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Internal Audit Department

O R A N G E C O U N T Y

AUDIT HIGHLIGHT

NOVEMBER 26, 2013

**PURCHASING CARD AUDIT
USING COMPUTER-ASSISTED AUDIT TECHNIQUES (CAATS):
COUNTY EXECUTIVE OFFICE/COUNTY PROCUREMENT OFFICE
AUDIT NO. 1239**

WHAT WE DID

Using Computer-Assisted Audit Techniques (CAATs), we audited **100%** of the County's **260 purchasing card accounts and 21,247 purchasing card transactions totaling \$7.5 million** for the year ended December 31, 2012. We audited accounts and transactions in areas of card management, merchant management, transaction analysis, and segregation of duties. CAATs are automated queries applied to large amounts of electronic data searching for specified characteristics. We use a proprietary, best practice and industry recognized software product (ACL) to help us in this process. CAATs query 100% of a data universe whereas traditional audits typically test a sample of transactions.

WHAT WE FOUND

Our CAAT routines generated exceptions that required further research by the County Procurement Office and County departments to determine if they are valid exceptions that could indicate non-compliance with Purchasing Card policy. We identified **three (3) Control Findings** for the County Procurement Office to research regarding card management, policies and procedures, single purchase limits, credit limits, merchant restrictions, duplicate transactions, and other transactions that could indicate non-compliance with existing policy. ***The County Procurement Office immediately researched each of the findings and provided satisfactory explanations that upon review by Internal Audit appeared to address each of the auditor's concerns noted in this report.*** Upon implementation of our recommendations, Internal Audit will conduct a formal follow-up to validate the adequacy of the corrective actions taken.

WHY IS THIS ANALYSIS IMPORTANT?

The Purchasing Card program was implemented to streamline the County's purchasing process for small dollar purchases. The Purchasing Card is a VISA credit card issued by U.S. Bank. Purchasing cards are issued to authorized County employees designated as cardholders by their Department Head or designee. Using Purchasing Cards eliminates the purchase orders required to make small dollar purchases and streamlines the accounts payable process by making only one monthly payment to the bank that previously required payments to multiple vendors. The County also issues travel cards issued by U.S. Bank for the purpose of making travel related bookings and purchases on behalf of agencies and departments.

CAATS - Cited as a Best Practice by the Institute of Internal Auditors

PURCHASING CARD AUDIT USING COMPUTER-ASSISTED AUDIT TECHNIQUES (CAATS):

COUNTY EXECUTIVE OFFICE / COUNTY PROCUREMENT OFFICE

(Cited as a Best Practice by the Institute of Internal Auditors)

For the Year Ended:
December 31, 2012

Purchasing Cards: We analyzed 260 open purchasing card accounts with 21,247 purchasing card transactions for the year ended December 31, 2012, amounting to about \$7.5 million in the areas of card management, merchant management, transaction analysis, and segregation of duties.

Our CAAT routines generated exceptions resulting in **three (3) Control Findings** that required further research by the County Procurement Office (CPO) and County departments to determine if they were valid exceptions that could indicate non-compliance with Purchasing Card policy. *The County Procurement Office immediately researched each of the findings and provided satisfactory explanations that upon review by Internal Audit appeared to address the auditor's concerns for each of the items noted in this report.*

AUDIT NO: 1239

REPORT DATE: NOVEMBER 26, 2013

Director: Dr. Peter Hughes, MBA, CPA, CIA

Senior Audit Manager: Michael Goodwin, CPA, CIA

IT Audit Manager: Wilson Crider, CPA, CISA*

Audit Manager: Carol Swe, CPA, CIA, CISA*

(*Certified Information System Auditor)

RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach

Independence

Objectivity

Integrity



GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes

Director

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Certified Compliance & Ethics Professional (CCEP)

Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)

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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608



Letter from Dr. Peter Hughes, CPA

Transmittal Letter



Audit No. 1239 November 26, 2013

TO: Michael B. Giancola, County Executive Officer
Rob Richardson, County Purchasing Officer
County Procurement Office

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Purchasing Card Audit Using
Computer-Assisted Audit Techniques (CAATs):
County Executive Office/County Procurement
Office

We have completed an audit of Purchasing Cards Using Computer-Assisted Audit Techniques (CAATS) for the year ended December 31, 2012. We performed this audit in accordance with our *FY 2012-13 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. The final report is attached for your information.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **First Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list. As a follow-up to this report, **we will conduct a Purchasing Card CAAT audit on transactions occurring during calendar year 2013.**

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **Second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-up Audit Report Form**. Your agency should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit issues released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 6.



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Computer-Assisted Audit techniques (CAATS):
County Executive Office/County Procurement Office
Audit No. 1239***

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December 31, 2012***

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OC Internal Auditor's Report



Audit No. 1239

November 26, 2013

TO: Michael B. Giancola, County Executive Officer
Rob Richardson, County Purchasing Officer
County Procurement Office

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Purchasing Card Audit Using Computer-Assisted Audit Techniques (CAATs): County Executive Office/County Procurement Office

Audit Highlight

We analyzed 260 open purchase card accounts with 21,247 transactions for the year ended December 31, 2012, amounting to about \$7.5 million in the areas of card management, merchant management, transaction analysis, and segregation of duties.

We identified **three (3) Control Findings** for CPO to research the reported findings with agencies and departments regarding purchasing card policies and procedures, merchant restrictions, duplicate transactions, and transactions potentially not in compliance with County policy.

