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**June 2023**

**DeKalb County Government  
Finance Department**

# **Purchasing Card Program Audit**

**FINAL REPORT**

**Audit Report No. 2020-003-FN**

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Lavois Campbell  
Chief Audit Executive

**FINANCE DEPARTMENT  
PURCHASING CARD PROGRAM AUDIT  
REPORT NO. 2020-003-FN**

**FINAL**

**HIGHLIGHT SUMMARY**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                               |                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| <p><b>Why We Performed the Audit</b></p> <p>In accordance with the Office of Independent Internal Audit (OIIA) Annual Audit Plan, we conducted a performance audit of the County's Purchasing Card (P-Card) processes. The objective of this audit was to determine whether internal controls over these processes are adequately designed and operating as intended.</p> <p><b>How We Performed the Audit</b></p> <p>Our audit focused on selected P-Card transactions and processes performed during the audit period of January 1, 2022 – December 31, 2022.</p> <p>Our methodology included but was not limited to the following:</p> <ul style="list-style-type: none"> <li>Reviewed relevant policies and procedures and standards.</li> <li>Examined supporting documentation.</li> <li>Interviewed appropriate County personnel and external parties.</li> <li>Performed sample tests of transactions.</li> </ul> <p><b>Background</b></p> <p>The County's purchasing card program is administered centrally by the County's Finance Department.</p> <p>The Purchasing Card Program provides charge cards to select employees to purchase allowed goods and services for County business purposes. This program streamlines payments by eliminating the administrative burdens and costs associated with traditional methods of payment. In 2022, there were 92 active P-Cards with a total annual expenditure of \$1,267,363.</p> | <b>What We Found</b>                                                                                                          |                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Audit Objectives</b>                                                                                                       | <b>Results</b>                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1. Verify that written policies and procedures align with current operating processes and contain all required information.   | <b>Finding #1</b>                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 2. Verify that items purchased with the P-Card complied with County P-Card policies.                                          | <b>Finding #2</b>                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 3. Verify that P-Cards are issued in accordance with current County policies.                                                 | <b>Finding #6</b>                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 4. Verify that cardholders and the P-Card Administrator are performing the required monthly P-Card reconciliation procedures. | <b>Finding #3<br/>Finding #4</b> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 5. Verify that P-Cards for terminated or transferred employees are canceled in a timely manner.                               | <b>Finding #6</b>                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 6. Verify that rebates from BOA were deposited into the County's bank account.                                                |                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>No exceptions or internal control deficiencies were noted</b>                                                              |                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Internal control enhancements noted.</b>                                                                                   |                                  |
| <b>Exceptions or internal control deficiencies were noted</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                               |                                  |
| <b>What We Recommend</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                               |                                  |
| We recommend that Finance Management implement the recommended procedures to address the internal control deficiencies and process improvements identified in this report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                               |                                  |
| <b>How Management Responded</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                               |                                  |
| The Finance Department Management agreed with all findings identified in the report. Management has also identified action plans and timelines to address the report findings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                               |                                  |



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## **BACKGROUND AND INTRODUCTION**

DeKalb County’s Purchasing Card (P-Card) Program provides charge cards to select employees to enable them to purchase supplies, materials, equipment, and services for County business purposes. This program streamlines payments by eliminating the administrative burdens and costs associated with traditional methods of payment. In 2022, there were 92 active P-Cards with a total annual expenditure of \$1,267,363.

The P-Cards are the property of DeKalb County and are intended to be used for official County business purposes. Using the P-Card for personal charges is strictly prohibited. By accepting and using the P-Card, cardholders agree to be held fully liable for all unauthorized and prohibited charges and agree that the County may deduct from a cardholder’s salary an amount equal to the total of any unauthorized or prohibited charges, as determined in the sole discretion of the Chief Operating Officer (COO) and Chief Financial Officer (CFO). In addition, if a cardholder makes unauthorized or prohibited charges, the cardholder may be held civilly liable, subject to criminal prosecution, and subject to appropriate disciplinary action, including, but not limited to, termination from employment. The County P-Cards program leverages the existing contract between the State of Georgia (Georgia) and the Bank of America (BOA) for card services.

As of December 31, 2022, there were 92 active cardholders among 32 County departments, as shown in **Figure 1** below:

**Figure 1:**

| Department                          | No. of Cards | Department            | No. of Cards | Department    | No. of Cards |
|-------------------------------------|--------------|-----------------------|--------------|---------------|--------------|
| Facilities Management               | 29           | Grants - WorkSource   | 2            | Law           | 1            |
| Water and Sewer                     | 11           | Property Appraisal    | 2            | G.I.S.        | 1            |
| Police                              | 6            | Tax Commissioner      | 2            | OIIA          | 1            |
| Parks (RPCA)                        | 5            | Superior Court        | 2            | DCTV          | 1            |
| Peachtree Airport                   | 3            | Planning & Sust.      | 1            | CEO Office    | 1            |
| Sheriff's Office                    | 3            | Roads & Drainage      | 1            | Ethics Board  | 1            |
| Board of Commissioners <sup>1</sup> | 2            | Information Systems   | 1            | Sanitation    | 1            |
| District Attorney                   | 2            | Registrar - Elections | 1            | Solicitor     | 1            |
| Finance                             | 2            | Medical Examiner      | 1            | UCO           | 1            |
| Fire & Rescue                       | 2            | Human Resources       | 1            | Budget Office | 1            |
| Fleet Maintenance                   | 2            | Human Services        | 1            |               |              |

