



**Internal Audit Division  
Finance Department  
DeKalb County**

**RECREATION, PARKS AND  
CULTURAL AFFAIRS**

**PURCHASING CARD AUDIT**

**MAY 2017**

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## Finance Department Internal Audit Division

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### TRANSMITTAL MEMORANDUM

**DATE:** May 16, 2017

**TO:** Dianne McNabb, Interim Chief Financial Officer

**FROM:** A. Murray Walters, Principal Internal Auditor  
Finance – Internal Audit Division

**SUBJECT:** Purchasing Card Audit

**RE:** Recreation, Parks and Cultural Affairs

Attached is the Emergency Purchasing Card (P-Card) audit report of Recreation, Parks and Cultural Affairs (RPCA). All 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, January 1, 2017 through March 31, 2017.

The purpose of the audit is to ensure compliance with the P-Card policy and procedures. If non-compliance exists, an Exit Conference is held with the department head; otherwise, no Exit Conference will be conducted.

If you have any questions about the audit or this report, please feel free to contact me at 404-371-2616.

Sincerely

  
\_\_\_\_\_  
A. Murray Walters

cc: Appendix C



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## GENERAL INFORMATION

### **BACKGROUND**

"DeKalb County has established a Purchasing Card (Emergency Purchasing Card) Program that provides charge cards to a select group of employees. The Emergency Purchasing Card gives employees the ability to make purchases of supplies, material, equipment, and services for County business use."<sup>1</sup>

To provide guidance for the use of the Purchasing Card (P-Card), the County established the Emergency Purchasing Card Purchasing Card Program Policy and Procedures (P&P), revised September 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 Emergency Purchasing Card program will be [is] expected to attend Emergency Purchasing Card training to ensure they are aware of the specifics of their role, program policies and procedures, the basics of the Emergency Purchasing Card administration and program monitoring."<sup>2</sup> "Emergency Purchasing Card training will include [includes] but not be limited to the following:

- a) An overview of the Emergency Purchasing Card Program Policies and Procedures;
- b) Review of the Cardholder User Agreement;
- c) Review of the Electronic Cardholder Statement, Emergency Purchasing 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."<sup>3</sup>

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

On May 10, 2017, Internal Audit conducted a P-Card compliance audit on Bernita Reese's (Cardholder) P-Card transactions.

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<sup>1</sup> DeKalb County Government, Emergency Purchasing Card Purchasing Card Program, Policy and Procedures, September 2015, p. 3.

<sup>2</sup> Ibid., p. 8

<sup>3</sup> Ibid.,



## **PURPOSE AND SCOPE**

The purpose of this audit was to determine if RPCA personnel complied with the P-Card P&P. We reviewed Bernita Reese's P-Card transactions for the period January 1, 2017 through March 31, 2017.

We reviewed the Cardholder transactions, signoffs, invoices/receipts, and other applicable documentation to determine that:

- 1) Transactions were appropriate for the department's business
- 2) Cardholder maintained and reconciled transactions on a monthly basis
- 3) Purchases were within individual and monthly transaction spending limits (Cardholder Single Purchase Limit (\$2,000) and Cardholder 30-Day Purchase Limit (\$2,000), respectively)
- 4) Transactions were properly authorized and approved (Manager and/or Department Head).
- 5) Cardholder did not split purchases/orders

## **OPINION**

In our opinion, Recreation, Parks and Cultural Affairs (RPCA) did not fully comply with the P-Card P&P.

### **Summary of Observations**

1. Purchases had insufficient or missing documentation, and/or exempted charges
2. Transaction Log not completed as required
3. Signoff of transactions in the Works system done prior to Transaction Log approval

### **Overall Recommendation and Next Steps**

RPCA personnel involved in the P-Card process should review the P-Card P&P for understanding of their roles and responsibilities in the P-Card program to ensure efficiency and effectiveness of the process.



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**Approvals:**

Original Signed by:

*A. Murray Walters*

**A. Murray Walters**  
Principal Internal Auditor  
Internal Audit Division  
Department of Finance  
DeKalb County



## SUMMARY OF OBSERVATIONS

### **1. Purchases Had Insufficient or Missing Documentation, and/or Exempted Charges**

In March 2017, the P-Card was used for hotel stays and rental cars in which the following were identified:

- The supporting documentation submitted for Baymont Inn & Suites is a proposal showcasing rates for a 1 or 2 night stay. In addition, one of the documents mentions offering a special discounted rate lower than the rate charged. There were no receipts or missing receipt affidavit form in the file to support the purchases. Without the actual receipt, it is difficult to determine if non-allowable or exempted charges were added to the purchase.
- The supporting documentation submitted for Enterprise Rent-A-Car was confirmation of reservation documents with proposed rates. The total of \$1,271.07 on the confirmation documents, including sales tax of \$83.16, did not agree with the actual P-Card purchases for Enterprise Rent-A-Car totaling \$1,875.69. There was no document to support the difference of \$604.62, nor receipts to show if there were non-allowable or exempted charges.
- There were no supporting documents in the file for the hotel stays at the LaQuinta Inn & Suites. Hotel receipts were submitted after the audit visit and showed Use taxes added to four (4) of the fourteen (14) receipts, for a total of \$159.60. These charges should have been exempted from the purchase.