OBJECTIVES

In accordance with our *FY 2012-2013 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors, the Internal Audit Department conducted an audit of Purchasing Cards. We performed a variety of audit tests of Purchasing Card accounts and transaction activity utilizing Computer-Assisted Audit Techniques (known by the acronym CAATs). This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Our objectives were to analyze Purchasing Card data, employee data and vendor payments in the following areas:

1. **Card Management:** Reviewed Purchasing Card account and employee data to identify:
 - Purchasing Cards not matching employee's payroll name
 - Purchasing Cards assigned to employees not in "Active" status
 - Purchasing Cards with no activity for one year
 - Multiple Purchasing Cards assigned to employees
 - Purchasing Cards with single purchase limits or credit limits exceeding policy amounts
2. **Merchant Management:** Reviewed Purchasing Card accounts to identify:
 - Purchasing Cards without Merchant restrictions
 - Purchasing Card activity involving restricted Merchant categories
3. **Transaction Analysis:** Reviewed Purchasing Card activity to identify:
 - Transactions exceeding single purchase limits
 - Transactions exceeding credit limits
 - Transactions split to circumvent Purchasing Card limits
 - Duplicate Purchasing Card transactions
 - Duplicate transactions with accounts payable
 - Transactions occurring on weekends
4. **Segregation of Duties:** Reviewed Purchasing Card transactions to identify:
 - Segregation of duties conflicts between Purchasing Cardholders and Approving Officials



OC Internal Auditor's Report

RESULTS

■ Objective #1 – Card Management:

We reviewed all **260 open purchase card accounts** as of December 31, 2012.

We identified **one (1) Control Finding** regarding Purchasing Card policies and procedures over card management. The County Procurement Office performed further research on these exceptions and examined existing policy and practices to determine if these are valid exceptions. Upon research, management has satisfactory explanations for all exceptions we noted.

(See the *Detailed Results, Findings, Recommendations and Management Responses* section of this report for the County Procurement Office's responses)

■ Objective #2 – Merchant Management:

We reviewed **21,247 purchase card transactions totaling \$7,496,782** for the year ended December 31, 2012, to identify transactions with prohibited merchant categories.

We identified **one (1) Control Finding** regarding merchant management of Purchasing Cards. The County Procurement Office performed further research on these exceptions and examined existing policy and practices to determine if these are valid exceptions. Upon research, management has satisfactory explanations for all exceptions we noted.

■ Objective #3 – Transaction Analysis:

We reviewed **21,247 purchase card transactions totaling \$7,496,782** for the year ended December 31, 2012.

We identified **one (1) Control Finding** regarding transactions potentially not in compliance with Purchasing Card policy. The County Procurement Office performed further research on these exceptions and examined existing policy to determine if these are valid exceptions. Upon research, management has satisfactory explanations for all exceptions we noted.

■ Objective #4 – Segregation of Duties:

We reviewed Purchasing Card transactions having the same account name and final approver name. No findings were identified under this area.

OC Internal Auditor's Report



The following table summarizes our findings and recommendations for this audit. See further discussion in the *Detailed Results, Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications. See *Attachment B* for a detailed description of Purchasing Cards CAATs, results and recommendations.

Summary of Findings and Recommendations

Finding No.	Finding Classification (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Management Response
1.a	Control Finding No.1	<u>Unmatched Accounts</u> – IAD identified five (5) accounts where the cardholder name did not match the employee payroll name. (pgs. 7-8).	CPO should update policies and procedures to include the cardholder's employee ID number in the Purchasing Card account data.	CPO researched and satisfactorily explained the exceptions and updated the Purchasing Card policy.
1.b		<u>Non-Active Employees</u> – IAD identified thirteen (13) accounts with the employee's status other than "Active." (pgs. 7-8).	CPO should research and update purchase card policy as necessary regarding issuance of Purchasing Cards to employees with a status other than "Active" (i.e., part-time, summer, working retiree, etc.).	CPO researched and satisfactorily explained the exceptions, and updated the Purchasing Card policy.
1.c		<u>No Card Activity</u> – IAD identified thirty-two (32) accounts with no activity for a year. (pgs. 7-8).	CPO should research and update policies and procedures as necessary to delete accounts with no activity over a specified period of time.	CPO researched and updated the Purchasing Card policy.
1.d		<u>Multiple Purchasing Cards</u> – IAD identified ten (10) individuals that were issued multiple open Purchasing Card accounts (pgs. 7-8).	CPO should research and update policies and procedures as necessary to address issuance of multiple cards to one individual.	CPO researched and satisfactorily explained the exceptions, and updated the Purchasing Card policy.
1.e		<u>Account Exceeding Single Purchase Limit</u> – IAD identified one (1) travel card account where single purchase limit exceeded the policy limit amount (pgs. 7-8).	CPO should research and update policies and procedures as necessary to address single purchase limits.	CPO researched and satisfactorily explained the exception, and updated the Purchasing Card policy.

OC Internal Auditor's Report



Finding No.	Finding Classification (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Management Response
1.f		<u>Account Exceeding Credit Limit</u> - IAD identified five (5) accounts (mainly travel cards) where the credit limit exceeded the policy limit amount (pgs. 7-8)	CPO should research reported exceptions and update policy as necessary to address travel card credit limits.	CPO researched and satisfactorily explained the exceptions, and updated the Purchasing Card Travel policy.
2.a	Control Finding No. 2	<u>Accounts with No Merchant Restrictions</u> – IAD identified 154 accounts where “Control Name” was blank indicating no merchant restrictions. (pgs. 8-9).	CPO should verify with issuing bank that merchant restrictions are in effect when cards are issued.	CPO researched and found that U.S. Bank places merchant restrictions on all issued cards.
2.b, c.		<u>Activity with Blocked Merchant Category Codes /Blocked Merchant Names</u> – IAD identified 43 transactions that matched a prohibited merchant category key word (pgs.8-9).	CPO should research the transactions with the applicable departments to determine whether the transactions were in compliance with policy.	CPO researched and satisfactorily resolved the exceptions.
3.a	Control Finding No.3	<u>Transactions Exceeding Single Purchase Limits</u> – IAD identified one (1) instance where the transaction amount exceeded the account's single purchase limit (pgs. 9-11).	CPO should research the transaction to determine whether the single purchase limit controls are operating as designed.	CPO researched and satisfactorily explained the exception.
3.b		<u>Transactions Exceeding Monthly Purchase Limits</u> – IAD identified seventy-two (72) instances where the monthly transaction total for the account exceeded the account's credit limit (pgs. 9-11).	CPO should research the accounts with the bank to determine whether the credit limit controls are operating as designed.	CPO researched and determined these were not exceptions due to timing issues.
3.c		<u>Potential Splitting of Transactions</u> – IAD identified nine (9) instances where the transactions were potentially split to circumvent the card limits (pgs. 9-11).	CPO should research the transactions with the applicable departments to determine whether the transactions were in compliance with policy.	CPO researched and satisfactorily explained the exceptions.