Source: Bank of America Works System

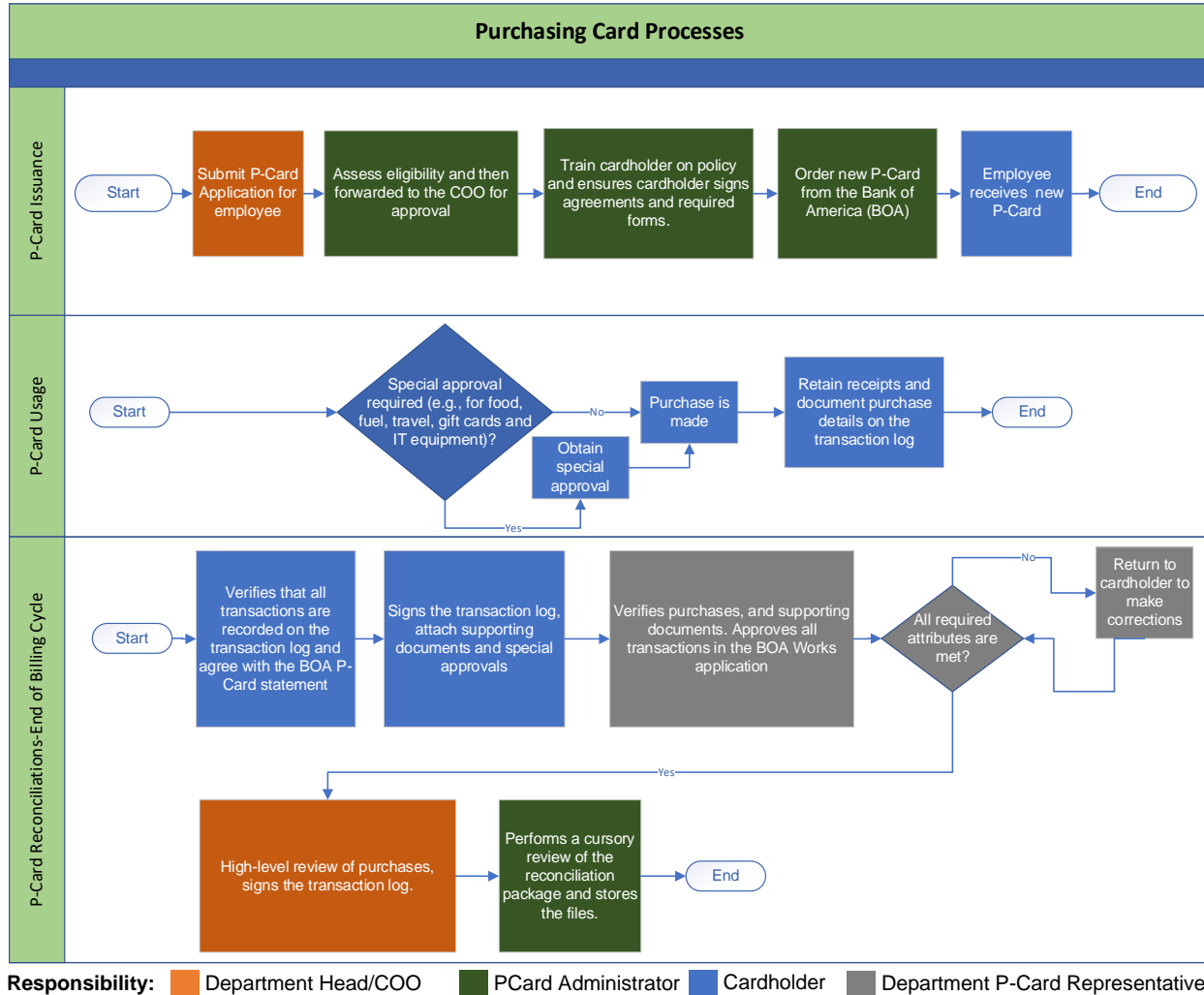
<sup>1</sup> BOC P-Cards were not issued to elected officials per the restrictions mandated by GA Code §36-80-24.



## P-Card Process

The processes related to P-Card issuance, usage, and reconciliation are shown in **Figure 2** below:

**Figure 2:**



Source: OIIA prepared based on a review of the P-Card Policy Manual, dated September 2015.

## P-Card Issuance

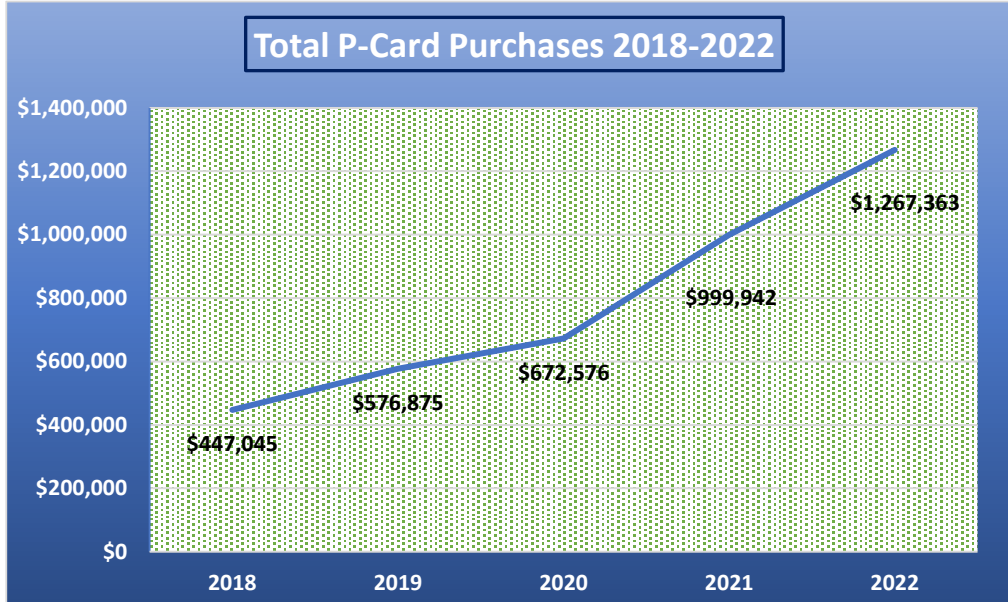
P-Cards may only be issued to permanent, part-time, or full-time employees of DeKalb County whose job duties require the use of a P-Card. Card applications must be approved by the department director and the Department of Finance. The application includes the department manager's requested monthly credit limits for each card, which range from \$2,000 - \$60,000. Before a card is issued, cardholders must attend P-Card training given by the P-Card Administrator (PCA) and sign a form that lists the topics that were covered. In addition, the cardholder signs a Cardholder Agreement and other relevant forms.



