



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

HIGHLIGHTS

Highlights of City Auditor Report #0805, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

This audit of P-Card activity within selected City departments was conducted as part of our 2007 annual audit plan. The purpose of the audit was to determine, for selected departments and offices, whether the City's P-Card program was operating efficiently, effectively, and according to good business practices.

The audit addressed activity during the sixteen-month period October 2005 through January 2007. P-Card activity within five separate City departments and offices was reviewed. Those five departments included NCS, UBSCS, ISS, HR, and Parks and Recreation. In addition, we reviewed oversight and administrative activities performed by DMA and the Office of Treasurer-Clerk's Records Management Division (RMD).

WHAT WE FOUND

Overall, we found that P-Card activities within the five audited departments and offices (as well as DMA and the Treasurer-Clerk's RMD) were efficient, effective, and in accordance with good business practices. For the most part, P-Cards were used only by staff to make authorized and appropriate acquisitions of goods and services. Adequate controls were generally in place. No instances of fraud were noted. However, risks were identified that increase the likelihood of (1) unauthorized purchases occurring and not being timely detected and/or (2) goods and services not being procured efficiently and in accordance with controlling rules, regulations, and guidelines. Those risks include:

- P-Card account information was not always adequately safeguarded. This included inappropriate assignment of system permissions allowing unauthorized access to account information within computer databases and not adequately securing records that contain cardholder account information.
- Management did not always adequately review P-Card purchase activity.
- Incompatible duties were not always adequately segregated.
- Cardholders did not always properly execute P-Card transactions. For instance, cardholders allowed other employees to use their P-Card to make purchases, transactions were split to circumvent transaction and spending limits, and competitive quotes were not obtained for larger purchases.
- Records were not always prepared to clearly document payment and receipt of purchased items.
- Purchases were not always accurately coded.
- Monthly cardholder statements were not always signed and dated as evidence that cardholders and their supervisors ensured the validity of charged transactions.
- Department procedures were not always updated to address current P-Card activities and controls.

To view the full report, go to:

<http://www.talgov.com/auditing/index.cfm> and select *Auditing Reports*, then *Reports Issued FY 2008*, then *Report #0805*.

For more information, contact us by e-mail at auditors@talgov.com or by telephone at 850/891-8397.

Audit Conducted by: Reuben Iyamu, Staff Auditor

January 3, 2008

AUDIT OF P-CARD ACTIVITY AT SELECTED CITY DEPARTMENTS AND OFFICES

WHAT WE RECOMMEND

Measures we recommend that management take to strengthen controls relative to the P-Card program include:

- Better restrict access to P-Card account information through modification of system permissions.
- Enhance management reviews of P-Card activity recorded in the PeopleSoft P-Card module.
- Have employees other than P-Card coders obtain and distribute monthly cardholder statements to cardholders and their supervisors (as a means to limit the coders' abilities to make unauthorized purchases without timely detection).
- Improve physical security over P-Card account numbers.
- Ensure cardholders execute transactions properly and in compliance with controlling rules, regulations, and guidelines. (This includes, for example, not allowing employees to use P-Cards of other employees to make purchases, not allowing splitting of transactions to circumvent spending or transaction limits, timely cancellation of P-Cards for terminating employees, not paying state sales taxes when possible, and procuring food only in accordance with the City Manager's Food Guidelines.)
- Better document events such as payment of invoices and receipt of items and better account for activity through more appropriate coding of transactions.
- Ensure that appropriate reviews of cardholder monthly statements are performed.
- Ensure proper and adequate support is maintained for executed transactions.
- Enhance and update existing written procedures and policies to adequately address aspects and processes relative to current P-Card activities.

To help ensure the identification and resolution of issues and risks that may exist at City departments and offices not included in the scope of this audit, we recommend that the respective Appointed Officials distribute this report to management of each City department and office for their review and follow through as applicable.

We would like to thank and acknowledge the full and complete cooperation and support of staffs within the City departments and offices audited.

**Audit of
P-Card Activity at Selected
City Departments and
Offices**

AUDIT REPORT #0805

January 3, 2008



Copies of this audit report #0805 may be obtained from the City Auditor's web site (<http://talgov.com/auditing/index.cfm>), by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit conducted by:
Reuben Iyamu, Staff Auditor
T. Bert Fletcher, CPA, Senior Audit Manager
Sam M. McCall, CPA, CGFM, CIA, CGAP, City Auditor

Table of Contents

Executive Summary 1

Objectives..... 5

Scope..... 5

Background 6

Audit Methodology 11

Access to and Accountability for Resources..... 12

Direct Activity Management 14

Segregation of Duties 14

Physical Controls 15

Execution of Transactions and Events..... 18

Recording of Transactions and Events 20

Information Processing 21

Documentation 23

Recommendations 25

Conclusion..... 25

Appointed Officials’ Responses 26

Appendix 1 - P-Card Activity By City Department/Office 29

Appendix 2 - Separate Presentations By Audited Department/Office 29

Audit of P-Card Activity at Selected City Departments and Offices



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

Report #0805

January 3, 2008

Executive Summary

Annually, the City makes 61,000 P-card purchases that total almost \$19 million.

P-Card purchases represent only 3.4% of the total dollar value of all City purchases, but represent 67% of all City purchase transactions.

We audited P-Card activity in five City departments and offices, as well as related administrative and oversight functions conducted by DMA and the Treasurer-Clerk's Records Management Division.

For each of the last three fiscal years, the City has executed an average of 61,000 procurement card (P-Card) purchases totaling almost \$19 million. While that activity represents only 3.4% of the dollar value of total annual City disbursements, it represents approximately 67% (two-thirds) of all annual purchase transactions. This is indicative of the efficiencies achieved through the P-Card program without assumption of great risk. Specifically, P-Card purchases generally can be executed more quickly and with less cost relative to purchases through more traditional methods, but there are inherent risks associated with a P-Card program. The primary risk is that P-Cards enable individuals to acquire goods and services before supervision and oversight activities can occur.

This audit addressed P-Card activity in five City departments and offices. Those five include:

- Department of Neighborhood and Community Services;
- Department of Utility Business and Customer Services;
- Information Systems Services;
- Human Resources; and
- Parks and Recreation.

P-Card program oversight and administrative functions performed by the Department of Management and Administration (DMA), as well as record retention functions performed by the Office of the Treasurer-Clerk's Records Management Division (RMD), were also reviewed. Our objectives were to determine, for the departments/offices reviewed, (1) if P-Card purchases were properly authorized and documented to show the public purpose

Our audit addressed activity during the 16-month period October 2005 through January 2007.

During the audit period, the five selected departments and offices executed 20,848 transactions that totaled \$5.1 million.

Overall, we found that P-Card activities were efficient, effective, and in accordance with good business practices. However, some risks were identified.

served and (2) whether adequate controls were in operation to reasonably ensure P-Card purchases were in accordance with controlling rules, regulations, and guidelines.

Our audit addressed P-Card activity during the sixteen-month period October 2005 through January 2007. During that period, the five audited departments and offices executed 20,848 P-Card transactions that totaled \$5,128,144. That activity represented 26% of total City P-Card transactions and 20% of the total dollar value of City P-Card transactions executed during the sixteen-month period. During the sixteen-month period there were 849 active City cardholders.

For each of the five audited City departments and offices, we:

- interviewed staffs responsible for administering and managing P-Card activities;
- observed methods, processes, procedures;
- examined records and documents; and
- selected and tested samples of P-card purchases.

Similar procedures were performed in regard to administrative and oversight functions conducted by DMA and the Treasurer-Clerk's RMD. Based on the results of our audit procedures, we can provide certain assurances and comment on identified risks.

Overall, we found that P-Card activities within the five audited departments and offices (as well as DMA and the Treasurer-Clerk's RMD) were efficient, effective, and in accordance with good business practices. For the most part, P-Cards were used by staff only to make authorized and appropriate acquisitions of goods and services. Adequate controls were generally in place. No instances of fraud were noted.

However, some risks were identified that increase the likelihood of (1) unauthorized purchases occurring and not being timely detected and/or (2) goods and services not being procured efficiently and in accordance with controlling rules, regulations, and guidelines. We have discussed the identified risks with

Management is receptive to audit recommendations made to address identified risks.

applicable management, and they are receptive to taking actions, where appropriate, that:

- better control access to P-Card account information;
- enhance management and supervisory reviews of P-Card activity;
- segregate incompatible duties among different employees, or provide compensating controls when such segregation is not efficient or reasonable;
- improve physical security over P-Card account numbers;
- help ensure cardholders execute transactions properly and in compliance with controlling rules, regulations, and guidelines;
- better document events such as payment of invoices and receipt of items, and better account for activity through more appropriate coding of transactions;
- ensure that appropriate reviews of cardholder monthly statements are performed;
- ensure proper and adequate support is maintained for executed transactions; and
- enhance and update existing written procedures and policies to adequately address aspects and processes relative to current P-Card activities.

Separate presentations of the identified assurances and risks and related recommendations were made for each of the audited departments and offices.

To facilitate the usefulness of this audit, a separate presentation of the assurances, risks, and related recommendations was prepared for each of the five audited cost centers, as well as for activities administered by DMA and the Treasurer-Clerk's RMD. Those separate presentations are included within this audit report as Appendix 2.

This is our second audit of City P-card activity of selected City departments and offices.

This is the Office of the City Auditor's second audit of P-Card activity at selected City departments and offices. In the first audit (report #0326 issued September 2003), we reviewed P-Card activity in nine other City departments and offices. For the issues identified in that first audit, action plans were developed. Our follow-up audits showed successful implementation of those action steps by the nine applicable departments and offices. In addition,

As many issues identified in this second audit were also identified in our first audit, management should provide this report to each member of the City's Leadership Team for their review and follow through in their respective departments/offices.

because of the similarities of the issues noted for many of those nine audited departments and offices, the Office of the City Auditor prepared and distributed an assistance and guidance report (report #0327 issued September 2003) to assist all City departments and offices in identifying and addressing P-Card issues that may exist in their areas.

Many of the specific risks reported in this second audit were also identified and reported in our first audit. Furthermore, some of those same risks have been identified and reported to management by DMA oversight staff through their periodic and ongoing monitoring of P-Card activity at City departments and offices. To help ensure the identification and resolution of issues which may exist at City departments and offices not included in the scope of this or our initial P-Card audits, we recommend that the respective Appointed Officials distribute this report to management of each City department and office for their review and follow through as applicable.

We would like to acknowledge the full and complete cooperation and support of applicable City departments and offices during this audit.

Audit of P-Card Activity at Selected City Departments and Offices



Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

Report #0805

January 3, 2008

Objectives

This audit was done to determine if P-card purchases were proper and adequate controls over the P-Card process were in place.

The objectives of this audit were to determine, for selected City departments and offices, whether the City's procurement card (P-Card) program was operating efficiently, effectively, and in accordance with good business practices. Determinations were made as to whether: (1) purchases made with City P-Cards were properly authorized and documented to show the public purpose served and (2) adequate controls were in operation to reasonably ensure those purchases were in accordance with controlling rules, regulations, and guidelines. Inherent in those objectives was the identification of risks and recommendations to eliminate or mitigate those risks.

Scope

A cross section of five City cost centers was selected for audit.

The scope of this audit included a review of P-Card activity within five separate City cost centers (departments and offices). P-Card program oversight and administrative activities within the Department of Management and Administration were also examined. Additionally, we reviewed activities pertaining to the retention of P-Card records through the City's electronic storage medium, as overseen and administered by the Office of the Treasurer-Clerk's Records Management Division. Our audit addressed activity during the sixteen-month period October 2005 through January 2007.

The five cost centers reviewed and their related P-Card activity during the stated sixteen-month audit period are shown in **Table 1**.

P-Card activity at the five selected departments/offices represented 26% of all City P-Card transactions and 19% of the total dollar volume of City P-Card purchases.

Table 1 - Audited Cost Centers and Related Activity

No.	Cost Center	No. of Trans.	\$ Amount
1.	Neighborhood & Community Services	2,724	\$651,853
2.	Utility Business & Customer Services	2,668	\$502,735
3.	Information Systems Services	1,787	\$952,094
4.	Human Resources	2,074	\$188,630
5.	Parks and Recreation	11,595	\$2,832,832
TOTAL		20,848	\$5,128,144

The total activity for these five cost centers represents 26 percent of the total number of transactions and 20 percent of the total dollar volume of P-Card transactions processed by the City during the sixteen-month audit period.

This audit represents the Office of the City Auditor's second review of City P-Card activity. The first audit (report #0326 issued September 2003) addressed P-Card activities in a cross section of nine other City departments and offices. The five departments and offices selected in this second audit were not included in the scope of the first audit.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and 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.

Background

The P-Card program is intended to achieve administrative efficiencies in the procurement process.

The objective of the P-Card program is to reduce the cost of procuring supplies and services with a cost of less than \$10,000 through administrative efficiencies. Savings are realized by not having to generate checks and because fewer employees (and departments) are needed to initiate and process transactions. Other efficiencies are realized in terms of time, as goods and services can often be obtained more quickly when compared to traditional procurement methods.

The City's P-Card program was initiated in 1998. The Department of Management and Administration (DMA) oversees the program. However, individual departments and offices are responsible for the administration of P-Card activity within their areas. As the City is participating in the program through the State of Florida's existing contract, Bank of America (bank) is the administering bank. The City uses the P-Card module within the PeopleSoft Financials System to administer and account for P-Card activity.

When a cardholder (employee provided a City P-Card in his/her name) purchases an item with a P-Card, the transaction is submitted

Processing P-Card transactions involves several entities.

to the bank by the vendor. The bank pays the vendor. Those transactions are accumulated daily and forwarded to the City where they are recorded in the City's PeopleSoft P-Card module through a systems interface with the bank's software. Designated City staff within the individual City departments and offices then access those transactions for review and coding. The bank submits monthly invoices for transactions processed and paid on behalf of the City. After verification procedures, those invoices are paid by DMA.

The individual City departments and offices are responsible for storing records supporting and substantiating P-Card transactions executed by their cardholders. Typical support consists of vendor invoices and/or receipts, department forms documenting the approval and purpose of individual purchases, and monthly bank statements. Monthly bank statements are received for each cardholder and reflect each cardholder's transactions executed in the applicable month. In the past, City departments and offices manually stored the records supporting their P-Card acquisitions, generally in secured file cabinets. However, pursuant to City Commission Policy 146 – Records Retention, City departments and offices have recently started storing those records in the City's Electronic Documents Management System (EDMS), an electronic storage medium. The Office of the Treasurer-Clerk's Records Management Division (RMD), in conjunction with designated staff from the City's Information Systems Services (ISS) Division, are responsible for administering the Records Retention Policy.

During our 16-month audit period, there were 846 City cardholders that made approximately 73,000 purchases totaling \$23 million.

During the audit period, there were 846 cardholders that made purchases on behalf of the City. During our 16-month audit period (October 2005 through January 2007) there were 80,520 P-Card transactions that totaled \$25,142,786. **Appendix 1** to this report shows that activity by City department/office.

As shown in the following table, annual City P-Card activity over the last three fiscal years has averaged 61,054 transactions totaling approximately \$19 million, with an average purchase of \$311.

Annually, the City has averaged 61,054 P-Card transactions totaling almost \$19 million.

Table 2 – City P-Card Activity			
Fiscal Year	Number of Transactions	Total \$ Value all Transactions	Average Purchase
2005	60,807	\$18,757,236	\$308
2006	61,289	\$19,343,769	\$316
2007	61,065	\$18,788,427	\$308
Average Annual Activity	61,054	\$18,963,144	\$311

To put the City’s P-Card activity in perspective, the following table compares that activity to total City disbursements.

P-Card purchases represent two-thirds of all disbursement transactions but only 3.4% of total City funds disbursed.

Table 3 – Analysis of Annual City Disbursements		
	Transactions	\$Value of Purchases
P-Card Transactions	61,054	\$18,963,144
All City Disbursements (1)	91,000 (2)	\$560,000,000 (2)
Percentage of P-Card to Total	67%	3.4%
Note (1) – Approximation based on a recent two-year period		
Note (2) – Includes P-Card transactions and amounts		

As shown by table 3, total annual City disbursements approximate \$560 million. That includes funds disbursed by City check and electronic transfers in addition to P-Card purchases. Those total City disbursements are made through approximately 30,000 non-P-Card transactions and (as noted above) 61,000 P-Card transactions. Accordingly, approximately 67% of all City purchases are made by P-Card. However, the dollar total of all P-Card purchases represents only a little more than three percent of total City funds disbursed. This is indicative of the efficiencies achieved through the P-Card program without assumption of great risk, as P-Cards are used to efficiently make two-thirds of all purchases/payments while exposing only 3.4% of City funds to the inherent risk of such

a program. (Inherent risks of the P-Card program are described in the following paragraph.)

There are inherent risks within P-Card programs that should be addressed through implementation of proper controls.

As noted above, there are many positive attributes of a P-Card program. At the same time, there are inherent risks that should be addressed through proper control procedures. A primary risk is that employees with P-Cards are inherently able to complete a purchase transaction before supervision and oversight activities can occur. Accordingly, an entity with a P-Card program must ensure that adequate “detection” controls are in place that will timely identify (detect) instances where inappropriate purchases are made. In addition, “access” controls are needed to prevent unauthorized individuals from obtaining and using account information (i.e., card numbers and expiration dates) to make inappropriate purchases.

For purposes of this audit, we identified controls necessary for the successful administration of a P-Card program and then classified those controls into eight basic control activity categories established in the City’s “Internal Control Guidelines,” Administrative Policy and Procedure No. 630. **Table 4** on the following page specifies those controls.

TABLE 4 – CONTROL ACTIVITY CATEGORIES

NO.	CONTROL ACTIVITY CATEGORY	DESCRIPTION
1.	Access to and Accountability for Resources	Access to P-Card account numbers and expiration dates should be limited to authorized staff. For example, (1) access to P-Card activity/records containing sensitive data should be restricted to authorized administrative staff, (2) confidential and unique passwords should be required to access that activity, and (3) cardholders should be responsible for securing their P-Cards.
2.	Direct Activity Management	Management should play an active role in (1) determining which employees are provided P-Cards, (2) establishing transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments, and (3) reviewing P-Card activity for volume and reasonableness. Management should also ensure that procedures are performed to compensate for certain inherent risks.
3.	Segregation of Duties	Each P-Card transaction should be reviewed by an (supervisory) employee other than the employee making the purchase. Without compensating controls, employees responsible for the initial receipt of monthly cardholder statements from the bank should not also be able to access and code activity in the PeopleSoft P-Card module.
4.	Physical Controls	Cardholder account numbers and expiration dates are sensitive information that should be physically secured. Examples of controls include (1) controlling and/or monitoring entry to locations where that information is maintained, (2) assigning custody of sensitive information to designated employees, (3) locking filing cabinets containing such information when custodial staff are temporarily away from their workstations, and (4) redaction of sensitive data on records stored in electronic storage mediums.
5.	Execution of Transactions and Events	P-Card transactions should be authorized and executed only by cardholders acting within the scope of their authority. Controlling rules, regulations, and guidelines should be followed. Processing of transactions should be timely and efficient. Controls to ensure proper execution include, for example, (1) review of transactions, (2) cardholder training, (3) prohibitions against sharing of P-cards, (4) issuing P-Cards only to employees with purchasing needs, and (5) requiring proper support for all purchases.
6.	Recording of Transactions and Events	Documentation should be prepared and events recorded to provide accountability. For example, (1) transactions should be properly and timely coded, (2) the public purpose of each purchase should be documented, (3) vendor invoices should be defaced to preclude inappropriate duplicate payments, and (4) receipt of purchased items should be documented.
7.	Information Processing	Information processing includes a variety of controls to check accuracy, completeness, and propriety of activity. Examples include (1) reviews of monthly statements by cardholders and their supervisors and (2) reconciliation of transactions recorded in the PeopleSoft P-Card module and shown on monthly statements to support.
8.	Documentation	Adequate documentation should be prepared and retained. For example, (1) transaction support should be retained in accordance with City record retention requirements, (2) records should be retained for all requested P-Card actions, and (3) written procedures and guidelines should be prepared and issued to cardholders and applicable administrative staff.

Audit Methodology

For each of the audited cost centers, an understanding of the P-Card process was obtained. Based on those understandings, assurances and risks were identified.

We conducted procedures to address the stated audit objectives, including:

- Interviewing staffs responsible for administering and managing P-Card activities;
- Observing methods, processes, and procedures;
- Examining records and documents; and
- Selecting and testing samples of P-Card purchases.

These procedures were performed at each of the five cost centers selected for review. Similar procedures were performed in regard to administrative and oversight functions conducted by the Department of Management and Administration (DMA) and the Treasurer-Clerks' Records Management Division (RMD).

In regard to transaction testing, we selected both random and judgmental samples for each of the five cost centers. The judgmental items were selected after data mining (analyzing) the transaction populations for large dollar items, purchases from unusual or unknown vendors, Internet purchases, food purchases, travel-related purchases, etc. For all five cost centers, 330 transactions totaling \$287,857 were selected and tested.

Based on understandings obtained through our procedures and testing, we provided certain assurances and comment on risks identified. The "assurances" indicate that controls and procedures are in place and operating to provide reasonable assurance that P-Card transactions are appropriate, proper, and valid. In contrast, "risks" represent instances where controls or processes were not in place or were not operating in a manner to provide such reasonable assurances. In some instances we determined that controls and processes were generally operating effectively, but improvements and enhancements were needed to increase the level of assurance.

For each of the five cost centers and for DMA and the Office of the Treasurer-Clerk's RMD, we categorized the identified assurances and risks into the following eight "control activity category" classifications that are also shown in **Table 4**:

Identified assurances and risks were categorized and reported. Separate presentations were made for each of the audited cost centers.

- Access to and Accountability for Resources
- Direct Activity Management
- Segregation of Duties
- Physical Controls
- Execution of Transactions and Events
- Recording of Transactions and Events
- Information Processing
- Documentation

For DMA, the Office of the Treasurer-Clerk's RMD, and each cost center, we prepared a separate presentation of the identified assurances and risks. Those presentations are included in Appendix 2 of this audit report. Included in those presentations are recommendations for actions to reduce the identified risks. In making these recommendations, we considered the potential costs of implementing offsetting controls and the likely loss that could occur without such controls.

The following section of this report summarizes the results of our audit by control activity category.

