Audit of Purchase Card Administration
Issued December 23, 2021

Summary from Original Report #2201

We conducted this audit to review and evaluate Purchase Card (P-Card) activity within selected City departments. The scope of our audit included testing transactions for compliance with City P-Card policy and good business practices, evaluating controls over the use of City P-Cards, and reviewing the City P-Card policy for completeness and adequacy for fiscal years 2018 and 2019. The audit objectives were to determine: 1) whether policies and procedures governing the City's Purchase Card program (Program) provided adequate internal controls to reasonably ensure the Program's goals and objectives would be accomplished, and 2) did operations of the Purchase Card Administration (Admin) section of Disbursement Services comply with applicable policies and procedures. After our initial audit, the Purchase Card section was moved from Procurement Services to the newly formed Disbursement Services Division within the Grants & Enterprise Resources department.

We concluded that overall, City P-Card policies and procedures provided adequate internal controls to reasonably ensure P-Card transactions were accurate, properly approved and recorded, served a public purpose, and Program goals would be achieved. However, our audit also identified opportunities for improvement to strengthen controls over the Program's administration.

A total of 9 action plan steps were established by management in response to our audit recommendations. Of those, 5 were completed during this audit period with no further action required and 4 need attention from management. This status report is the 2nd and final follow-up on audit report #2201.

Complete	In Progress	Needs Attention
5	**0**	**4**

Action Plan Step 1.1

Prepare business process guides and flowcharts for the P-Card processes. Review current security role assignments in the PeopleSoft Financial system (PSFIN).

Action Plan Status: COMPLETE

The Disbursement Services management reviewed and made changes to the P-Card administration process and developed business process documentation as part of those P-Card process changes. Additionally, management reported the security roles within PeopleSoft Financials were reviewed.

Action Plan Step 1.2

Evaluate results in 1.1 and develop a new process that segregates duties including detecting, compensating, and mitigating controls in place to ensure process integrity when duties cannot be segregated. Update PSFIN security roles as part of this process.

Action Plan Status: COMPLETE

After reviewing, updating, and documenting the P-Card administration process, management implemented a new system to keep track of which duties are performed by staff. Due to limited staffing, management determined it was not reasonable to fully segregate incompatible duties within the PSFIN system. To reduce risks associated with staff having the ability to perform incompatible duties, independent reviews of P-Card transactions are conducted by department cardholders, proxies, and supervisors. We have concluded this additional review as well as the automated transaction report detailed in Action Plan Step 3 will serve as mitigating controls.

Action Plan Step 2.1

Review Bank of America (BOA) software tools and deploy any that will help mitigate risk.

Action Plan Status: COMPLETE

Management reviewed the software tools and reports available through BOA and identified several reports that help mitigate risk in the P-Card program. After that review, management implemented a process whereby certain BOA reports are run on a weekly basis. An example of such a report is the "Decline Report," which shows all attempted but declined P-Card transactions.

Action Plan Step 2.2

As part of the reimplementation of the P-Card module in the PSFIN system, develop business processes and controls that mitigate risks.

Action Plan Status: NEEDS ATTENTION

Management reported the P-Card module reimplementation has not yet been completed. The project is estimated to be completed by March 31, 2024. Progress has been impacted by the complexity of the reimplementation, staffing limitations, and competing projects. Additionally, the reimplementation will require a complete reengineering of associated business processes. Due to the length of time since the completion of the original audit, we will no longer monitor or report on the status of this action plan step.

Action Plan Step 3

The P-Card staff will work with Enterprise Resource Planning (ERP) and BOA to determine what options are available from the BOA system to automate the transfer of daily transactions from the BOA System to PSFIN. This will be incorporated into the P-Card reimplementation project.

Action Plan Status: COMPLETE

P-Card staff worked with ERP and BOA to develop and implement a process whereby P-Card transaction information is automatically transferred to the PSFIN system on a daily basis. We commend both P-Card staff and ERP for completing this action plan step prior to the completion of the P-Card module reimplementation project as originally planned.