### P-Card Usage

P-Card usage increased approximately **284%** over the last five years, from \$447,045 in 2018 to \$1,267,363 in 2022, as shown in **Figure 3** below:

**Figure 3:**



Source: Bank of America Works System

The P-Card is used to purchase numerous types of goods and services. **Figure 4** below shows the amount spent on various purchase categories from 2018-2022 and the percentage of the total annual amount spent each year.

**Figure 4: Amount spent on various purchase categories.**

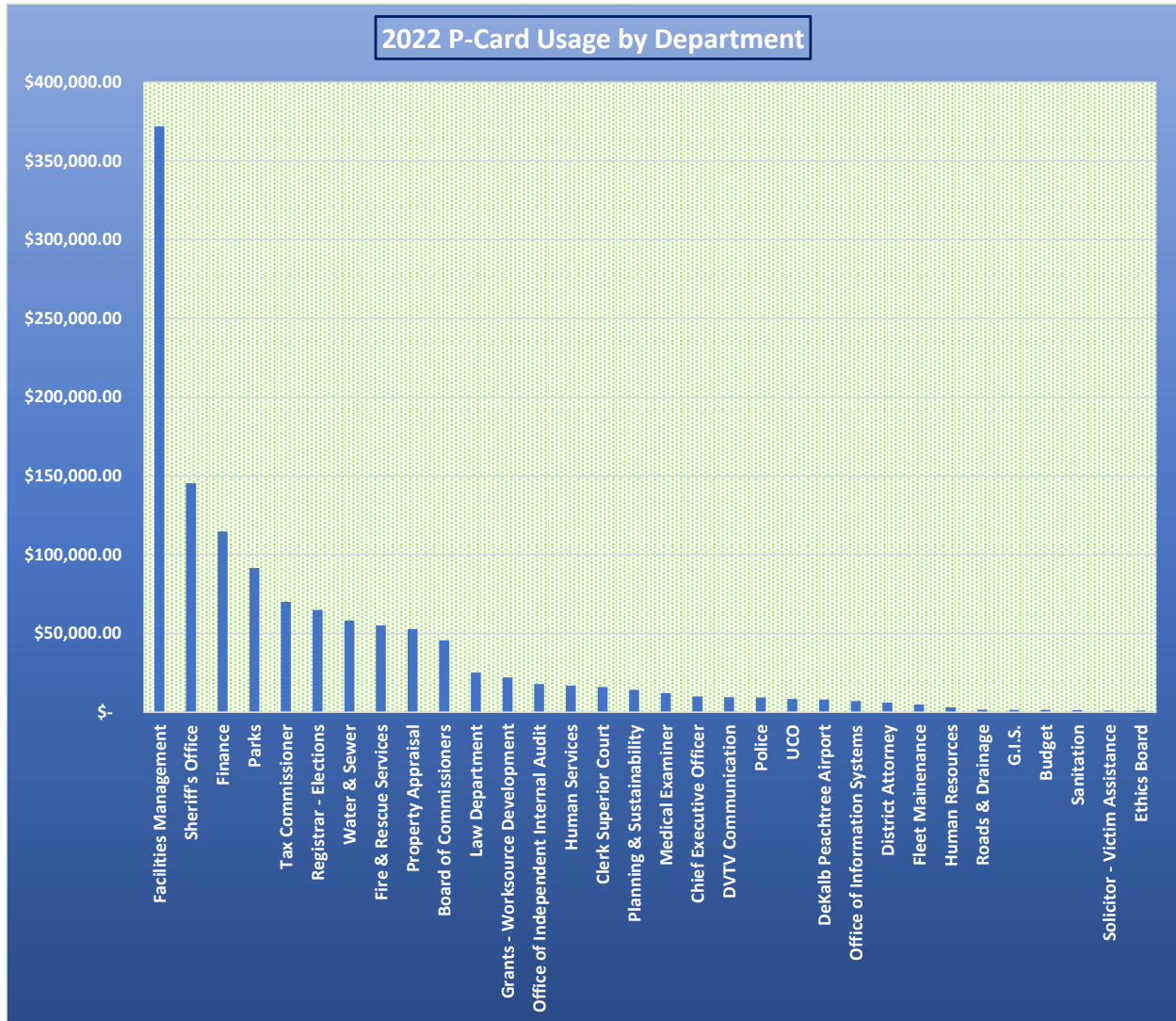
| Purchase Category                                | 2018              |               | 2019              |               | 2020              |               | 2021              |               | 2022                |               | Total               |
|--------------------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|---------------------|---------------|---------------------|
|                                                  | Amount            | %             | Amount            | %             | Amount            | %             | Amount            | %             | Amount              | %             |                     |
| Home Supply/Plumbing/Heating/Building/Electrical | 250,424           | 56.0%         | 274,725           | 47.6%         | 236,444           | 35.2%         | 292,746           | 29.3%         | 399,841             | 31.5%         | 1,454,181           |
| Travel                                           | 49,154            | 11.0%         | 42,158            | 7.3%          | 15,364            | 2.3%          | 76,964            | 7.7%          | 230,877             | 18.2%         | 414,517             |
| Business/Professional Services                   | 44,019            | 9.8%          | 34,595            | 6.0%          | 93,015            | 13.8%         | 30,716            | 3.1%          | 68,863              | 5.4%          | 271,208             |
| Other                                            | 42,208            | 9.4%          | 61,730            | 10.7%         | 131,880           | 19.6%         | 376,760           | 37.7%         | 248,003             | 19.6%         | 860,581             |
| Food                                             | 25,019            | 5.6%          | 19,547            | 3.4%          | 25,992            | 3.9%          | 40,257            | 4.0%          | 91,519              | 7.2%          | 202,333             |
| Books                                            | 6,476             | 1.4%          | 11,782            | 2.0%          | 22,595            | 3.4%          | 45,872            | 4.6%          | 44,937              | 3.5%          | 131,663             |
| Office Supplies                                  | 5,898             | 1.3%          | 14,854            | 2.6%          | 9,022             | 1.3%          | 2,459             | 0.2%          | 12,872              | 1.0%          | 45,106              |
| Government Services                              | 4,818             | 1.1%          | 22,343            | 3.9%          | 15,424            | 2.3%          | 30,302            | 3.0%          | 23,170              | 1.8%          | 96,057              |
| Computer                                         | 4,595             | 1.0%          | 14,127            | 2.4%          | 25,055            | 3.7%          | 26,577            | 2.7%          | 37,446              | 3.0%          | 107,799             |
| Clothing                                         | 3,827             | 0.9%          | 6,824             | 1.2%          | 1,368             | 0.2%          | 1,727             | 0.2%          | 8,661               | 0.7%          | 22,407              |
| Charitable Organizations                         | 3,094             | 0.7%          | 13,737            | 2.4%          | 3,790             | 0.6%          | 9,269             | 0.9%          | 19,065              | 1.5%          | 48,954              |
| Memberships                                      | 2,907             | 0.7%          | 15,168            | 2.6%          | 17,689            | 2.6%          | 16,032            | 1.6%          | 38,793              | 3.1%          | 90,588              |
| Employment Agencies                              | 1,774             | 0.4%          | 635               | 0.1%          | 4,197             | 0.6%          | 8,779             | 0.9%          | 6,065               | 0.5%          | 21,452              |
| Automobile                                       | 1,572             | 0.4%          | 6,529             | 1.1%          | 6,115             | 0.9%          | 4,310             | 0.4%          | 6,190               | 0.5%          | 24,715              |
| Durable Goods                                    | 1,261             | 0.3%          | 38,121            | 6.6%          | 64,625            | 9.6%          | 37,172            | 3.7%          | 31,061              | 2.5%          | 172,241             |
| <b>Grand Total</b>                               | <b>\$ 447,045</b> | <b>100.0%</b> | <b>\$ 576,875</b> | <b>100.0%</b> | <b>\$ 672,576</b> | <b>100.0%</b> | <b>\$ 999,942</b> | <b>100.0%</b> | <b>\$ 1,267,363</b> | <b>100.0%</b> | <b>\$ 3,963,801</b> |