OC Internal Auditor's Report



Finding No.	Finding Classification (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Management Response
3.d		<u>Potential Duplicate Transactions</u> – IAD identified 1,282 transactions which may potentially be duplicate transactions (pgs. 9-11).	CPO should research the transactions with the applicable departments to determine whether the transactions are duplicates. First, CPO should work with IAD to reduce the number of exceptions (e.g., dollar threshold).	CPO researched and determined a methodology to eliminate certain valid, recurring purchases, and purchases less than \$1,000 in this routine.
3.e		<u>Weekend Transactions</u> – IAD identified 1,063 transactions with a transaction dates on either Saturday or Sunday. (pgs. 9-11)	CPO should research transactions with the applicable departments to determine whether using Purchasing Cards for weekend purchases is appropriate.	CPO researched and determined that most of the transactions occurred during the work week.

BACKGROUND

Continuous auditing using CAATs is a change to the traditional audit approach. CAATs differ from our traditional audits in that CAATs can query **100%** of a data universe whereas the traditional audits typically test but a **sample** of transactions from the population. CAATs are automated queries applied to large amounts of electronic data searching for specified characteristics. We use a proprietary, best practice and industry recognized software product (ACL) to help us in this process.

Often there is additional research needed to validate exceptions that is only known at the department level. Internal Audit attempts to validate and resolve exceptions; however, most of the resulting exceptions are forwarded to the appropriate department for validation and/or resolution. Depending on the department's review, **the exceptions may or may not be a finding**. For the exceptions and findings noted in this report, we forwarded the exceptions to the **County Procurement Office (CPO)** for further research, which involves contacting departments/agencies and/or clarifying existing Purchasing Card policies and procedures.

Because of limited resources in the CPO, we are issuing an audit report that details our exceptions found for Calendar Year 2012 instead of performing on-going monthly CAAT routines. As noted above, it is important that Internal Audit partner with the CPO to help research and resolve exceptions. The CPO indicated it does not currently have the resources to help support monthly auditing of Purchasing Cards. Instead, we are reporting the results for the one-year period with the intention of possibly performing monthly, quarterly or annual Purchasing Card CAATs in the future. **As a follow-up to this report, we will conduct another Purchasing Card CAAT audit on transactions occurring during calendar year 2013.**

In this report, we are keeping the details of our exceptions to a general discussion and do not identify specific cardholders. CPO has been provided with the specific details of cardholder accounts so they can conduct their research on the exceptions.



OC Internal Auditor's Report

SCOPE

This report details the CAAT work we performed on the Purchasing Card data for the year ended December 31, 2012. Our analysis included a review of the following data:

1. **Card Management:** We compared all 260 open Purchasing Card accounts with employee Human Resources records.
2. **Merchant Management:** We reviewed 21,247 Purchasing Card transactions (100%) to identify Purchasing Cards without merchant restrictions and transactions involving prohibited merchant categories. The Purchasing Card policy identifies the following as prohibited merchant categories:

"Air phone, direct marketing insurance services, overpayments, savings bonds, political organizations, religious organizations, court costs, alimony or child support, tax payments, government loan payments, automated referral service, goods or services from blocked vendors, alcoholic beverages, wire transfer or money orders, cash advances, foreign currency or travelers checks, security brokers/dealers, timeshares, betting, casino gaming chips, off-track betting, fines, bail or bond payments, and capital/fixed assets."

3. **Transaction Analysis:** We reviewed 21,247 purchase card transactions to identify: transactions exceeding single purchase limit, transactions exceeding credit limit, transactions potentially split to circumvent Purchasing Card limits, duplicate Purchasing Card transactions, and duplicate transactions to paid accounts payable invoices.
4. **Segregation of Duties:** We reviewed purchase card transactions to identify segregation of duties conflicts between cardholders and final approvers of Purchasing Card transactions.

Acknowledgment

We appreciate the courtesy extended to us by the County Executive Office and County Procurement Office personnel during our audit. If we can be of further assistance, please contact me directly at 834-5475 or Michael Goodwin, Senior Audit Manager, at 834-6066.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
 Members, Audit Oversight Committee
 Frank Kim, Chief Financial Officer
 Mark Denny, Chief Operating Officer
 Melva Gipson, Manager, County Procurement Office
 Nina Badalamenti, Cal Card Administrator, County Procurement Office
 Victoria Ross, Director, Central Accounting Operations, Auditor-Controller
 Paul Villanueva, Senior Manager, A-C/Claims and Disbursing
 Foreperson, Grand Jury
 Susan Novak, Clerk of the Board of Supervisors
 Macias Gini & O'Connell LLP, County External Auditor

Detailed Results, Findings, Recommendations and Management Responses



1. Card Management (Objective #1)

We reviewed Purchasing Card account and employee data over card management and found:

Control Finding No.1:

- a. Unmatched Accounts: Five (5) Purchasing Card accounts were assigned to individuals that did not match the employee payroll name.
- b. Non-Active Employees: Thirteen (13) accounts were assigned to employees with a status other than "Active."
- c. No Card Activity: Thirty-two (32) accounts had no activity on the cards for a year.
- d. Multiple P-Cards: Ten (10) employees had multiple open Purchasing Card accounts.
- e. Accounts Exceeding Single Purchase Limit: One (1) account with the single purchase limit exceeding County policy.
- f. Accounts Exceeding Credit Limit: Five (5) accounts with credit limit in excess of the County policy.