Access to and Accountability for Resources

Access to P-Card account numbers and expiration dates should be limited to authorized staff. Examples of controls and procedures within this category include (1) providing system permissions allowing access to P-Card activity/records containing sensitive data only to staff needing that information to process or review P-Card transactions as part of their job assignments, (2) use of confidential and unique passwords to access P-Card records in applicable databases, (3) eliminating access to such software when individuals terminate employment with the City, (4) placing responsibility for securing P-Cards on the cardholders, and (5) controlling the routing of documents containing P-Card account information.

Except when access to all City cardholders' account information reflected in the PeopleSoft System was inadvertently and inappropriately granted to approximately 500 City employees, access to P-Card account information was generally controlled.

Our audit showed that, except for the following instances, access to cardholders' account numbers and expiration dates was generally properly and adequately controlled. This control was primarily accomplished through implementation of the procedures described in the above paragraph. Identified risks involved the following:

- Approximately one year ago, DMA unknowingly made PeopleSoft system records containing City cardholder account numbers available to unauthorized system access groups. As a result, all City cardholder account numbers were available to 524 City employees, when access should have been limited to approximately 20 employees. This security exposure occurred when PeopleSoft tables containing all cardholder account numbers were inadvertently and incorrectly made accessible to numerous City employees that use the PeopleSoft Financials System in performing their assigned job duties (e.g., purchasing and payment of goods and services through processes not involving City P-Cards). Unauthorized access to cardholder account numbers increases the risk of fraudulent and inappropriate purchases. Upon audit's identification of this issue, DMA Accounting Services staff took immediate corrective action by removing access from the approximately 500 employees to which that access should not have been provided. (*DMA*)
- In Human Resources, individual cardholders provided their monthly statements and related support (invoices, receipts, etc.) to the department director's executive secretary. The executive secretary subsequently provided those records to the department director for review and approval. This process resulted in the unnecessary exposure of cardholder account information to the executive secretary, thereby increasing the risk of unauthorized purchases. (*Human Resources*)

As noted above, DMA took immediate corrective action to resolve the first risk described above. Recommendations were made to address the second described risk. Human Resources initiated corrective action based on that recommendation.

Direct Activity Management

Management activities should be enhanced to compensate for certain inherent risks.

Direct activity management involves the assignment, review, and approval of staff's work. Supervisors should continuously review and approve the assigned work of their staffs. Also, management should provide necessary guidance and training to staffs to help ensure that their directives are achieved. In regard to a P-Card program, this would include (1) determining which employees should be provided a P-Card, (2) establishing transaction and spending limits for cardholders, (3) providing training on record retention requirements, (4) reviewing P-Card purchases to ascertain the volume and reasonableness, (5) designating staff to oversee and monitor program operations, and (6) ensuring that procedures are in place to compensate for inherent risks.

Our audit showed that management activities were generally adequate and appropriate. One risk was identified, in that management for each of the five audited departments/offices did not routinely obtain and review reports of P-Card activity recorded in the PeopleSoft P-Card module. The regular review of those reports provides management an overview of P-Card purchases and serves as another process to detect inappropriate purchases. Such reviews are especially important to compensate for P-Card administrative staff that generally have access to cardholder account information and receive cardholder monthly statements from the bank for distribution to cardholders. (See further discussion of that risk under the following control activity category, "Segregation of Duties.") Other procedures were not performed at these cost centers to adequately mitigate that risk. (*NCS, UBCS, ISS, Human Resources, and Parks and Recreation*)

Recommendations were made to address the described risk. Corrective action plans have been developed.

Segregation of Duties

Key duties and responsibilities in executing, reviewing, and approving P-Card transactions should be segregated among individuals to reduce the risk of error or inappropriate purchases. No one employee should be in the position to make a P-Card purchase and approve payment of that purchase. In addition, no one person should be in the position to make a P-Card purchase without the knowledge of management or other staff. Generally, P-Card transactions in each audited department and office were reviewed and approved by managerial staff independent of the

P-Card transactions are independently reviewed by supervisory staff.

However, certain P-Card administrative staffs are in the position to make P-Card purchases without the knowledge of others.

employees making the purchases. However, as described in the following, certain employees within each of the audited departments/offices were in the position to potentially execute P-Card transactions without the knowledge of others.

Because of processing and administrative requirements, P-Card administrative staffs (or P-Card “coders”) inherently have access to all cardholder account information within their respective departments and offices. At each of the audited departments and offices, those coders also receive monthly cardholder bank statements for distribution to the respective cardholders and their supervisors for review and approval. The coders also reconcile the activity on the monthly statements to charges reflected in the PeopleSoft P-card module. The bank only sends statements for cardholders with transaction activity (purchases) during the month. The bank does not send statements for cardholders that have no monthly activity. Because of these duties and circumstances, the coders may be in the position to use a cardholder’s account information to make an unauthorized purchase without detection. For example, if a coder has knowledge that a specific cardholder will not make any purchases in a given month (e.g., cardholder out on leave), the coder could access that cardholder’s account information, make an unauthorized purchase, code that fraudulent purchase in the PeopleSoft P-Card module, and intercept and destroy the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected. (NCS, UBCS, ISS, Human Resources, and Parks and Recreation)

Recommendations were made to address the described risk. Corrective action plans have been developed.

Physical Controls

Cardholder account numbers and expiration dates are sensitive information that, if obtained by a fraudulent party, can be used to make inappropriate purchases. Accordingly, records and documents containing that information should be physically secured. Our review showed that physical security was generally adequate as (1) entry to offices and areas where P-Card information is maintained is controlled or monitored in a manner that generally precludes unannounced or undetected visits, (2) custodial

responsibility for P-Card information is assigned to designated staff, (3) most information is maintained in closed drawers and file cabinets, (4) monthly cardholder statements received in sealed envelopes are usually not opened until placed in the custody of the cardholders or designated P-Card administrative staff, (5) P-Cards no longer needed (e.g., terminated employees) are timely destroyed by department/office staff, and (6) cardholder account information is redacted on records that are stored electronically in the City's EDMS.

Enhancements should be made to improve physical security over P-Card account information.

However, physical security at each of the five audited departments and offices should be enhanced to address identified risks. Specifically:

- At each of the five audited departments and offices, P-Card information containing account numbers and expiration dates was not always adequately secured. This included the following:
 - Instances were observed where monthly statements and/or other records containing cardholder account information (e.g., vendor invoices and receipts) were left unattended on employees' desks in unlocked offices or open cubicles. (*NCS, UBCS, ISS, Human Resources, and Parks and Recreation*)
 - Individual cardholders placed support for their P-Card purchases (vendor invoices and receipts containing cardholder account information) in an unsecured folder located in a common area that were accessible by all department employees. P-Card administrative staff periodically obtained those records for processing. (*ISS*)
 - Monthly statements and/or records containing cardholder account information were transmitted between P-Card administrative staff and cardholders in unsealed interoffice envelopes. (*NCS, UBCS, and Parks and Recreation*)
 - After processing, monthly statements and/or records containing cardholder account information were stored in unlocked cabinets in common areas that were accessible by

all department/office employees. (*ISS and Parks and Recreation*)

- For three of the audited departments/offices, cardholder account information was not always properly and adequately redacted on records that were scanned into the City's electronic storage medium, EDMS. This included records scanned into both the EDMS P-Card module and the EDMS contracts and payments module. (*NCS, UBCS, and Parks and Recreation*)
- In one department, a cardholder scanned records (invoices, receipts, etc.) supporting his P-Card purchases into a shared drive on the City's network. The cardholder did that to facilitate his personal storage of those records and to facilitate providing those records to P-Card coders (i.e., as e-mail attachments). However, the cardholder did not redact his account numbers prior to scanning those records into the shared drive. As a result, those records were accessible to other employees with access to that shared drive. (*UBCS*)
- Immediately prior to the start of our audit, staff in the Office of Treasurer-Clerk's RMD determined that cardholder account numbers on monthly invoices submitted by the contract bank were not being redacted when those invoices were scanned into the EDMS contracts and payments module. As that module was accessible to all City employees that had access to the City's computer network, cardholder account numbers were inadvertently accessible to a significant portion of the City's employees. Upon identification of that risk, DMA and RMD staffs worked out a reasonable solution. Specifically, portions of the monthly invoices containing cardholder account numbers are no longer scanned into the EDMS contracts and payments module. Instead, those portions are now scanned into the EDMS P-Card module, with access restricted to only authorized DMA P-Card management and oversight staff. Additionally, portions of prior invoices containing cardholder account numbers that had been previously scanned into the EDMS contracts and payments module were removed from that module and imported into the secured EDMS P-Card module. Those

corrective actions were completed by the end of our audit fieldwork in October 2007. (*DMA and Treasurer-Clerk's RMD*)

Not adequately securing cardholder account information increases the risk that unauthorized persons will access and use that information to make fraudulent purchases. Recommendations were made to address the described risks. Corrective actions have been completed, initiated, and/or planned.

Execution of Transactions and Events

Transactions were generally properly executed. However, risks were identified that (1) limited accountability and support for transactions, (2) increased the chance of unauthorized or inappropriate transactions, and/or (3) resulted in transactions not being executed in accordance with controlling requirements.

Transactions and events should be authorized and executed only by personnel acting within the scope of their authority. Furthermore, transactions should be processed in an efficient and appropriate manner. In regard to a P-Card program, this means that controls and procedures should be in place to (1) issue P-Cards only to appropriate staff, (2) independently review purchase transactions, (3) ensure purchases are within transaction and spending limits, (4) provide training to cardholders and administrative staff, (5) maintain a reasonable number of staff to administer P-card activities, (6) timely cancel P-cards no longer needed, (7) ensure state sales taxes are not paid, (8) purchase items on the Internet only through secured websites, (9) preclude sharing of P-cards among employees, (9) obtain/maintain adequate support for purchases, (10) timely resolve disputed charges, and (11) ensure compliance with rules, regulations, and guidelines pertaining to expenditure of funds.

Our audit showed that adequate controls and procedures were generally in place. However, the following risks were identified:

- At each of the five audited departments and offices, P-Cards were sometimes shared among employees. This occurred when cardholders provided their card or account numbers and expiration dates to other employees to make purchases. Sharing of P-Cards is a violation of City P-Card Policy and should be discouraged, as it limits the ability to determine responsibility for purchases and also often exposes cardholder account information to employees other than the cardholder and P-Card administrative staff. (*NCS, UBCS, ISS, Human Resources, and Parks and Recreation*)
- At three of the audited departments and offices, cardholders sometimes circumvented their transaction limits in order to

purchase needed goods and services. City P-Card policy provides that P-cards should be used only to make acquisitions less than \$10,000. In addition, transaction limits are established for each cardholder to reduce the risk of unauthorized purchases. Individual transaction limits typically range from \$500 to \$10,000. We found instances where (1) vendors “split” invoices exceeding a cardholder’s individual transaction limit (and sometimes the P-Card policy transaction limit of \$10,000) by allowing the cardholder to make two separate payments, with each individual payment being below the cardholder’s transaction limit and (2) vendor invoices were “split” and paid in separate transactions by two cardholders, as the invoice total exceeded the transaction limit of one of the two cardholders. This practice was in direct violation of City P-Card policy and represents a circumvention of designed controls. (*NCS, UBCS, and ISS*)

- At two audited departments and offices, we found instances where there was no evidence of independent managerial or supervisory review of individual P-Card purchases. Such independent reviews are necessary to ensure that purchases are for authorized and appropriate purposes. (*UBCS and Parks and Recreation*)
- At three audited departments/offices, instances were noted where P-Cards for terminated employees were not timely cancelled. (*NCS, ISS, and Parks and Recreation*)
- Competitive procurement practices were not always used when required and/or documentation was not retained demonstrating the required use of those practices. For purchases exceeding \$1,000, City procurement policy requires that competitive quotes be obtained from at least three vendors. At three audited departments/offices, instances were noted where required quotes were not obtained and/or not documented. (*NCS, UBCS, and ISS*)
- For two audited departments/offices, instances were noted where tangible personal property was purchased but not tagged and/or not recorded in the City’s asset management system.

Not taking those actions limits control and accountability over the purchased assets. (*ISS and Parks and Recreation*)

- Instances were noted where disputed transactions were not always timely resolved at one audited department. (*ISS*)
- In addition to the above, incidents were noted where sales taxes were inappropriately paid and food purchases were not in accordance with the City Manager's Food Guidelines. (*NCS, UBCS, ISS, Human Resources, and Parks and Recreation*) We also noted instances where unneeded insurance coverage was acquired and cellular telephone services were not properly processed. (*NCS*)

Recommendations were made to address the described risks. Corrective actions have been initiated and/or planned by applicable departments and offices for the above risks.

Recording of Transactions and Events

Transactions and events should be recorded/documented on a timely basis and properly classified. For P-Card transactions, this means that transactions downloaded into the PeopleSoft P-Card module from the bank should be timely and accurately coded. In addition, records should be prepared and maintained that (1) document all transactions and reviews of those transactions, (2) document the specific goods/services purchased, (3) document the individual making a purchase, (4) demonstrate the City business (public purpose) served by a purchase, and (5) demonstrate compliance with rules, regulations, and guidelines governing the purchase. To ensure accountability for purchased items, evidence of receipt should be documented. Also, to limit the risk of unauthorized duplicate payment for the same goods/services, payment should be clearly documented on vendor invoices. Furthermore, certain non-transaction events (e.g., distribution and/or receipt of P-Cards to/from individual cardholders) should be documented.

We determined that, generally, P-Card transactions and events were properly, accurately, and timely documented and classified. However, certain risks were identified as described below.

- At each of the five audited departments and offices, vendor invoices were not always defaced or marked in a manner to clearly document that payment was made by City P-Card. Not

Adequate records were generally prepared to document P-Card activity.

However, improved recording of activity and events is needed in certain instances to help ensure transactions are authorized, accurately recorded, and in accordance with controlling rules and regulations.

defacing or marking vendor invoices to reflect payment by City P-Card increases the risk of inappropriate duplicate payment. *(NCS, UBCS, ISS, Human Resources, and Parks and Recreation)*

- Transactions were not always correctly and accurately coded in the PeopleSoft P-Card module at four of the audited departments and offices. This included, for example, instances where equipment purchases were classified as “repairs” and computer equipment was misclassified as vehicle equipment. In other instances, purchases of items (e.g., tangible personal property, food, and recreational services) were classified generically as “unclassified supplies” when more specific and appropriate classifications were available. *(NCS, UBCS, ISS, and Parks and Recreation)*
- For four of the audited departments and offices, records were not always prepared and retained that clearly documented the City in fact received items purchased online (i.e., through the Internet), by telephone, or by other methods whereby items were shipped to the City after the purchases was made. *(NCS, ISS, Human Resources, and Parks and Recreation)*
- Adequate records were not always obtained or prepared for food purchases made by four of the audited departments and offices. In those instances, records either did not document the specific food/beverage items and quantities purchased, or did not document the employees/persons (or number of persons/employees) the food was for. *(NCS, UBCS, ISS, and Parks and Recreation)*

Recommendations were made to address these risks. Corrective actions have been initiated and/or planned by applicable departments and offices.

Information Processing

Information processing includes a variety of controls to check accuracy, completeness, and authorization of activity and transactions. For the City’s P-Card program, examples include (1) reviews by cardholders and supervisors of cardholder monthly statements, (2) reconciliations by administrative staff of charges within the PeopleSoft P-Card module and reflected on cardholder monthly statements to support, (3) reconciliations by DMA of the

monthly bank invoice to the total of monthly transactions reflected in the PeopleSoft P-Card module and the PeopleSoft Financials general ledger, (4) DMA reviews of the status of charges downloaded from the bank to ensure they are timely processed and coded, (5) periodic comparisons by DMA of active cardholders reflected in the PeopleSoft P-Card module to City personnel records reflecting recently terminated employees (i.e., for the purpose of ensuring P-Cards of terminated employees are timely cancelled), and (6) analyses by DMA of P-Card purchase activity to ensure that capital outlay acquisitions are properly reported for recording in the City's fixed asset records.

Most of the controls described above were determined to be in place and operating effectively. However, certain risks were identified as explained below.

Each department and office should ensure that monthly cardholder statements are signed (and dated) by cardholders and their supervisors. Additional monitoring to ensure proper redaction of sensitive cardholder account information should be performed.

- At each of the five audited departments and offices, monthly cardholder statements received from the bank were not always signed and dated by the cardholders and/or their supervisors and, in some instances, the monthly statements were not retained. Cardholder and supervisor reviews of monthly statements are an effective control for identifying instances where another individual (within or external to the City) inappropriately uses a cardholder's account information to make unauthorized purchases. Dated signatures of the cardholders and their supervisors on the monthly statements serve to show those necessary reviews are timely performed. (NCS, UBCS, ISS, Human resources, and Parks and Recreation)
- At one audited department, administrative staff did not reconcile charges per monthly cardholder statements to support (vendor invoices and receipts and standard authorization forms) and charges reflected in the PeopleSoft P-Card module. Such reconciliations serve to assist in the identification of improper and fraudulent charges. (Note: This department identified and corrected this risk after the audit period and immediately prior to the start of our audit fieldwork.) (Parks and Recreation)
- Reviews by DMA Accounts Payable staff of support for travel and training related expenses were not designed to detect instances where individual departments and offices did not

redact critical P-Card account information on those records. Such reviews, if conducted, should help reduce the risk of unauthorized individuals accessing and using P-Card account information to make fraudulent purchases. (DMA)

Recommendations were made to address these risks. Corrective actions have been completed, initiated, and/or planned.

Documentation

Adequate documents and records should be designed, used, and retained. This means, among other things, that (1) supporting records should be retained in accordance with City record retention requirements, (2) records should be prepared and retained to document all requested P-Card actions, and (3) written operating procedures should be prepared and available to provide direction and guidance to staff. Written operating procedures help ensure a consistent and appropriate methodology for making and processing P-Card purchases.

Forms and records used by City staff to document and account for P-Card activity were generally adequate. Applicable records were generally retained. Written procedures were also generally established and available. However, risks were identified. Specifically:

Record retention improvements are needed.

In addition, written procedures providing direction and guidance to staff for P-Card activity should be enhanced.

- Instances were noted where support for P-Card purchases was not retained and available for two audited departments. Support not available included vendor invoices and receipts and standard authorization forms. (Note: As noted above under the *Information Processing* section of this report, instances were also noted where monthly cardholder statements were not retained.) (UBCS and Parks and Recreation)
- For three of the audited departments and offices, internal written procedures developed for the operation and administration of P-Card activities were available but did not address all aspects of pertinent processes. To be complete, those procedures should be updated to reflect (1) the current accounting system and related processes, (2) current capitalization thresholds, (3) the process for reporting purchases of fixed assets to Accounting Services, and/or (4) the required receipt, processing, approving,

and signing of monthly cardholder statements. (*NCS, UBCS and Parks and Recreation*)

- Documentation (e.g., e-mails) of management's request for new P-Cards and changes to the status of existing cards (e.g., canceling cards or increasing transaction limits) was not retained by one audited department. Retention of that documentation is needed to demonstrate that timely and appropriate actions are taken, especially when a P-card is to be cancelled for a terminating employee. (*Parks and Recreation.*)
- To help ensure proper records retention and security over cardholder account numbers and card expiration dates, the City P-Card policy (Administrative Procedures Manual #603) should be revised to: (*DMA*)
 - Provide for the electronic storage of P-Card records in the EDMS P-Card module as required by City Commission Policy 146 – Records Retention.
 - Address and require redaction of cardholder account numbers and card expiration dates on records scanned into either the EDMS P-Card module or EMDS contracts and payments module. Direct reference should be made within the policy to the EDMS Business Rules issued by the Treasurer-Clerk's Records Management Division.
- To help ensure security over cardholder account numbers and card expiration dates, the Office of the Treasurer-Clerk should place the Records Management Division's EDMS Business Rules on their CityNet website (the City's intranet available to all City employees). Placing those Business Rules (which are currently provided by Treasurer-Clerk staff to employees who receive training on scanning, indexing, and storing documents within EDMS) on the CityNet website will facilitate their availability and distribution. (*Office of the Treasurer-Clerk*)

Recommendations were made to mitigate these risks. Corrective actions have been initiated and/or planned.

Recommendations

Specific recommendations were made to eliminate or reduce the identified risks.

As noted above, recommendations were made to reduce or eliminate the risks identified during our reviews. The costs of implementing or revising existing controls and procedures were considered relative to the expected benefits to be derived when making these recommendations. The specific recommendations for each of the audited departments and offices are included as part of the separate presentations within Appendix 2 of this audit report. The focus of the individual recommendations was to (1) preclude unauthorized access to P-Card account information, (2) enhance the management oversight function, (3) ensure independent review of transactions and adequate segregation of incompatible duties, (4) improve physical security over P-Card information, (5) ensure the proper and efficient execution of P-Card transactions and related events, (6) ensure the proper recording of those transactions and events, (7) ensure the accuracy, completeness, and propriety of P-Card activity, and/or (8) ensure that appropriate documentation was prepared and retained, including the provision of proper written instruction/guidance to cardholders and administrative staff.

An additional recommendation is made in the following section of this report. That recommendation includes dissemination of this report by the respective Appointed Officials to management of all City departments and offices.

Conclusion

For the most part, P-Cards were used only to make authorized and appropriate acquisitions of goods and services. However, risks were identified for which corrective actions are needed.

This audit represents the Office of the City Auditor's second review of P-Card activity at selected City departments and offices. In the first audit (report #0326), we reviewed P-Card activity in a cross section of nine City departments and offices. For the issues identified in that first audit, action plans were developed. Our follow-up audits showed successful implementation of those action steps by the nine applicable departments and offices. In addition, because of the similarities of the issues noted for many of those nine audited departments and offices, the Office of the City Auditor prepared and distributed an assistance and guidance report (report #0327) to assist all City departments and offices in identifying and addressing P-Card issues that may exist in their areas.

This second audit addressed activities in five additional departments and offices. Our review of P-Card activity within those five selected City departments and offices, as well as oversight and administrative activities conducted by DMA and the

Treasurer-Clerk’s Records Management Division, showed that the City’s P-Card program is generally operating efficiently, effectively, and in accordance with good business practices. For the most part, P-Cards were used by staff only to make authorized and appropriate acquisitions of goods and services. Adequate controls were generally in place. No instances of fraud were noted.