Source: Bank of America Works System

P-Card usage varied widely among County departments in 2022 from \$921 to \$371,927 annually, as shown in **Figure 5** below:



Figure 5:



Source: Bank of America Works System

## OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit testing focused on verifying whether the County's P-Card operating practices complied with documented policies and procedures and if these practices aligned with best practices. Our detailed objectives, scope, and methodology are outlined in Appendix 1 of this report.

## AUDIT RESULTS

The County has documented P-Card policies and procedures that include important controls, such as P-Card issuance requirements, training requirements, and a listing of allowable and unallowable items. We also verified that rebates received from BOA for purchases made were deposited into the County's bank account. In addition, our audit





identified deficiencies in current policies and practices that pose increased financial and reputational risks to the County if not addressed. The report details the specific findings and recommendations that would help strengthen controls and mitigate the risks inherent to the P-Card program.

**FINDING 1: P-Card Policies and Procedures Need to be Strengthened.**

We reviewed the P-Card policy manual to determine if it aligned with purchasing card best practices. Our review noted that the P-Card policy manual was dated September 2015. In addition, the Finance Department had started drafting revisions to the P-Card policy manual. However, the revisions remained in the *draft* mode and were last edited on August 21, 2017.

Our analysis of the current P-Card policy manual and a comparison with the State of Georgia’s Purchasing Card Policy Manual and other better practices indicated that the County’s P-Card policy manual needs to be revised to help ensure strong controls over the County’s P-Card program. Some examples of areas of improvement were as follows:

| Areas Not Included in Current P-Card Policy                                                                                                                                                                                                                             | Areas that need to be strengthened in the Current P-Card Policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Background and credit checks for P-Card applicants</li> <li>• Accountability of equipment purchases.</li> <li>• IRS 1099 reporting requirements for P-Card payments to a small business or self-employed individual</li> </ul> | <ul style="list-style-type: none"> <li>• Periodic P-Card policy refresher training</li> <li>• List of documents required for the issuance of a P-Card.</li> <li>• Clarification of roles and responsibilities of all stakeholders in the process.</li> <li>• List of all purchase activities that require an approved special request form.</li> <li>• Clarification of inconsistencies in the lists of allowable and unallowable items.</li> <li>• Update the list of unallowed merchant category codes (MCC) to include commonly prohibited MCCs.</li> </ul> |

See **Appendix II** for a complete list of recommended revisions to the County’s Purchasing Card Policy Manual.

Purchase cards are an inherently risky purchasing method due to the highly decentralized nature of the transactions, the number of cardholders, and the amount of activity. Comprehensive documented policies and controls over the administration and use of P-Cards help to mitigate the risk of unauthorized transactions, fraud, and use other than for legitimate County business.

**Recommendation:**

We recommend that Finance management revise the P-Card policy manual to address the control gaps and deficiencies in the current policy. The revised policy should include, but not be limited to, the recommended revisions highlighted above and outlined in Appendix II of this report.



**Finance Management Response:**

| <b>Management Agreement</b>                                                    | <b>Description of Management's Action Plan to Address Finding</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Estimated Timeline to implement Action Plan</b> |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | <p>Finance will update and revise the P-Card Policy Manual to include recommendations outlined in Appendix II with the following comments:</p> <ol style="list-style-type: none"> <li>1. Under Roles and Responsibilities of P-Card Program Participants, item 3 (DPCR's and designated approvers) states that department management must approve all purchases before they are made. We will add a provision for emergency "field" purchases that will be reviewed as soon as possible after the purchase.</li> <li>2. Under Roles and Responsibilities of P-Card Program Participants, item 5 (PCA) recommends adding a review of daily reports from Human Resources showing employees who were terminated or transferred. We will work with Human Resources to obtain this if this is a report that is not already processed.</li> <li>3. Under Restricted Merchant Category Codes (MCC), the recommendation is that we work with BOA to reinstate the automatic blocking of transactions from merchants with MCC's that are less likely to be for business purposes. We will work with BOA to determine the feasibility of this.</li> </ol> | <p>December 29, 2023</p>                           |

**FINDING 2: P-Card Purchases Were Not in Compliance with County P-Card Policies**

The County P-Card policy manual prohibits cardholders from using the P-Card to purchase goods or services not in support of legitimate County business. Special pre-authorization is also required for some purchases, such as food, travel, fuel, gift cards, and IT equipment. In addition, the County is exempt from paying sales tax on purchases made in Georgia.

