



**Internal Audit Division
Finance Department
DeKalb County**

Planning and Sustainability

FINAL REPORT

Purchasing Card Audit

November 2016

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Finance Department Internal Audit Division

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Executive Officer

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TRANSMITTAL MEMORANDUM

DATE: November 8, 2016

TO: Dianne McNabb, Interim Chief Financial Officer/Finance Director

FROM: Cornelia Louis, Deputy Director of Finance – Internal Audit

SUBJECT: Purchase Card (P-Card) Audit

RE: Planning and Sustainability

Attached is the Purchasing Card (P-Card) audit report of Planning and Sustainability. All our P-Card audits are surprise audits. A surprise audit is a proven technique for detecting and preventing fraud. We reviewed P-Card information for one cardholder for the period April 2015 through June 2016. The issues raised in the report were discussed with the Andrew Baker, Director of Planning and Sustainability during the Exit Conference on November 8, 2016

The purpose of the audit is to ensure compliance with the P-Card policy and procedures.

We appreciate the cooperation and assistance we received from Planning and Sustainability Department during the course of this review. If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,

Cornelia Louis

cc: Appendix C



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GENERAL INFORMATION

BACKGROUND

"DeKalb County has established a Purchasing Card (P-Card) program that provides charge cards to a select group of employees. The P-Card gives employees the ability to make purchases of supplies, material, equipment, and services for County Business use."¹

To provide guidance for the use of the P-Card, the County established the Purchasing Card Program, Policy and Procedures, which was revised in January 2015. In order to obtain a P-Card, employees are required to fill out a P-Card Application form. In addition, "each person with a role in the P-Card program will be [is] expected to attend P-Card training to ensure they are aware of the specifics of their role, program policies and procedures, the basics of P-Card administration and program monitoring."² "P-Card training will include [includes] but not be limited to the following:

- a) An overview of the P-Card Program Policies and Procedures;
- b) Review of the Cardholder User Agreement;
- c) Review of the Electronic Cardholder Statement, P-Card Transaction Log and Bank of America Works Application;
- d) Review of the Department of Revenue Sales Tax Exemption Form; and
- e) A review of all required forms and materials."³

P-Card Training is a prerequisite before a new cardholder can receive a P-Card.

On September 29th, 2016, Internal Audit conducted a P-Card compliance audit on Barbara Green's P-Card transactions for the period April 2015 to June 2016.

PURPOSE AND SCOPE

The purpose of this audit was to determine if Planning and Sustainability personnel complied with DeKalb County P-Card policy and procedures dated January 2015. We reviewed four P-Card statements for Barbara Green P-Card transactions covering the period of April 1, 2015 through June 30, 2016.

We reviewed the Cardholder transactions, signoff reports, and invoices/receipts to determine that:

- 1) Cardholder performed monthly reconciliation of P-Card purchases with supporting documents.
- 2) Cardholder did not use the P-Card for non-business related goods and services

¹ DeKalb County Government, Purchasing Card Program, Policy and Procedures, January 2015

² DeKalb County Government, Purchasing Card Program, Policy and Procedures, January 2015

³ DeKalb County Government, Purchasing Card Program, Policy and Procedures, January 2015



- 3) Purchases were within individual and monthly transaction spending limits (\$1,000 and \$2,000, respectively)
- 4) Cardholder did not split purchases/orders.
- 5) Transactions were properly authorized and approved. (Manager and / or Department Head).
- 6) Cardholder did not split purchases/orders.
- 7) Pcard was not shared with other users
- 8) Transactions did not include taxes
- 9) Cardholders received appropriate training on P-Card use.

OPINION

While all the transactions appear to be for business-related purposes, overall the cardholder did not comply with the January 2015 P-Card policy. The following exceptions were noted.

- Split Payments – A purchase on May 25, 2015 for a total of \$1,794 was split into two separate transactions of \$897 each.
- The transaction log for one of the June 2016 statement was not completed. Therefore, the receipts and log have not been forwarded to P-Card Administrator by the 5th of the following month (July) as required by the January 2015 P-Card policy.
- The monthly reconciliation for the remaining three transaction logs was initially performed by the Department P-Card Representative (DPCR) and not the Cardholder as required by the policy. Two of the transaction logs were signed by the Cardholder, but the signatures were not dated. The designated approver signed only one of the two transactions logs.
- Four (4) of the seven (7) transactions that occurred after the P-Card was approved for emergency use by the Chief Operating Officer (COO) in June 2015¹ were not in compliance with the approved use of the P-Card. The four transactions did not have the required prior approval of the COO or the Deputy Chief Operating Officer (DCOO).