However, as also noted in our first audit, risks were identified by this second audit that increase the likelihood of (1) unauthorized purchases occurring and not being timely detected and/or (2) goods and services not being procured efficiently and in accordance with controlling rules, regulations, and guidelines. These risks were discussed with City management and corrective actions have been identified and initiated.

Many of the specific risks reported in this second audit were also identified and reported in our first audit. Furthermore, some of those same risks have been identified and reported to management by DMA oversight staff through their periodic and ongoing monitoring of P-Card activity at City departments and offices. To help ensure the identification and resolution of issues which may exist at City departments and offices not included in the scope of this or our initial P-Card audits, we recommend that the respective Appointed Officials distribute this report to management of each City department and office for their review and follow through as applicable.

We would like to acknowledge the full and complete cooperation and support of staffs of the various departments and offices in this review.

***Appointed
Officials’
Responses***

City Manager:

I am pleased to see that the recent audit of the City’s purchasing card program once again indicates that the program is operating efficiently, effectively, and in accordance with good business practices. I am also pleased to see that purchase cards were used only to make authorized and appropriate acquisitions of goods and services, adequate controls are in place, and no instances of fraud were noted. We continue to fine-tune this program to ensure that it continues to work efficiently and effectively and with the proper controls. We appreciate the recommendations made by this audit to

continue to minimize potential risks. I am pleased to note that in all cases where concerns were pointed out, staff is already in the process of addressing those concerns.

City Treasurer-Clerk:

The Records Management Division appreciates the opportunity to work with the City Auditor's Office on this issue as well as the City Auditor's support for using EDMS as a business tool. The Office of the City Auditor continues to provide valuable suggestions on how City departments can use EDMS to streamline work activities and share information, and this information is very helpful in EDMS program implementation.

Appendix 1 – P-Card Activity By City Department/Office

During the 16-month period October 1, 2005, through January 31, 2007

<i>DEPARTMENT/OFFICE</i>	<i>Number of Transactions</i>	<i>\$ Amount of Transactions</i>
Aviation	3,924	\$1,635,138
Blueprint 2000	507	\$65,614
Capital Regional Transportation Planning Agency	119	\$24,487
City Attorney's Office	572	\$186,613
City Auditor's Office	248	\$41,829
City Commission	545	\$97,023
City Manager's Office/Executive Services	1,992	\$816,871
City Treasurer-Clerk's Office	1,297	\$423,511
Communications	615	\$255,758
Customer Services	6	\$309
Department of Management and Administration (2)	3,638	\$1,529,883
Economic Development	316	\$126,596
Electric Utility	7,185	\$2,746,786
Energy Services	453	\$180,937
Equity and Workforce Development	345	\$105,115
Fleet	1,608	\$455,990
Fire Department	4,031	\$1,398,686
Frenchtown/Southside CRA	54	\$12,093
Gas Utility	1,310	\$297,081
Growth Management	1,444	\$329,885
Human Resources (1)	2,074	\$188,630
Neighborhood and Community Services (1)	2,724	\$651,853
Parks and Recreation (1)	11,595	\$2,832,832
Planning Department	334	\$131,369
Police Department	4,719	\$1,868,065
Public Works	6,693	\$1,878,646
Solid Waste	2,754	\$936,355
StarMetro	5,423	\$2,194,337
Utility Business and Customer Services (1)	2,668	\$502,735
Water Utility	11,327	\$3,227,759
TOTAL	80,520	\$25,142,786

Note (1): Department/office selected for review

Note (2): The ISS division within this department was selected for review. Transactions and amount for ISS totaled 1,787 and \$952,094, respectively.

Appendix 2 – Separate Presentations By Audited Department and Office

<i>DMA – P-CARD PROGRAM ADMINISTRATION AND OVERSIGHT</i>	<i>31</i>
<i>OFFICE OF THE TREASURER-CLERK – ELECTRONIC RECORD RETENTION</i>	<i>41</i>
<i>NEIGHBORHOOD AND COMMUNITY SERVICES</i>	<i>47</i>
<i>UTILITY BUSINESS AND CUSTOMER SERVICES</i>	<i>63</i>
<i>INFORMATION SYSTEMS SERVICES</i>	<i>77</i>
<i>HUMAN RESOURCES.....</i>	<i>91</i>
<i>PARKS AND RECREATION</i>	<i>101</i>

This page intentionally left blank.

DMA

P-CARD PROGRAM ADMINISTRATION AND OVERSIGHT

Background. The Department of Management and Administration (DMA) is responsible for the overall administration of the City's P-Card program. A DMA staff member within Procurement Services has been designated as the program/contract manager to coordinate P-Card activity with participating City departments/offices and the administering bank (Bank of America). Other DMA staff members within Procurement Services and Accounting Services assist in the administration of the program. Activities conducted by DMA include:

- Establish City policy for administration of the P-Card program by DMA and participating City departments and offices. This includes maintaining and updating the policy as needed. The current City policy is designated APM 603 – P-Card Procedures.
- Request the bank to issue new P-Cards, change limits on existing P-Cards, and cancel P-Cards. These actions by DMA are primarily based on requests from authorized administrative and supervisory staff within City departments and offices.
- Provide training to new cardholders and to staff assigned responsibility for coding and administering activities at the department/office level.
- Set employee access capabilities and permissions within the PeopleSoft P-Card module, which is used to administer and account for P-Card activity/transactions.
- Import P-Card transactions on a daily basis from the bank and make those transactions available through the PeopleSoft P-Card module to applicable City departments/offices for review and coding.
- Ensure that all P-Card transactions have been properly coded within the PeopleSoft P-Card module at the end of each monthly cycle.
- Receive, review, verify, reconcile, and approve monthly invoices submitted by the administering bank for payment (reimbursement) of processed P-Card transactions.
- Conduct on-site monitoring of participating City departments and offices for the purpose of evaluating P-Card activities and controls; prepare and make available to management reports on the results of those monitoring reviews.
- Receive and ensure deposit of the bank rebate for participation in the P-Card program.

Audit Methodology. We gained an understanding of DMA's oversight and administration of the P-Card Program through discussions with staff, observation of processes, and examination of documents and records. That understanding was furthered through our review and testing of transactions at selected City departments and offices.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended and/or corrective actions resulting from, our review and related consultations with DMA staff regarding City P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1. Access to and Accountability for Resources	<p>✓ Unique and confidential passwords are required of each DMA and other authorized City employee to access sensitive and critical information (i.e., cardholder account numbers) stored in the PeopleSoft Financials System, which includes the P-Card module.</p> <p>✓ Individual employees assigned to review and code P-Card charges and other transactions (e.g., credits) in the PeopleSoft P-Card module are assigned unique system permissions that enable them to only access and code activity for designated cardholders within their departments. Accordingly, they are precluded from accessing cardholder account numbers of other City cardholders.</p> <p>✗ Different access groups are created for the PeopleSoft Financials System. Only certain designated access groups are granted access to cardholder account numbers stored in that system. However, approximately one year ago, DMA staff unknowingly made <u>all</u> City cardholder account numbers available to several unauthorized access groups. As a result, <u>all</u> City cardholder account numbers were available to 524 City employees, when access to those numbers should have been restricted to approximately 20 employees (i.e., access should be restricted to DMA P-Card administrative and system administration staffs and staff of the City Auditor’s Office). This security exposure occurred when PeopleSoft tables containing all cardholder account numbers were inadvertently and incorrectly made accessible to numerous City employees that use the PeopleSoft Financials System in performing their assigned job duties (e.g., purchasing and payment of goods and services through processes not involving City P-Cards). Unauthorized access to cardholder account numbers increases the risk of fraudulent/inappropriate purchases.</p>	<p>Upon identification of this issue, DMA Accounting Services staff took immediate corrective action by removing access from the approximately 500 employees to which that access should not have been granted.</p>
2. Direct Activity	<p>✓ A DMA employee has been designated as the</p>	

	<p>Management</p>	<p>P-Card program manager (contract manager). The program manager is responsible for the daily management of the program and for ensuring the administering bank complies with the obligations set forth in the P-Card agreement.</p> <p>✓ DMA conducts reviews of P-Card operations and activities of participating City departments/offices. Those reviews include both on-site visits to selected departments/offices and examinations and testing of P-Card records scanned and stored in the City’s Electronic Documents Management System (EDMS). Results of those reviews are made available to management of the reviewed departments/offices (generally through e-mail). These reviews are generally comprehensive, addressing areas such as adequacy and completeness of support and documentation, securing and safeguarding cardholder account numbers, and compliance with applicable procurement regulations.</p>	
<p>3.</p>	<p>Segregation of Duties</p>	<p>✓ In performance of duties, certain DMA staff have access to P-Card account information for all City cardholders. However, the transaction and activity reviews conducted in individual City departments/offices should detect any instance where account information is used by a DMA employee to make an inappropriate purchase.</p> <p>✓ The P-Card program manager requests new P-Cards from the administering bank and specifies the name of the cardholder and address to which the new cards and monthly statements will be sent. The P-Card program manager also establishes the department/office that will process and code the resulting charges. A person performing these duties is inherently in a position to fraudulently obtain P-Cards and make unauthorized purchases. Compensating controls that are in place to detect any fraudulent actions under these circumstances are:</p> <ul style="list-style-type: none"> • Independent reconciliations of the monthly bank invoices to charges reflected in the PeopleSoft Financials System. • Review and approval of individual 	

		<p>transactions reflected in the PeopleSoft P-Card module by participating departments/offices.</p> <ul style="list-style-type: none"> • Ability of administrative staffs in the respective City departments/offices to access and review P-Card charges to their budgets. <p>These controls should mitigate the risks of undetected fraudulent charges by DMA administrative staff.</p> <p>✓ The duties of authorizing payment of monthly bank invoices and making the payments are segregated between DMA and the Treasurer-Clerk’s Office.</p>	
4.	Physical Controls	<p>✓ Monthly cardholder statements received from the bank in sealed envelopes are transferred unopened to participating departments and offices.</p> <p>✗ Monthly invoices received from the bank contain each cardholder account number. After completion of applicable review, reconciliation, and processing procedures, those invoices are approved for payment. The approved invoices are then submitted to the Treasurer-Clerk’s Records Management Division (RMD) for scanning into the EDMS contracts and payments module. Immediately prior to the start of this audit, Treasurer-Clerk RMD staff realized that the cardholder account numbers on those monthly invoices were not being redacted as they were scanned into the EDMS contracts and payment module. As that EDMS module is accessible to all City employees that have system permissions allowing access to the City’s computer network, all City cardholder account numbers were inadvertently accessible to a significant portion of (if not the majority) of City employees. That circumstance significantly increased the risk of fraudulent or inappropriate purchases. Upon notification of this issue by RMD staff, the DMA P-Card program/contract manager contacted the Office of the City Auditor regarding these circumstances and requested our participation in resolution of the issue.</p> <p>DMA and Treasurer-Clerk RMD staffs worked out a reasonable solution to correct this issue. Specifically, portions of the</p>	<p>When DMA and the Treasurer-Clerk RMD staffs identified this issue, appropriate corrective actions were determined and implemented, as described.</p>

		<p>monthly invoice containing cardholder account numbers are no longer scanned into the EDMS contracts and payments module. Instead, those portions are scanned into the EDMS P-Card module, with access restricted to only applicable DMA P-Card management and oversight staff. Only the summary portions of those invoices, which do not contain cardholder account numbers, are now scanned into the EDMS contracts and payment module as support for the payment to the bank. Furthermore, those portions of prior monthly invoices containing cardholder account numbers, which had been previously scanned into the EDMS contracts and payments module, were removed from that module.</p>	
<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ DMA notifies department/office P-Card coders when transactions have been made and are reflected in the PeopleSoft P-Card module, thereby ensuring timely review and coding of those transactions. ✓ Each P-Card expires after a pre-designated period, thereby precluding the perpetual use of the same card. ✓ The DMA P-Card program manager obtains new P-Cards, cancels P-Cards, and changes attributes on existing P-Cards only upon receipt of requests from authorized staff in participating City departments/offices. ✓ City employees are given a P-Card only after they receive training and a copy of the City's P-Card guidelines. ✓ DMA staff provides training on certain aspects of City P-Card policy to new cardholders. Training is also provided to department coders and administrators. This training helps ensure the proper use of P-Cards and accounting for P-Card activity. ✓ As provided by the agreement with the bank and State of Florida, annual rebates are received based on the City's volume of P-Card usage. Recent rebates were received in the correct amounts based on established contractual rates and volume of City purchases. The rebate checks are now wire transferred directly into the City's bank account, which ensures timely deposit of those funds. 	

<p>6.</p>	<p>Recording of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ All P-Card actions and activities (e.g., purchases, requests for and receipt of new or replacement P-Cards from the bank, cancellations of P-Cards) are documented in the City’s PeopleSoft P-Card module and the bank’s software system. Request for and receipt of new or replacement P-Cards from the bank, as well as card cancellations, are also documented on a separate maintenance log maintained by DMA staff. ✓ After coding and approval, P-Card transactions recorded in the PeopleSoft P-Card module are recorded in PeopleSoft Financials general ledger through an automatic interface. ✓ Employees must sign a record documenting their receipt of new or replacement P-Cards. ✓ Applicable department/office staff must sign a standard form documenting their receipt of monthly bank statements from DMA. ✓ While cardholder account numbers are stored in the PeopleSoft P-Card module as a means to account for each cardholder’s transactions, other sensitive data (card expiration dates and the unique three-digit security code on the back of each card) are not recorded in the PeopleSoft system. Not recording card expiration dates and unique security codes in the PeopleSoft P-card module helps preclude fraudulent and unauthorized purchases by an individual who does somehow access a cardholder’s account number from that system. 	
<p>7.</p>	<p>Information Processing</p>	<ul style="list-style-type: none"> ✓ The DMA P-Card program manager matches monthly bank invoices to the total charges reflected in PeopleSoft P-Card module as the first step in the authorization of payment. ✓ Prior to final authorization of payment of the monthly bank invoice, independent DMA staff (other than the P-Card program manager) reconciles total charges in the PeopleSoft P-Card module and on the monthly bank invoice to P-Card charges reflected in the PeopleSoft Financials general ledger. ✓ The DMA P-Card program manager reviews charges reflected in the PeopleSoft P-Card 	

		<p>module to ensure that they are timely reviewed and coded by applicable department/office staff. Notifications are sent to department/office coders as necessary based on those reviews.</p> <ul style="list-style-type: none"> ✓ With the assistance of Accounting Services staff, the DMA program manager compares recent employee terminations recorded in the PeopleSoft human resources system to the active cardholder files for the purpose of identifying instances where departments/offices fail to timely request cancellation of P-Cards for terminating employees. When such instances are identified, the DMA program manager immediately cancels the applicable P-Card. Those reviews are done on an on-going basis. ✓ DMA staff independently verifies that the annual rebate received by the City is correct based on volume of annual P-Card purchases and contractual rates. ✓ DMA Accounting Services staff analyzes P-Card transactions for the purpose of identifying tangible personal property acquisitions or other capital outlay purchases that have not been recorded in the City's asset management system. When unrecorded assets are identified, Accounting Services staff requests and ensures that actions are taken to properly record the assets. ◆ As described in other sections within this report, P-Card statements and related transaction support are processed and scanned into the EDMS P-Card module by the individual City departments and offices. As also noted within other sections of this report, the individual City departments and offices are responsible for <u>redacting</u> the cardholder account numbers on those records prior to scanning them into the EDMS P-Card module. In addition to that process, there are certain circumstances in which support for transactions processed by City P-Cards are also scanned and retained in the EDMS contracts and payments module. This includes, for example, invoices paid by City P-Card for lodging (e.g., hotels) and other costs (e.g., conference registration fees) incurred by City employees for authorized training and travel. Those invoices are attached to related travel authorization forms 	<p>We recommend that DMA Accounts Payable staff enhance their current review and processing procedures to include review and checking of travel related documents (e.g., invoices and receipts) for proper and complete redaction of cardholder account numbers. In the event that those enhanced reviews identify instances of improper or incomplete redaction, DMA Accounts Payable staff should complete the proper redactions and/or return the documents to the applicable departments for them to make the proper and complete redactions. To the extent applicable, these enhanced reviews for proper and complete redaction of cardholder numbers</p>
--	--	--	--

		<p>as support for travel expenses and related traveler advances and reimbursements. Based on City Commission Policy 146 – Records Retention and the Treasurer-Clerk’s EDMS Business Rules, the cardholder account numbers on those records supporting travel costs are required to be redacted by the individual departments and offices. As noted in this report for the reviewed departments and offices, we identified several instances where cardholder account numbers were not properly and completely redacted from those documents submitted as support for travel costs. While primary responsibility for ensuring the proper and complete redaction of those cardholder account numbers rest with the individual City departments and offices that initiate and execute the transactions, DMA Accounts Payable staff receive and review those records in connection with approving the related travel advances and reimbursements. (After that approval, those records are submitted to the Treasurer-Clerk’s RMD for scanning into the EDMS contracts and payment module.) Accordingly, additional reviews and checks for proper redaction of cardholder numbers on those documents by DMA Accounts Payable staff would help to ensure adequate protection of that sensitive information.</p>	<p>should be applied to other records reviewed and processed by DMA Accounts Payable staff.</p>
<p>8.</p>	<p>Documentation</p>	<ul style="list-style-type: none"> ✓ Each cardholder is required to sign a cardholder agreement acknowledging receipt of a P-Card, training, and a copy of the cardholder guidelines. Those signed agreements are retained by DMA. ◆ City P-Card policy is documented in APM 603. The policy facilitates the proper and efficient administration of the City P-Card program. Overall, the policy is comprehensive and appropriate. However, the policy should be revised to address the required electronic storage of P-Card records in EDMS and the required redaction of cardholder numbers and card expiration dates on any record that is scanned into EDMS, whether scanned into the EDMS P-Card module or into the EDMS contracts and payments module. 	<p>We recommend that document retention requirements in City P-Card policy APM 603 be revised to provide for the electronic storage of P-Card records (cardholder monthly statements and transaction support) in the EDMS P-Card module, as required by City Commission Policy 146 - Records Retention. In addition, the P-Card policy should address and require redaction of cardholder account numbers and other sensitive data (card expiration dates) on records scanned into EDMS, regardless of whether they are scanned in the EDMS P-Card module or the</p>

			EDMS contracts and payments module. The City P-Card policy should make direct reference to both City Commission Policy 146 - Records Retention and the related Treasurer-Clerk RMD's EDMS Business Rules.
--	--	--	---

Table Legend:

- ✓ Activities increased assurance that P-Card activities are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. DMA implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City funds for P-Card transactions are for proper and authorized City business.

Areas were noted where enhancements and improvements could be and/or were made to increase the level of assurance that P-Cards are properly used. Recommendations and corrective actions taken include restricting access to cardholder account numbers within the PeopleSoft Financials System and EDMS to authorized staff, enhancing reviews of travel related documents to ensure proper and complete redaction of cardholder account numbers and card expiration dates, and revising City P-Card Policy APM 603 to address required EDMS storage of P-Card records and redaction of sensitive information on P-Card documents that are scanned into EDMS.

DMA		
Action Plan		
Action Steps	Responsible Employee	Target Date
A. Objective: To adequately restrict access to sensitive information		
1.	Inappropriate system access to PeopleSoft tables containing cardholder account numbers will be removed from those employees to whom that access was inadvertently provided.	Brad Hamilton Completed 9/13/2007 **
B. Objective: To improve physical controls over cardholder account information		
1.	With the assistance of the Treasurer-Clerk’s RMD staff, portions of monthly bank invoices that contain cardholder account numbers will be removed from the EDMS contracts and payments module and scanned into the EDMS P-Card module, with access restricted to only applicable DMA P-Card management and oversight staff.	Glenn Guertin Completed 10/25/2007 **
C. Objective: To enhance processing of information		
1.	DMA Accounts Payable staff will enhance their review and processing procedures to include review and checking of travel and training documents for proper and complete redaction of cardholder account numbers. When un-redacted cardholder numbers are found on those records, DMA Accounts Payable staff will either complete the proper redactions and notify the applicable departments/offices of such actions, or return the documents to the submitting City department/office for them to complete the proper redactions.	Joseph Love 1/31/2008
D. Objective: To ensure a comprehensive written policy		
1.	The current City P-Card policy (APM 603) will be revised to (1) provide for the electronic storage of P-Card records in the EDMS P-Card module, as required by City Commission Policy 146 – Records Retention, (2) address and require redaction of cardholder account numbers and other sensitive data on records scanned into EDMS, regardless of whether they are scanned into the P-Card module or the contracts and payments module, and (3) make direct reference to both City Commission Policy 146 – Records Retention and the related Treasurer-Clerk RMD “EDMS Business Rules.”	Glenn Guertin 1/31/2008

**As per department, action plan step has been completed as of indicated date.

**OFFICE OF THE TREASURER-CLERK
ELECTRONIC RECORD RETENTION OF P-CARD
DOCUMENTATION**

Background. Pursuant to City P-Card Policy (APM 603.10), individual City departments and offices are responsible for ensuring that adequate documentation is maintained to support the expenditure of public (City) funds through City P-Cards. At a minimum, that documentation should identify the items or services purchased, the amount charged/paid, the vendor from whom the purchase was made, and the name of the party (e.g., cardholder) responsible for the transaction. City Commission Policy 146 – Records Retention, adopted July 6, 2005, requires (among other things) individual City departments and offices to utilize the City’s Electronic Documents Management System (EDMS) to store P-Card statements and documentation for each P-Card purchase. That policy provides for departments and offices to phase in those implementation and compliance provisions over a period of time. The DMA Information System Services (ISS) Division assists the Treasurer-Clerk’s Records Management Division (RMD) in designing EDMS applications and developing procedures for the effective and efficient implementation of Records Retention Policy 146. With the assistance of ISS, the Treasurer-Clerk’s RMD has made EDMS available to the various City departments and offices and has provided training to department/office staffs in using EDMS for these and other record retention purposes. At the time of our audit fieldwork, four of the five departments/offices selected for this audit had started using EDMS to store their P-Card records.

Audit Methodology. We gained an understanding of the EDMS application used for storage of P-Card records through discussions with various staffs, observation of processes, and examination of documents and records. That understanding was furthered through our review and testing of transactions at selected City departments and offices.