We reviewed 60 P-Card purchases to verify whether they complied with County policy and procedures. We determined that some purchases did not comply with County P-Card policies and procedures, as described below:

1. For 20 of 60 (33.33%) purchases, the **cardholder did not document the business purpose on the P-Card Transaction Log** (See figure 6 below). There was insufficient alternate supporting documentation to determine if the purchases were for personal or business purposes. Some purchases were made from



merchant categories more likely to be used for personal purposes, such as drinking places (alcoholic beverages – bars); eating establishments (restaurants); grocery stores, supermarkets; Amusement, recreation services; and Computer software.

**Figure 6 – P-Card Transaction Log**

| Purchasing Card Transaction Log              |                |                         |          |                          |                    |                            |     |               |                     |                                     |                        |                               |                        |
|----------------------------------------------|----------------|-------------------------|----------|--------------------------|--------------------|----------------------------|-----|---------------|---------------------|-------------------------------------|------------------------|-------------------------------|------------------------|
| Cardholder Name:                             |                |                         |          |                          |                    | John Doe                   |     |               |                     |                                     |                        |                               |                        |
| For The Month of:                            |                |                         |          |                          |                    | Jan-23                     |     |               |                     |                                     |                        |                               |                        |
| Department Name & Cost Center                |                |                         |          |                          |                    | 0                          |     |               |                     |                                     |                        |                               |                        |
| Approved by: Director or Designated Approval |                |                         |          |                          |                    | Jane Doe                   |     |               |                     |                                     |                        |                               |                        |
| Is Approver and Cardholder the Same?Y/N      |                |                         |          |                          |                    | No                         |     |               |                     |                                     |                        |                               |                        |
| Date Approved:                               |                |                         |          |                          |                    |                            |     |               |                     |                                     |                        |                               |                        |
| Bank Statement Total (Works Transactions):   |                |                         |          |                          |                    |                            |     |               |                     |                                     |                        |                               |                        |
| R= Reconciled to Monthly Bank Statement      |                |                         |          |                          |                    |                            |     |               |                     |                                     |                        |                               |                        |
| R                                            | Date Purchased | COST CENT, OBJECT, FUND | Supplier | Work Order# If available | 1) Items Purchased | 2) County Business Purpose | Qty | Dollar Amount | Tax Amount Included | Receipt Included Yes/ No/ Affidavit | Expense Item? Yes / No | Travel Advance Item? Yes / No | Reconciliation Comment |
|                                              |                |                         |          |                          |                    |                            |     |               |                     |                                     |                        |                               |                        |

2. **Sales tax was paid** on 11 of 52 (21.2%) purchases from businesses located in Georgia.
3. **Special request forms (pre-authorization) were not completed** for 15 of 26 (57.7%) of applicable purchases (i.e., for food, travel, fuel, gift cards, and IT equipment). In addition, we did further testing on a separate sample of 25 restaurant food purchases. We determined that 11 of 25 (44%) were not supported with a Special Request Form documenting management approval before the purchases were made.

Non-compliance with County P-Card policies and procedures increases the risk of fraudulent purchases, purchases made for personal use, and/or financial loss of paying Georgia sales tax.

**Recommendation:**

We recommend that Finance Management:

1. Remind cardholders, Department P-Card Representative (DPCR), and designated approvers (e.g., via email or refresher training) about the County policies regarding allowable purchases, County’s exemption from paying Georgia sales tax, and the need to document the business purpose for transactions on the P-Card Transaction Log.
2. Require that the PCA reject and return departmental reconciliation packages that do not include an adequate explanation of County business purpose or supporting documentation for purchases.

**Finance Management Response:**

| <b>Management Agreement</b>                                                    | <b>Description of Management’s Action Plan to Address Finding</b>                                                                                                                                                                                                                                   | <b>Estimated Timeline to implement Action Plan</b> |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | 1. Finance will send monthly reminders via email to cardholders, DPCRs, and designated approvers regarding the use of the Special Request Form, the County’s exemption from paying Georgia sales tax, and the need to document the business purpose for transactions on the P-Card Transaction Log. | September 1, 2023                                  |



|  |                                                                                                                                                                                                 |  |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>2. In the above reminder, approvers will be reminded to reject and return reconciliation packages that do not have the business purpose documented or required supporting documentation.</p> |  |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

**FINDING 3: Monthly P-Card Reconciliation Practices Were Not in Compliance with County P-Card Policies and Procedures**

During our review of the monthly P-Card reconciliation process, we determined that the process was not always effective in accomplishing its goal, which included but was not limited to helping to ensure:

- There was a receipt (or Missing Receipt Affidavit) for every purchase.
- All purchases were for official County business.
- Additional documentation is included for applicable purchases (e.g., special request forms for food, travel, gift cards, fuel, and IT equipment).
- Transaction logs include every P-Card transaction and are signed by the cardholder, DPCR, and designated approver.
- All purchases are reviewed and signed off by the DPCR in the BOA Works system to ensure consistency between the BOA statement, transaction log, and supporting documentation.

We identified 25 different cardholders and selected their monthly P-Card statement reconciliation packages, including transaction logs, for January 2022 to June 2022.

We reviewed 105 monthly P-Card Transaction Logs and statements, including 704 P-Card transactions.

- 25 of 704 (3.6%) **P-Card transactions did not have supporting receipts (or Missing Receipt Affidavits)**. There was no evidence on file indicating the identification of missing receipts and follow-up by the DPCR or P-Card Administrator.
- **DPCRs did not electronically sign off in the BOA Works system** for 33 of 704 (4.69%) of the transactions tested.
- **The cardholder did not sign the monthly transaction logs** for 3 of 105 (2.9%) of the transaction logs reviewed.
- **The designated approver did not sign the monthly transaction logs** for 23 of 105 (21.9%) of the transaction logs reviewed.