Approvals:

Original Signed by:

Cornelia Louis
Deputy Director of Finance
Internal Audit Division
Department of Finance
DeKalb County



OBSERVATION DETAILS

1. Split Payments

Section 9.b of the January 2015 P-Card policy prohibits the splitting of purchases into smaller transactions to circumvent P-Card spending limits. However, a purchase on May 27, 2015 for a total of \$1,794 was split into two separate transactions of \$897.

Splitting P-Card purchases into separate smaller transactions avoid exceeding the single-purchase limit or competition threshold. Setting a maximum single transaction amount ensures the P-Card is not used to circumvent the County's competitive bidding process. The competitive process must be used for purchases greater than \$5,000. Doing so decreases competition and hinders the County's initiatives to set aside purchases for small businesses.

Recommendation

Cardholders should not split transactions on the P-Card to circumvent card limits. Cardholders should consider direct invoicing for impending transactions that exceed the P-Card limits.

Management Response

We agree with the recommendation. Our intention was not to exceed the P-Card limits. On May 31, 2016, the cardholder attempted to complete the transaction. It was an emergency need to advertise on the AJC that had to go out that day. Because agenda items have to be advertised for a certain number of days prior to the hearing, we are often pressed for time. This was one of those emergencies and the cost was over \$1000. When the P-Card administrator noticed the transaction was showing up twice, she notified the cardholder who explained what had happened. The P-Card administrator proceeded to increase the daily limit to \$2,000 so that we wouldn't have the problem in the future.

2. Review and Reconciliation

Section 10 of the P-Card Policy and Procedures requires the Cardholder completes the transaction log as transactions occur. At the end of the month, the Cardholder is required to reconcile the transactions with the receipts, sign, and date the transaction log. Once the Cardholder has reconciled their transactions, the package is presented to designated approver for review. Afterwards, the package is submitted to DPCR for processing on the Bank of America (BOA) Works® systems.

We noted the following:

- As of September 29, 2016, the transaction log was not completed for transactions posted in June 2016. Therefore, the receipts and log have not been forwarded to the P-Card Administrator by the fifth the following month (July 2016) as required by the P-Card policy.



- The monthly reconciliation for the other three transaction logs was initially performed by the Department P-Card Representative (DPCR) and not the Cardholder as required by the policy. Two of the transaction logs were later signed by Cardholder to indicate review and reconciliation. However, the Cardholder signatures were not dated.
- The Designated Approver signed only one of the transactions logs. The signature was not dated, as well.

"Cardholder reconciliation provides the organization with reasonable assurance that all transactions appearing on the cardholder's billing statement are appropriate charges for goods and services purchased for and received by the organization."⁴

Untimely completion and review of the transaction logs presents a risk that errors, fraud, improper, or abusive purchases may not be detected in a timely manner; thus, resulting in payment of such transactions by the County.

Recommendation

The Cardholder and Designated Approver should adhere to the approval process outlined in section 10 of the policy. The Cardholder and Approver should also ensure that all transaction logs are reviewed, signed, and dated in timely manner before submission to the DPCR for processing.

Management Response

We agree with the recommendations. Effective immediately, the Cardholder, DPCR, and approver will be given a copy of the P-Card policy as a reminder. As of 11/1/2016, all transactions will be reconciled by the cardholder and the transaction log will be given to the approver for signature. The approver will sign and date all pages of the transaction log. The cardholder will then submit the log and receipts to the DPCR by the end of the month. The DPCR will process and submit to the P-Card administrator by the 5th of the following month.

3. P-Card Use for Unapproved Purchases

The use of the P-Card was restricted by the County in June 2015 to department emergency business-related transactions only. Departments had to apply for an emergency use P-Card. The COO approved the emergency P-Card requests for specific uses/transaction types based on departmental needs. This was done to mitigate the risk of inappropriate purchases being charged to the card. The Planning and Sustainability department's emergency P-Card request was approved by the COO on June 19, 2015. The COO approval stated that the Planning and Sustainability department P-Card was to be used for advertising services only and any other types of purchases must have the prior

⁴ GAO-04-87G Purchase Card Audit Guide, Page 42



approval of the COO or the Deputy Chief Operating Officer (DCOO) in the absence of the COO. However, four (4) of the seven (7) transactions that occurred after June 2015 were not advertising related; and were not approved by the COO or DCOO.

Month Posted	Expense Type	Amount
April 2016	Training related expenses	\$129.00
April 2016	Training related expenses	\$90.00
June 2016	carbon copy forms	\$282.28
June 2016	bulb for a projector	\$173.96

Using the P-Card for transactions outside the approved use, without prior approval, results in the risk of non-business related transactions charged to the card.