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended and/or corrective actions resulting from, our review and related consultations with applicable staff regarding storage of P-Card records through the City’s EDMS.

ASSURANCES, RISKS, AND RECOMMENDATIONS		
Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1. Access to and Accountability for Resources	✓ To help prevent unauthorized or fraudulent purchases, access to records containing sensitive P-Card information (e.g., cardholder account numbers and card expiration dates) should be restricted to authorized staff. P-Card records, including cardholder statements and purchase documentation (e.g., vendor invoices and receipts) generally contain such sensitive	

		<p>information. For records stored in EDMS, one method employed by the City to limit access to that sensitive information is to control system access to those records. Specifically, we found that access to a given department’s P-Card records within the EDMS P-Card module was generally restricted to designated staff within that department. The designated staff generally was comprised of (1) department P-Card coders, (2) staff that scanned the records into the EDMS, and/or (3) applicable administrative and supervisory employees. Other employees within that department, along with employees of other City departments and offices, were not assigned EDMS system permissions allowing them to access that department’s P-Card records.</p> <p>◆ As part of our audit, we reviewed system permissions allowing employees access to P-Card records stored in the EDMS P-Card module. Overall, we found that access was appropriately restricted, as applicable employees were generally only allowed access to P-Card records within their respective departments/offices. However, in our review of 66 access groups that provided a total of 265 individual permissions, we found three instances where employees were granted access to records of departments/offices other than the departments/office in which they worked.</p> <p>✓ Another control available to limit access to sensitive P-Card information (e.g., cardholder account numbers and card expiration dates) is the redaction of that information on the documents scanned and stored in EDMS. The implementation of that control, in conjunction with controlling and limiting system access, should significantly reduce the risk of fraudulent and inappropriate purchases. Accordingly, the Treasurer-Clerk’s Office has established “EDMS Business Rules” that require, among other things, individual departments scanning documents into EDMS to redact cardholder account numbers from any documents before they are scanned.</p>	<p>In response to our inquiry on this issue, the Treasurer-Clerk’s Office contacted the applicable departments and verified those three permissions were not appropriate. Treasurer-Clerk staff then had ISS delete those three permissions.</p>
2.	Direct Activity Management	<p>✓ The Treasurer-Clerk’s RMD trains staff of the various City departments and offices on record retention requirements, including storage of P-Card records in the EDMS.</p>	

		<p>This training addresses the required redaction of cardholder account numbers on records before they are scanned into EDMS.</p> <p>✓ The Treasurer-Clerk’s RMD, as part of the EDMS Project Team (comprised of designated Treasurer-Clerk RMD and ISS staffs), monitors compliance with record retention requirements, including the scanning and storage of P-Card documents in EDMS by the various City departments and offices. To date, this monitoring has identified instances where cardholder account numbers have not been adequately or properly redacted on records scanned into EDMS (i.e., the contracts and payments module of EDMS). The Treasurer/Clerk’s RMD and applicable ISS staff schedule and hold meetings with various City department/office staffs, responsible for preparing and scanning records into EDMS, to address issues (scanning, storage, and redactions) identified by those monitoring efforts. The Treasurer/Clerk’s RMD provides guidance and recommendations in those meetings to assist in rectifying noted issues.</p>	
3.	Segregation of Duties	<p>✓ In performance of duties related to training, assisting, and monitoring various City departments and offices in storing P-Card records in EDMS, RMD staff sometimes has access to cardholder account numbers for City cardholders. However, transaction and activity reviews in individual City departments/offices should detect any instances in which RMD employees use that account information to make inappropriate purchases.</p>	
4.	Physical Controls	<p>✓ Redaction of cardholder account numbers and related sensitive data, as described above, is a physical control to preclude unauthorized access to that information.</p>	
5.	Execution of Transactions and Events	<p>▼ The Treasurer-Clerk’s Office is not involved in the execution of P-Card transactions by the various City departments and offices.</p>	
6.	Recording of Transactions and Events	<p>✓ The Treasurer-Clerk’s RMD, in conjunction with ISS, makes the EDMS available to City departments and offices for the storage and retention of P-Card records.</p>	
7.	Information Processing	<p>▼ Other than scanning documents (e.g., travel related invoices and receipts) that may contain cardholder account numbers into the EDMS contracts and payments module, the Treasurer-Clerk’s Office is not involved in</p>	

		the processing of P-Card information relating to the various City departments and offices. Monitoring those records to ensure that sensitive information is properly redacted is addressed above under "Direct Activity Management."	
8.	Documentation	<p>◆ As noted above, The Treasurer-Clerk's RMD established EDMS Business Rules for scanning and storage of records in the EDMS. Those rules address important controls, including the required redaction of cardholder account numbers. Those rules are provided to the various City departments and offices by the Treasurer-Clerk's RMD (e.g., during training) and are also available to employees through a common directory within the City's computer network. To further facilitate availability and distribution, the Treasurer-Clerk's RMD should address and provide a direct link to those rules on the City's internal website (CityNet).</p>	The Treasurer-Clerk's RMD, through ISS, should add the EDMS Business Rules to their website on CityNet.

Table Legend:

- ✓ Activities increased assurance that P-Card activities are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.
- ▼ Control Activity not applicable to this departmental role/function.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Through EDMS, the Treasurer-Clerk's RMD has made available to City departments and offices an efficient method for storage and retention of P-Card records. Certain control activities and processes have been implemented to restrict access to sensitive information (cardholder account numbers and card expiration dates) on those P-Card records stored in EDMS. Those controls provide increased assurance that P-Cards are used only by authorized staff to make approved purchases.

Areas were noted where enhancements and improvements could be and/or were made to increase the level of assurance that P-Cards are properly used. Recommendations and corrective actions taken include revising the system accesses of three employees to properly restrict their access to P-Card records in EDMS and placing RMD's EDMS Business Rules on the RMD website on CityNet.

OFFICE OF THE TREASURER-CLERK - RMD			
<i>Action Plan</i>			
Action Steps		Responsible Employee	Target Date
A. Objective: To adequately restrict access to sensitive information			
1.	With the assistance of ISS, the inappropriate EDMS system permissions of the three applicable employees will be removed.	Matt Lutz (ISS)	Completed 9/24/2007 **
B. Objective: To enhance availability of written procedures and guidelines			
1.	The Treasurer-Clerk's RMD "EDMS Business Rules" will be added to the Treasurer-Clerk's website on CityNet.	Paula Cook Matt Lutz (ISS)	Completed 9/24/2007 **

**As per department, action plan step has been completed as of indicated date.

This page intentionally left blank

NEIGHBORHOOD AND COMMUNITY SERVICES (NCS)

Background. Typical purchases made with City P-Cards included employee uniform rentals, housing program relocations, office supplies and equipment, food for department-sponsored programs and events, travel and training, medicine and veterinary supplies for the Animal Service Center, cellular telephone services, building repair services, and gift cards for the Employee Rewards and Recognition Program.

<i>Activity during 16-month period October 2005 through January 2007</i>	
Number of Cardholders	34
Number of Transactions	2,724
Total Value of Transactions	\$651,853
Average Transaction Amount	\$239

Audit Methodology. We gained an initial understanding of P-Card operations and activities through discussions with staff, observation of processes, and examination of documents and records. We subsequently selected and examined samples of P-Card transactions to further that understanding.

Total Number of Transactions Reviewed	54
Total Value of Transactions Reviewed	\$41,182

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with NCS staff regarding P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Access to NCS cardholder account numbers within the City’s PeopleSoft P-Card module is controlled through (1) providing access only to authorized administrative staff and (2) use of confidential and unique passwords by that staff. ✓ NCS P-Card administrative staff is properly limited to accessing in the PeopleSoft P-Card module only cardholder account numbers of NCS employees. ✓ Individual cardholders are assigned custody of their own P-Cards. Each cardholder is 	

		<p>responsible for securing his/her P-Card.</p> <p>✓ The NCS staff assigned access to NCS P-Card records scanned into the EDMS P-Card module is reasonable given the roles of that staff (i.e., scanners, coders, and administrative supervisors).</p>	
2.	Direct Activity Management	<p>✓ Management determines which employees should be provided P-Cards based on their job assignments and responsibilities.</p> <p>✓ Management establishes the transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments and approves all requests to change cardholders' limits.</p> <p>✗ Management does not regularly obtain and review reports of department P-Card activity available from the City's PeopleSoft P-Card module. The regular review of such reports provides management an overview of P-Card purchases and serves as another process to identify inappropriate purchases.</p>	<p>Department management should access and review department-wide P-Card activity recorded in the PeopleSoft P-Card module on a monthly basis. Management should review those reports to ascertain the volume and reasonableness of P-Card transactions.</p>
3.	Segregation of Duties	<p>✓ The duties of making P-Card purchases and reviewing/approving those purchases are segregated among different staff. Specifically, each cardholder transaction is reviewed initially as the purchase is made and again when the applicable supervisor reviews and signs the cardholders' monthly statements. Those independent reviews are documented.</p> <p>✗ Because of processing and administrative needs, P-Card coders inherently have access to all cardholder account numbers within their departments. At NCS, those coders also receive monthly bank statements for distribution to the respective cardholders and their supervisors for review and approval. The coders also reconcile the activity on the monthly statements to charges recorded in the PeopleSoft P-Card module. The bank only sends statements for cardholders with transaction activity (purchases) during the month. Statements are not sent for cardholders with no monthly activity. Because of these duties and circumstances, the coders may be in the position to fraudulently use a cardholder's account</p>	<p>If reasonable and efficient, the receipt of monthly cardholder statements and distribution to cardholders for review and approval should be assigned to someone other than the P-Card coders. In addition, the review of P-Card activity recorded in the PeopleSoft P-Card module by management, as recommended in the previous control activity category ("Direct Activity Management"), should be implemented.</p>

		<p>number to make an unauthorized purchase without detection. For example, if a coder realizes that a cardholder will not make any purchases in a month (e.g., out on leave), the coder could access that cardholder account number, make an unauthorized purchase, code the fraudulent transaction in the PeopleSoft P-Card module, and intercept (and destroy) the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected.</p>	
<p>4.</p>	<p>Physical Controls</p>	<ul style="list-style-type: none"> ✓ P-Cards no longer needed (e.g., cardholder terminating employment) are destroyed by designated NCS administrative staff. ✓ Other than described in the following risk, P-Card information containing cardholder account numbers and card expiration dates is safeguarded as (1) access to NCS offices is generally controlled and monitored and (2) applicable records are maintained in the custody of designated staff. ✗ During our audit fieldwork, we noted that P-Card account information reflected on purchase documentation and monthly cardholder statements was not always maintained in secured locations. Specifically, (1) those documents were observed on employees' desks in unlocked offices and (2) monthly statements and related documents were delivered to and from cardholders in unsealed interoffice envelopes. Those circumstances increase the risk that account information could be obtained by unauthorized persons and used for inappropriate purposes. ✗ To help restrict access to cardholder account numbers, the Treasurer-Clerk's EDMS Business Rules require that cardholder numbers be redacted from P-Card records and other documents that are scanned into the City's electronic storage medium (i.e., the Electronic Documents Management System, or EDMS). City Records Retention Policy requires the participating City departments to prepare all documents for scanning, which includes redaction of cardholder account numbers. Contrary to those requirements, we noted that cardholder account numbers were generally not adequately redacted. 	<p>P-Card account information should be adequately secured to preclude unauthorized access. Documents containing sensitive information should be maintained in locked offices and/or file cabinets and transferred only in sealed envelopes.</p> <p>As required by City Records Retention Policy and the Treasurer-Clerk's EDMS Business Rules, NCS should adequately and completely redact all cardholder account numbers from records that are scanned into both the EDMS P-Card module and the EDMS contracts and payments module.</p>

		<p>Specifically, in 42 of the 54 transactions reviewed, either all or a portion of cardholder account numbers were not redacted on scanned documents (e.g., cardholder statements, invoices, receipts). Those documents primarily included records scanned into the EDMS P-Card module directly by NCS staff, but there was also one instance where the numbers were not adequately redacted on travel-related records that were submitted by NCS for processing and scanning into the EDMS contracts and payments module by Treasurer-Clerk staff.</p>	
<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Procedures require that proper support be obtained and filed for all P-Card purchases, including vendor invoices, receipts, etc. (However, as noted in the “Information Processing” control activity category, those records were not always retained and filed.) ✓ P-Card transactions are reviewed and approved by applicable managerial and supervisory staff. Those reviews include determinations as to the validity and propriety of the purchases. ✓ P-Cards are issued only to those employees with purchasing needs relating to their job responsibilities. ✓ Procedures exist to ensure that cardholders do not make purchases in excess of their monthly spending limits and individual transaction limits (However, see subsequent risk within this control activity category noting where those procedures have been circumvented). ✓ Cardholders receive training prior to receipt of their P-Cards. ✓ The number of P-Card coders and back-up coders is reasonable given the number of cardholders and activity levels. (P-Card coders access and record account data in the PeopleSoft P-Card module for transactions entered into that system by the administering bank.) ✓ Fixed asset receipts reports are timely and properly completed for the purchase of tangible personal property. ✓ Purchases through the Internet are done through secured sites. 	

		<ul style="list-style-type: none"> ✓ Disputed transactions (duplicate charges, erroneous charges, etc.) are reviewed, researched, and resolved. ◆ P-Cards of terminating employees are generally timely cancelled based on requests submitted by NCS administrative staff to DMA staff, who in turn cancels the cards with the administering bank. However, NCS staff did not submit a timely request to cancel the card of one individual that terminated employment with the City on June 1, 2006. As a result, the card was not cancelled until July 12, 2006, after DMA staff independently ascertained that the employee had retired through their periodic analysis of the employment status of cardholders. Not timely terminating P-Cards increases the risk of inappropriate or fraudulent purchases. ◆ Purchases were generally for authorized City business that served a public purpose, and otherwise in accordance with City policies and procedures. However, we noted one instance where a P-Card was used to pay for the rental of a vehicle for an employee on authorized travel. Included in that rental charge was a fee of \$96 for “loss damage waiver” insurance coverage. Purchase of that coverage was in violation of the City travel policy, as the City’s self-insurance program is considered adequate to cover any claims that could occur. ◆ State sales taxes are generally not paid. However, we noted two instances where state sales taxes were paid and not recovered. ◆ Competitive procurement practices are generally used. Competitive quotes were properly obtained and documented in five of the six applicable purchases tested. In the remaining instance, NCS staff indicated that quotes had been obtained but documentation was not retained to substantiate that assertion. ✗ Transaction limits are established for each cardholder as a control to reduce the risk and 	<p>NCS administrative staff should ensure that timely, documented requests are made to have cards cancelled for terminating employees.</p> <p>NCS employees should be reminded of the requirement to not purchase inappropriate insurance coverage when traveling on City business.</p> <p>Staff should continue efforts to ensure that state sales taxes are not paid and to make reasonable efforts to recover those taxes when inadvertently paid. Efforts to recover paid sales taxes should be documented.</p> <p>NCS should ensure that appropriate records of quotes are maintained to document compliance with competitive procurement requirements.</p> <p>NCS management should stop the practice of circumventing established controls and policy</p>
--	--	--	--

		<p>impact of unauthorized purchases. The City P-Card Policy establishes a maximum single transaction limit of \$10,000 for departmental cardholders. In addition, the policy provides that management should establish transaction limits (\$10,000 or less) for each cardholder based on the cardholder’s assigned job responsibilities and expected purchases. For the 34 cardholders, NCS management established transaction limits at amounts that ranged from \$1,000 to \$10,000. We found that, contrary to these policy requirements, NCS cardholders sometimes circumvented their transaction limits in order to purchase needed goods or services. Specifically, we noted:</p> <ul style="list-style-type: none"> • One instance where a vendor invoice in the amount of \$17,184 (for a water heater purchased for the Animal Service Center) was split by a cardholder and paid in two transactions of \$10,000 and \$7,184. In addition to inappropriately splitting the charge, this acquisition exceeded the maximum amount allowed for a P-Card purchase and, therefore, should have been purchased through other means (i.e., requisitioned through the PeopleSoft Financials System) and paid with a City check. • One instance where a vendor invoice of \$2,514.38 was split and paid in two transactions of \$2,000 and \$514.38, as the cardholder’s transaction limit was \$2,500. • One instance where an invoice for cellular telephone services in the amount of \$8,818.20 (representing a single invoice for services covering an 8-month period that had accumulated due to vendor billing problems) was split and paid by two different cardholders in amounts of \$2,500 and \$6,318.20, as the transaction limit for the administering employee was \$2,500. • One instance where an invoice for replacing a floor at a senior center 	<p>requirements through the splitting of transactions. If appropriate, cardholder transaction limits should be revised to allow applicable employees to purchase items commensurate with their assigned job functions. All purchases exceeding \$10,000 should be made through the PeopleSoft Financials System purchase requisition process or through the City’s check request process.</p>
--	--	---	---

		<p>in the amount of \$7,920.76 was split and paid using P-Cards of two employees, as the transaction limits for the purchasing cardholder was \$5,000.</p> <p>Management acknowledged this practice was used by cardholders with the approval of their supervisors. This practice is in direct violation of City P-Card policy and represents a circumvention of designed controls.</p> <p>X City P-Card policy provides that P-Cards (and cardholder account numbers) should not be shared among employees and limited to the individual whose name appears on the card. The intent of this policy requirement is to reduce the risk of unauthorized and fraudulent purchases by restricting knowledge of individual cardholder account information to the respective cardholder. Contrary to this control requirement, we found that NSC had a practice of allowing employees to use account information of other employees (cardholders) to make purchases on behalf of the department. Specifically, we noted six instances where an employee used another employee’s P-Card information to purchase various goods and services. This practice was applied when the purchasing employee either did not have a P-Card or the transaction limit on their P-Card was not adequate to make the purchase. Although this occurred with the knowledge and approval of the applicable cardholders whose cards were used, this was in direct violation of City P-Card policy and good internal control practices.</p> <p>X NCS uses a City P-Card to pay its monthly cellular telephone service. Although adequate support for the monthly charges was available, we found that NCS is not complying with certain provisions of the City’s cell phone policy. Specifically, invoices showing each employee’s cell phone usage and charges were not provided to those employees for the purpose of having those employees identify their personal calls (during peak times and other than mobile to mobile calls) and reimburse the City for such personal calls.</p>	<p>We recommend that NCS stop the card sharing practice. If applicable, additional employees should be provided their own P-Cards and/or cardholder transaction limits should be revised so that employees can purchase goods and services commensurate with their assigned job duties.</p> <p>NCS should comply with City cell phone policy by (1) providing each applicable employee the invoices showing their usage and charges, (2) requiring those employees to identify applicable personal calls for which reimbursement is due the City, and (3) taking appropriate actions to collect any identified amounts due to the City.</p>
<p>6.</p>	<p>Recording of Transactions and Events</p>	<p>✓ Each cardholder is required to complete a standard form (“Purchase Card Log”) documenting the items/services acquired and</p>	

		<p>related information for each purchase. Those forms along with related support are turned into management for review and approval. That documentation is generally sufficient to document the public purpose served by P-Card purchases.</p> <p>◆ Transactions are generally properly and timely coded in the PeopleSoft P-Card module. However, three instances were noted where more appropriate account codes should have been used to accurately account for those transactions. Specifically:</p> <ul style="list-style-type: none"> • The purchase of two employee work jackets should have been charged as “uniforms and clothing” instead of “unclassified supplies.” • The purchase of gift cards for the Employee Rewards and Recognition Program should have been charged as “unclassified supplies” (per program instructions) instead of “office supplies.” • The acquisition of an ice machine for one of the community centers should have been charged as “unclassified equipment” instead of “building repairs.” <p>Proper and accurate coding of transactions is important to ensuring accurate accounting and reporting of City business.</p> <p>◆ While receipt of items purchased with P-Cards was generally adequately documented, receipt of items ordered and purchased through the Internet was often not documented. Proper accountability requires documentation that items purchased and paid for prior to receipt are subsequently received for City use.</p> <p>◆ Documentation clearly demonstrating items purchased is generally prepared/obtained and maintained. However, three instances were identified where better support was warranted. Those instances included three purchases from restaurants for food or items (gift certificates for the Employee Rewards and Recognition Program) relating to approved NCS programs/events. In each of those three instances, the purchasing employee obtained a receipt from the</p>	<p>NCS management should reinforce the importance of correctly coding transactions in the PeopleSoft P-Card module.</p> <p>NCS should document receipt of all items purchased online. Receipt should be documented through retention of packing documents and/or notations of receipt made by employees that receive the shipped items.</p> <p>NCS should instruct staff purchasing food or other items from restaurants to obtain detailed receipts identifying the specific items purchased.</p>
--	--	---	--

		<p>applicable restaurant. However, the receipts did not document the specific food/beverage or other items purchased. Restaurants generally can/will provide detailed receipts that identify the specific items purchased if requested. Such detailed receipts better justify that only allowable and reasonable items are purchased.</p> <p>X Vendor invoices were often not defaced or marked in a manner to clearly document that payment was made by City P-Card. While some of those invoices did indicate payment was made by a credit card, the documentation did not indicate that a City P-Card was the credit card used to make the payment. Not clearly defacing or marking vendor invoices to show payment by a City P-Card increases the risk of duplicate payment (i.e., either to the vendor or as a reimbursement to the employee that made the purchase).</p>	<p>NCS should develop a standard process for marking vendor invoices to clearly show payment was by City P-Card.</p>
7.	Information Processing	<p>✓ P-Card administrative staff reconciles charges in the PeopleSoft P-Card module to support (vendor invoices, receipts, etc.).</p> <p>✓ P-Card administrative staff reconciles charges per monthly cardholder statements to support (vendor invoices, receipts, etc.) and P-Card charges reflected in the P-Card module.</p> <p>◆ The administering bank generates monthly cardholder statements that reflect all P-Card purchases/activity. As required by City P-Card policy, NCS provides those statements to the respective cardholders and their respective supervisors for their review. As also required by City P-Card policy, those statements are generally signed and dated by both the cardholder and the supervisor as evidence of their review and approval of the transactions included on the statements. To facilitate this process, NCS administrative staff also provides the cardholders and their supervisors the related support (invoices, receipts, completed Purchase Card Logs, etc.) along with the statements. Once reviewed, approved, and signed, the statements and related support are returned to NCS P-Card administrative staff and scanned into the P-Card module of the City's electronic storage medium (EDMS).</p>	<p>We recommend that NCS establish a method for tracking cardholder statements and related support from time of receipt to the time that the records are scanned into the EDMS P-Card module. Appropriate follow-up should be taken when applicable statements and records are not received, processed, and/or returned in a timely manner. NCS should also ensure that each statement is properly signed and dated by the cardholder and supervisor as evidence of their reviews and approvals.</p>

		<p>In addition to identification of bank or other errors, these cardholder and supervisory reviews of monthly statements and related support serve to identify any instances where another individual (inside or outside of the City) fraudulently uses a cardholder's account number to make unauthorized purchases. Our review showed that the statements were generally reviewed, approved, and signed by both the cardholders and their supervisors. The signed statements and related support were also generally scanned into the EDMS P-Card module. However, the following exceptions/issues were noted:</p> <ul style="list-style-type: none"> • Two cardholder statements pertaining to the 54 sampled charges were not signed by the cardholders' supervisors. • The signatures of the cardholders and/or the cardholders' supervisors were not dated on 16 statements pertaining to the 54 sampled charges. • NCS was not able to provide signed cardholder statements and/or the related support (invoices, receipts, etc.) for four of the 54 sampled charges. No information was scanned into EDMS for those four purchases. Our inquiries disclosed that those missing records are likely attributable to the lack of a NCS system for tracking statements received and provided to individual cardholders for their review and approval. In regard to those four transactions, the respective cardholders were able to provide some support (e.g., cardholder copy of invoices, receipts, or monthly statements) and explain/justify the purchases. <p>Inadequate documentation of timely cardholder and supervisor reviews of monthly statements and incomplete support for purchases reduces the ability of NCS to clearly demonstrate that P-Cards were used only for authorized purposes.</p>	
8.	Documentation	<p>✓ Support for P-Card purchases is generally retained in accordance with City record retention requirements. (See risk identified above under the "Information Processing"</p>	

		<p>control activity category for the instances noted where records were not available.)</p> <ul style="list-style-type: none"> ✓ Documentation is prepared and retained that evidences requests for new P-Cards and changes to the status of existing cards (e.g., increase transaction limits or cancel a card). ◆ Internal written procedures were established for the operation and administration of P-Card activities within the department. Those procedures were generally adequate and comprehensive. However, the procedures should be updated to (1) reflect the process relating to using the current accounting system (procedures currently continue to address using the former software system [InfoSpan] which has been replaced by the PeopleSoft P-Card module) and (2) reflect the current \$1,000 capitalization threshold for tangible personal property. 	<p>NCS should update the internal written procedures for the two noted areas.</p>
--	--	--	---

Table Legend:

- ✓ Activities increased assurance that P-Card purchases are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Department of Neighborhood and Community Services (NCS) implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City funds for P-Card transactions are for proper and authorized City business. There was no evidence that reviewed transactions were not for approved City business or for authorized purposes.