Recommendation No. 1:

CPO research and validate the above exceptions, and update or establish Purchasing Card policies and procedures to address:

- a. Including the cardholder's employee ID number in the Purchasing Card account data.
- b. Issuing Purchasing Cards to employees with a status other than "Active" (i.e., part-time, summer, working retiree, etc.).
- c. Cardholder accounts with no transactions or activity over a specified period of time.
- d. Issuing multiple cards (e.g. Purchasing Cards and Travel Cards) to one individual.
- e. Establishing Travel Card single purchase limits.
- f. Establishing Travel Card credit limits.

County Executive Office/County Procurement Office Management Response:

- 1a. **Concur.** Unmatched Accounts: CPO will update the Request for a P-Card form to include a field where the Cardholder's employee ID number will be mandatory when requesting a new card. CPO researched all five (5) unmatched accounts and the following was determined:
 - Three (3) accounts were closed upon agency request after IAD's analysis and prior to CPO's notification of the exceptions.
 - The employment status was verified for the remaining two (2) Cardholders. Both Cardholders are current, active employees; therefore they are eligible Cardholders.
- 1b. **Concur.** Non-Active Employees: CPO will update Purchasing Card policies and procedures to state only County employees, elected officials and select special districts will be issued P-Cards. CPO researched the thirteen (13) non-active employees and the following was determined:
 - Six (6) P-cards were closed prior to this audit upon agency request after IAD's analysis and prior to CPO's notification of the exceptions.
 - Four (4) Cardholders were verified as active employees by Human Resource Services.
 - Three (3) P-Cards belong to OC Public Law Library (an independent special district) that participates in the County's P-Card program.

Detailed Results, Findings, Recommendations and Management Responses



- 1c. **Concur. No Card Activity:** CPO will update Purchasing Card policies and procedures to state P-Cards with no activity for a year will be terminated. CPO researched all thirty-two (32) cards with no activity and the following was determined:
- Ten (10) P-Cards were closed prior to this audit completion upon agency request after IAD's CAAT report.
 - Twelve (12) P-Cards were used to make purchases within the last year and thus remain open.
 - Eight (8) P-Cards were closed due to inactivity.
 - Two (2) cards have been authorized to remain open as they may be needed in critical emergency situations. Supporting documentation in support of these requests are documented in CPO files.
- 1d. **Concur. Multiple P-Cards:** CPO will update the Purchasing Card policies and procedures to address the issuance of multiple cards (e.g. Purchasing Cards and Travel Cards) to one individual. All ten (10) employees who have been issued multiple P-Cards have followed proper procedures.
- 1e. **Concur. Accounts Exceeding Single Purchase Limit:** CPO will update the Purchasing Card policies and procedures to address Travel Card single purchase limits. The lone account identified as exceeding the P-Card single purchase limit is valid as the card is a Travel Card. Currently, Travel Card single purchase limits are set by each agency based on their travel needs.
- 1f. **Concur. Accounts Exceeding Credit Limit:** CPO will update the Purchasing Card policies and procedures to address Travel Card credit limits. It was determined all five (5) accounts exceeding the P-Card credit limit were valid as follows:
- One (1) card limit was temporarily raised to accommodate the Agency's travel needs while the Travel Card program was transitioned from Diner's Club to P-Card. The limit on this card has since been lowered to the standard credit limit.
 - The remaining four (4) cards are Travel Cards. Currently, Travel Card credit limits are set by each agency based on their travel needs.

2. Merchant Management (Objective #2)

We reviewed transactions to identify potential activity with prohibited merchant categories.

Control Finding No.2:

- a. **Accounts with No Merchant Restrictions:** 154 Purchasing Card accounts where the "Control Name" field was blank, indicating that no merchant restrictions were on the cards. This item requires research with the issuing bank to ensure merchant restrictions are established when the cards are issued.
- b. **Activity with Blocked Merchant Category Code:** Sixteen (16) transactions where the "Merchant Category Code Description" matched a prohibited merchant key word.
- c. **Activity with Blocked Merchant Names:** Twenty-seven (27) transactions where "Merchant Name" matched a prohibited merchant key word.
- d. **Activity with Blocked Allocation/Accounting Code:** Nine (9) transactions where "Allocation/Accounting Code" matched a prohibited merchant category key word. (**Note:** IAD researched these transactions and determined they complied with policy.)

Detailed Results, Findings, Recommendations and Management Responses



Recommendation No. 2:

CPO should research and validate the above exceptions, and update or establish Purchasing Card policies and procedures to address:

- a. If merchant restrictions are in effect when cards are issued.
- b. If the above transactions were in compliance with Purchasing Card policy.

County Executive Office/County Procurement Office Management Response:

2a. **Concur.** Accounts with No Merchant Restrictions: CPO researched all 154 Purchasing Card accounts where the "Control Name" field was blank. US Bank confirmed all merchant restrictions are in effect when cards are issued. US Bank automatically applies a high risk Merchant Category Code (MCC) blocking control to every P-Card. To ensure MCC blocking controls are assigned to every card, US Bank has placed blocking controls on the Managing Account instead of each individual P-Card. This feature eliminates the possibility of human error occurring by not placing MCC blocking on cards when they are ordered. This feature allows departments the ability to set additional MCC restrictions on individual cards over and beyond those that are set automatically countywide.

2b,c. **Concur.** Activity with Blocked Merchant Category Code/Merchant Names: CPO researched all sixteen (16) transactions where the "Merchant Category Code Description" matched a prohibited merchant key word. It was determined that all sixteen (16) transactions were valid and P-Card policy was not violated as all purchases were for appropriate business use. CPO also researched all twenty-seven (27) transactions where "Merchant Name" matched a prohibited merchant key word. It was determined that all twenty-seven (27) transactions were valid, and P-Card policy was not violated as all purchases were for appropriate business use.

3. Transaction Analysis (Objective #3)

We reviewed Purchasing Card activity to identify: transactions exceeding single purchase/credit limits, transactions potentially split to circumvent purchase card limits, duplicate transactions, and duplicate transactions with accounts payable invoices.

