any description of the goods or services purchased.

#### **Recommendation:**

We advised Department staff to 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.

**Other Issues Noted:**

**Finding : Safety Awards**

We noted \$3,990.28 of items purchased that were noted as Safety Awards. It appears Procurement Card policies were properly followed for these purchases. However, it does not appear that IRS guidelines were followed in the handling of these awards.

**Recommendation:**

The Law, Compliance and EEO/AA division of Human Resources should be contacted in the planning phase to help determine the proper methods of handling safety awards.

**Late Cardholder Information**

We obtained the lists of cardholders submitting their procurement card files late and cardholders reconciling and approving their transactions in Works late from Angie Waters in Financial and Administrative Services. We also received the list of cards suspended during the review period.

Reviewed folders (including the monthly statement, receipts and a proxy signature) are due to Purchasing by the fifteenth of each month. The report lists 9 late folders for October, 14 late folders for November and 10 late folders for December. 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 8 late for October, 10 late for November and 3 late for December.

There were six procurement cards suspended during the review period for policy infractions. All six cards were suspended for late reconciliations or late envelopes that occurred two times within a six-month period.

**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 May 4, 2016. 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: Jim Westmoreland, City Manager  
Adam Fischer, Director of Transportation  
Chris Payne, Deputy Director for Administrative Services  
Dale Dillon, Purchasing Manager



**DATE:** April 20, 2016  
**TO** Garland Wells, Internal Audit  
**FROM:** Dale Dillon, Purchasing Manager  
**DEPARTMENT:** Internal Audit  
**SUBJECT:** Procurement Card Audit report for 2nd quarter 2016

### **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 October, November and December 2015.

#### Electronic Approval

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

#### Forced charges

October 2015 - 8 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle.

November 2015 - 10 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle.

December 2015 - 3 cardholders were late or didn't approve their cycle transactions. It is common for a cardholder to have multiple transactions for a cycle.

**Reference the 2nd Quarter 2016 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 forward to Treasury. These are also reviewed in Treasury and filed. It is necessary to receive all envelopes within the allotted time; any delay in receiving an envelope for review will hinder the completed process.



October 2015 – 9 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to Treasury for review and filing.

November 2015 – 14 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to Treasury for review and filing.

December 2015 - 10 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 2nd Quarter 2016 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
Bradley Flynt	10/08/2015	30 days	Late Envelope July & August 2015
Crystal Zellous	10/08/2015	30 days	Late Envelope June & August 2015
Reggie Foust	11/17/2015	30 days	Late reconciliation June & September 2015
Danny Briggs	11/17/2015	30 days	Late Envelope June & September 2015
Becky Jo Peterson-Buie	11/17/2015	30 days	Late Reconciliation Late Envelope May & September 2015
David Denny	12/04/2015	30 days	Late Envelope May & October 2015

Dale Dillon,  
Purchasing Manager

## Wells. Garland

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**From:** Payne, Chris  
**Sent:** Thursday, April 28, 2016 11:24 AM  
**To:** Wells. Garland  
**Cc:** Westmoreland, Jim; Lusk, Rick; Hammond, Connie; Schweitzer, Matthew; Dillon, Dale; Culp, Kimberly  
**Subject:** FW: Internal Audit Reply to the PCard Review Response  
**Attachments:** PCardIAReply042516.pdf; RE: safety program gifts / prizes

Garland,

Per our conversation, I am forwarding the attached memo and email string to Connie Hammond and Matt Schweitzer for their review and consideration of your finding related to safety awards.

Thanks,  
Chris

Chris S. Payne, C.P.M., CLGPO  
Deputy Finance Director – Administrative Services  
Financial and Administrative Services Department  
City of Greensboro  
P: 336.373.2077  
PO Box 3136  
Greensboro, NC 27402-3136  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

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**From:** "Wells. Garland"  
**Date:** Tuesday, April 26, 2016 at 4:57 PM  
**To:** Rick Lusk, Chris Payne  
**Cc:** "Westmoreland, Jim", "Dillon, Dale", "Culp, Kimberly", "Lucas, Len"  
**Subject:** Internal Audit Reply to the PCard Review Response

Rick and Chris:

Attached, please find Internal Audit's reply to your response for the Procurement Card Review for the quarter ended December 31, 2015. We do have a follow-up question in regards to one of the findings in the report.

Thank you.

Please note: Internal Audit's Review Report, along with all responses and replies, will be made available to the public on the City's external website. Contact Internal Audit if you have any further questions or concerns.

**Garland Wells, Internal Auditor**  
**Internal Audit Division**  
**City of Greensboro**  
**Phone: 336-373-2230; Fax 336-373-4387**  
**P.O. Box 3136**  
**Greensboro, NC 27402-3136**  
[www.greensboro-nc.gov](http://www.greensboro-nc.gov)

## Wells. Garland

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**From:** Schweitzer, Matthew  
**Sent:** Thursday, April 28, 2016 3:38 PM  
**To:** Wells. Garland  
**Cc:** Hammond, Connie  
**Subject:** RE: IRS Award Guidelines

Garland,

Thanks for the clarifying info. As we discussed we are transitioning to a web based incentive program that should be IRS compliant.

thanks

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**From:** Wells. Garland  
**Sent:** Thursday, April 28, 2016 3:16 PM  
**To:** Schweitzer, Matthew  
**Subject:** FW: IRS Award Guidelines

Matt:

Here is a brief section of IRS Pub 5137 that discusses the Safety Awards. Thanks for taking time to discuss this with me today.

Have a good afternoon.

**Garland Wells, Internal Auditor**  
**Internal Audit Division**  
**City of Greensboro**  
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**From:** Wells. Garland  
**Sent:** Friday, April 15, 2016 8:57 AM  
**To:** Payne, Chris  
**Cc:** Dillon, Dale  
**Subject:** IRS Award Guidelines

Chris:

I've attached some IRS documentation relating to Safety Awards. Some of the rules are:

- Must be a written program
- Can't be cash or equivalents (gift cards, etc.)
- Must be given as part of a presentation
- Average cost of prizes can't exceed \$400
- Can't be given to a manager, administrator, clerical employee or professional employee
- Can't be given to more than 10% of employees

Have a nice weekend.

**Garland Wells, Internal Auditor**  
**Internal Audit Division**  
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**[www.greensboro-nc.gov](http://www.greensboro-nc.gov)**



**DATE:** April 29, 2016  
**TO:** Rick Lusk, Finance Director  
**FROM:** Internal Audit Division  
**SUBJECT:** Procurement Card Review Quarter Ended December 31, 2015 Response

The Internal Audit Division has received the responses to the Procurement Card Review Report and our follow-up question for the quarter ended December 31, 2015. We find the responses 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: Jim Westmoreland, City Manager  
Connie Hammond, Human Resources Director  
Chris Payne, Deputy Finance Director – Administrative Services  
Matthew Schweitzer, Safety & Health Manager  
Dale Dillon, Purchasing Manager  
Kim Culp, Buyer