Based on our consultations with NCS staff and audit procedures, we noted areas where control activities should be enhanced and improved. Recommendations include enhanced managerial reviews of charges recorded in the PeopleSoft P-Card module, segregation of incompatible duties among different employees, additional security over P-Card account information, adequate and complete redaction of cardholder account numbers on records scanned into EDMS, elimination of the splitting of transactions to circumvent cardholder transaction limits, elimination of the sharing of P-Cards among employees, compliance with the City’s cellular phone policy, and development of a standardized procedure for defacing vendor invoices after payment. We also recommend that efforts be continued and/or enhanced to ensure P-Cards are timely cancelled for terminating employees, City travel regulations in regard to car rentals are complied with, state sales taxes are not paid, compliance with competitive procurement practices is documented, transactions are correctly coded, receipt of items purchased online and shipped to

the City is documented, adequate support is obtained to document items purchased from restaurants, cardholder statements and related support are tracked and accounted for, and written procedures are timely updated.

NEIGHBORHOOD AND COMMUNITY SERVICES			
Action Plan			
Action Steps		Responsible Employee	Target Date
A. Objective: To enhance managerial review of P-Card activity			
1.	Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	Wanda Whitehead and Freddie Hurchins	1/31/2008
B. Objective: To segregate incompatible duties			
1.	The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	Wanda Whitehead	1/31/2008
C. Objective: To improve physical security over P-Card records			
1.	P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	Freddie Hurchins	Completed 11/1/2007 **
2.	Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	Wanda Whitehead	Completed 11/1/2007 **
3.	P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	Shakila Jackson	1/31/2008
D. Objective: To ensure proper execution of and accountability for transactions			
1.	Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	Wanda Whitehead	2/29/2008

2.	In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	Wanda Whitehead	2/29/2008
3.	Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	Wanda Whitehead	2/29/2008
4.	Purchases exceeding the \$10,000 threshold will be made through the PeopleSoft Financials purchase requisition process or through the City's check request process. As provided by the City P-Card policy, P-Cards will not be used for purchases of \$10,000 or more.	Wanda Whitehead	2/29/2008
5.	As necessary and to preclude future instances of card sharing and circumvention of transition/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments.	Wanda Whitehead	2/29/2008
6.	To also preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	Wanda Whitehead	2/29/2008
7.	A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	Wanda Whitehead	2/29/2008
8.	P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	Wanda Whitehead	1/31/2008
9.	The department will comply with the City's cell phone policy by (1) providing each applicable employee the invoices showing their usage and charges, (2) requiring those employees to identify those calls for which reimbursement is due the City, and (3) taking appropriate actions to collect any identified amounts due the City.	Lora Lee-Turner	Completed 10/31/2007 **

10.	Cardholders and applicable administrative staff will be reminded of the requirements to: (1) timely cancel P-cards of terminating employees, (2) not purchase inappropriate insurance coverage when traveling on City business, (3) not pay state sales taxes, (4) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, (5) use competitive procurement methods (e.g., obtain documented quotes) when applicable, and (6) obtain adequate and detailed receipts for restaurant purchases that specify the items purchased.	Freddie Hurchins	12/31/2007
E. Objective: To reduce the risk of duplicate payments			
1.	A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	Lora Lee-Turner	1/31/2008
F. Objective: To ensure proper reviews of monthly cardholder statements			
1.	Applicable P-Card administrative staff will maintain records that track the status of individual monthly statements received from DMA. Those records will be used to reflect when statements are received, transmitted to cardholders, received back from cardholders and their supervisors after their review and approval, and scanned into the EDMS P-Card module.	Shakila Jackson	1/31/2008
2.	Applicable P-Card administrative staff will follow up on instances when cardholders and/or their supervisors do not return signed and dated monthly statements (and related support) for scanning into EDMS.	Shakila Jackson	1/31/2008
3.	Cardholders and their supervisors will be reminded they are required to review, sign and date, and then return their monthly statements to applicable P-Card administrative staff.	Wanda Whitehead	1/31/2008
G. Objective: To provide adequate internal guidance for P-Card operations			
1.	Written procedures will be updated and revised to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current \$1,000 capitalization threshold for tangible personal property.	Wanda Whitehead	2/29/2008

**As per department, action plan step has been completed as of indicated date.

This page intentionally left blank.

UTILITY BUSINESS AND CUSTOMER SERVICES (UBCS)

Background. Typical purchases made with City P-Cards included travel and training, office and work supplies and equipment, contractual services, employee uniform laundry services, Employee Reward and Recognition Program items, cellular telephone services, and miscellaneous items such as food and handouts for various City utility-sponsored events.

<i>Activity during 16-month period October 2005 through January 2007</i>	
Number of Cardholders	28
Number of Transactions	2,668
Total Value of Transactions	\$502,735
Average Transaction Amount	\$188

Audit Methodology. We gained an initial understanding of P-Card operations and activities through discussions with staff, observation of processes, and examination of documents and records. We subsequently selected and examined samples of P-Card transactions to further that understanding.

Total Number of Transactions Reviewed	56
Total Value of Transactions Reviewed	\$26,502

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with department staff regarding P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Access to the department’s cardholder account numbers within the City’s PeopleSoft P-Card module is controlled through (1) providing access only to authorized administrative staff and (2) use of confidential and unique passwords by that staff. ✓ UBCS P-Card administrative staff is properly limited to accessing in the PeopleSoft P-Card module only cardholder account numbers of UBCS employees. 	

		<ul style="list-style-type: none"> ✓ Individual cardholders are assigned custody of their own P-Cards. Each cardholder is responsible for securing his/her P-Card. ✓ The UBCS staff assigned access to UBCS P-Card records scanned into the EDMS P-Card module is reasonable given the roles of that staff (i.e., scanners, coders, and administrators). 	
2.	Direct Activity Management	<ul style="list-style-type: none"> ✓ Management determines which employees should be provided P-Cards based on their job assignments and responsibilities. ✓ Management establishes the transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments and approves all requests to change cardholders' limits. ✗ Management does not regularly obtain and review reports of department P-Card activity available from the City's PeopleSoft P-Card module. The regular review of such reports provides management an overview of P-Card purchases and serves as another process to identify inappropriate purchases. 	<p>Department management should access and review department-wide P-Card activity recorded in the PeopleSoft P-Card module on a monthly basis. Management should review those reports to ascertain the volume and reasonableness of P-Card transactions.</p>
3.	Segregation of Duties	<ul style="list-style-type: none"> ✓ The duties of making P-Card purchases and reviewing/approving those purchases are segregated among different staff. Specifically, each cardholder transaction is reviewed initially as the purchase is made and again when the applicable supervisor reviews and signs the cardholders' monthly statements. Those independent reviews are documented. (However, see the subsequent risk within the "Execution of Transactions and Events" control activity category noting where those supervisory reviews have not been performed and/or documented.) ✗ Because of processing and administrative needs, P-Card coders inherently have access to all cardholder account numbers within their departments. At UBCS, those coders also receive monthly bank statements for distribution to the respective cardholders and their supervisors for review and approval. The coders also reconcile the activity on the monthly statements to charges recorded in the PeopleSoft P-Card module. The bank only sends statements for cardholders with 	<p>If reasonable and efficient, the receipt of monthly cardholder statements and distribution to cardholders for review and approval should be assigned to someone other than the P-Card coders. In addition, the review of P-Card activity recorded in the PeopleSoft P-Card module by management, as recommended in the previous control activity</p>

		<p>transaction activity (purchases) during the month. Statements are not sent for cardholders without any monthly activity. Because of these duties and circumstances, the coders may be in the position to fraudulently use a cardholder's account number to make an unauthorized purchase without detection. For example, if a coder realizes that a cardholder will not make any purchases in a month (e.g., out on leave), the coder could access that cardholder account number, make an unauthorized purchase, code the fraudulent transaction in the PeopleSoft P-Card module, and intercept (and destroy) the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected.</p>	<p>category ("Direct Activity Management"), should be implemented.</p>
<p>4.</p>	<p>Physical Controls</p>	<p>✓ P-Cards no longer needed (e.g., cardholder terminating employment) are destroyed by designated UBCS administrative staff.</p> <p>✓ Other than described in the following risk, P-Card information containing cardholder account numbers and card expiration dates is safeguarded as (1) access to UBCS offices is generally controlled and monitored and (2) applicable records are generally maintained in locked cabinets under custody of designated staff.</p> <p>X As stated above, P-Card account information included on purchase documentation is generally adequately secured in locked file cabinets. However, instances were noted where:</p> <ul style="list-style-type: none"> • Documents containing cardholder account numbers were placed on a P-Card coder's desk (in the employee's inbox) and those documents were not secured when the coder's desk was unattended. • Monthly statements and related documents were delivered to and from cardholders located outside City Hall in unsealed interoffice envelopes. <p>Those circumstances increase the risk that account information could be obtained by unauthorized persons and used for inappropriate purposes.</p>	<p>P-Card account information should be adequately secured to preclude unauthorized access. Documents containing sensitive information should be maintained in locked offices, drawers, and/or file cabinets when applicable offices/desks are unattended. Those documents should be transferred only in sealed envelopes.</p>

		<p>X To help restrict access to cardholder account numbers, the Treasurer-Clerk’s EDMS Business Rules require that cardholder numbers be redacted from P-Card records and other documents that are scanned into the City’s electronic storage medium (i.e., the Electronic Documents Management System, or EDMS). City Records Retention Policy requires the participating City departments to prepare all documents for scanning, which includes redaction of cardholder account numbers. Contrary to those requirements, we noted that cardholder account numbers were often not adequately redacted. Specifically, in 18 of the 56 transactions reviewed, either all or a portion of cardholder account numbers were not completely and adequately redacted on scanned documents (e.g., cardholder statements, invoices, receipts). Those documents primarily included records scanned into the EDMS P-Card module directly by UBCS staff, but also includes four instances where the numbers were not adequately redacted on travel-related records that were submitted by UBCS for processing and scanning into the EDMS contracts and payments module by Treasurer-Clerk staff.</p> <p>X One cardholder scanned records (invoices, receipts, etc.) supporting his P-Card purchases into a shared drive on the City’s computer network. The cardholder did that to facilitate his personal storage of those records and to facilitate providing those records to the P-Card coders (i.e., as e-mail attachments). However, we found that the cardholder’s account number was not redacted prior to the employee scanning the documents into the shared drive. As the those scanned documents were accessible to other employees with access to that shared drive, there was an increased risk that another individual would obtain and use the cardholder’s account number for unauthorized purchases.</p>	<p>As required by City Records Retention Policy and the Treasurer-Clerk’s EDMS Business Rules, UBCS should adequately and completely redact all cardholder account numbers from records that are scanned into both the EDMS P-Card module and the EDMS contracts and payments module.</p> <p>UBCS should ensure that the cardholder either stops storing P-Card support in the shared drive or require the cardholder to redact the account numbers before scanning the documents.</p>
5.	Execution of Transactions and Events	<p>✓ Procedures exist to ensure that proper support for all P-Card purchases, such as vendor invoices, receipts, etc., is obtained and filed. (However, as noted in the “Documentation” control activity category, those records were not always retained and filed.)</p>	

		<ul style="list-style-type: none"> ✓ P-Cards are issued only to those employees with purchasing needs relating to their job responsibilities. ✓ Procedures exist to ensure that cardholders do not make purchases in excess of their monthly spending limits and individual transaction limits. (However, see the subsequent risk within this control activity category noting where those procedures have been circumvented.) ✓ Cardholders receive training prior to receipt of their P-Cards. ✓ P-Cards of terminating employees are timely cancelled. ✓ The number of P-Card coders and back-up coders is reasonable given the number of cardholders and activity levels. (P-Card coders access and record account data in the PeopleSoft P-Card module for transactions entered into that system by the administering bank.) ✓ Purchases through the Internet are done through secured sites. ✓ Disputed transactions (duplicate charges, erroneous charges, etc.) are reviewed, researched, and resolved. ✦ State sales taxes are generally not paid. However, we noted one instance where sales taxes were paid and not recovered. ✗ Procedures provide for review and approval of P-Card transactions by applicable managerial and supervisory staff. Those reviews include determinations as to the validity and propriety of the purchases. Those reviews should be documented on standard "Visa Charges" forms used by UBCS and/or on the cardholder monthly statements. While we noted those supervisory/managerial reviews were generally documented on at least one of those two forms (Visa Charges form or monthly statement), our tests showed that there was no evidence of supervisory review 	<p>Staff should continue efforts to ensure that state sales taxes are not paid and to make reasonable efforts to recover those taxes when inadvertently paid. Efforts to recover paid sales taxes should be documented.</p> <p>UBCS management should take appropriate action to ensure that cardholder supervisors properly and timely review and approve P-Card transactions. Those reviews should be documented on both standard Visa Charges forms and the monthly cardholder statements.</p>
--	--	---	---

		<p>on either the cardholder statements or the standard forms for 10 of the 56 sampled purchases. The lack of documented supervisory reviews reduces the assurance that only authorized and appropriate purchases are made.</p> <p>X Transaction limits are established for each cardholder as a control to reduce the risk and impact of unauthorized purchases. The City P-Card Policy establishes a maximum single transaction limit of \$10,000 for departmental cardholders. In addition, the policy provides that management should establish transaction limits (\$10,000 or less) for each cardholder based on the cardholder’s assigned job responsibilities and expected purchases. For the 28 cardholders, UBCS management established transaction limits at amounts that ranged from \$1,000 to \$3,000. We found that, contrary to these policy requirements, UBCS cardholders sometimes circumvented their transaction limits in order to purchase needed goods or services. Specifically, we noted:</p> <ul style="list-style-type: none"> • One instance where a vendor invoice in the amount of \$3,192.44 (for professional services) was split by a cardholder and paid in two transactions of \$3,000 and \$192.44, as the cardholder’s transaction limit was \$3,000. • One instance where an invoice for event handouts (magnet badges with the City’s utility logo) in the amount of \$3,999 was split and paid by two different cardholders in amounts of \$2,999 and \$1,000, as each of the two cardholders transaction limit was \$3,000. <p>This practice is in direct violation of City P-Card policy and represents a circumvention of designed controls.</p> <p>X City P-Card policy provides that P-Cards (and cardholder account numbers) should not be shared among employees and limited to the individual whose name appears on the card. The intent of this policy requirement is to reduce the risk of unauthorized and fraudulent purchases by restricting knowledge of individual cardholder account</p>	<p>UBCS management should stop cardholders from circumventing established controls and policy requirements through the splitting of transactions. If appropriate, cardholder transaction limits should be revised to allow applicable employees to purchase items commensurate with their assigned job functions.</p> <p>We recommend that the UBCS stop the card sharing practice. If applicable, additional employees should be provided their own P-Cards and/or cardholder transaction/spending limits should be revised so that employees can purchase goods and services commensurate with their assigned job duties.</p>
--	--	---	---

		<p>information to the respective cardholder. Contrary to this control requirement, a UBCS cardholder acknowledged that she allowed other staff, that do not have a P-Card or who need to make a purchase that exceeds their transaction (or spending) limit, to use her P-Card to make such purchases. Although this occurred with the knowledge and approval of that cardholder, this was in direct violation of City P-Card policy and good internal control practices.</p> <p>X Competitive procurement practices were not documented as followed in three of six applicable purchases. In those three instances, purchases of goods or services were made in amounts that exceeded the \$1,000 competitive procurement threshold. However, UBCS provided no evidence to show that quotes were obtained from at least three vendors for each of those purchases or that the purchases were otherwise exempt from competitive procurement requirements.</p>	<p>UBCS should reinforce to staff the requirements to obtain competitive quotes for applicable P-Card purchases that exceed the \$1,000 threshold.</p>
<p>6.</p>	<p>Recording of Transactions and Events</p>	<p>✓ Cardholders are required to complete a standard form (“Visa Charges”) documenting the items/services acquired and related information for each purchase. Those forms along with related support are turned into management for review and approval. That documentation is generally sufficient to document the public purpose served by P-Card purchases.</p> <p>✓ Receipt of items purchased online through vendor websites and shipped to the department was documented by retention of applicable packing slips.</p> <p>◆ Transactions are generally properly and timely coded in the PeopleSoft P-Card module. However, two instances were noted where more appropriate account codes should have been used to accurately account for those transactions. Specifically:</p> <ul style="list-style-type: none"> • The purchase of a cell phone charger should have been charged as “telephone charges” instead of “unclassified charges.” • A keying error resulted in a purchase of computer equipment being incorrectly charged as “vehicle equipment” instead of “unclassified equipment.” 	<p>UBCS management should reinforce the importance of correctly coding transactions in the PeopleSoft P-Card module.</p>

		<p>Proper and accurate coding of transactions is important to ensuring accurate accounting and reporting of City business.</p> <ul style="list-style-type: none"> ◆ Documentation clearly demonstrating items purchased is generally prepared/obtained and maintained. However, two instances were identified where better support was warranted. Those instances included two purchases from restaurants for food relating to approved UBCS program or training events. For both instances, the purchasing employee obtained a receipt from the applicable restaurant. However, the receipts did not document the specific food/beverage or other items purchased. Restaurants generally can/will provide detailed receipts that identify the specific items purchased if requested. Such detailed receipts better justify that only allowable and reasonable items are purchased. ✗ Vendor invoices were often not defaced or marked in a manner to clearly document that payment was made by City P-Card. While some of those invoices did indicate payment was made by a credit card, the documentation did not indicate that a City P-Card was the credit card used to make the payment. Not clearly defacing or marking vendor invoices to show payment by a City P-Card increases the risk of duplicate payment (i.e., either to the vendor or as a reimbursement to the employee that made the purchase). 	<p>UBCS management should instruct staff purchasing food or other items from restaurants to obtain detailed receipts identifying the specific items purchased.</p> <p>UBCS should develop a standard process for marking vendor invoices to clearly show payment was by City P-Card.</p>
7.	Information Processing	<ul style="list-style-type: none"> ✓ P-Card administrative staff reconciles charges in the PeopleSoft P-Card module to support (vendor invoices, receipts, etc.). ✓ P-Card administrative staff reconciles charges per monthly cardholder statements to support (vendor invoices, receipts, etc.) and P-Card charges reflected in the P-Card module. ✗ The administering bank generates monthly cardholder statements that reflect all P-Card purchases/activity. As required by City P-Card policy, UBCS provides those statements to the respective cardholders and their respective supervisors for their review. City P-Card policy requires both the cardholder and supervisor to sign and date those statements as evidence of their review and approval of the transactions included on 	<p>UBCS should ensure that each statement is properly signed and dated by the cardholder and his/her supervisor as evidence of their review and approval.</p>

		<p>the statements. To facilitate this process, UBCS administrative staff also provides the cardholders and their supervisors the related support (invoices, receipts, completed Visa Charges forms, etc.) along with the statements. Once reviewed, approved, and signed, the statements and related support are returned to UBCS P-Card administrative staff and scanned into the P-Card module of the City’s electronic storage medium (EDMS).</p> <p>In addition to identification of bank or other errors, these cardholder and supervisory reviews of monthly statements and related support serve to identify any instances where another individual (inside or outside of the City) fraudulently uses a cardholder’s account number to make unauthorized purchases. Our review showed that the statements were generally provided to the cardholders and their supervisors for review and approval. However, we found that the statements were not always properly reviewed and signed. Specifically:</p> <ul style="list-style-type: none"> • Neither the cardholders nor their supervisors signed the statements relating to nine of the 56 sampled charges. • For statements relating to 10 other sampled charges, the cardholder signed the statements but there was no signature by the cardholder supervisor showing their review and approval. • Statements relating to 10 other sampled charges were signed by the cardholder and their supervisors but those signatures were not dated. <p>Inadequate documentation of cardholder and supervisor reviews of monthly statements reduces the ability of UBCS to clearly demonstrate that P-Cards were used only for authorized purposes.</p>	
8.	Documentation	<p>✓ Documentation is prepared and retained that evidences requests for new P-Cards and changes to the status of existing cards (e.g., increase transaction limits or cancel a card).</p> <p>◆ Support for P-Card purchases is generally retained in accordance with City record</p>	<p>UBCS should ensure that adequate and appropriate support</p>

		<p>retention requirements. However, adequate support was not available for four of the 56 sampled purchases. Specifically:</p> <ul style="list-style-type: none"> • For two purchases, no support (invoices, receipts, etc.) was provided to substantiate the purchases. In one of those two instances, the related cardholder statement also was not available. • For an additional two instances, vendor invoices and receipts were also not on file. However, subsequent to our audit inquiries, UBCS staff was successful in obtaining duplicate copies of the missing documents from the applicable vendors. <p>Lack of records to substantiate P-Card charges reduces the ability of UBCS to clearly demonstrate that P-Cards were used only for authorized purposes.</p> <p>◆ Internal written procedures were established for the operation and administration of P-Card activities within the department. Those procedures were generally adequate and comprehensive. However, the procedures should be updated to (1) reflect the processes relating to using the current accounting system (procedures currently continue to address using the former software system [InfoSpan] which has been replaced by the PeopleSoft P-Card module) and (2) reflect the current \$1,000 capitalization threshold for tangible personal property.</p>	<p>is obtained and retained (i.e., scanned into the EDMS) for each purchase.</p> <p>UBCS should update the internal written procedures for the two noted areas.</p>
--	--	---	---

Table Legend:

- ✓ Activities increased assurance that P-Card purchases are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Utility Business and Customer Services implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City funds for P-Card transactions are for proper and authorized City business. There was no evidence that reviewed transactions were not for approved City business.