Control Finding No.3:

- a. Transactions Exceeding Single Purchase Limit: One (1) transaction exceeded the single purchase limit.
- b. Transactions Exceeding Monthly Purchase Limit: Seventy-two (72) instances where the monthly transactions exceeded the credit limit.
- c. Split Transactions: Nine (9) instances transactions were potentially split to circumvent purchase card limits.
- d. Duplicate Transactions: 1,282 potential duplicate transactions (same date, dollar amount, and merchant name).
- e. Duplicate Payments: One (1) potential duplicate transaction with accounts payable (IAD research this transaction and determined it was not a duplicate payment).
- f. Weekend Transactions: 1,063 transactions with transaction dates on Saturday or Sunday.

Recommendation No. 3:

CPO should research the above exceptions, and update policies and procedures to address:

- a,b. If credit limit controls are operating as designed. CPO should research this issue with the bank that issues the Purchasing Cards.
- c. If transactions were split to circumvent Purchasing Card policy limits. CPO needs to research this with applicable departments/agencies.

Detailed Results, Findings, Recommendations and Management Responses



- d. If transactions are duplicate purchases. CPO should work with Internal Audit to possibly adjust the number of exceptions (e.g., dollar threshold). Research should then be conducted with the applicable departments/agencies.
- e. If transactions are duplicate accounts payable payments (IAD researched; not an issue).
- f. Use of Purchasing Card on non-work days/weekends. CPO should work with departments to identify instances when employees are using Purchasing Cards on weekends, and address use of P-Cards on non-work days/weekends in the policy.

County Executive Office/County Procurement Office Management Response:

- 3a. **Concur.** Transactions Exceeding Single Purchase Limit: CPO researched the transaction exceeding the single purchase limit. It was determined the vendor force posted the \$6,322 transaction circumventing the \$5,000 credit limit. Vendors do not have authorization to force post payments; therefore US Bank detected the violation and reimbursed the full amount. Cardholders will always automatically win disputes for transactions that are force posted by the vendor.
- 3b. **Concur.** Transactions Exceeding Monthly Purchase Limit: CPO also researched all seventy-two (72) instances where monthly transactions exceeded the credit limit. The information in this finding resulted from IAD using monthly calendar dates instead of US Bank monthly cycle dates. US Bank monthly cycle dates approximately run from the 23rd of the month, to the 22nd of the following month. IAD will adjust its CAAT routine to match US Bank cycle dates in future CAAT routines. All seventy-two (72) instances were reviewed by CPO using US Bank monthly cycle dates and the following was determined:
 - Nine (9) monthly transaction limits appear as though they were exceeded; however due to temporary accommodations made for their agency's travel arrangements during the transition of the Travel Card program, these Cardholders received approval to have their limits raised above the standard \$15,000 monthly limit.
 - One (1) monthly transaction limit was exceeded as two purchases were made on the last day of the March 2012 monthly cycle, and therefore, did not post to the account until the following cycle causing the monthly transaction limit to be exceeded. Credit limit approval for both transactions was provided by US Bank during the March 2012 monthly cycle when funds were available. US Bank cannot dictate when a vendor processes payment; therefore the posting date may not reflect the true date of the purchase.
 - The remaining sixty-two (62) instances did not truly reflect the accurate monthly purchase limit as it was confirmed the limits were not exceeded.
- 3c. **Concur.** Split Transactions: Six (6) P-Cards with transactions that were potentially split to circumvent P-Card policy are displayed on a report which identifies the daily P-Card limit as \$5,000; however the P-Card program does not have a daily limit. P-Cards are issued a \$5,000 transaction limit allowing Cardholders to spend more than \$5,000 in one day. CPO researched all potential split transactions. It was determined that all transactions were valid as no fixed assets were purchased and bidding limits were not exceeded.
- 3d. **Concur.** Duplicate Transactions: In an effort to generate a "Duplicate Transactions" report with a manageable number of transactions, CPO suggests the following purchases be eliminated from the report; hotels, conferences/events, airfare, rental cars, membership organizations, and publications. CPO also suggests transactions under \$1,000 be eliminated from the report.

Detailed Results, Findings, Recommendations and Management Responses



Many agencies require the above listed purchases be made separately, per person, resulting in multiple purchases for the same vendor with the same dollar amount on the same day.

3e. Duplicate Payments: IAD researched and resolved this one (1) exception.

3f. **Concur.** Weekend Transactions: Current policy does not prohibit Cardholders from making purchases on the weekend. The ability for Cardholders to use their P-Cards seven days a week is necessary as some County facilities are open on the weekend and many County employees rely on P-Cards while traveling. CPO has researched approximately twenty-five (25) percent of the purchases listed on the "Weekend Transactions" report.

It was determined most of the transactions did not actually occur on a Saturday or Sunday. They occurred during the work week; however US Bank cannot control when a vendor processes payment. Also, most vendors do not charge accounts until products are shipped; therefore the posting date may not accurately reflect the date transactions were made by the Cardholder. Less than five (5) percent of the transactions researched by CPO were made on a weekend; all of which were verified as being legitimate business purchases.

4. Segregation of Duties (Objective #4)

We reviewed purchase card transactions to identify segregation of duties conflicts.