**Recommendation:**

We recommend that the P-Card Administrator remind cardholders, DPCRs, and designated approvers (e.g., via email or additional training) of the key requirements of the monthly reconciliation process, including:



- Information required to be included in monthly reconciliation packages, including itemized receipts, Special Request Forms, and other relevant documentation to support the business purposes of purchases.
- DPCRs and designated approvers should reject and return cardholders' monthly reconciliation packages that do not include all the required information.
- Transaction logs must be signed by the cardholder and designated approvers after the reconciliation package documents have been reviewed for compliance, accuracy, and completeness.
- The DPCR must review and electronically sign off on *all* transactions in the BOA Works system before the reconciliation is submitted to the designated approver or P-Card Administrator to ensure consistency between the BOA statement, transaction log, and supporting documentation.

**Finance Management Response:**

| <b>Management Agreement</b>                                                    | <b>Description of Management's Action Plan to Address Finding</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Estimated Timeline to implement Action Plan</b> |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | <p>Finance will send a monthly recurring reminder via email to DPCRs, designated approvers, and cardholders to address the following requirements of the monthly reconciliation process:</p> <ol style="list-style-type: none"> <li>1. Information required for the monthly reconciliation package, including itemized receipts, Special Request Forms and other relevant documentation.</li> <li>2. Monthly reconciliation packages that do not include all the required information and documentation are to be rejected and returned by the DPCRs and designated approvers.</li> <li>3. Transactions logs are to be signed by the cardholder and designated approver after the reconciliation package documents have been reviewed for compliance, accuracy, and completeness.</li> <li>4. All transactions in the BOA Works system must be reviewed and electronically signed off by the DCPR before the reconciliation is submitted to the PCA or designated approver.</li> </ol> | <p>September 1, 2023</p>                           |

**FINDING 4: P-Card Administration Documents are not Adequately Stored and Backed up.**

We confirmed that all information related to P-Card administration (e.g., monthly reconciliation packages, issuance documents, and supporting documentation) are stored



on the P-Card Administrator’s computer local hard drive and **not backed up on the County network.**

Storing P-Card data on a local drive creates a single point of failure that increases the risk of the inability to recover critical files in the event of computer failure and data loss. In addition, it restricts access to the files and limits supervisory monitoring and oversight of P-Card administration activities.

**Recommendation:**

We recommend that Finance management immediately discontinue the practice of storing P-Card administration files on the local hard drive and transfer all existing P-Card administration documents, for at least the last seven years, to a cloud-based network folder for storage and backup by the Department of Innovation and Technology (DoIT).

**Finance Management Response:**

| <b>Management Agreement</b>                                                    | <b>Description of Management’s Action Plan to Address Finding</b>                                                                                                                                             | <b>Estimated Timeline to implement Action Plan</b> |
|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | 1. Finance will work with the Department of Innovation and Technology (DoIT) to transfer administration files to a cloud-based secure network folder for 2023 forward.                                        | October 27, 2023                                   |
|                                                                                | 2. Finance will work with DoIT to transfer electronic administration files prior to 2023 (which are located in Microsoft Outlook in the form of e-mail links) to a cloud-based network folder or shared file. | October 27, 2023                                   |
|                                                                                | 3. Finance will store any administration files for the period 2016 - 2022 which are not electronic in accordance with archiving policies.                                                                     | September 29, 2023                                 |

**FINDING 5: The P-Card Administrator Can Obtain an Unauthorized P-Card Without Anyone’s Knowledge.**

During our review of P-Card issuance processes, we determined that the P-Card Administrator (PCA) could obtain an unauthorized P-Card without anyone’s knowledge. This is possible because:

- To obtain a new P-Card, all that is required is for the PCA to enter the information for a new cardholder account into the BOA Works application. This action triggers the BOA Works application to issue a new P-Card without further supervisory notification or approval. The PCA confirmed that nothing prevents the setting up of a fictitious BOA account and receiving an unauthorized card.
- There is no periodic supervisory oversight of the activities of the P-Cards administrator, including no review of recently issued P-Cards to verify that the new cardholders are authorized County employees.
- Management also does not perform monitoring of P-Card activity to identify unusual patterns and trends for further investigation.



- Other department staff are not cross trained on the PCA duties, which limits succession planning. In addition, when employees are familiar with each other's duties and take over when a co-worker calls in sick or takes a vacation, it creates a system of checks and balances that may help deter dishonest behaviors.

It should be noted that we verified that:

- All individuals who were cardholders at some point in 2022 were County employees.
- For a sample of 25 cardholders, all required P-Card issuance documents were completed correctly and authorized.
- The current PCA (who began her position in January 2023) is not a cardholder, and the former PCA (who ended her role in December 2022) was not a cardholder.

**Recommendation:**

We recommend that Finance Management implement procedures requiring:

- The appointment and cross-training of a backup PCA.
- A supervisory or higher individual should periodically review the BOA Works application report of recently issued P-Cards, and supporting documents, to verify that the new cardholders are authorized County employees.
- In addition, management should periodically analyze P-Card activity reports, including but not limited to total and average transaction count and dollar amounts by department, cardholder, and merchant categories. This analysis will facilitate management decisions and may identify unusual spending patterns for further investigation.

Finance management should also consult with BOA to explore the feasibility of implementing an application control to require supervisory notification and approval each time the PCA requests a new P-Card.

**Finance Management Response:**

| <b>Management Agreement</b>                                                    | <b>Description of Management's Action Plan to Address Finding</b>                                                                                                                                                                                         | <b>Estimated Timeline to implement Action Plan</b> |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | 1. Finance will designate and train an employee to be a backup PCA.                                                                                                                                                                                       | September 01, 2023                                 |
|                                                                                | 2. Finance will obtain and maintain monthly reports from BOA Works of recently issued P-Cards, which will be reviewed by management to ensure that new cardholders are authorized County employees. This review will be documented on the monthly report. | September 29, 2023                                 |
|                                                                                | 3. Finance will periodically analyze P-Card activity reports by department, cardholder, and merchant categories to facilitate management decisions and, possibly, identify unusual spending patterns. These analyses shall be documented and maintained.  | September 29, 2023                                 |



|  |                                                                                                                                                                                   |                    |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
|  | 4. Finance will consult with BOA to determine the feasibility of an application control to require supervisory notification and approval upon request of a new P-Card by the PCA. | September 29, 2023 |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|

**FINDING 6: P-Cards for Some Terminated Cardholders Not Canceled in a Timely Manner**

Our review of P-Card cancellation dates for the eight cardholders terminated during 2022 determined that the PCA did not cancel four (50%) of the related P-Cards until 7-30 business days after the employees’ termination dates.