Based on our consultations with UBCS staff and audit procedures, we noted areas where control activities should be enhanced and improved. Recommendations include enhanced managerial reviews of charges recorded in the PeopleSoft P-Card module, segregation of incompatible duties among different employees, additional security over P-Card account information, adequate and complete redaction of cardholder account numbers on records scanned into EDMS or shared computer network drives, proper and timely supervisor review of cardholder purchases, elimination of the splitting of transactions to circumvent cardholder transaction limits, elimination of the sharing of P-Cards among employees, compliance with competitive procurement practices, development of a standardized procedure for defacing vendor invoices after payment, and confirmation that cardholders and supervisors sign and date monthly statements as evidence of their review and approval of cardholder charges. We also recommend that efforts be enhanced to ensure that sales taxes are not paid, transactions are correctly coded, adequate support is obtained to document items purchased from restaurants, support for purchases is obtained and retained, and written procedures are timely updated.

UTILITY BUSINESS AND CUSTOMER SERVICES			
<i>Action Plan</i>			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To enhance managerial review of P-Card activity			
1.	Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	Corliss L. Moragne	2/29/08
B. Objective: To segregate incompatible duties			
1.	The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	Corliss L. Moragne	Completed 12/3/2007 **
C. Objective: To improve physical security over P-Card records			
1.	P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	Corliss L. Moragne	2/29/08
2.	Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	Corliss L. Moragne	Completed 12/13/2007 **
3.	P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	Corliss L. Moragne	2/29/08
4.	Cardholders will be instructed to redact P-card account information on all records scanned into and stored on shared network drives.	Corliss L. Moragne	2/29/08

D. Objective: To ensure proper execution of and accountability for transactions			
1.	Management will reinforce to cardholders and their supervisors the requirement that all transactions must be reviewed, and that those supervisory reviews must be documented on both the standard "Visa Charges" form and the cardholder monthly statements.	Corliss L. Moragne	2/29/08
2.	Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	Corliss L. Moragne	2/29/08
3.	In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	Corliss L. Moragne	2/29/08
4.	Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	Corliss L. Moragne	2/29/08
5.	As necessary and to preclude future instances of card sharing and circumvention of transition/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments	Corliss L. Moragne	2/29/08
6.	To also preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	Corliss L. Moragne	2/29/08
6.	Cardholders and their supervisors will be reminded that competitive procurement practices will be used for applicable purchases exceeding the \$1,000 threshold. Documentation will be retained (e.g., evidence of competitive quotes) for those purchases.	Corliss L. Moragne	2/29/08
7.	P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	Corliss L. Moragne	2/29/08

8.	Cardholders and applicable administrative staff will be reminded of the requirements to: (1) not pay state sales taxes, (2) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, and (3) obtain adequate and detailed receipts for restaurant purchases that specify the items purchased.	Corliss L. Moragne	2/29/08
E. Objective: To reduce the risk of duplicate payments			
1.	A stamp indicating payment by “City P-Card” will be obtained and used to mark each vendor invoice paid by City P-Card.	Corliss L. Moragne	Completed 12/7/2007 **
F. Objective: To ensure proper reviews of monthly cardholder statements			
1.	Management will require that cardholders and their supervisors properly and timely sign and date monthly cardholder statements.	Corliss L. Moragne	2/29/08
G. Objective: To ensure adequate documentation is retained			
1.	Cardholders and P-Card administrative staff will be reminded to obtain and retain (through scanning into EDMS) adequate support for each P-card purchase.	Corliss L. Moragne	2/29/08
H. Objective: To provide adequate internal guidance for P-Card operations			
1.	Written procedures will be updated and revised to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current \$1,000 capitalization threshold for tangible personal property.	Corliss L. Moragne	2/29/08

**As per department, action plan step has been completed as of indicated date.

INFORMATION SYSTEMS SERVICES (ISS)

Background. Typical purchases made with City P-Cards included computers and related equipment, software programs, employee uniform laundry services, travel and training, office supplies, food for department sponsored events and functions, and various communication related charges and supplies.

<i>Activity during 16-month period October 2005 through January 2007</i>	
Number of Cardholders	62
Number of Transactions	1,787
Total Value of Transactions	\$952,094
Average Transaction Amount	\$533

Audit Methodology. We gained an initial understanding of P-Card operations and activities through discussions with staff, observation of processes, and examination of documents and records. We subsequently selected and examined samples of P-Card transactions to further that understanding.

Total Number of Transactions Reviewed	66
Total Value of Transactions Reviewed	\$84,433

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with department staff regarding P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Access to the department’s cardholder account numbers within the City’s PeopleSoft P-Card module is controlled through (1) providing access only to authorized administrative staff and (2) use of confidential and unique passwords by that staff. ✓ ISS P-Card administrative staff is properly limited to accessing in the PeopleSoft P-Card module only cardholder account numbers of ISS employees. ✓ Individual cardholders are assigned custody of their own P-Cards. Each cardholder is 	

		<p>responsible for securing his/her P-Card.</p> <p>✓ The ISS staff assigned access to ISS P-Card records scanned into the EDMS P-Card module is reasonable given the roles of that staff (i.e., scanners, coders, and administrative supervisors).</p>	
2.	Direct Activity Management	<p>✓ Management determines which employees should be provided P-Cards based on their job assignments and responsibilities.</p> <p>✓ Management establishes the transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments and approves all requests to change cardholders' limits.</p> <p>✗ Management does not regularly obtain and review reports of department P-Card activity available from the City's PeopleSoft P-Card module. The regular review of such reports provides management an overview of P-Card purchases and serves as another process to identify inappropriate purchases.</p>	<p>Department management should access and review department-wide P-Card activity recorded in the PeopleSoft P-Card module on a monthly basis. Management should review those reports to ascertain the volume and reasonableness of P-Card transactions.</p>
3.	Segregation of Duties	<p>✓ The duties of making P-Card purchases and reviewing/approving those purchases are segregated among different staff. Specifically, each cardholder transaction is reviewed initially as the purchase is made and again when the applicable supervisor reviews and signs the cardholders' monthly statements. Those independent reviews are documented.</p> <p>✗ Because of processing and administrative needs, P-Card coders inherently have access to all cardholder account numbers within their departments. At ISS, those coders also receive monthly bank statements for distribution to the respective cardholders and their supervisors for review and approval. The coders also reconcile the activity on the monthly statements to charges recorded in the PeopleSoft P-Card module. The bank only sends statements for cardholders with transaction activity (purchases) during the month. Statements are not sent for cardholders without any monthly activity. Because of these duties and circumstances, the coders may be in the position to fraudulently use a cardholder's account</p>	<p>If reasonable and efficient, the receipt of monthly cardholder statements and distribution to cardholders for review and approval should be assigned to someone other than the P-Card coders. In addition, the review of P-Card activity recorded in the PeopleSoft P-Card module by management, as recommended in the previous control activity category ("Direct Activity Management"), should be implemented.</p>

		<p>number to make an unauthorized purchase without detection. For example, if a coder realizes that a cardholder will not make any purchases in a month (e.g., out on leave), the coder could access that cardholder account number, make an unauthorized purchase, code the fraudulent transaction in the PeopleSoft P-Card module, and intercept (and destroy) the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected.</p>	
<p>4.</p>	<p>Physical Controls</p>	<ul style="list-style-type: none"> ✓ P-Cards no longer needed (e.g., cardholder terminating employment) are destroyed by designated ISS administrative staff. ✓ In accordance with the Treasurer-Clerk’s EDMS Business Rules, cardholder numbers are redacted from P-Card records and other documents that are scanned into the City’s electronic storage medium (i.e., the Electronic Documents Management System, or EDMS). ✓ Other than described in the following risk, P-Card information containing cardholder account numbers and card expiration dates is safeguarded as access to ISS offices is controlled and monitored. ✗ During our audit fieldwork, we noted that P-Card account information reflected on purchase documentation and monthly cardholder statements was not always maintained in secured locations. Specifically, (1) for the benefit of the P-Card coder, individual cardholders place their P-Card transaction support (invoices, receipts, etc.) that often contains their P-Card account numbers in an open folder located in a common area accessible to all ISS employees; (2) upon receipt, the P-Card coder places the monthly statements and related support on her desk for applicable employees and their supervisors to retrieve for their subsequent review and approval; those records were not secured while the P-Card coder’s desk was unattended; and (3) after processing, those documents were stored in an unlocked cabinet located in a common area also accessible to all ISS employees. Those circumstances increase the risk that account information could be 	<p>P-Card account information should be adequately secured to preclude unauthorized access. Documents containing sensitive information should be maintained in locked offices and/or file cabinets with access restricted to authorized staff.</p>

		<p>obtained by unauthorized persons and used for inappropriate purposes.</p>	
<p>5.</p>	<p>Execution of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Procedures require that proper support be obtained and filed for all P-Card purchases, including vendor invoices, receipts, etc. ✓ P-Card transactions are reviewed and approved by applicable managerial and supervisory staff. Those reviews include determinations as to the validity and propriety of the purchases. ✓ P-Cards are issued only to those employees with purchasing needs relating to their job responsibilities. ✓ Procedures exist to ensure that cardholders do not make purchases in excess of their monthly spending limits and individual transaction limits. (However, see subsequent risk within this control activity category noting where those procedures have been circumvented.) ✓ Cardholders receive training prior to receipt of their P-Cards. ✓ The number of P-Card coders and back-up coders is reasonable given the number of cardholders and activity levels. (P-Card coders access and record account data in the PeopleSoft P-Card module for transactions entered into that system by the administering bank.) ✓ Purchases through the Internet are done through secured sites. ✦ A process exists to identify and resolve disputed transactions (duplicate charges, erroneous charges, etc.). However, this process has not always ensured the timely resolution of disputed items. Specifically, ISS records showed one transaction that was disputed in February 2007 as the vendor charged state sales taxes of \$12. However, as of the date of our fieldwork in late September 2007 (eight months later), the disputed charge still had not been resolved, as no credit had been received for the \$12 charge. (Also, see “state sales taxes” issue described below for a similar instance.) ✦ P-Cards of terminating employees are 	<p>ISS should ensure that disputed charges are timely resolved. Assistance from the DMA P-Card administrator should be timely requested when department staff is unsuccessful in resolving the disputed charge.</p> <p>ISS administrative staff should</p>

		<p>generally timely cancelled based on requests submitted by ISS administrative staff to DMA staff, who in turn cancels the cards with the administering bank. However, ISS staff did not submit a timely request to cancel the card of one individual that terminated employment with the City on November 10, 2006. As a result, the card was not cancelled until April 4, 2007, after DMA staff independently ascertained that the employee had retired through their periodic analysis of the employment status of cardholders. Not timely terminating P-Cards increases the risk of inappropriate or fraudulent purchases.</p> <ul style="list-style-type: none"> ◆ State sales taxes are generally not paid. However, in our test of 55 sampled charges we noted two instances where state sales taxes were paid and not recovered. In one of those instances, documentation showed that ISS intended to recover sales taxes of \$540 that were incorrectly charged on a purchase made in August 2006. However, no credit had been obtained as of the date of our fieldwork one year later in August 2007. (Also see “disputed charges” resolution issue described above for a similar instance.) ◆ Competitive procurement practices are generally used. Competitive quotes were properly obtained and documented in four of the five applicable purchases tested. In the remaining instance, ISS staff indicated that quotes had been obtained but documentation was not retained to substantiate that assertion. ◆ Fixed asset receipts reports (FARRS) are generally timely completed and submitted to Accounting Services for the purchase of tangible personal property. However, we noted one instance in which a specialized air conditioning unit was purchased and installed on an emergency communications vehicle (at a cost of \$1,386), but no FARR or other record was used to report the acquisition to Accounting Services. As a result, the asset addition was not capitalized (i.e., added to the cost of the vehicle as recorded in the City’s fixed asset records). ✗ Transaction limits are established for each cardholder as a control to reduce the risk and impact of unauthorized purchases. The City P-Card Policy establishes a maximum single 	<p>ensure that timely, documented requests are made to have cards cancelled for terminating employees</p> <p>Staff should continue efforts to ensure that state sales taxes are not paid and to make reasonable efforts to recover those taxes when inadvertently paid. Efforts to recover paid sales taxes should be documented. Additional efforts should be made to recover the \$540.</p> <p>ISS should ensure that appropriate records of quotes are maintained to document compliance with competitive procurement requirements.</p> <p>ISS should remain cognizant of the requirement to report fixed asset purchases to Accounting Services. The cost of the air conditioning unit should be properly capitalized in the fixed asset records.</p> <p>ISS management should stop the practice of circumventing established controls and policy requirements through the splitting of transactions. In addition, all</p>
--	--	---	--

		<p>transaction limit of \$10,000 for departmental cardholders. In addition, the policy provides that management should establish transaction limits (\$10,000 or less) for each cardholder based on the cardholder’s assigned job responsibilities and expected purchases. For the 62 cardholders, ISS management established transaction limits at amounts that ranged from \$1,500 to \$10,000. We found that, contrary to these policy requirements, an ISS cardholder circumvented her transaction limit in order to purchase needed equipment. Specifically, six computers were purchased from a vendor at the same time at the price of \$2,114.62 per computer. Because the total charge of \$12,688 exceeded the \$10,000 transaction limit of the applicable cardholder, the vendor split the charge into equal amounts on two separate invoices. This allowed the cardholder to pay both invoices in two separate transactions, as the two invoice amounts were each less than the \$10,000 transaction limit (i.e., \$6,344 each). In addition to the inappropriately splitting of the charge, this acquisition exceeded the maximum amount allowed for a P-Card purchase and, therefore, should have been purchased through other means (i.e., requisitioned through the PeopleSoft Financials System) and paid with a City check. This practice is in direct violation of City P-Card policy and represents a circumvention of designed controls.</p> <p>X City P-Card policy provides that P-Cards (and cardholder account numbers) should not be shared among employees and limited to the individual whose name appears on the card. The intent of this policy requirement is to reduce the risk of unauthorized and fraudulent purchases by restricting knowledge of individual cardholder account information to the respective cardholder. Contrary to this control requirement, we found one instance where a cardholder used another cardholder’s P-Card account number to make a purchase. In response to our inquiry, the cardholder indicated that she uses her supervisor’s P-Card to make purchases when she has reached her monthly spending limit and still needs to make purchases. Although this occurred with the knowledge and approval of the supervisor, this was in direct violation of City P-Card policy and good internal control practices.</p>	<p>purchases exceeding \$10,000 should be made through the PeopleSoft Financials System purchase requisition process or through the City’s check request process.</p> <p>We recommend that ISS stop the card sharing practice. If applicable, cardholder transaction and/or spending limits should be revised so that employees can purchase goods and services commensurate with their assigned job duties.</p>
--	--	--	--

		<p>✘ Rules, regulations, and requirements pertaining to expenditure of City funds are generally followed. However, in our sampled purchases we noted two food purchases that were in violation of the City Manager’s Food Guidelines. Specifically:</p> <ul style="list-style-type: none"> • Food was acquired for employee meetings that were held at times not considered normal meal times. (The City Manager’s Food Guidelines provide that food can be purchased with City funds when employees are required to meet during normal meal times, thereby inferring that food should not be purchased with City funds for meetings not held during normal meal times.) • Food (e.g., tea, soft drinks, water, mints, relish) and related items (napkins, forks, knives, spoons, cups) were acquired for an employee Christmas luncheon. (While many food items [e.g., meat] served at that luncheon were acquired by management at their personal expense, the City Manager’s Food Guidelines provide that food shall not be purchased with City funds for informal employee gatherings such as birthdays, retirements, etc.). <p>The City Manager’s Food Guidelines provide that department directors and supervisors are expected to strictly adhere to the guidelines.</p>	<p>ISS should ensure that food (and related items such as utensils, plates, cups, etc.) is only purchased in accordance with the City Manager’s Food Guidelines.</p>
6.	Recording of Transactions and Events	<p>✓ Cardholders are required to complete a standard form (“Request For Purchase Card/Visa”) documenting the items acquired and related information for each purchase. Those forms, along with related support are turned into management for review and approval. That documentation is generally sufficient to document the public purpose served by the P-Card purchase.</p> <p>✦ While receipt of items purchased with P-Cards was generally adequately documented, receipt of items ordered and purchased through the Internet or by telephone was often not documented. Specifically, we found that receipt was not documented for eight purchases made online or by telephone. Proper accountability requires documentation</p>	<p>ISS should document receipt of all items purchased online or by telephone. Receipt should be documented through retention of packing documents and/or notations made by employees that received the shipped items.</p>

		<p>that items purchased and paid for prior to receipt are subsequently received for City use.</p> <p>◆ Documentation clearly demonstrating items purchased is generally prepared/obtained and maintained. However, three instances were identified where better support was warranted.</p> <ul style="list-style-type: none"> • The first instance involved a purchase from a restaurant for food relating to an approved City event. For that purchase, the purchasing employee obtained a receipt from the applicable restaurant. However, the receipt did not document the specific food, beverage, or other items purchased. Restaurants generally can/will provide detailed receipts that identify the specific items purchased if requested. Such detailed receipts better justify that only allowable and reasonable items are purchased. Also in this instance, there was no documentation of the individuals attending the event. The lack of records showing attendees precludes a determination that the quantity of food purchased was reasonable. • The second instance also pertained to food purchased for an approved City event. In that instance, the purchasing employee obtained a detailed receipt of items purchased, but did not document the individuals attending the event. As a result, available documentation did not demonstrate that the quantities purchased were reasonable. • The third purchase related to a payment for costs incurred by an employee on authorized City travel. To be claimed/reported as costs to be paid from City funds, City Travel Policy provides that telephone charges (including Internet connections on telephone lines) shall be noted as incurred for City business on the relevant receipt (e.g., hotel invoice). In this instance, the traveler claimed/reported five telephone charges shown on the hotel invoice, but did not document those were incurred for City business. In response to our inquiry, the employee asserted those 	<p>ISS management should instruct staff purchasing food or other items from restaurants to obtain detailed receipts identifying the specific items purchased. Staff should also be instructed to document attendees for applicable events. In addition, staff traveling on authorized City business should be reminded to adequately document that incidental costs paid from City funds and included on lodging invoices (e.g., telephone calls or Internet connection charges) were incurred for authorized City business.</p>
--	--	---	--

		<p>charges related to the conduct of City business.</p> <p>X Out of 66 transactions tested, we noted 12 instances in which more appropriate account codes should have been used to accurately account for those transactions. For example, instances were noted where training costs were coded as “unclassified charges,” when the more appropriate category would have been “travel and training.” In another instance, the annual fee paid for coordination of certain communication services was coded as “equipment repairs.” A more appropriate category for that charge would have been “system dispatch services.” Proper and accurate coding of transactions is important to ensuring accurate accounting and reporting of City business.</p> <p>X Vendor invoices were often not defaced or marked in a manner to clearly document that payment was made by City P-Card. While some of those invoices did indicate payment was made by a credit card, the documentation did not indicate that a City P-Card was the credit card used to make the payment. Not clearly defacing or marking vendor invoices to show payment by a City P-Card increases the risk of duplicate payment (i.e., either to the vendor or as a reimbursement to the employee that made the purchase).</p>	<p>ISS management should reinforce the importance of correctly coding transactions in the PeopleSoft P-Card module.</p> <p>ISS should develop a standard process for marking vendor invoices to clearly show payment was by City P-Card.</p>
<p>7.</p>	<p>Information Processing</p>	<p>✓ P-Card administrative staff reconciles charges in the PeopleSoft P-Card module to support (vendor invoices, receipts, etc.).</p> <p>✓ P-Card administrative staff reconciles charges per monthly cardholder statements to support (vendor invoices, receipts, etc.) and P-Card charges reflected in the P-Card module.</p> <p>◆ The administering bank generates monthly cardholder statements that reflect all P-Card purchases/activity. As required by City P-Card policy, ISS provides those statements to the respective cardholders and their respective supervisors for their review. As also required by City P-Card policy, those statements are generally signed and dated by both the cardholder and the supervisor as evidence of their review and approval of the transactions included on the statements. To</p>	<p>ISS should ensure that each monthly cardholder statement is properly signed and dated by the cardholder and his/her supervisor as evidence of their review and approval.</p>

		<p>facilitate this process, ISS administrative staff also provides the cardholders and their supervisors the related support (invoices, receipts, completed Request For Purchase Card/Visa forms, etc.) along with the statements. Once reviewed, approved, and signed, the statements and related support are returned to ISS P-Card administrative staff and scanned into the P-Card module of the City’s electronic storage medium (EDMS).</p> <p>In addition to identification of bank or other errors, these cardholder and supervisory reviews of monthly statements and related support serve to identify any instances where another individual (inside or outside of the City) fraudulently uses a cardholder’s account number to make unauthorized purchases. Our review showed that the statements were generally reviewed, approved, and signed by both the cardholders and their supervisors. However, the following exceptions/issues were noted in our review of statements pertaining to the 66 sampled charges:</p> <ul style="list-style-type: none"> • One cardholder statement was not signed by either the cardholder or the cardholder’s supervisor. • Two additional cardholder statements were signed by the cardholder but not the cardholder’s supervisor. • Ten other statements were signed by both the cardholders and their supervisors, but those cardholders and/or supervisors did not date their signatures. <p>Inadequate documentation of timely cardholder and supervisor reviews of monthly statements reduces the ability of ISS to demonstrate that P-Cards were used only for authorized City business.</p>	
8.	Documentation	<ul style="list-style-type: none"> ✓ Support for P-Card purchases is retained in accordance with City record retention requirements. ✓ Documentation is prepared and retained that evidences requests for new P-Cards and changes to the status of existing cards (e.g., increase transaction limits or cancel a card). ✓ Internal written procedures were established 	

		for the operation and administration of P-Card activities within the department. Those procedures were generally adequate and comprehensive.	
--	--	--	--

Table Legend:

- ✓ Activities increased assurance that P-Card purchases are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Information Systems Services implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City funds for P-Card transactions are for proper and authorized City business. Except for the use of P-Cards to buy food for certain employee meetings, there was no evidence that reviewed transactions were not for approved City business.

