


# City of Alexandria, Virginia

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## MEMORANDUM

**DATE:** AUGUST 13, 2018  
**TO:** KENDEL TAYLOR, DIRECTOR OF FINANCE  
**FROM:** ROBERT SNYDER, ACTING CHIEF INTERNAL AUDITOR   
**SUBJECT:** REVIEW OF PURCHASE CARD PAYMENTS OVER \$5,000 (MR19-02)

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### Background

During a meeting of purchase card coordinators, departments were notified that purchase cardholders must provide evidence of obtaining three (3) quotes for any payment over \$5,000. An *F-OMB 5044* form or similar evidence must be attached to their purchase card *Transaction Allocation Report*. The requirement to obtain the three (3) quotes for purchases over \$5,000 is a key control as it forces departments to either exercise due diligence in identifying perspective vendors or explore formalized contract options with vetted City vendors.

### Purpose, Scope, and Methodology

This review was designed to determine if cardholders were complying with the requirement to submit evidence of obtaining the three (3) quotes for payments over \$5,000. We examined payments made between March 5, 2018 and June 5, 2018. We extracted information from the J.P. Morgan system and compared the names of the vendors with the Active Contract List. We then requested copies of the *Transaction Allocation Reports* from the Accounting Division. We did not perform testing of other controls that were outside of the scope of this review.

### Findings, Conclusion, and Recommendations

We identified that the use of Purchase Cards for payments in amounts over \$5,000 is extremely low. In the three (3) month period reviewed, only 15 payments out of 8,638 were made. These payments were made to eight (8) vendors and totaled **\$164,529.02** out of a total of **\$3,138,796.82**. This amount approximated **6%** of all purchase card payments made during the period. From our review we identified the following:

- Five (5) of the eight (8) vendors had active contracts with the City of Alexandria
- One (1) vendor did not have a valid City contract and received a payment in the amount of \$5,472.26 for a replacement engine. The cardholder properly obtained the three (3) quotes and referenced his obtaining the quotes in supporting documents attached to the purchase card *Transaction Allocation Report*. He failed to attach the written quote form or some other document listing the firms that he obtained the quotes from. The department provided the documentation on request. No further action needs to be taken.

- One (1) vendor had a purchase order in progress and received a payment in the amount of \$5,400.00 for IT consulting. This payment was subsequently reversed. In addition, review of the purchase order documentation indicated that the department was using a sole source justification to utilize this vendor. The department has been reminded of the requirement to either complete the purchase order process or obtain the three (3) quotes prior to making a payment over \$5,000. No further action needs to be taken.
- One (1) vendor did not have a valid City contract and received a payment in the amount of \$6,135.00 for handguns. The cardholder believed that an existing state contract for ammunition would allow the purchase of the handguns. Purchasing is working with the department to explore contracting options that can be used in the future. No further action needs to be taken.

## **Conclusion**

Only a small number of the payments made using purchase cards fall into the over \$5,000 category. This may present an opportunity to increase the amount of payments made using the purchase card program, thereby taking advantage of incentives provided by the purchase card vendor. Of the payments over \$5,000 most were made to vendors with active contracts. Of the ones that did not have active contracts, there was evidence of non-compliance with the policy and confusion regarding general procurement policy knowledge. Further training and management emphasis will be required to ensure compliance with this policy.

## **Recommendations**

- The Director of Finance should take the following actions:
  - Continue to conduct training for financial managers and purchase card coordinators on purchase card policies and procedures and how they interface with the procurement regulations.
  - Provide more in-depth training for Finance Department personnel that are responsible for auditing or reviewing purchase card transactions.

## **Departmental Response**

**Continue to conduct training for financial managers and purchase card coordinators on purchase card policies and procedures and how they interface with the procurement regulations.**

The findings of the report were shared with the City's Finance Management Reps at the monthly meeting on Tuesday, August 21. At time, department financial managers were reminded that all procurement rules apply for purchases made regardless of method. Using a P-Card does not preclude following the City's Purchasing Manual. Specifically, the discussion focused on the need to have active contracts and to attach quotes and other documentation to P-Card reconciliation submissions. All individuals in Departments who are responsible for purchasing, regardless of the form of the purchase are required to attend Purchasing 101, to understand the

policies and procedures. Prior to receiving a P-Card, all P-Card holders are required to go through an introductory training. We will continue to use the monthly Financial Management Representatives meetings to educate and train city employees. The City's internal auditor has an opportunity at each meeting to share findings and to advise departmental fiscal staff on recommended improvements to internal controls.

**Provide more in-depth training for Finance Department personnel that are responsible for auditing or reviewing purchase card transactions.**

Throughout the coming year, through continuing education, training and review, the Finance Department and the Office of Internal Audit will work together to try to instill a more inquisitive tendency among the individuals in the P-Card transaction chain, with the expectation that more people will feel empowered to ask questions, to disallow inappropriate transactions and to seek corrective action. The review process starts with the P-Card Coordinator from each department who is ensuring that all transactions are reviewed and submitted to accounting in a timely manner. The process can be further improved by ensuring that Finance Department staff alert both P-Card holders and Supervisors in Departments to inappropriate or incomplete monthly submissions. This will help to create an army of individuals who are holding one another accountable for correct P-Card usage. Additional training in detection of fraud techniques will ensure that our P-Card transaction review process covers not only misuse due to ignorance, but also willful misuse associated with fraud.

CC Laura B. Triggs, Deputy City Manager