Section 10.2 of the P&P states "receipts are expected to accompany every transaction incurred on the Cardholder Emergency Purchasing Card", and "If adequate documentation is unavailable, a Missing Receipt Affidavit form must be completed, signed, and kept on file with the monthly transaction log". In addition, Section 4.0 of the P&P states the responsibility of the Department Emergency Purchasing Card Representative (DPCR) is to "verify transactions with valid documentation in the form of a receipt or invoice from the Cardholder."

In addition, Section 2.0 of the P&P states, "DeKalb County is not required to pay Sales and Use Tax to any supplier", and that "Cardholders must present the Department of Revenue Sales and Use Tax Exemption, Form ST-5, to suppliers upon request."

A receipt supports validity of a purchase and helps to prevent fraudulent use of the P-Card. Moreover, it ensures only applicable charges are added to the purchase. Paying for charges that should be exempted from purchases, or that are not allowed, increases business related cost to the County.

### **Recommendation**

The Cardholder should obtain a receipt for all purchases made and review the receipt at point of purchase to ensure no exempt or non-allowable charges are added.

The Cardholder should present the Department of Revenue's sales tax exemption form to vendors to ensure exemption of Sales and Use tax on DeKalb County business related purchases.





The DPCR should ensure all supporting documentation is submitted for P-Card transactions by the Cardholder.

## **2. Transaction Log Not Completed as Required**

The March 2017 Transaction Log is missing key information such as the general ledger account name and number, department fund, and whether or not a receipt was included with purchase. Section 10.1 of the P&P lists information that should be captured on the Transaction Log which includes the cost center and general ledger account name, and if a receipt is available for each transaction.

In addition, the log was signed off on by the Cardholder and designated Approver on May 10, 2017, though the purchases were made in March 2017. In Section 10.0 of the P&P, the reconciliation package, which includes the Transaction Log, should be submitted to the designated Approver in a timely manner so that the package can be reviewed and approved by the designated Approver. In addition, Section 10.0 states, "The designated Approver must review the reconciliation package on a monthly basis."

The completion of the Transaction Log in accordance with the P&P helps ensure the purchases are accurately documented and charged to the appropriate general ledger account. It also helps support the efficiency of the reconciliation process.

### **Recommendation**

The Cardholder should complete the Transaction Log in accordance to the P&P to ensure accuracy of purchases and an adequate review process by the DPCR and designated Approver.

The DPCR and designated Approver should ensure the reconciliation package, which includes the Transaction Log, consists of all supporting documentation.

## **3. Sign-Off of Transactions in the Works System Done Prior to Transaction Log**

### **Approval**

The DPCR entered the approval for the March 2017 transactions in the Bank of America (BOA) Works system on April 27, 2017, prior to sign-off date on the Transaction Log by the cardholder and designated Approver of May 10, 2017. According to Section 4.0 of the P-Card P&P, the DPCR "enter approvals in the Works system based on approved Emergency Purchasing Card Transaction Log."

### **Recommendation**

The DPCR should approve transactions in the Works system only after the Transaction Log has been approved by the designated Approver to ensure appropriate authorization of purchases made.

### **Comments**

RPCA submitted a *P-Card Special Request/Food and Meal Explanation Form* to Finance for approval of the hotel stay and rental car in March 2017; yet, the form did not include the



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date of approval in the date section. Completion of the approved date supports the approval was given prior to purchase. Furthermore, there was no copy of the form in the cardholder's file to note Finance approval. Though the P-Card Administrator maintained a copy of the approved form, the cardholder's file should include all supporting documentation for purchases made.



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## APPENDIX A – ACKNOWLEDGEMENTS

We would like to take this opportunity to thank the management and staff of Recreation, Parks and Cultural Affairs for their assistance during this engagement.

Conducted by:

Camilla Cannon, CGAP  
Senior Auditor  
Finance Department - Internal Audit Division

Reviewed by:

A. Murray Walters  
Principal Internal Auditor  
Finance Department - Internal Audit Division



## APPENDIX B – DEFINITIONS AND ABBREVIATIONS

### Acronyms and Abbreviations

BOA	Bank of America
DPCR	Department Purchase Card Representative
P-Card	Purchasing Card
P&P	Emergency Purchasing Card Purchasing Card Program

### Key Definitions

#### Electronic Cardholder Statement

BOA Works Application electronic statement that identifies all County cardholders and expenditures made using the BOA Visa charge card.

#### P-Card Transaction Log

A document that identifies the cardholder's monthly expenditures with columns that record the following: order date, amount description, general ledger object code, vendor name, item description, and department name.

#### Bank of America Works Application

The P-Card Program utilizes Visa charge cards issue by BOA. The County manages the program using a BOA Works Application for card administration, account maintenance, and monthly billing statement reconciliation.

#### Department of Revenue Sales Tax Exemption Form

The State of Georgia exempts purchases made by local governments from State Sales and Use Tax when payment is made with appropriated funds. As such, DeKalb County is not required to pay State Sales and Use Tax to any suppliers.

#### Split Purchases/Orders

Transaction splitting is the practice of committing multiple P-Card transactions to circumvent the Cardholder's one-time transaction limit.

#### Reconciliation Package

A package that consists of all original documentation, including receipts, credits, transactions logs, records of disputed transactions and other supporting documentation.



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## APPENDIX C – DISTRIBUTION LIST

**This report has been distributed to the following individuals:**

DeKalb County Board of Commissioners

Michael L. Thurmond, Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Preston Stephens, Interim Assistant Finance Director

Marvin F. Billups, Deputy Director-Recreation, Parks and Cultural Affairs

Robert Atkins, Treasurer

Yvette Pitts-Ayo, Purchasing Card Administrator