Findings:

We reviewed purchase card transactions to identify segregation of duties conflicts with no findings noted.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

Audit findings or a combination of Significant Control Weaknesses that represent serious exceptions to the audit objective(s), policy and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT B: Description of Purchase Card CAATs, Results and Recommendations

Audit Objective	CAAT Routine#	Description	Results	Recommendation
CARD MANAGEMENT	1	Unmatched Accounts: P-Card Account name does not match corresponding payroll name.	Unable to determine employment status for 5 accounts.	1. CPO should research reported exceptions and update policy/procedures to include cardholder's employee number in purchasing card data.
	2	Non-Active Employees: P-Card holder is not an "Active" employee. Account name matches corresponding payroll name with EMPLMT_STAT_CD not equal to "Active."	Identified 13 accounts with employment status other than "Active."	2. CPO should research reported exceptions and update policy regarding issuance of purchase cards to employees with a status other than "Active" (i.e., part-time, summer, working retiree, etc.).
	3	No Card Activity: P-Card account has no transactions or activity over a twelve month period.	Identified 32 accounts with no activity for twelve months.	3. CPO should research reported exceptions and update policy as necessary to determine if any action is needed when P-Card accounts have no activity over a specified period of time.
	4	Multiple P-Cards: More than one P-Card account with the same last name (e.g. P-card and Travel P-Card)	Identified 10 individuals with multiple open cards and determined additional cards were for travel expenses or split departments (PA/PG).	4. CPO should research reported exceptions and update policy as necessary to address issuance of multiple P-Cards to the same employee.
	5	Accounts with Single Purchase Limit > \$5,000: Accounts where single purchase amount exceeded policy limit of \$5,000.	Identified 1 account (travel card) with a \$50,000 single purchase limit.	5. CPO should research reported exception and update policy as necessary to address travel card purchase limits.
	6	Accounts Exceeding Credit Limit of \$15,000: Accounts where credit limit exceeds policy amount of \$15,000.	Identified 5 accounts (mainly travel cards) with a credit limit exceeding \$15,000.	6. CPO should research reported exceptions and update policy as necessary to address travel card limits.
	7	Accounts with No Merchant Restrictions: (Control Name is blank).	Identified 154 accounts where "Control Name" is blank.	7. CPO should verify with card issuer that merchant restrictions are in effect when cards are issued.
MERCHANT MANAGEMENT	8	Activity with Blocked Merchant Category Codes: P-Card transactions from Transaction Detail report with blocked merchant category codes.	None.	None.
	9	Activity with Blocked Merchant Category Code Description: Transactions where Merchant Category Code Desc contains blocked key word.	Identified 16 transactions where the Merchant Category Code Description matched a blocked key word.	8. CPO should research the transactions with the applicable department to determine whether the transaction was in compliance with policy.
	10	Activity with Blocked Merchant Names: Transactions where Merchant Name field contains blocked key word.	Identified 27 transactions where Merchant Name matched a blocked key word.	8. CPO should research the transactions with the applicable department to determine whether the transaction was in compliance with policy.
	11	Activity with Blocked Allocation/Accounting Code: Transactions where Allocation/Accounting Description field contains blocked key word.	Identified 9 transactions where Allocation/Accounting Code matched a blocked key word.	None. IAD determined all transactions were not with prohibited merchant categories.
	12	Activity with Blocked Item Description: Transactions where Item Description field contains blocked key word.	None.	None.

1 of 2

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT B: Description of Purchase Card CAATs, Results and Recommendations

Audit Objective	CAAT Routine #	Description	Results	Recommendation
TRANSACTION ANALYSIS	13	Transactions Exceeding Account's Single_Purchase_Limit	Identified 1 transaction where amount exceeded single purchase limit. Limit was temporarily increased for the transaction.	9. CPO should research the reported exception.
	14	Transactions Exceeding Monthly Credit_Limit: Accounts where sum of transactions for the month > Credit_Limit (based on transaction date within calendar month).	Identified 72 instances where monthly transaction total exceeded credit limit.	10. CPO should research the reported exceptions with the bank to determine whether the credit limit control is working as designed.
	15	Split Transactions - Individual Cardholders: Identify transactions with the same Account Number, Transaction Date, and Merchant Name totaling > \$5,000.	Identified 8 instances where transactions were potentially split to circumvent the single purchase limit.	11. CPO should research the reported exceptions with the applicable department to determine whether the transaction was in compliance with policy.
	16	Split Transactions - Multiple Cardholders: Identify transactions with the same managing Account Name, Transaction Date, and Merchant Name totaling > \$5,000.	Identified 1 instance where transactions were potentially split to circumvent the single purchase limit.	11. CPO should research the reported exception with the applicable department to determine whether the transaction was in compliance with policy.
	17	Duplicate Transactions: Transactions with the same Merchant, Date, and Amount.	Identified 1,282 transactions which are potentially duplicate transactions.	12. CPO should research the transactions with the applicable departments to determine whether the transactions are duplicates. First, CPO should work with IAD to limit the number of exceptions for further research (e.g., dollar threshold).
	18	Duplicate Transactions from Paid AP Invoices: Compare card transactions to paid AP Invoices (CAPS+); match on Merchant name and Amount.	Identified 1 transaction as potential duplicate payment.	None. IAD determined transactions were not duplicate payments.
	19	Weekend Transactions: Transactions with a Transaction Date on Saturday or Sunday.	Identified 1,063 transactions with a transaction date on either Saturday or Sunday.	13. CPO should research transactions with the applicable departments to determine whether using Purchasing Cards for weekend purchases is appropriate, as revise policy as necessary.
SEGREGATION OF DUTIES	20	Segregation of Duties: Transaction from the Transaction Detail report with the same account name and final approver name.	None	None.
	21	Segregation of Duties: Transactions from the TransactionApprovalStatus report with the same account name and final approver name.	None	None.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response



County Executive Office
Procurement Office
Memorandum

November 14, 2013

TO: Dr. Peter Hughes, Internal Audit Director

FROM: Rob Richardson, County Purchasing Agent/County Procurement Officer

SUBJECT: Response to Audit 1239: Internal Audit Report of Purchasing Card Audit Using Computer-Assisted Audit Techniques (CAATs)

We are pleased to provide the CEO/County Procurement Office submits response to the findings and recommendations contained in the Internal Audit Report of the Purchasing Card Audit Using Computer-Assisted Audit Techniques (CAATs). The CEO/County Procurement Office would like to extend its appreciation to the Internal Audit Department staff for the courtesies they offered during the audit and review phase. The support and review of IAD will further sharpen controls for this County-wide program. We look forward to ongoing collaboration to enable CPO use of CAAT software to conduct our own periodic reviews.

