

Fire Department Procurement Card Audit May-December 2018

Criteria

Salt Lake City Corporation (City) has established City Policy 2.01.12 and issued "Procurement Card Policies & Procedures for Salt Lake City Corporation" which are guidelines to control the distribution and operation of procurement cards (PC). All employees involved in the PC process should have received adequate training in their respective duties regarding the above-mentioned policy and guidelines.

City Policy Policies and Procedures referenced in this audit include:

- 2.01.01 Expenditure of Public Funds
- 2.01.12 Procurement Card Policy
- Procurement Card Procedures (Procedures)
- City Employee Visa Credit Card Procedure
- Administrative Rules Procurement Chapter 11 – Small Purchases
- City Code Chapter 3.24.140 Small Purchases
- Purchasing Overview and Authority (Issues by Purchasing on the Intranet)

Scope

An audit was conducted at the Fire Department (Department) to:

- Verify that Department and City policies and procedures are being followed.
- Identify any weaknesses resulting from a lack of adherence to policies or weaknesses in the policies themselves which leaves the City at risk for misappropriation of funds, theft, deception or error.
- Report to management and other interested parties our findings and recommendations.

We obtained a transaction detail for the period from April 1, 2017 through May 31, 2018 and selected a random sample of 40 transactions, as well as 27 unusual transactions noted in the population (potential automatic charges and split payments) and examined supporting documentation to determine if adequate, as well as in compliance with policies and procedures, including proper approval.

We interviewed ten cardholders to determine their knowledge of, and compliance with, City Policy and Procedures. Interviews were conducted via phone.

We requested copies of the PC user agreements from everyone with a PC in the Department.

Our audit found exceptions to City Policies and Procedures, and are noted as follows:

1. Ten transactions did not have proper documentation. Issues included payment receipts with insufficient details, invoices that were not readable, or invoices covered by the payment receipt, so the details couldn't be seen. Procurement procedures require the cardholder to include a complete description of each item purchased on Works and attach original copies of sales receipt(s) or appropriate, complete back up documentation received at the time of purchase or upon shipping to a transaction listing or copy of the billed items. Improper documentation puts the City at risk because we cannot prove the business purpose to what was purchased and/or if it is following IRS guidelines and City policies.
2. There were five transactions that were paid by auto-renewal. In one case, there was an unauthorized charge on the card that was saved on account for auto pay that they disputed and got credited. Procurement procedure states that a PC may be revoked if the cardholder leaves the credit card number "on account" with a vendor except in the case of ghost cards. Leaving a card on file increases the risk for unapproved charges.
3. There were scanned transactions that were unreadable, and/or the invoice details were blocked out and therefore the transactions were not auditable. Procurement procedures require the cardholder to include a complete description of each item purchased in Works and attach original copies of sales receipt(s) or appropriate, complete back-up documentation received at the time of purchase or upon shipping to a transaction listing or copy of the billed items. This causes issues for both internal and external auditors when scans are unreadable and/or invoice details are blocked out. There is no way to go back and be able to verify it was a business-related expense if the details are not readable on a scan.
4. There were three credits in the sample size that we were told they did not have receipts for. When asked for further documentation, they were able to find emails and/or explanations for the refunds. They did not, however, have the original purchase receipts for two of them. Procurement card procedure requires that the credit voucher be attached to the cardholder's reconciliation along with receipts for purchases. The risk here is if there is no original receipt, there is no way to know if we received the full amount of the refund on the card or if only partial was put on the card and the rest was given in cash.
5. One user agreement used a Travel Card User Agreement, crossed out travel and wrote in PC. Also, there were 4 cardholders of the 46 agreements that did not have signed agreements on file. Procurement procedure requires every cardholder must have a signed agreement on file with the Procurement Card Administrator in Finance before using their card. The rules are very different, and a specific PC rule is not to use the PC for travel. The cardholder, in order to have sufficient knowledge

to use the PC card correctly, needs to read and sign a PC user agreement and ALL cardholders must be trained and have a signed agreement on file.

6. One transaction paid sales tax. Procurement procedures state that a PC may be revoked if the cardholder repeatedly pays sales tax. Paying sales tax results in overspending. The City is exempt, and it is not necessary to pay sales tax.

Cause

During our interviews with cardholders, there was some general confusion on a couple of the City Policy and Procedures. This lack of familiarity with City procedures regarding use of the procurement card is likely the cause of many of the findings listed above.

Recommendations

- **Conduct initial and annual refresher training on the PC Policies and Procedures.**
To ensure that cardholders and approvers are properly trained and current on the PC Policies and Procedures, we recommend that the Department increases the amount of initial training each cardholder receives when receiving their p-card and that each cardholder receives an annual refresher training. We also recommend that approvers go through this training process. Part of the training should reiterate the policy that prohibits leaving card numbers on file for auto billing, as well as not paying sales tax on purchases.
- **Do not leave card on file for auto billing.**
If users continue to do this, their card may be revoked.
- **Provide adequate documentation and line item detail.**
Cardholders are required to:
 - a. Retain readable sales receipts, invoices or appropriate, complete back-up documentation with line item detail.
 - b. For credits – provide both the original receipt and the credit receipt for back-up purposes.
- **Best practice recommendation:**
We recommend that a direct supervisor with sufficient knowledge of the cardholder's job responsibilities review PC purchases, rather than one individual (i.e. financial manager) approving all transactions.

Department Responses:

Met with department to review on 1/22/19, they had no formal responses.