

**Results of Purchase Card Review
AR 17 - 01**



This Audit Report has been approved for release and has been transmitted to the individuals listed. The report is considered privileged and confidential.

A handwritten signature in cursive script that reads "Deborah Welch". The signature is written in black ink and is positioned above a horizontal line.

**Deborah Welch
Chief Internal Auditor**

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EXECUTIVE SUMMARY

What We Reviewed

The City's Purchase Card Program is an effective tool that allows City departments to reduce the time and cost associated with the purchase of supplies, services, or other off-the-shelf items. Due to the high volume of transactions; the lower dollar value of the transactions and the possibility of fraudulent transactions, the City's Purchase Card Program was identified as high risk with regard to fraud.

The purchase card reconciliation process is a key preventative control that provides reasonable assurance that cardholders will use their purchase cards for authorized purchases only, and that fraudulent purchases will be detected.

What We Found

During FY 2016, 346-purchase cardholders processed 29,862 transactions for a total of \$9,626,844.52. We found cardholders certified and remitted 77% of the reconciliation reports for the reporting months that contained transactions. On average, the certified reconciliation reports were submitted 17 days beyond the due date. We also found 11% of the certified reconciliation report remitted were certified for an incorrect reporting period. Finally, we found that 98% of the certified reconciliation reports contained evidence of supervisory review.

What We Recommended

We recommended that City departments need to establish better procedures that ensure that cardholders certify their monthly reconciliation report for the correct reporting period and remit the certified purchase card reconciliation reports by the due date. Subsequent to our review, City departments have established improved procedures to ensure that the monthly reconciliation reports are prepared for the correct reporting period; are reviewed by the cardholder's supervisor; and are remitted timely.

In addition, effective January 1, 2017, the Purchasing Agent implemented new purchase card regulations, which included an enhanced oversight function. The oversight function now includes monitoring purchase card activity by the Purchase Card Administrator; and consequences if the cardholder fails to submit the purchase card reconciliation report in a timely manner or fails to follow the new purchase card policies and procedures.

We believe that the combination of OIA's comprehensive review of each department's Purchase Card Program and the newly enhanced oversight function in the Purchasing Division, will reduce the risk of fraud in the City's Purchase Card Program to a medium risk.