1. Card Management (Objective #1)

We reviewed Purchasing Card account and employee data concerning card management and found:

Control Finding No.1:

- a. Unmatched Accounts: Five (5) Purchasing Card accounts were assigned to individuals that did not match employee payroll name.
- b. Non- Active Employees: Thirteen (13) accounts were assigned to employees with a status other than "Active."
- c. No Card Activity: Thirty-two (32) accounts had no activity on the cards for a year.
- d. Multiple P-Cards: Ten (10) employees had multiple open Purchasing Card accounts.
- e. Accounts Exceeding Single Purchase Limit: One (1) account with the single purchase limit exceeding County policy.
- f. Accounts Exceeding Credit Limit: Five (5) accounts with credit limit in excess of the County policy.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

Recommendations No. 1:

County Procurement Office (CPO) should research and validate the above exceptions, and update or establish Purchasing Card policies and procedures to address:

- a. Including the cardholder's employee ID number in the Purchasing Card account data.
- b. Issuing Purchasing Cards to employees with a status other than "Active" (i.e., part-time, summer, working retiree, etc.).
- c. Cardholder accounts with no transactions or activity over a specified period of time.
- d. Issuing multiple cards (e.g. Purchasing Cards and Travel Cards) to one individual.
- e. Establishing Travel Card single purchase limits.
- f. Establishing Travel Card credit limits.

County Executive Office/County Procurement Office Management Response:

- 1a. **Concur. Unmatched Accounts:** CPO will update the Request for a P-Card form to include a field where the Cardholder's employee ID number will be mandatory when requesting a new card. CPO researched all five (5) unmatched accounts and the following was determined:
 - Three (3) accounts were closed upon agency request after IAD's analysis and prior to CPO's notification of exceptions.
 - The employment status was verified for the remaining two (2) Cardholders. Both Cardholders are current, active employees; therefore, they are eligible Cardholders.
- 1b. **Concur. Non-Active Employees:** CPO will update Purchasing Card policies and procedures to state only County employees, elected officials and select special districts will be issued P-Cards. CPO researched the thirteen (13) non-active employees and the following was determined:
 - Six (6) P-cards were closed prior to this audit upon agency request after IAD's analysis and prior to CPO's notification of the exceptions.
 - Four (4) Cardholders were verified as active employees by Human Resources Services.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

- Three (3) P-Cards belong to OC Public Law Library (an independent special district) that participates in the County's P-Card program.
- 1c. **Concur. No Card Activity:** CPO will update Purchasing Card policies and procedures to state P-Cards with no activity for a year will be terminated. CPO researched all thirty-two (32) cards with no activity and the following was determined:
- Ten (10) P-Cards were closed prior to this audit completion upon agency request after IAD's CAAT report.
 - Twelve (12) P-Cards were used to make purchases within the last year and thus remain open.
 - Eight (8) P-Cards were closed due to inactivity.
 - Two (2) cards have been authorized to remain open as they may be needed in critical emergency situations. Supporting documentation in support of these requests are documented in CPO files.
- 1d. **Concur. Multiple P-Cards:** CPO will update the Purchasing Card policies and procedures to address the issuance of multiple cards (e.g. Purchasing Cards and Travel Cards) to one individual. All ten (10) employees who have been issued multiple P-Cards have followed proper procedures.
- 1e. **Concur. Accounts Exceeding Single Purchasing Limit:** CPO will update the Purchasing Card policies and procedures to address Travel Card single purchase limits. The lone account identified as exceeding the P-Card single purchase limit is valid as the card is a Travel Card. Currently, Travel Card single purchase limits are set by each agency based on their travel needs.
- 1f. **Concur. Accounts Exceeding Credit Limit:** CPO will update the Purchasing Card policies and procedures to address Travel Card credit limits. It was determined all five (5) accounts exceeding the P-Card credit limit were valid as follows:
- One (1) card limit was temporarily raised to accommodate the Agency's travel needs while the Travel Card program was transitioned from Diner's Club to P-Card. The limit on this card has since been lowered to the standard credit limit.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

- The remaining four (4) cards are Travel Cards. Currently, Travel Card credit limits are set by each agency based on their travel needs.

2. Merchant Management (Objective #2)

We reviewed transaction to identify potential activity with prohibited merchant categories.

Control Finding No.2:

- Accounts with No Merchant Restrictions: 154 Purchasing Card accounts where the "Control Name" field was blank, indicating that no merchant restrictions were on the cards. This item requires research with the issuing bank to ensure merchant restrictions are established when the cards are issued.
- Activity with Blocked Merchant Category Code: Sixteen (16) transactions where the "Merchant Category Code Description" matched a prohibited merchant key word.
- Activity with Blocked Merchant Names: Twenty-seven (27) transactions where "Merchant Name" matched a prohibited merchant key word.
- Activity with Blocked Allocation/Accounting Code: Nine (9) transactions where "Allocation/ Accounting Code" matched a prohibited merchant category key word. (**Note:** IAD researched these transitions and determined they complied with policy.)

Recommendations No 2:

CPO should research and validate the above exceptions, and update or establish Purchasing Card policies and procedures to address:

- If merchant restrictions are in effect when cards are issued.
- b.c. If the above transactions were in compliance with Purchasing Card policy.

County Executive Office/County Procurement Office Management Response:

- Concur.** Accounts with No Merchant Restrictions: CPO researched all 154 Purchasing Card accounts where the "Control Name" field was blank. US Bank confirmed all merchant restrictions are in effect when cards are issued. US Bank automatically applies a high risk Merchant Category Code (MCC) blocking control to every P-Card. To ensure MCC blocking controls are assigned to every card, US Bank has placed blocking controls on the Managing Account instead of each individual P-Card. This feature eliminates the possibility of human error occurring by not placing MCC blocking on cards when they are ordered. This feature also allows

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

departments the ability to set additional MCC restrictions on individual cards over and beyond those that are set automatically countywide.

