



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
PURCHASE CARD PROGRAM
AUDIT REPORT
July 31, 2020**

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INTRODUCTION

In accordance with the 2020 approved Audit Plan, the Office of the County Auditor conducted a monitoring audit of Fulton County's Purchase Card program (P-Card). The Fulton County Department of Purchasing oversees and manages the Purchase Card program for the County.

BACKGROUND

In 1998, Fulton County implemented the P-Card program. The P-Card program is an innovative method the County has undertaken to acquire goods and services and to streamline the procurement process to allow the User Departments to procure goods and services under \$2,500.00 in an efficient and timely manner. The P-Card program is currently a Visa product managed by Bank of America, administered by the County. The Department of Purchasing is responsible for program compliance, policy development and implementation, auditing and training of County personnel. Department liaisons and/or cardholders are also accountable for ensuring effective program management. Each department liaison and/or cardholder has the responsibility to review, reconcile and submit the appropriate receipts and signature for processing and payment by the established due date.

The primary benefits of the P- Card are:

- Accepted by any supplier who accepts Visa;
- Faster purchase and receipt of goods;
- Reduction in transaction costs associated with processing purchase orders;
- Increased information about purchasing transactions, tracking of expenses;
- Improved supplier relations;
- Customer empowerment;
- Ability to take advantage of supplier discounts; and
- Ability to redirect purchasing staff to more value added activities.

The Fulton County Purchasing code 102-383 (Small Purchases) and the *Purchasing Card Manual* must be adhered to and any failure to comply can result in the suspension from the P-Card program. The P-Card issued to the cardholder is the property of the County.

In 2019, there was one hundred and forty-eight (148) cardholders and forty-eight (48) user departments/divisions assigned purchasing cards based upon departmental needs and specific job functions relevant to procurement. The County spent over \$4.1 million dollars on purchase card transactions, averaging over 12,000 P-Card transactions.

OBJECTIVE

The objectives of this audit were to determine whether the P-Card program is operating effectively and efficiently, and to determine the adequacy of the internal controls based on the procedures outlined in the *Purchasing Card Manual*.

SCOPE

The scope for this audit is January 1, 2019 through December 31, 2019.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To achieve our audit objectives, we conducted the following evaluations;

- Selected a sample of 50 transactions to review for program compliance;
- Reviewed the Department of Purchasing's internal controls currently in place;
- Interviewed key personnel to gain an understanding how risks are mitigated;
- Reviewed the Purchasing Card written policies and procedures;
- Reviewed the Purchasing Card files, records and data;
- Reviewed associated files, records and data from the Finance Department; and
- Reviewed and analyzed vendor invoices, payment processing and authorizations required to issue payments.

Our findings and recommendations are detailed below:

AUDIT FINDINGS AND RECOMMENDATIONS

Finding 1 – Purchase Card Administrator's Workload

The Purchasing Card Program Administrator is the designated person, within the Department of Purchasing, responsible for the daily management of Fulton County's P-Card program. The Purchasing Card Program Administrator serves as the primary contact for questions or issues resulting in the use of the P-Card. The Fulton County Department of Purchasing currently has only one (1) Purchasing Card Program Administrator to oversee the program. The Purchasing Card Program Administrator responsibilities include:

- Being the primary point of contact with the provider bank (Bank of America);
- Requesting cards, cancelling cards, setting profiles, creating electronic templates, providing policies and procedures training and providing reports;
- Monitoring all cardholder and user department purchasing card activity;
- Conducting audits of cardholder and user department activity; cooperating fully with any audits conducted;

- Reviewing user department/cardholder reconciliation reports and electronic entries for accuracy timeliness, invoices/receipts, proper and valid fund accounting information, valid vendor listing and related correspondence for approval and forward to Finance-Accounts Payable for payment processing;
- Developing and conducting training/re-fresher training for all cardholders, liaisons and supervisors on an annual basis;
- Communicate any information regarding any changes to policies and procedures, official announcements, etc., relating to the Purchasing card;
- Must approve all completed and correctly submitted reconciliation reports;
- Must sign all reconciliation reports by the 12th day of the month following the end of each spending cycle; and
- Must maintain a knowledge of County and internal procurement policies and procedures related to use of the P-Card.

During our review, we noted there were over 12,000 P-Card transactions totaling approximately \$4.1M, which required the review and approval of the Purchasing Card Program Administrator. The quantity of transactions being reviewed by only one (1) Purchasing Card Program Administrator could result in internal controls for purchases and payments not being properly monitored; thereby, lessening the efficiency of the program. Budgetary restrictions to obtain the proper staffing, may have prevented the department from employing more than one (1) Purchasing Card Program Administrator to assist with the workload.

Recommendation

The Office of the County Auditor recommends management assess the workload of the Purchasing Card Program Administrator to determine areas where additional resources may be needed. We also recommend management take the necessary steps to ensure staffing is maintained at the appropriate level to ensure workloads are assigned appropriately to administer the Purchasing Card program efficiently.