Recommendation

The Cardholder and Department Head should obtain prior approval of the COO or DCOO for impending transactions that are an exception to the approved use.

Management Response

We agree with the recommendation. We are in the process of submitting a new emergency P-Card application to the COO. The application seeks to expand the approved/allowable expense types for the P-Card to meet the current operational/emergency needs of the department. It is anticipated that the new application will be approved by December 2016.

***Please note that two of the transactions indicated above were done because we obtained approval from the P-Card administrator prior to completing the transaction.*

4. P-Card Sharing

Section 9.C of the January 2015 P-Card policy prohibits the sharing P-Card or the P-Card information with another person. Based on documentation reviewed, one transaction, dated June 10, 2016, for \$282.28 appeared to have been completed by another department employee. All email communications with the vendor was done through the email of the other employee, including the final invoice/receipt that was sent directly to the other employee. In addition, the billing information stated on the invoice does not list the Cardholder's email address but lists the other employee's email address. However, in subsequent discussions we were told that the P-Card was not physically shared instead the Cardholder "would come over" to enter card information using the other employee's computer to complete the online transaction.



The Cardholder is accountable for the P-Card and all transactions on the card. Entering the card information on another employee's computer and in the presence of other employees, may inadvertently expose P-Card information to others, which can result in theft and/or the unauthorized/fraudulent use of the card to purchase goods or services intended for personal use or gain.

Recommendation

The P-Card holder should not share his/her P-Card information with another individual. The Cardholder should also complete P-Card transactions from their own computer/desk away from others, to mitigate the risk of exposing card information to other employees. Violations of P-Card policy and procedures should result in counseling or disciplinary actions. Consideration should be given to cancelling the P-Card and replacing with a new card to mitigate the risk of abuse and unauthorized transactions.

Management Response

We agree with the recommendation. Effective immediately, the cardholder will not allow the Pcard to be utilized by anyone. On the occasions listed above that are shown as sharing of the Pcard, the actual events were that the cardholder would pay for the transaction but because the order was done online, the person on the deliver to address was a different name. The cardholder would come over to pay for the transaction. No one else actually physically had the card.



Appendix A – Acknowledgements

We would like to take this opportunity to thank the management and staff of the Planning and Sustainability department for their assistance during this engagement.

Conducted by:

Lavois Campbell, CIA, CFE, CPA, CGA
Internal Auditor, Principal
Finance Department - Internal Audit Division

Reviewed by:

Cornelia Louis
Deputy Director of Finance
Finance Department - Internal Audit Division



Appendix B – DEFINITIONS AND ABBREVIATIONS

Acronyms and Abbreviation

BOA – Bank of America
COO – Chief Operating Officer
DCOO – Deputy Chief Operating Officer
P-Card – Purchasing Card
DPCR – Department P-Card Representative

Definitions

Bank of America Works® – is a proprietary card and payments management system.

- It allows every aspect of P-Card program management, reconciliation and workflow approval in a single application
- Process, spending controls with online reconciliation, management approval and automated general ledger integration

Fraudulent Purchases - “Use of the government purchase card to acquire goods or services that are unauthorized and intended for personal use or gain constitute a fraud against the government. A cardholder’s unauthorized purchase of power tools for his home, a vendor’s intentional charges for services not provided, and the unauthorized use by a third party of a cardholder’s compromised or stolen account for personal gain are examples of fraudulent purchase card transactions.”⁵

Improper Purchases – “Government purchase card transactions that are intended for government use but are not permitted by law, regulation, or organization policy generally are considered improper. Examples include certain types of purchases of meals or refreshments for government employees within their normal duty stations, purchases split to circumvent micro purchase or other single purchase limits...”⁶

Abusive Purchases – “Purchases of authorized goods or services, at terms (e.g., price, quantity) that are excessive, are for a questionable government need, or both are considered abusive. Examples of such transactions include purchases of items such as \$300 day planners, \$350 bedside radios, and allowable refreshments at excessive cost; purchases of designer leather goods; and year-end and other bulk purchases of computer and electronic equipment for a questionable government need.”⁷

⁵ GAO-04-87G Purchase Card Audit Guide, Page 12

⁶ GAO-04-87G Purchase Card Audit Guide, Page 13

⁷ GAO-04-87G Purchase Card Audit Guide, Page 13



APPENDIX C – DISTRIBUTION LIST

This report has been distributed to the following individuals:

DeKalb County Board of Commissioners

Lee May, Interim Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Luz Borrero, Deputy Chief Operating Officer of Development

Andrew Baker, Director, Planning and Sustainability Department

Robert Atkins, Treasurer, Finance - Treasury Services

Yvette Pitts-Ayo, Purchasing Card Administrator