- 2b,c. Concur. Activity with Blocked Merchant Category Code/Merchant Names: CPO researched all sixteen (16) transactions where the "Merchant Category Code Description" matched a prohibited merchant key word. It was determined that all sixteen (16) transactions were valid and P-Card policy was not violated as all purchases were for appropriate business use. CPO also researched all twenty-seven (27) transactions where "Merchant Name" matched a prohibited merchant key word. It was determined that all twenty-seven (27) transactions were valid, and P-Card policy was not violated as all purchases were for appropriate business use.

3. Transaction Analysis (Objective #3)

We reviewed Purchasing Card activity to identify: transactions exceeding single purchase/credit limits, transactions potentially split to circumvent purchase card limits, duplicate transactions, and duplicate transactions with accounts payable invoices.

Control Finding No.3:

- a. Transactions Exceeding Single Purchase Limit: One (1) transaction exceeded the single purchase limit.
- b. Transactions Exceeding Monthly Purchase Limit: Seventy-two (72) instances where the monthly transactions exceeded the credit limit.
- c. Split Transactions: Nine (9) instances transactions were potentially split to circumvent purchase card limits.
- d. Duplicate Transactions: 1,282 potential duplicate transactions (same date, dollar amount, and merchant name).
- e. Duplicate Payments: One (1) potential duplicate transaction with accounts payable (IAD research this transaction and determined it was not a duplicate payment).
- f. Weekend Transactions: 1,063 transactions with transaction dates on either Saturday or Sunday.

Recommendations No. 3:

CPO should research the above exceptions and update or establish Purchasing Card policies and procedures to address:

- a,b. If credit limit controls are operating as designed. CPO should research this issue with the bank that issues the Purchasing Cards.
- c. If transactions were split to circumvent Purchasing Card policy limits.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

- CPO needs to research this with applicable departments/agencies.
- d. If transactions are duplicate purchases. CPO should work with Internal Audit to possibly adjust the number of exceptions (e.g., dollar threshold). Research should then be conducted with the applicable departments/agencies.
 - e. If transactions are duplicate accounts payable payments (IAD has researched this item).
 - f. Use of Purchasing Card on non-work days/weekends. CPO should work with departments to identify instances when employees are using Purchasing Cards on weekends, and address use of P-Cards on non-work days/weekends in the policy.

County Executive Office/County Procurement Office Management Response:

- 3a. **Concur.** Transactions Exceeding Single Purchase Limit: CPO researched the transaction exceeding the single purchase limit. It was determined the vendor force posted the \$6,322.33 transaction circumventing the \$5,000 credit limit. Vendors do not have authorization to force post payments; therefore US Bank detected the violation and reimbursed the full amount. Cardholders will always automatically win disputes for transactions that are force posted by the vendor.
- 3b. **Concur.** Transactions Exceeding Monthly Purchase Limit: CPO also researched all seventy-two (72) instances where monthly transactions exceeded the credit limit. The information in this finding resulted from IAD using monthly calendar dates instead of US Bank monthly cycle dates. US Bank monthly cycle dates approximately run from the 23rd of the month, to the 22nd of the following month. IAD will adjust its CAAT routine to match US Bank cycle dates in future CAAT routines. All seventy-two (72) instances were reviewed by CPO using US Bank monthly cycle dates and the following was determined:
 - Nine (9) monthly transaction limits appear as though they were exceeded; however due to temporary accommodations made for their agency's travel arrangements during the transition of the Travel Card program, these Cardholders received approval to have their limits raised above the standard \$15,000 monthly limit.
 - One (1) monthly transaction limit was exceeded as two purchases were made on the last day of the March 2012

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

- monthly cycle, and therefore, did not post to the account until the following cycle causing the monthly transaction limit to be exceeded. Credit limit approval for both transactions was provided by US Bank during the March 2012 monthly cycle when funds were available. US Bank cannot dictate when a vendor processes payment; therefore the posting date may not reflect the true date of the purchase.
- The remaining sixty-two (62) instances did not truly reflect the accurate monthly purchase limit as it was confirmed the limits were not exceeded.
- 3c. **Concur. Split Transactions:** Six (6) P-Cards with transactions that were potentially split to circumvent P-Card policy are displayed on a report which identifies the daily P-Card limit as \$5,000; however the P-Card program does not have a daily limit. P-Cards are issued a \$5,000 transaction limit allowing Cardholders to spend more than \$5,000 in one day. CPO researched all potential split transactions. It was determined that all transactions were valid as no fixed assets were purchased and bidding limits were not exceeded.
- 3d. **Concur. Duplicate Transactions:** In an effort to generate a "Duplicate Transactions" report with a manageable number of transactions, CPO suggests the following purchases be eliminated from the report: hotels, conferences/events, airfare, rental cars, membership organizations, and publications. CPO also suggests transactions under \$1,000 be eliminated from the report. Many agencies require the above listed purchases be made separately, per person, resulting in multiple purchases for the same vendor with the same dollar amount on the same day.
- 3e. **Duplicate Payments:** IAD researched and resolved this one (1) exception.
- 3f. **Concur. Weekend Transactions:** Current policy does not prohibit Cardholders from making purchases on the weekend. The ability for Cardholders to use their P-Cards seven days a week is necessary as some County facilities are open on the weekend and many County employees rely on P-Cards while traveling. CPO has researched approximately twenty-five (25) percent of the purchases listed on the "Weekend Transactions" report. It was determined most of the transactions did not actually occur on a Saturday or Sunday. They occurred during the work week; however US Bank cannot control when a vendor processes payment. Also, most

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT C: County Procurement Office Management Response (continued)

vendors do not charge accounts until products are shipped; therefore the posting date may not accurately reflect the date transactions were made by the Cardholder. Less than five (5) percent of the transactions researched by CPO were made on a weekend; all of which were verified as being legitimate business purchases.

4. Segregation of Duties (Objective #4)

We reviewed purchase card transactions to identify segregation of duties conflicts.

Findings:

We reviewed purchase card transactions to identify segregation of duties conflicts with no findings noted.

RR:br

cc: Mike Giancola, County Executive Officer
Frank Kim, Chief Financial Officer