Based on our consultations with department staff and audit procedures, we noted areas where control activities should be enhanced and improved. Recommendations include enhanced managerial reviews of charges recorded in the PeopleSoft P-Card module, segregation of incompatible duties among different employees, additional security over P-Card account information, elimination of the splitting of transactions to circumvent cardholder transaction limits, elimination of the sharing of P-Cards among employees, purchase of food only for allowable events/functions, proper and correct coding of P-Card transactions, and development of a standardized procedure for defacing vendor invoices after payment. We also recommend that efforts be enhanced to ensure disputed charges are timely resolved, P-Cards are timely canceled for terminating employees, state sales taxes are not paid, compliance with competitive procurement requirements is documented, fixed asset purchases are timely and properly reported to Accounting Services, receipt of items purchased online or by telephone and shipped to the department is documented, adequate support is obtained and retained for food purchases, the purpose served by employee travel costs paid by the City is adequately documented, and cardholders and supervisors sign and date monthly statements as evidence of their review and approval of cardholder charges.

INFORMATION SYSTEMS SERVICES			
Action Plan			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To enhance managerial review of P-Card activity			
1.	Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	Mike Seagraves & Glenda Myers	3/31/2008
B. Objective: To segregate incompatible duties			
1.	The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	Mike Seagraves	3/31/2008
C. Objective: To improve physical security over P-Card information			
1.	Except when delivered in person, support for P-Card purchases (invoices, receipts, etc.) will be transmitted from cardholders to P-Card coders in sealed envelopes. Those records will no longer be placed in an unsecured common area.	Mike Seagraves	3/31/2008
2.	P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	Mike Seagraves	3/31/2008
3.	P-Card records, including monthly statements and related support, will continue to be scanned into EDMS. Those records will no longer be stored in unlocked file cabinets or drawers that are accessible to all ISS employees.	Mike Seagraves	3/31/2008
D. Objective: To ensure proper execution of and accountability for transactions			
1.	Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	Don DeLoach	1/01/2008
2.	In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	Don DeLoach	1/01/2008

3.	Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	Don DeLoach	1/01/2008
4.	Purchases exceeding the \$10,000 threshold will be made through the PeopleSoft Financials purchase requisition process or through the City's check request process. As provided by the City P-Card policy, P-Cards will not be used for purchases of \$10,000 or more.	Don DeLoach	1/01/2008
5.	As necessary and to preclude future instances of card sharing and circumvention of transition/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments.	Mike Seagraves	3/31/2008
6.	Future food purchases will be made only for authorized City functions and events in accordance with the City Manager's Food Guidelines.	Don DeLoach	1/01/2008
7.	P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	Mike Seagraves	3/31/2008
8.	A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	Mike Seagraves	3/31/2008
9.	Disputed charges will be timely resolved. Assistance in resolution will be requested from DMA P-Card administrative staff as needed to ensure timely resolution.	Mike Seagraves	3/31/2008
10.	Reasonable and documented efforts will be made to recover the \$540 in state sales taxes paid.	Mike Seagraves	3/31/2008
11.	The cost of the specialized air conditioning unit will be reported to Accounting Services for capitalization purposes.	Leven Magruder	3/31/2008
12.	Cardholders and applicable administrative staff will be reminded of the requirements to: (1) timely cancel P-cards of terminating employees, (2) not pay state sales taxes, (3) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, (4) retain evidence of competitive quotes, (5) properly report fixed asset purchases to Accounting Services, (6) obtain adequate and detailed receipts for restaurant purchases that specify the items purchased, (7) document attendees at authorized events	Don DeLoach	1/01/2008

	to justify quantities of food obtained, and (8) document that incidental communication costs paid from City funds during travel and training were incurred for authorized City business.		
E. Objective: To reduce the risk of duplicate payments			
1.	A stamp indicating payment by “City P-Card” will be obtained and used to mark each vendor invoice paid by City P-Card.	Mike Seagraves	3/31/2008
F. Objective: To ensure proper reviews of monthly cardholder statements			
1.	Management will reinforce to cardholders and their supervisors the requirement that monthly cardholder statements be properly and timely signed and dated.	Don DeLoach	1/01/2008

HUMAN RESOURCES

Background. Typical purchases made with City P-Cards include food for City-sponsored events and functions, travel and training, maintenance of office equipment, document reproduction and storage, specialized software, office supplies, employee background checks, employee uniform laundry services, Employee Reward and Recognition Program items, and cellular telephone services.

<i>Activity during 16-month period October 2005 through January 2007</i>	
Number of Cardholders	7
Number of Transactions	2,074
Total Value of Transactions	\$188,630
Average Transaction Amount	\$91

Audit Methodology. We gained an initial understanding of P-Card operations and activities through discussions with staff, observation of processes, and examination of documents and records. We subsequently selected and examined samples of P-Card transactions to further that understanding.

Total Number of Transactions Reviewed	55
Total Value of Transactions Reviewed	\$26,365

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with department and center staff regarding P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1.	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Access to the department’s cardholder account numbers within the City’s PeopleSoft P-Card module is controlled through (1) providing access only to authorized administrative staff and (2) use of confidential and unique passwords by that staff. ✓ Department P-Card administrative staff is properly limited to accessing in the PeopleSoft P-Card module only cardholder account numbers of Human Resources employees. ✓ Individual cardholders are assigned custody 	

		<p>of their own P-Cards. Each cardholder is responsible for securing his/her P-Card.</p> <p>✗ Individual cardholders provided their monthly statements and related support (invoices, receipts, etc.) to the department director's executive secretary. The executive secretary, who is not a P-Card coder and therefore does not need access to cardholder account numbers, subsequently provided those records to the department director for review and approval. This process resulted in the exposure of cardholder account information to the executive secretary, thereby increasing the risk of unauthorized purchases.</p>	<p>Cardholders should provide their P-Card records to the executive secretary in sealed envelopes. Those envelopes should only be opened by the department director when the director initiates the review of the related P-Card activity.</p>
2.	Direct Activity Management	<p>✓ Management determines which employees should be provided P-Cards based on their job assignments and responsibilities.</p> <p>✓ Management establishes the transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments and approves all requests to change cardholders' limits.</p> <p>✗ Management does not regularly obtain and review reports of department P-Card activity available from the City's PeopleSoft P-Card module. The regular review of such reports provides management an overview of P-Card purchases and serves as another process to identify inappropriate purchases.</p>	<p>Department management should access and review department-wide P-Card activity recorded in the PeopleSoft P-Card module on a monthly basis. Management should review those reports to ascertain the volume and reasonableness of P-Card transactions.</p>
3.	Segregation of Duties	<p>✓ The duties of making P-Card purchases and reviewing/approving those purchases are segregated among different staff. Specifically, each cardholder transaction is reviewed when the applicable supervisor reviews the cardholders' monthly statements and related support. Those reviews are documented by the supervisor's signature on the monthly statements.</p> <p>✗ Because of processing and administrative needs, P-Card coders inherently have access to all cardholder account numbers within their departments. Those coders also receive monthly bank statements for distribution to the respective cardholders and their supervisors for review and approval. The coders also reconcile the activity on the monthly statements to charges recorded in</p>	<p>If reasonable and efficient, the receipt of monthly cardholder statements and distribution to cardholders for review and approval should be assigned to someone other than the P-Card coders. In addition, the review of P-Card activity recorded in the PeopleSoft P-Card module by</p>

		<p>the PeopleSoft P-Card module. The bank only sends statements for cardholders with transaction activity (purchases) during the month. Statements are not sent for cardholders without any monthly activity. Because of these duties and circumstances, the coders may be in the position to fraudulently use a cardholder’s account number to make an unauthorized purchase without detection. For example, if a coder realizes that a cardholder will not make any purchases in a month (e.g., out on leave), the coder could access that cardholder account number, make an unauthorized purchase, code the fraudulent transaction in the PeopleSoft P-Card module, and intercept (and destroy) the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected.</p>	<p>management, as recommended in the previous control activity category (“Direct Activity Management”), should be implemented.</p>
4.	Physical Controls	<ul style="list-style-type: none"> ✓ P-Cards no longer needed (e.g., cardholder terminating employment) are destroyed by the cardholder or designated Human Resources staff. ✓ Other than described in the following risk, P-Card information containing account numbers and expiration dates is generally safeguarded as (1) access to Human Resources is generally controlled and monitored and (2) applicable records are maintained in locked file cabinets under the custody of designated staff. ✗ During our audit fieldwork, we noted that P-Card account information reflected on purchase documentation and monthly cardholder statements was not always maintained in secured locations. Specifically, those documents were observed on a P-Card coder’s desk in an open cubicle that was accessible to any individual within the Human Resources department. Those circumstances increase the risk that account information could be obtained by unauthorized persons and used for inappropriate purposes. 	<p>P-Card account information should be adequately secured to preclude unauthorized access. Documents containing sensitive information should be maintained in locked offices and/or file cabinets with access restricted to authorized staff.</p>
5.	Execution of Transactions and Events	<ul style="list-style-type: none"> ✓ Procedures ensure that proper support for all P-Card purchases, such as vendor invoices, receipts, etc., are obtained and filed. ✓ P-Card transactions are reviewed and 	

		<p>approved by applicable managerial and supervisory staff. Those reviews include determinations as to the validity and propriety of the purchases.</p> <ul style="list-style-type: none"> ✓ P-Cards are issued only to those employees with purchasing needs relating to their job responsibilities. ✓ Procedures ensure that cardholders make purchases within their transaction and spending limits. ✓ Cardholders receive training prior to receipt of their P-Cards. ✓ The number of P-Card coders and backup coders is reasonable given the number of cardholders and activity levels. (P-Card coders access and record account data in the PeopleSoft P-Card module for transactions entered into that system by the administering bank.) ✓ Purchases through the Internet are done through secured sites. ✓ Disputed transactions (duplicate charges, erroneous charges, etc.) are reviewed, researched, and resolved. ✓ Competitive procurement practices are used when applicable. ✦ State sales taxes generally were not paid. However, we noted two instances where sales taxes were paid and not recovered. ✗ City P-Card policy provides that P-Cards (and cardholder account numbers) should not be shared among employees and limited to the individual whose name appears on the card. The intent of this policy requirement is to reduce the risk of unauthorized and fraudulent purchases by restricting knowledge of individual cardholder account information to the respective cardholder. Contrary to this control requirement, we found that Human Resources had a practice of allowing “non-cardholder” employees to 	<p>Staff should continue efforts to ensure that state sales taxes are not paid and to make reasonable efforts to recover those taxes when inadvertently paid or charged. Efforts to recover paid sales taxes should be documented.</p> <p>We recommend that Human Resources stop the card sharing practice. If applicable, additional employees should be provided their own P-Cards so those employees can purchase goods and services commensurate with their assigned job duties.</p>
--	--	--	--

		<p>use account information of cardholders to make purchases on behalf of the department. Specifically, we noted 12 instances where a non-cardholder employee used a cardholder's P-Card information to purchase various goods and services. Although this occurred with the knowledge and approval of the applicable cardholders whose cards were used, this was in direct violation of City P-Card policy and good internal control practices.</p>	
6.	Recording of Transactions and Events	<p>✓ For each purchase, a standard "Invoice Routing Sheet" is prepared to document information relating to the purchase. Those forms along with related support (invoices, receipts, monthly statements, etc.) are sufficient to document the public purpose served by P-Card purchases.</p> <p>✓ Transactions are properly and timely coded in the PeopleSoft P-Card module.</p> <p>✦ While receipt of items purchased with P-Cards was generally adequately documented, receipt of items ordered and purchased through the Internet or by telephone was often not documented. Specifically, we found that receipt was not documented for three purchases made online or by telephone. Proper accountability requires documentation that items purchased and paid for prior to receipt are subsequently received for City use.</p> <p>✗ Vendor invoices were often not defaced or marked in a manner to clearly document that payment was made by City P-Card. While some of those invoices did indicate payment was made by a credit card, the documentation did not indicate that a City P-Card was the credit card used to make the payment. Not clearly defacing or marking vendor invoices to show payment by a City P-Card increases the risk of duplicate payment (i.e., either to the vendor or as a reimbursement to the employee that made the purchase).</p>	<p>Staff should document receipt of all items purchased online or by telephone. Receipt should be documented through retention of packing documents and/or notations made by employees that received the shipped items.</p> <p>Staff should develop a standard process for marking vendor invoices to clearly show payment was by City P-Card.</p>
7.	Information Processing	<p>✓ P-Card administrative staff reconciles charges in the PeopleSoft P-Card module to support (vendor invoices, receipts, etc.).</p> <p>✓ P-Card administrative staff reconciles charges per monthly cardholder statements to</p>	

		<p>support (vendor invoices, receipts, etc.) and P-Card charges reflected in the P-Card module.</p> <p>◆ The administering bank generates monthly cardholder statements that reflect all P-Card purchases/activity. As required by City P-Card policy, the department provides those statements to the respective cardholders and their respective supervisors for their review. As also required by City P-Card policy, those statements are signed by both the cardholder and the supervisor as evidence of their review and approval of the transactions included on the statements. To facilitate this process, administrative staff also provides the cardholders and their supervisors the related support (invoices, receipts, etc.) along with the statements. Once reviewed, approved, and signed, the statements and related support are returned to P-Card administrative staff and stored in secured file cabinets.</p> <p>While we found that the statements were properly reviewed and signed by the cardholders and their respective supervisors, those signatures were generally not dated. Dating of signatures is important to show that those reviews and approvals are done in a timely manner.</p>	<p>We recommend that cardholders and their supervisors be required to date their signatures as evidence that their reviews are timely.</p>
8.	Documentation	<p>✓ Support for P-Card purchases is retained in accordance with City record retention requirements.</p> <p>✓ Documentation is prepared and retained that evidences requests for new P-Cards and changes to the status of existing cards (e.g., card cancellations).</p> <p>✓ Internal written procedures were established for the operation and administration of P-Card activities within the department. Those procedures were generally adequate and comprehensive.</p>	

Table Legend:

- ✓ Activities increased assurance that P-Card purchases are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- ✗ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. Human Resources implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City funds for P-Card transactions are for proper and authorized City business. There was no evidence that reviewed transactions were not for approved City business.

Based on our consultations with department staff and audit procedures, we noted areas where control activities should be enhanced and improved. Recommendations include restricting access to cardholder account information through the use of sealed envelopes, increasing managerial review activities, segregating incompatible duties among different employees, increasing security over P-Card account information, eliminating the sharing of P-Cards among employees, and developing a standardized procedure for defacing vendor invoices after payment. We also recommend that efforts be enhanced to ensure that state sales taxes are not paid and reasonable efforts are made to recover such taxes when such taxes are inadvertently paid, receipt of items purchased online or by telephone and shipped to the City is documented, and cardholders/supervisors date their signatures evidencing reviews and approvals of monthly statements.

HUMAN RESOURCES			
Action Plan			
Step #	Action/Task	Responsible Employee	Target Date
A. Objective: To restrict access to sensitive account information			
1.	Cardholders will submit their P-Card records (monthly statements and related support) to the department director's executive secretary in sealed envelopes.	All cardholders reporting to the Director	Completed April 2007 **
2.	The sealed envelopes containing cardholders' P-card records and support (see Action Step A.1.) will be opened only by the department director when the director initiates review of the related P-card activity.	Gloria Hall McNeil	January 2008
B. Objective: To enhance managerial review of P-Card activity			
1.	Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	Marilyn Bogan	January 2008
C. Objective: To segregate incompatible duties			
1.	The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	Marilyn Bogan	Completed April 2007 **
D. Objective: To improve physical security over P-Card records			
1.	P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	Gloria Hall McNeil, cardholders, coders, and their supervisors	January 2008
E. Objective: To ensure proper execution of and accountability for transactions			
1.	Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	Gloria Hall McNeil	January 2008
2.	In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	All cardholders	January 2008

3.	As necessary and to preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	Gloria Hall McNeil	January 2008
4.	A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	Marilyn Bogan	January 2008
5.	Cardholders and applicable administrative staff will be reminded of the requirements to: (1) not pay state sales taxes and (2) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made.	Gloria Hall McNeil	January 2008
F. Objective: To reduce the risk of duplicate payments			
1.	A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	Marilyn Bogan	January 2008
G. Objective: To ensure proper reviews of monthly cardholder statements			
1.	Cardholders and supervisors will date their signatures on monthly cardholder statements.	All cardholders and their supervisors	Completed March 2007 **

** As per department, action plan step has been completed as of indicated date.

This page intentionally left blank.

PARKS AND RECREATION

Background. Typical purchases made with City P-Cards included tools, equipment parts and repair services, office supplies, landscaping services, construction services and supplies, travel and training, supplies and services for recreational programs and events, food for department sponsored events, and Employee Reward and Recognition Program items.

<i>Activity during 17-month period October 2005 through January 2007</i>	
Number of Cardholders	123
Number of Transactions	11,595
Total Value of Transactions	\$2,832,832
Average Transaction Amount	\$244

Audit Methodology. We gained an initial understanding of P-Card operations and activities through discussions with staff, observation of processes, and examination of documents and records. We subsequently selected and examined samples of P-Card transactions to further that understanding.

Total Number of Transactions Reviewed	99
Total Value of Transactions Reviewed	\$109,375

Assurances, Risks, and Recommendations. The following table describes the assurances and risks identified during, and recommended actions resulting from, our review and related consultations with Parks and Recreation staff regarding P-Card activities.