We verified that no purchases were made with the terminated employees’ P-Cards after their termination dates.

**Recommendation:**

We recommend that Finance Management implement procedures requiring:

1. The PCA to regularly obtain the County-wide employee termination and transfer report from the Human Resources Department. The PCA should review this report to verify that P-Cards have been cancelled for terminated or transferred cardholders. The DPCRs should notify the PCA of any planned cardholder termination or transfer.
2. The cancellation of P-Cards, by the effective date of the termination or transfer or no later than 24 hours after the cardholder was terminated or transferred.

**Finance Management Response:**

| <i>Management Agreement</i>                                                    | <i>Description of Management’s Action Plan to Address Finding</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <i>Estimated Timeline to implement Action Plan</i>                                                                                                                |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Agree<br><input type="checkbox"/> Disagree | <ol style="list-style-type: none"> <li>1. Finance will continue to work with Human Resources to obtain countywide employee termination and transfer reports. These reports will be reviewed by the PCA to ensure that P- Cards have been canceled for terminated or transferred cardholders. Reports with terminated or transferred cardholders will be notated along with date of P-Card cancellation and maintained on file.</li> <li>2. Finance will require DPCRs to notify the PCA of any planned cardholder termination or transfer. This notification will work with the Human Resources reports to alert the PCA of a pending termination or transfer.</li> <li>3. Finance will continue to cancel P-Cards within 24 hours of notification of termination or transfer.</li> </ol> | <p style="text-align: center;">September 01, 2023</p> <p style="text-align: center;">September 01, 2023</p> <p style="text-align: center;">September 01, 2023</p> |





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## APPENDICES

### Appendix I – Objectives, Scope, and Methodology

#### Objectives

The objective of this audit was to verify whether internal controls over the Purchasing Card Program processes were adequately designed and operating as intended. According, we performed testing to verify that:

- Written policies and procedures align with current operating processes and contain all required information.
- Items purchased with the purchasing card (P-Card) complied with County P-Card policies.
- P-Cards are issued in accordance with current County policies.
- Cardholders and the P-Card Administrator (PCA) are performing the required monthly P-Card reconciliation procedures.
- P-Cards for terminated or transferred employees are canceled promptly.
- Rebates from BOA are deposited into the County's bank account.

#### Scope:

The scope of the audit included:

- Current P-Card policies and procedures.
- Documentation related to P-Card purchases made during the calendar year 2022.
- Employees that were cardholders at some point during the calendar year 2022.
- Annual rebate checks from BOA that were received during 2017-2021.

#### Methodology:

Our methodology included but was not limited to:

- Reviewing P-Card program policies and procedures.
- Performing tests on samples of transactions to verify compliance with P-Card policies and procedures.
- Examining and assessing the adequacy of supporting documentation.
- Interviewing appropriate County personnel.



## Appendix II – Recommended Revisions to the County’s Purchasing Card Policy Manual

Shown below is a list of recommended changes to the policy manual to help ensure the manual reflects current operating practices, includes all required information, and aligns with best practices.

| Add or Revise | Topic                                                     | Information that Needs to be Revised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revise Topic  | Definitions                                               | Add Definitions For: <ul style="list-style-type: none"> <li>• Card Abuse</li> <li>• Card Misuse</li> <li>• Reconciler</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Revise Topic  | Issuance Requirements                                     | Add: <ol style="list-style-type: none"> <li>1. The documents that need to be signed before cards are issued.</li> <li>2. The maximum number of cards that can be issued.</li> <li>3. A review of a report showing newly issued P-Cards should be generated and reviewed at least monthly by an independent reviewer who is not under the supervision of the PCA.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Revise Topic  | Roles and Responsibilities of P-Card Program Participants | <u>Add for department P-Card representatives (DPCRs) and designated approvers:</u> <ol style="list-style-type: none"> <li>1. DPCRs and designated approvers must have a thorough knowledge of the cardholders’ job responsibilities to determine if purchases are for official County business.</li> <li>2. All approvers are required to complete P-Card training and sign off on the forms that are signed by cardholders during the card issuance process.</li> <li>3. Department management must approve all purchases before they are made.</li> <li>4. Designated approvers cannot be subordinates of cardholders for whom they are responsible.</li> </ol><br><u>Add for PCA's responsibilities:</u> <ol style="list-style-type: none"> <li>1. Cannot be a P-Card holder.</li> <li>2. Ensures there are sufficiently documented internal controls and other measures (e.g., audits) to prevent and/or detect misuse or abuse of the P-Card and other accounts.</li> <li>3. Develops appropriate refresher training to be delivered at least annually.</li> <li>4. Is the only person who can order P-Cards.</li> <li>5. Reviews daily reports from Human Resources showing employees who were terminated or transferred.</li> </ol> |