Action Plan Step 4.1

Develop an interim gift card guidance communication regarding requirements when purchasing gift cards with a P-Card. Establish a threshold when the dollar amount equates to the establishment of a petty cash fund. Provide documentation requirements for P-Card documentation and reimbursement requests for petty cash funds.

Action Plan Status: NEEDS ATTENTION

Management reported it has completed a comparison between various cities that also use Purchase Cards. The gift card guidance will be part of the rewritten Purchase Card policy, which will supplement City Commission Policy 242 (Procurement Policy). Management concluded that this is not a high-risk area of exposure requiring new controls given the historically low volume of usage and overall value of gift card transactions. The aforementioned policy update will provide guidelines for gift card purchases, including procedures for both securing and tracking the distribution of cards.

Auditor Comment: We disagree with management's conclusion regarding the level of risk associated with gift cards. Gift cards are considered a cash equivalent and, as such, carry a high inherent risk of loss or misuse. Furthermore, we believe allowing the purchase of gift cards with City P-Cards is roughly equivalent to allowing the use of automatic teller machines (ATMs) to obtain cash (which is prohibited). Accordingly, we again recommend the purchase of gift cards be prohibited.

Action Plan Step 4.2

Rewrite the P-Card Policy aligning it with the module functionality and current industry best practices.

> **Action Plan Status: NEEDS ATTENTION**
>
> The P-Card policy will be updated in coordination with the Procurement team and included in the ongoing P-Card module reimplementation. Management estimates that the P-Card module reimplementation project will be completed by March 31, 2024. Progress has been impacted by the complexity of the reimplementation, staffing limitations, and competing projects. Due to the length of time since the completion of the original audit, we will no longer monitor or report on the status of this action plan step.

Action Plan Step 5

New training on the new business process and PeopleSoft financials system processes will be incorporated into the P-Card reimplementation project. The training will include a P-Card Policy module that explains requirements and any significant changes.

> **Action Plan Status: NEEDS ATTENTION**
>
> As noted in action plan step 2.2, the P-Card module reimplementation in the PeopleSoft financial system has not been completed. Management reported training on the new system and process will be incorporated into the rollout of the new P-Card module. Management estimates the P-Card module reimplementation project will be completed by March 31, 2024. Due to the length of time since the completion of the original audit, we will no longer monitor or report on the status of this action plan step.

Action Plan Step 6

Develop performance measures for the P-Card program and staff, including a reporting dashboard that monitors transactional activity on a real-time basis. We will include statistics on department compliance as part of the performance management program developed.

> **Action Plan Status: COMPLETE**
>
> The ERP and Disbursement Services Division management has developed P-Card transaction volume and dollar amount queries. While these queries do not align with the goals identified in APP 603, they do provide perspective on the performance of the P-Card program. Additionally, a workcenter has been created for staff to monitor work associated with the program.

Conclusion

Management developed 9 action plan steps to address the recommendations in the original audit report #2201. Overall, management successfully completed 5 of the 9 action plan steps. The 4 steps not completed relate to Action Plan Steps 2.2, 4.1, 4.2, and 5. Due to the length of time since the completion of the original audit, we will no longer monitor or report on the status of the incomplete action plan steps.

Appointed Official's Response

City Manager:

I am very pleased with the outcome of this audit follow-up. The results of the follow-up conclude that the Disbursement Services team demonstrates adequate controls over purchase card use. The majority of management actions are completed, with the remaining expected to be completed through the implementation of a new purchase card module in PeopleSoft Financials early next year. I would like to thank the staff of the Office of the Inspector General for their professional review and ongoing effort to strengthen our City controls and processes.

Acknowledgements

We appreciate the cooperation and assistance provided by management and staff during this audit follow-up.

Project Team

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Statement of Accordance

The Office of Inspector General's mission is to advance integrity, accountability, transparency, and efficiency and effectiveness within City government by providing professional, independent, and objective audit and investigative services.

We conducted this audit follow-up in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of the Inspector General at (850) 891-8397 or inspector.general@talgov.com.

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