Finding 2 – Non-compliance with Mandatory P-Card User Training

The Department of Purchasing, *Purchase Card Manual* states, “the Intro to P-Card Principles and the P-Card Refresher Training is required for all P-Cardholders and liaisons”. Our review of the mandatory P-Card Refresher training, revealed twenty-two (22) out of fifty (50) or forty-four percent (44 %) of cardholders and/or liaisons reviewed, did not attend the required training. We also noted, the continuous change in staff assigned to P-Cards, throughout the County, may have contributed to the lack of accountability for cardholders and liaison attendance at the required trainings. Additionally, departments may have delegated other department employees to attend the training on their behalf. Failure to properly monitor or ensure all cardholders and liaisons receive proper training could result in a lack of knowledge surrounding the rules and regulations governing the use of the P-Card, unauthorized purchases and/or fraudulent activity.

Recommendation

We recommend the attendance of all cardholders and liaisons be closely tracked and monitored by the Department of Purchasing, to ensure the completion of all required trainings. We also recommend new cards and/or renewal cards should not be issued by the Department of Purchasing before issuance to cardholders, until the P-Card Intro Training and/or the P-Card Refresher training has been completed by the cardholder.

Finding 3 – Failure to Enforce the P-Card Violations and Penalties

The Policy Violations and Penalties section of the *Purchasing Card Manual* states, “the second offense of policy violations, will result in the suspension of all department purchasing cards.” Additionally, the manual states, “the third offense of policy violations will result in the revocation of existing cards.”

During our review of the 2019 departmental audit of P-Card infractions, we noted fourteen (14) cardholders violated the P-Card regulations by either late submittals and/or inadequate funding. Of the fourteen (14) cardholders, twelve (12) had more than two (2) repeat occurrences of non-compliance with the P-card policies. It appears that despite the repeat occurrences, no penalties were enforced for any of the violations. As a result, the same departments continuously violated the p-card policies. The department’s inability to enforce the regulations set forth in the *Purchasing Card Manual* could be due to the volume of duties and responsibilities of the Purchasing Card Program Administrator. Failure to adequately enforce non-compliance issues and violations could result in misuse of the P-Card Program; thereby, compromising the integrity of the program.

Recommendation

We recommend the Purchasing Card Program Administrator ensure prompt disciplinary action is taken for all violators of the P-Card policies. As such, we recommend the Department of Purchasing reinforce the penalties set forth in the *Purchasing Card Manual* for lack of policy compliance.

Finding 4 – Failure to Follow Split Invoice & Single Purchase Transaction Limit Policy

In accordance to the *Purchase Card Manual*, “Cardholders shall never split charges in order to avoid exceeding the single purchase transaction limit.” The single purchase limit is \$2,499.99. During our review of the purchase card transactions, we identified one (1) transaction, which was approved and processed for the Tax Commissioner’s office, in the amount of \$5,892.16. The department was subsequently refunded this amount by the vendor. After which, we noted three (3) different transactions in the amounts of \$1,154.45, \$604.25, and, \$1,684.88, totaling \$3,443.88, to the same vendor. These transactions were split in an effort to circumvent the County’s procurement process, as well as the single purchase limit policy. Failure to obtain proper

approval for purchases exceeding the cardholder purchase limit could result in unauthorized purchases and/or fraudulent activity. In addition, the circumvention of internal controls to avoid approval could increase the risk for misappropriation of funds.

Recommendation

In order to strengthen the internal controls of single purchase transactions, the Office of the County Auditor recommends the Department of Purchasing take necessary steps to ensure all departments are in compliance with the guidelines outlined in the *Purchasing Card Manual*. We also recommend the Department of Purchasing strengthen its review process to ensure all p-card invoices submitted for similar goods and services are within the single purchase credit limit and show no evidence of split transactions. Additionally, evidence of split transactions should be closely monitored and corrective actions should be issued according to the *Purchasing Card Manual*.

Finding 5– Lack of Itemized Receipts

Pursuant to the *Purchasing Card Manual*, “Cardholders shall retain copies of original itemized receipts and related documents for auditing purposes.” During our audit, we noted four (4) instances where itemized receipts were not submitted as part of the reconciliation package. In these instances, receipts did not contain adequate detail to identify items purchased. This may have occurred due to the inability of the P-Card liaison to properly review the reconciliation package prior to submission. Itemized receipts serve as a tool to validate items purchased using the P- Card. Failure to obtain proper itemized receipts prohibits the County from determining if a P-Card transaction is a legitimate business-related purchase. Additionally, lack of itemized receipts could result in unauthorized purchases, which could place the County at risk for program non-compliance and abuse of P-Card privileges.

Recommendation

We recommend the P-Card Liaison and Purchasing Card Program Administrator carefully review each receipt to ensure adequate details are present on all receipts to demonstrate a legitimate business expense. In the instances where this is not possible, we recommend the department make contact with the vendor prior to the reconciliation submission and request supporting documentation be provided.

