

Sustainability Department Procurement Card Audit August-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” 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 the 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 Sustainability 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 interviewed six cardholders and the PC administrator 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.

We obtained a transaction detail for the period from June 1, 2017 to May 31, 2018 and selected a random sample of 30 transactions as well as 4 unusual transactions noted in the population (potential auto renewal charges, split payments, refunds) and examined supporting documentation to determine if adequate, as well as compliance with policies and procedures and proper approval.

Our audit found exceptions to City policies and procedures, and are noted as follows:

1. There were four transactions that were paid by auto-renewal. One was a Prime Membership for Amazon, two were from MailChimp and one from Dropbox. For the MailChimp, they said they thought Finance was aware and helped them set up the auto renewal to get lower pricing, but Gregg Evans, (Financial Manager I) did not have documentation of that approval. Procurement Card Procedures 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 the card on file increases the risk for unapproved charges.
2. There were two transactions where sales tax was paid. 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.
3. One transaction in the sample was a credit and upon review, the supporting documentation did not include the original receipt for the purchase. 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.
4. Out of \$9,606 in the Other Material & Supplies category, the Sustainability department spent \$3,614 at Amazon. The GL description for some of these items include office supplies, toner cartridges, binders, and misc. office supplies. The City (and the State) have existing contracts for office supplies and other items. The City does have an account with Amazon, but this does not ensure lower pricing. By not using the existing contracts, the Sustainability department could be paying more for products.

Cause

Most employees interviewed had a sufficient knowledge of the City Policy and Procedures but said they hadn't had new training in quite some time. A lack of familiarity with and/or disregard for City procedures regarding use of 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 increase the amount of initial training each cardholder receives when receiving their p-card, as well as annual refresher training. Part of the training should reiterate the policy to not pay sales tax on purchases as well as leaving card numbers on file for auto billing.
- **Do not leave card on file for auto billing.**
If users continue to do this, their card may be revoked.
- **Provide adequate documentation.**
The credit voucher should be attached to the cardholder's reconciliation along with original receipts.
- **Best practice recommendations:**
 - We recommend that a direct supervisor with sufficient knowledge of the cardholder's job responsibilities review and approve PC purchases, rather than one individual (i.e. financial manager) approving all transactions. This can be done in Works or a signature on the p-card statement.
 - We recommend that the Department is mindful of costs when using vendors with which we do not have contracts. This could result in higher costs for office supplies/equipment etc.

Department Responses:

1. The Sustainability Department will provide the audit findings to each pcard holder and train them on the audit recommendations. An annual refresher training will also be provided as needed.
2. Efforts have been made to inform card holders that they are not allowed to leave card numbers on file for auto payments or renewals. We will request exemptions to the policy for special circumstances and keep approval documentation on file.
3. All cardholders have been reminded of the need for proper documentation including credit transactions.
4. We will implement supervisor approvals to the monthly pcard approval process.
5. The Department has reminded cardholders to check current City contracts before making any purchases using other vendors.
6. All cardholders have been reminded that the City is tax exempt and should not be charged sales tax. City tax exempt number has been provided to cardholders.