

FOLLOW-UP REVIEW

Date:	May 26, 2020
Departments:	Citywide
Subject:	Procurement Card Program
Lead Auditor:	Dawn von Epp

OBJECTIVE

The objective of this follow-up review was to determine whether the action plans presented in response to our February 2019 Procurement Card Program audit have been effectively implemented.

SCOPE & METHODOLOGY

To accomplish our objective, we interviewed and surveyed procurement card (p-card) approvers, reviewed updated policies and procedures, reviewed the newly developed training curriculum, and tested a sample of p-card transactions.

BACKGROUND

On February 20, 2019 we issued an audit report of the Procurement Card Program. The objectives of the audit were to determine whether effective internal controls are in place to prevent or detect errors, fraud, waste, abuse, and other irregularities related to the use of procurement cards; and to evaluate compliance with applicable policies and procedures. The report included several recommendations for Business Services' Purchasing staff, summarized as follows:

1. Clarify approval roles and responsibilities related to approving p-card transactions, to ensure all transactions are adequately reviewed prior to approval.
2. Develop and deliver mandatory training for reviewers/approvers to ensure they understand how to properly review a transaction and its supporting documentation prior to approval.
3. Update MP 211 and the Procurement Card Program Guidelines and Procedures to include approver eligibility criteria, clarified roles, and training requirements.
4. Enforce established Procurement Card Program rules, which require that a receipt be provided for every purchase.
5. Revise the Procurement Card Program rules and MP 211 to require approvers (in addition to accountholders) to track expected credits to ensure they are received.
6. Implement a requirement to ensure the City is promptly credited/reimbursed when an employee accidentally uses a City p-card for a personal purchase and provide both the initial transaction receipt and the repayment receipt to Accounts Payable.

Purchasing agreed with our recommendations and submitted action plans to address the findings.

CONCLUSION

All recommendations have been implemented and are summarized in the following table:

Recommendation	Implemented
1-1: Purchasing should clarify approval roles and responsibilities related to approving p-card transactions, to ensure all transactions are adequately reviewed prior to approval. It may be necessary to distinguish between approving a purchase and signing off on a transaction in the Works system, if these duties are to be performed by different individuals.	✓
1-2: Purchasing should develop and deliver mandatory training for all current and future reviewers/approvers (similar to the current mandatory training for accountholders), to ensure they understand how to properly review a transaction and its supporting documentation prior to approving it.	✓
1-3: Purchasing should update MP 211, and the Procurement Card Program Guidelines and Procedures, to include approver eligibility criteria, clarified roles, and training requirements.	✓
2-1: Purchasing and Accounts Payable should enforce established Procurement Card Program rules, which require that a receipt be provided for every purchase, including those expected to be credited on a future statement or expected to be reimbursed by the employee.	✓
2-2: Purchasing should revise the Procurement Card Program rules and MP 211 to require <u>approvers (in addition to accountholders)</u> to track expected credits to ensure they are received. This requirement should be incorporated into the approver training recommended in 1-2 above.	✓
2-3: Purchasing should implement a requirement that, if an employee inadvertently uses a City p-card for a personal purchase, and the transaction cannot be reversed/credited immediately (or before the close of the billing cycle) the employee should reimburse the City <u>prior to signing off on the transaction in Works</u> . Both the initial transaction receipt <u>and</u> the City cashier's receipt (showing the repayment) should be included in the monthly documentation packet.	✓