Finding 6 – Failure to Obtain Proper Signatures for Reconciliation Reports

The *Purchasing Card Manual* states, “All departments must submit completed and signed reconciliation report(s) to the Purchasing Card Administrator by the last day of the month after the purchasing cycle ends.” During our review of the P-Card reconciliation reports, we noted (10) ten instances or twenty percent (20%) of the fifty (50) transactions reviewed, where the P-Card reconciliation reports lacked the required approval signatures. This could be the result of the

approving authorities' lack of confirmation that all reconciliations forms were completed in their entirety. Failure to obtain all required approval signatures on the reconciliation documents violates the guidelines established for the P-Card Program. Additionally, it prevents the County from verifying all transactions charged to the P-Card were authorized and reconciled according to the department's policies and procedures.

Recommendation

In order to strengthen the reconciliation review process, the Office of the County Auditor recommends departmental P-Card Liaisons, the P-Card Administrator, and the Finance Department, ensure all required signatures are present on reconciliation documents in order to confirm the form has been officially reviewed and approved by the appropriate authorities.

Finding 7 – Failure to Submit Timely Reconciliation Packets

The Reconciliation Process section of the *Purchasing Card Manual* states, "The original Reconciliation Form(s), receipts/invoices and correctly submitted PRCCs are due to the Department of Finance no later than the 12th day of each month (Department of Purchasing responsibility)." During our audit, we noted of the fifty (50) transactions reviewed, three (3) or six percent (6%) reconciliation packets were submitted late to the Finance Department. This could be the result of the heavy workload of the Purchasing Card Program Administrator; thus, affecting the ability to thoroughly review each reconciliation packet for completion. Failure to submit timely reconciliation reports may cause delays in documentation review by the Finance Department. Additionally, late submissions may cause delayed payments being made to Bank of America for purchasing card transactions,

Recommendation

The Office of the County Auditor recommends the Purchasing Card Program Administrator ensure all P-Card reconciliation documents are submitted to the Finance Department by the agreed upon date to allow for adequate review and to avoid delays or partial payments to Bank of America.

Finding 8 – Circumventing Treasury Department Gift Card Policies

The Fulton County Finance department, Office of Treasury's policy states, "The Finance Department's Office of Treasury manages the Treasury Gift Card Program which consists of procuring, safeguarding, and distributing gift cards to all Fulton County programs." The Office of Treasury requires gifts cards be purchased through their office, with eligible department funds. The Office of Treasury further requires the department to provide support related to card recipients and distribution dates.

During our review of the P-card reconciliation packages, we noted the Fulton County Board of Health Department used the P-Card to purchase gift cards on three (3) different occasions, totaling \$5,557.00, as program incentives. There was no documentation to support if the gift cards were distributed, date of distribution, or who the recipients were. Circumventing the guidelines put in place by the Office of Treasury may be due to the Board of Health's lack of knowledge and/or awareness of the policies and procedures in reference to gift cards. Failure to follow the established guidelines lessens the oversight of the gift card distribution process; which increases the risk for abuse of gift card usage.

Recommendation

We recommend the Department of Purchasing require all departments follow the gift card policies set forth by the Office of Treasury. We further recommend the Purchasing Department perform thorough reviews of all purchases to ensure there are no policies and procedures being circumvented.

Finding 9 – Separation of Duties not Enforced for Cardholders and Liaisons

The *Purchasing Card Manual* indicates, "The P-Card Liaison is the designated person within the User Department, who is not a P-Cardholder, who is responsible for entering the Cardholder's purchasing information into the AMS System." Our sample revealed that thirty-three (33) instances or sixty-six percent (66%) of the fifty (50) cardholders and/or liaisons reviewed where the department liaison and the cardholder are the same employee. Failure to enforce separation of duties within departments may be caused by the lack of staffing capability to place employees in different roles. However, there was no documentation submitted to support efforts made by the Department of Purchasing to require the user departments to elect a different cardholder or liaison in these cases. This may be a result of the Purchasing Card Program Administrator's workload and the oversight of a program of this magnitude. The inability to ensure the duties of cardholders and liaisons are kept separate increases the risk of fraud and abuse of P-Card privileges.

Recommendation

We recommend internal controls be strengthened to identify instances where user departments have failed to select different employees to serve in the role as P-Card Liaison and cardholder. We further recommend the Department of Purchasing conduct thorough reviews of P-Card documentation to ensure there is no one person performing multiple duties related to the P-Card.

CONCLUSION

Based on the audit performed, the P-Card program appears to be functioning effectively. However, we identified the following nine (9) findings that require management's immediate attention of the P-Card program:

- Purchase Card Administrator Workload;
- Non-compliance with Mandatory P-Card User Training;
- Failure to Enforce the P-Card Violations and Penalties;
- Failure to Follow Split Invoice & Single Purchase Limit Policy;
- Lack of Itemized Receipts;
- Failure to Obtain Proper Signatures for Reconciliation Reports;
- Failure to Submit Timely Reconciliations Packets;
- Circumventing Treasury Department Gift Card Policies; and
- Separation of Duties not Enforced for Cardholders and Liaisons.

The Office of the County Auditor will continue to monitor the P-Card program to determine the adequacy, effectiveness and timeliness of action taken by management on the reported findings and recommendations.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Joi Hargis, Audit Coordinator, in the Office of the County Auditor at joi.hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.