ASSURANCES, RISKS, AND RECOMMENDATIONS			
	Applicable Control Activity (Note 1)	Assurances/Risks	Recommendation/Corrective Action
1	Access to and Accountability for Resources	<ul style="list-style-type: none"> ✓ Access to the department’s cardholder account numbers within the City’s PeopleSoft P-Card module is controlled through (1) providing access only to authorized administrative staff and (2) use of confidential and unique passwords by that staff. ✓ Department P-Card administrative staff is properly limited to accessing in the PeopleSoft P-Card module only cardholder account numbers of Parks and Recreation department employees. ✓ Individual cardholders are assigned custody of 	

		<p>their own P-Cards. Each cardholder is responsible for securing his/her P-Card.</p> <p>✓ The Parks and Recreation staff assigned access to department P-Card records scanned into the EDMS P-Card module is reasonable given the roles of that staff (i.e., scanners, coders, and administrative supervisors).</p>	
2	Direct Activity Management	<p>✓ Management determines which employees should be provided P-Cards based on their job assignments and responsibilities.</p> <p>✓ Management establishes the transaction and spending limits for cardholders based on their anticipated purchasing needs as determined by their job assignments and approves all requests to change cardholders' limits.</p> <p>✗ Parks and Recreation management does not regularly obtain and review reports of department P-Card activity available from the City's PeopleSoft P-Card module. The regular review of such reports provides management an overview of P-Card purchases and serves as another process to identify inappropriate purchases.</p>	<p>Department management should access and review department-wide P-Card activity recorded in the PeopleSoft P-Card module on a monthly basis. Management should review those reports to ascertain the volume and reasonableness of P-Card transactions.</p>
3	Segregation of Duties	<p>✓ The duties of making P-Card purchases and reviewing/approving those purchases are segregated among different staff. Specifically, each cardholder transaction is reviewed by a supervisor and/or manager. Those independent reviews are documented.</p> <p>✗ Because of processing and administrative needs, P-Card coders inherently have access to all cardholder account numbers within their departments. At Parks and Recreation, one of the employees granted a system coding permission also receives monthly bank statements for distribution to the respective cardholders and their supervisors for review and approval. The bank only sends statements for cardholders with transaction activity (purchases) during the month. Statements are not sent for cardholders without any monthly activity. Because of these duties and circumstances, the employee that receives and distributes monthly statements may be in the position to fraudulently use a cardholder's account number to make an unauthorized purchase without detection. For example, if that employee realizes that a cardholder will not make any purchases in a month (e.g., out on leave), the employee could access that</p>	<p>If reasonable and efficient, the receipt of monthly cardholder statements and distribution to cardholders for review and approval should be assigned to someone other than the employees granted P-Card coder permissions. Alternatively, the system permission providing the ability to code P-Card transactions in the PeopleSoft P-Card module should be removed from the employee that currently receives and distributes monthly statements (i.e., that employee is a back-up coder and that role could be reassigned to another employee). In addition, the review of P-Card activity recorded in the PeopleSoft P-Card module by management, as recommended in the previous control activity category ("Direct Activity Management"),</p>

		<p>cardholder account number, make an unauthorized purchase, code the fraudulent transaction in the PeopleSoft P-Card module, and intercept (and destroy) the monthly statement from the bank. As the cardholder and supervisor would not be anticipating a monthly statement, such an unauthorized purchase likely would not be detected.</p>	<p>should be implemented.</p>
<p>4 .</p>	<p>Physical Controls</p>	<ul style="list-style-type: none"> ✓ P-Cards no longer needed (e.g., cardholder terminating employment) are destroyed by designated Parks and Recreation administrative staff. ✓ Other than described in a following risk within this control risk category, P-Card information containing cardholder account numbers and card expiration dates is safeguarded as access to Parks and Recreation offices is controlled and monitored. ✦ To help restrict access to cardholder account numbers, the Treasurer-Clerk's EDMS Business Rules require that cardholder numbers be redacted from P-Card records and other documents that are scanned into the City's electronic storage medium (i.e., the Electronic Documents Management System, or EDMS). City Records Retention Policy requires the participating City departments to prepare all documents for scanning, which includes redaction of cardholder account numbers. <p>The Parks and Recreation Department starting scanning and storing P-Card records in the EDMS P-Card module in October 2006. Since that process started, we noted that cardholder account numbers have generally been properly and adequately redacted. However, we identified three instances where a portion of cardholder account numbers was not completely and adequately redacted on scanned documents (e.g., cardholder statements, invoices, receipts). Those three instances included two documents scanned into the EDMS P-Card module directly by Parks and Recreation staff and one instance where the numbers were not adequately redacted on travel-related records that were submitted by Parks and Recreation for processing and scanning into the EDMS contracts and payments module by Treasurer-Clerk staff.</p>	<p>As required by City Records Retention Policy and the Treasurer-Clerk's EDMS Business Rules, Parks and Recreation staff should adequately and completely redact all cardholder account numbers from records that are scanned into both the EDMS P-Card module and the EDMS contracts and payments module.</p> <p>P-Card records containing</p>

		<p>✗ As noted above, P-Card information containing cardholder account numbers and card expiration dates is generally adequately safeguarded. However, we noted:</p> <ul style="list-style-type: none"> • Monthly cardholder statements and related documents (invoices, receipts, etc.) that contain cardholder account numbers are often delivered from cardholders to the Parks and Recreation administration office (and vice versa) in unsealed interoffice envelopes. • Support for P-Card transactions (invoices, receipts, etc.) that are pending coding in the PeopleSoft P-Card module are placed in an open inbox in an area that is accessible by all Parks and Recreation administrative employees. Additionally, once processed, those records are temporarily stored in an unlocked file cabinet in a closet that is also accessible to all Parks and Recreation administrative employees. <p>Those circumstances increase the risk that account information could be obtained by unauthorized persons and used for inappropriate purposes.</p>	<p>cardholder account numbers and/or other sensitive information should be stored and placed in secured locations (e.g., locked file cabinets) with access restricted to authorized staff. Those documents should be transferred to and from cardholders and other Parks and Recreation locations only in sealed envelopes.</p>
5	Execution of Transactions and Events	<p>✓ Procedures provide that proper support for all P-Card purchases be obtained and filed, including vendor invoices, receipts, etc. Prior to October 2006, those records were stored in file cabinets at the Parks and Recreation administration office. Effective October 2006, Parks and Recreation started scanning those records into EDMS, the City electronic storage medium. (See the risk addressed below under the “Documentation” control activity category noting records that were not available for review.)</p> <p>✓ P-Cards are only issued to those employees with purchasing needs relating to their job responsibilities.</p> <p>✓ Procedures ensure that cardholders make purchases within their transaction and spending limits.</p> <p>✓ Cardholders receive training prior to their receipt of their P-Cards.</p> <p>✓ The number of P-Card coders and backup</p>	

		<p>coders is reasonable given the number of cardholders and activity levels. (P-Card coders access and record account data in the PeopleSoft P-Card module for transactions entered into that system by the administering bank.)</p> <ul style="list-style-type: none"> ✓ Purchases through the Internet are done through secured sites. ✓ Disputed transactions (duplicate charges, erroneous charges, etc.) are reviewed, researched, and resolved. ✓ State sales taxes were not paid. ✓ Competitive procurement practices are used when applicable. ✦ P-Card transactions are reviewed and approved by applicable managerial and supervisory staff. Those reviews include determinations as to the validity and propriety of the purchases. Those reviews should be documented on standard "Procurement Card Receiving Forms" used by Parks and Recreation and/or on the monthly cardholder statements. While we noted those supervisory/managerial reviews were generally documented on at least one of those two records (standard form or monthly statement), our test showed no evidence of such reviews on either of those two records for four of the 99 sampled purchases. The lack of documented supervisory reviews reduces the assurance that only authorized and appropriate purchases are made. ✦ For department cardholders terminating their employment with the City, DMA staff cancels their P-Cards with the administering bank based on requests submitted by Parks and Recreation administrative staff. However, Parks and Recreation staff did not always submit to DMA timely requests to cancel the cards of employees terminating their employment with the City. As a result, the cards for two individuals were not cancelled until periods of approximately one and four months after their respective terminations. Not timely terminating P-Cards increases the risk of inappropriate or fraudulent purchases. ✦ Fixed asset receipts reports (FARRs) are generally timely completed and submitted to Accounting Services for the purchase of 	<p>Parks and Recreation management should ensure that each P-Card purchase is approved by the appropriate supervisor/manager and that such reviews are properly documented.</p> <p>Parks and Recreation staff should make sure that P-Cards of all terminating employees are timely cancelled.</p> <p>Parks and Recreation staff should remain cognizant of the requirement to complete and submit FARRs for</p>
--	--	---	--

		<p>tangible personal property. However, we noted one purchase of a playground covering for \$4,792, for which no FARR form was completed and submitted to Accounting Services. As a result, this asset was not “tagged” with a unique City property number and was not recorded in the City’s fixed asset records, thereby limiting control over and accountability for that asset.</p> <p>◆ Rules, regulations, and requirements pertaining to expenditure of City funds are generally followed. However, in our sampled purchases we noted one food purchase that was in violation of the City Manager’s Food Guidelines. In that instance, food was purchased for employees working at a scheduled registration event. That event was not during normal meal times. The City Manager’s Food Guidelines do not provide for the purchase of food with City funds for such scheduled events. In response to our inquiries on this matter, Parks and Recreation management indicated that employees had already been informed that such food purchases were no longer allowable.</p> <p>✘ City P-Card policy provides that P-Cards (and cardholder account numbers) should not be shared among employees and limited to the individual whose name appears on the card. The intent of this policy requirement is to reduce the risk of unauthorized and fraudulent purchases by restricting knowledge of individual cardholder account information to the respective cardholder. Contrary to this control requirement, we noted four instances where cardholders allowed other staff, that needed to make a purchase exceeding their transaction limits, to use their P-Card to make those purchases. Although this occurred with the knowledge and approval of the cardholders, this was in direct violation of City P-Card policy and good internal control practices.</p>	<p>purchased tangible personal property. A FARR should be completed and submitted for the playground covering, and a City property tag attached to the covering.</p> <p>Parks and Recreation management should continue with their revised procedures of no longer allowing use of City P-Cards to purchase food for scheduled work events.</p> <p>We recommend that Parks and Recreation management stop the card sharing practice. If applicable, cardholder transaction limits should be revised so that employees can purchase goods and services commensurate with their assigned job duties. (NOTE: Parks and Recreation management acknowledged the risk related to card sharing, but decided for both efficiency and control purposes to continue allowing designated non-managerial staff to use P-Cards of managerial employees to purchase goods and services under certain circumstances. One of those circumstances includes prior approval by management before such purchase transactions are executed. Management decided that it will not increase non-managerial cardholder spending and transaction limits because of the inherent risk associated with higher limits for those cardholders. To compensate for the risk associated with card sharing, management stated that it</p>
--	--	--	--

			<p>will rely on detection controls to identify and address any instances where a non-managerial employee improperly or fraudulently uses a manager's P-Card to make inappropriate purchases. Those detection controls include reviews of individual transactions by management as reflected on their monthly P-Card statements received from the bank.)</p>
<p>6</p>	<p>Recording of Transactions and Events</p>	<ul style="list-style-type: none"> ✓ Each cardholder is required to complete a standard form ("Procurement Card Receiving Form") documenting the items/services acquired and related information for each purchase. For purchases of \$1,000 or more, cardholders are also required to complete a standard "Request To Purchase" form prior to making the purchase. Those forms along with related support are turned into applicable supervisors/managers for review and approval. That documentation is generally sufficient to document the public purpose served by P-card purchases. ✓ Parks and Recreation staff now uses a standard form to track the status of monthly cardholder bank statements (i.e., to track whether signed statements are returned from cardholders and their supervisors). ✦ Transactions are generally properly and timely coded in the PeopleSoft P-Card module. However, out of 99 sampled purchases we identified seven that were inaccurately coded as "unclassified supplies." Those seven purchases included acquisitions of equipment, tools, tangible personal property, food, and recreational services. More accurate and appropriate codes other than "unclassified supplies" were available to code those purchases. We noted an additional instance where a payment of a fine using a City P-Card was inaccurately coded as "unclassified contractual services." ✦ While receipt of items purchases with P-Cards was generally adequately documented, receipt of items ordered and purchased through the Internet, by telephone or facsimile, or through sales representatives (i.e., Hilaman Golf Pro Shop) was often not documented. Specifically, we found that receipt was not documented for six such purchases. Proper accountability requires documentation that items purchased 	<p>Parks and Recreation cardholders and P-Card coders should be instructed to use the most appropriate and accurate account codes for P-Card transactions.</p> <p>Parks and Recreation should document receipt of all items purchased online, by telephone or facsimile, or through a sales representative. Receipt should be documented through retention of packing documents and/or notations made by employees that received the shipped items.</p>

		<p>and paid for prior to receipt are subsequently received for City use.</p> <ul style="list-style-type: none"> ◆ Documentation clearly demonstrating items purchased is generally prepared/obtained and maintained. However, we noted one instance where food was purchased for employees working a registration event held during a normal mealtime (lunch). In that instance, the applicable supervisor documented that applicable employees were unable to leave the event to have their lunch. While those circumstances may have warranted the purchase, no documentation was prepared to show the individuals or number of individuals for whom the food was acquired. As a result, available documentation did not demonstrate that the quantity of food purchased was reasonable. ✕ Vendor invoices were often not defaced or marked in a manner to clearly document that payment was made by City P-Card. While some of those invoices did indicate payment was made by a credit card, the documentation did not always indicate that a City P-Card was the credit card used to make the payment. Not clearly defacing or marking vendor invoices to show payment by a City P-Card increases the risk of duplicate payment (i.e., either to the vendor or as a reimbursement to the employee that made the purchase). 	<p>For allowable food purchases, Parks and Recreation staff should always document the individuals (or number of individuals, as applicable) for whom the food is acquired. (NOTE: Parks and Recreation management indicated that in all future registration events, work will be scheduled in a manner that provides all employees a lunch break. Under those circumstances management will no longer allow purchases of food with City funds.)</p> <p>Staff should mark all vendor invoices to clearly show payment was by City P-Card. (NOTE: For efficiency purposes, department management decided not to implement this recommendation. Management decided that the risk of inadvertent duplicate payment by check request was insignificant and that instances of duplicate payment were not likely to occur under their current processing methods.)</p>
7	Information Processing	<ul style="list-style-type: none"> ✓ P-Card administrative staff reconciles charges in the PeopleSoft P-Card module to support (vendor invoices, receipts, etc.). ● In addition to identification of bank or other errors, the reconciliation by P-Card administrative staff of charges on monthly cardholder bank statements to related support and to transactions recorded in the PeopleSoft P-Card module serves to assist in the identification of inappropriate charges. During the audit period, P-Card administrative staff did not reconcile charges per monthly cardholder statements to support (vendor invoices, receipts, etc.) and P-Card charges reflected in the P-Card module. However, in summer 2007 (prior to the start of our audit fieldwork in fall 2007), Parks and Recreation management started requiring and ensuring that P-Card administrative staff performed those reconciliations. (NOTE: As described in the following risk, prior to summer 2007, 	<p>Parks and Recreation should continue the described reconciliations, as now required under the revised process.</p>

		<p>cardholders did not return their monthly statements to the Parks and Recreation P-Card administrative staff. Instead, the cardholders and/or their division administrative staff were responsible for retaining those statements. In summer 2007, procedures were revised to require the return of signed cardholder statements to P-Card administrative staff.)</p> <ul style="list-style-type: none"> ● The administering bank generates monthly cardholder statements that reflect all P-Card purchases/activity. City P-Card policy requires that those statements be provided to the respective cardholders and their supervisors for their review and approval. In addition to identification of bank or other errors, these cardholder and supervisory reviews of monthly statements serve to identify any instances where another individual (inside or outside of the City) fraudulently uses a cardholder's account number to make unauthorized purchases. During the audit period, P-Card administrative staff provided those statements to the cardholders. Cardholders and their supervisors were expected to review and sign those statements as required by City P-Card policy. However, the cardholders and/or their division administrative staff were responsible for retaining and filing those statements. The statements were not returned to Parks and Recreation P-Card administrative staff. <p>However, effective summer 2007 (prior to the start of our audit fieldwork in fall 2007), Parks and Recreation management revised this process to require the return of signed/approved cardholder statements to P-Card administrative staff. Those signed/reviewed statements are now matched with the related support (invoices, receipts, etc.) and scanned into the P-Card module of the City's electronic storage medium (EDMS).</p> <p>Our review of the monthly cardholder statements pertaining to the sampled 99 P-Card transactions showed the following:</p> <ul style="list-style-type: none"> • Fourteen instances where a cardholder statement was not provided by Parks and Recreation staff. In those instances, staff indicated that the respective cardholders and/or division administrative staffs likely had not retained the statements. (Note: These 	<p>For the purpose of ensuring that cardholders and their supervisors review, sign, and date monthly cardholder statements, Parks and Recreation should continue with the revised process as described.</p>
--	--	---	---

		<p>instances pertained to periods prior to the time that Parks and Recreation staff started imaging cardholder statements in the City's EDMS.)</p> <ul style="list-style-type: none"> • Twenty-seven instances where the statements or copies of the statements were provided, but there was no evidence of cardholder and/or supervisory review on those statements. In those instances, staff indicated that cardholders and/or their supervisors/division administrative staffs likely had not ensured that the statements were properly reviewed and signed. <p>For those 41 instances, Parks and Recreation management has not adequately demonstrated that the applicable charges and activity on the cardholder statements represented purchases for authorized City business.</p> <p>As noted above, subsequent to the audit period and prior to the start of our audit fieldwork, Parks and Recreation management revised the process to require the return and retention of signed/approved cardholder statements in EDMS. The status (returned or not returned) of those statements is now tracked on an EXCEL document. That revised process, if properly and consistently applied, should ensure that cardholders and their supervisors timely review and sign the monthly statements.</p>	
8	Documentation	<p>◆ Support for P-Card purchases is generally retained in accordance with City record retention requirements. However, adequate support was not available for one of the 99 sampled purchases. Specifically, no support (vendor invoices, receipts, completed Procurement Card Receiving Forms, etc.) was provided to substantiate that purchase. Lack of records to substantiate P-Card charges reduces the ability of Parks and Recreation to clearly demonstrate that P-Cards were used only for authorized purposes. (Also see the risk identified above under the "Information Processing" control activity category for the instances noted where cardholder statements also were not available.)</p> <p>Under revised procedures that were placed into operation in summer 2007 (after the audit period), P-Card administrative staff now ensures that appropriate transaction support is</p>	<p>To ensure that adequate support is available to substantiate all P-Card purchases, we recommend that Parks and Recreation staff continue with the revised process as described.</p>

		<p>available for each P-Card purchase reflected on monthly cardholder statement. The statements and related support are now scanned into EDMS for retention purposes. That process should help ensure that appropriate support is available for all P-Card purchases.</p> <p>◆ Internal written procedures were established for the operation and administration of P-Card activities within the department. Those procedures were generally adequate and comprehensive. However, those guidelines do not address (1) processing and coding transactions in the PeopleSoft P-Card module; (2) receiving, processing, approving, and signing monthly cardholder statements received from the bank; and (3) completing fixed asset receipt records and submitting those records to Accounting Services to ensure the proper recording and tagging of purchased tangible personal property items.</p> <p>✘ Parks and Recreation staff did not retain documentation (i.e., e-mails) that evidences requests for new P-Cards and changes to the status of existing cards (e.g., card cancellations for terminating employees). Retention of such records serves to document that management takes timely and appropriate actions, such as requesting cancellation of a P-Card for a terminating employee. While all e-mails sent by department staff are retained on the City’s archived back-up files, significant time and research would be required by the City’s ISS department to locate and identify the specific Parks and Recreations e-mail requests relating to P-Card actions.</p>	<p>Management should revise current internal guidelines to address the described processes and functions.</p> <p>The Parks and Recreation department should retain documentation of all requests for P-Card actions.</p>
--	--	---	--

Table Legend:

- ✓ Activities increased assurance that P-Card purchases are accounted for, valid, and proper.
- ◆ Activities are generally appropriate to assure that P-Card purchases are accounted for, valid, and proper; however, certain enhancements and/or improvements are needed.
- During the audit period, actions were not adequate to ensure all P-Card purchases were valid and proper; however, revisions were made subsequent to the audit period to rectify those circumstances.
- ✘ Identified risks for which revisions, enhancements, and/or improvements are needed.

Note (1): Applicable Control Activities determined from INTERNAL CONTROL GUIDELINES - Administrative Policies and Procedures No. 630, Section .09, Part III.

Conclusion. The Parks and Recreation department implemented certain control activities and processes to provide increased assurance that P-Cards are used only by authorized staff to make approved purchases. Those controls are generally adequate to ensure that disbursements of City

funds for P-Card transactions are for proper and authorized City business. Except for the use of P-Cards to buy food for a scheduled registration event (not held during a normal mealtime), there was no evidence indicating that reviewed transactions were not for approved City business.

Based on our consultations with department staff and audit procedures, we noted areas where control activities should be enhanced and improved. Recommendations include increased managerial review activities, segregation of incompatible duties among different employees, additional security over P-Card account information, elimination of the sharing of P-Cards among employees, development of a standardized procedure for defacing vendor invoices after payment, and retention of requests for P-Card actions. We also recommend that efforts be enhanced to adequately and completely redact cardholder account numbers on records scanned into EDMS, document the supervisory review and approval of individual P-Card purchases, timely cancel P-Cards for terminating employees, timely and properly report fixed asset purchases to Accounting Services, purchase food only in accordance with the City Manager's Food Guidelines, accurately code P-card transactions, document receipt of items purchased online or by telephone (or by facsimile or through sales representatives), document individuals for whom food purchases are made, and address all applicable processes and functions in established written procedures. In addition, we recommend that Parks and Recreation continue recently revised procedures and processes that should ensure that charges are reconciled to monthly cardholder statements, cardholder statements are reviewed and approved by cardholders and their supervisors and those statements are retained, and P-Card support (vendor invoices, receipts, etc.) is properly retained.

<i>PARKS AND RECREATION</i>			
Action Plan			
Action Steps		Responsible Employee	Target Date
A. Objective: To enhance managerial review of P-Card activity			
1.	Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders.	Cindy Mead	12/31/2007
2.	The PeopleSoft reports reflecting monthly P-Card purchases (see preceding action step) will be reviewed by management staff to ascertain the volume and reasonableness of that month's P-Card purchases.	Cindy Mead	12/31/2007
B. Objective: To segregate incompatible duties			
1.	P-Card system coding permissions will be removed from the employee that receives monthly cardholder statements from DMA and distributes those statements to cardholders for their review and approval.	Cindy Mead	1/31/2008
C. Objective: To improve physical security over P-Card records			
1.	Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	Cindy Mead	1/31/2008
2.	P-Card coders will place purchase support (invoices, receipts, etc.) in locked file cabinets or drawers upon receipt from cardholders. Those records will not remain in unsecured inboxes or on desktops when the coders are temporarily away from their workstations.	Cindy Mead	1/31/2008
3.	Once coding is completed and prior to scanning into the EDMS P-Card module, P-Card records (monthly statements and related support) will be stored in locked cabinets with access restricted to appropriate P-Card coders and other administrative staff.	Cindy Mead	1/31/2008
4.	P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	Cindy Mead	1/31/2008

D. Objective: To ensure proper execution of and accountability for transactions			
1.	Future food purchases will be made only for authorized City functions and events in accordance with the City Manager's Food Guidelines.	Cindy Mead	1/31/2008
2.	A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	Cindy Mead	1/31/2008
3.	P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	Cindy Mead	1/31/2008
4.	Management will reinforce to cardholders and their supervisors the requirement that all transactions must be reviewed, and that those supervisory reviews must be documented on both the standard "Procurement Card Receiving Forms" form and the cardholder monthly statements.	Cindy Mead	1/31/2008
5.	The cost of the playground covering will be reported to Accounting Services for capitalization and tagging purposes. Upon receipt from Accounting Services, a City property tag will be attached to that asset.	Cindy Mead	1/31/2008
6.	Cardholders and applicable administrative staff will be reminded of the requirements to (1) timely cancel P-cards of terminating employees, (2) properly report fixed asset purchases to Accounting Services, and (3) document participants at work-related events to justify quantities of food obtained.	Cindy Mead	1/31/2008
E. Objective: To ensure proper reviews of monthly cardholder statements			
1.	P-Card administrative staff will continue the revised processes of (1) reconciling transactions on monthly cardholder statements to related support (vendor invoices, receipts, "Procurement Card Receiving Forms" forms, etc.) and to transactions recorded in the PeopleSoft P-Card module and (2) requiring the return of signed and dated monthly cardholder statements for scanning into EDMS after review and approval by cardholders and their supervisors.	Cindy Mead	Completed 10/1/2007 **
F. Objective: To ensure adequate documentation is retained			
1.	E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.).	Cindy Mead	Completed 10/1/2007 **
2.	Cardholders and P-Card administrative staff will be	Cindy Mead	1/31/2008

	reminded to obtain and retain (through scanning into EDMS) adequate support for each P-card purchase.		
G. Objective: To provide adequate internal guidance for P-Card operations			
1.	Written procedures will be updated and revised to address (1) required processing and coding of transactions in the PeopleSoft P-Card module, (2) receiving, processing, approving, and signing monthly cardholder statements, and (3) completing fixed asset receipt reports and submitting those reports to Accounting Services to ensure the proper recording and tagging of purchased tangible personal property items.	Cindy Mead	3/14/2008

** As per department, action plan step has been completed as of indicated date.