|              |                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|              |                        | <p>6. Is responsible for canceling P-Cards for terminated or transferred cardholders within three (3) business days after the cardholder was terminated or transferred.</p> <p>7. Ensures dormant cards are canceled (e.g., no purchases in 12 months).</p> <p>8. Periodically reviews average P-Card usage each year for each cardholder and cancels cards that are rarely used (e.g., less than \$100 per year).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Revise Topic | P-Card Training        | <p>Add:</p> <p>1. The requirement to have at least annual refresher training for Cardholders, designated approvers, and DPCRs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Revise Topic | Special Request Forms  | <p>Add a section that indicates all instances when a Special Request Form is required, including transactions for meals, gift cards, travel, fuel, and IT equipment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Revise Topic | P-Card allowable items | <p>Clarify conflicting items listed on both the allowable and unallowable lists in policy: For example:</p> <p><b>Currently on the Allowable List:</b><br/> Florists<br/> Gasoline<br/> Restaurants/Food</p> <p><b>Currently on the Unallowable List:</b><br/> Flowers or gifts to be given away<br/> Fuel/Gasoline<br/> Meals</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Revise Topic | Restricted MCC Codes   | <p>Add the requirement to review the restricted items list at least every three years. Also, Finance management should work with BOA to reinstate the automatic blocking of transactions from merchants with merchant category codes (MCCs) that are less likely to be for business purposes. Consider adding the following MCCs to the blocked (unallowable) list including, but not limited to the following:</p> <p><b>4900</b> - Utilities (Electricity, Gas, Water, Sanitary Sewer)<br/> <b>5013</b> - Motor Vehicle – Supplies and New Parts (exemption for fleet maintenance)<br/> <b>5094</b> - Precious Stones and Metals, Watches, and Jewelry<br/> <b>5511</b> - Car and Truck Dealers – New and Used Sales, Service, Repairs, Parts, and Leasing<br/> <b>5832</b> - Antique Shops – Sales, Repairs, and Restoration Services<br/> <b>7273</b> - Dating and Escort Services<br/> <b>7277</b> - Tax Preparation Service<br/> <b>7992</b> - Golf Courses (Public and Private)</p> |



|              |                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|              |                                        | <p><b>7995</b> - Betting (including Lottery Tickets, Casino Gaming Chips, Off-track Betting, and Wagers)<br/> <b>7997</b> - Clubs Country Clubs Membership etc.<br/> <b>8050</b> - Nursing and Personal Care Facilities<br/> <b>8351</b> - Child Care Services<br/> <b>9211</b> - Court Costs, including Alimony and Child Support<br/> <b>9222</b> - Fines<br/> <b>9223</b> - Bail and Bond Payments</p>                                       |
| Add Topic    | Accountability of equipment purchases. | When appliances or equipment are purchased, the location (building number, room number, vehicle lot, etc.) of the item should be documented on the transaction log. (A requirement in the Federal Purchasing Card Policy).                                                                                                                                                                                                                      |
| Add Topic    | IRS 1099 Reporting requirements        | Implement procedures/systems to ensure compliance with IRS 1099 reporting regulations. (See <a href="https://www.irs.gov/uac/about-form-1099misc">https://www.irs.gov/uac/about-form-1099misc</a> ). Currently, electrical services, carpentry and masonry contractors, cleaning services, etc., are listed as allowable expenditures. This may require tracking and reporting on form 1099 and sent to the IRS for charges greater than \$600. |
| Revise Topic | Monthly Reconciliation Requirements    | <p>Add:</p> <ol style="list-style-type: none"> <li>1. The requirement to include sufficient documentation to validate the business purposes of P-Card purchases.</li> <li>2. The requirement for each receipt to be itemized to show the amount of each purchase included in the total amount of the receipt.</li> <li>3. The requirement for the DPCR to sign the transaction log to indicate their review and approval.</li> </ol>            |
| Add Topic    | Criminal Background and Credit Checks  | The County does not currently require criminal background or credit checks when P-Cards are issued (as required by the Georgia P-Card Program). Management should consider adding a policy that requires criminal background and/or credit checks before P-Cards are issued.                                                                                                                                                                    |



## Appendix III – Management Response



**Chief Financial Officer**  
Dianne McNabb

June 26, 2023

Lavois Campbell  
Chief Audit Executive  
Office of Independent Internal Audit  
1300 Commerce Drive, Suite 300  
Decatur, Georgia 30030

**Michael L. Thurmond**  
Chief Executive Officer

Board of Commissioners

District 1  
Robert Patrick

District 2  
Michelle Long Spears

District 3  
Larry Johnson

District 4  
Steve Bradshaw

District 5  
Marada Davis Johnson

District 6  
Ted Terry

District 7  
Lorraine Cochran-Johnson

RE: **Management Response to Purchasing Card Program Audit Report**

Dear Mr. Campbell:

In accordance with DeKalb County, Georgia – Code of Ordinances / Organizational Act Section 10A- Independent Internal Audit, this is our response to the audit named above provided in this document. As required by the ordinance, our response includes 1) a statement regarding our agreement or disagreement along with reasons for any disagreement, 2) our plans for implementing solutions to issues identified, and 3) the timetable to complete such plans.

If you have any questions about this response, please contact me.

Sincerely,

Dianne McNabb  
Chief Financial Officer  
DeKalb County Government



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## DISTRIBUTION

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Preston Stephens, Deputy Finance Director

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Ted Terry, Board of Commissioners District 6

Lorraine Cochran-Johnson, Board of Commissioners District 7

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Cloris O Jackson, P-Card Administrator, Finance



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## PROJECT TEAM

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**This report was submitted by:**

*Len Ohnstad*

*6.30.23*

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Len Ohnstad, CPA, CIA  
Internal Audit Manager  
Office of Independent Internal Audit

---

Date

**This report was reviewed by:**

*Lewis Blake*

*6.30.23*

---

Lewis Blake, CPA, CIA  
Internal Audit Manager  
Office of Independent Internal Audit

---

Date

**The report was approved by:**

*Lavois Campbell*

*6.30.23*

---

Lavois Campbell, CIA, CISA, CFE, CGA-CPA  
Chief Audit Executive  
Office of Independent Internal Audit

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Date



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## STATEMENT OF ACCORDANCE

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### Statement of Accordance

*The mission of DeKalb County is to make the priorities of the citizens of DeKalb County; the priorities of County government - by achieving a safer DeKalb, building stronger neighborhoods, creating a fiscally accountable and more efficient County government and uniting the citizens of DeKalb County.*

*The mission of the Office of Independent Internal Audit is to provide independent, objective, insightful, nonpartisan assessment of the stewardship or performance of policies, programs and operations in promoting efficiency, effectiveness and integrity in DeKalb County.*

*This performance audit was prepared pursuant to DeKalb County, Georgia – Code Ordinances/Organizational Act Section 10A- Independent Internal Audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.*

*This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Independent Internal Audit.*

*Please address inquiries regarding this report to the Office of Independent Internal Audit at 404-831-7946.*