

**To the Mayor and Members of the City Council****January 26, 2016**

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SUBJECT: Action Plan for Purchasing Card Audit

On December 12, 2015, the City Council received a final report from the Internal Auditor regarding Purchasing Card (P-Cards) use across the City. While P-Cards provide an efficient mechanism for staff to acquire goods and services necessary to deliver services to citizens, there is inherent risk that requires regular monitoring for process compliance and appropriateness of purchases. Staff takes fiscal stewardship very seriously and has identified a number of actions that are appropriate to ensure a successful P-Card program going forward.

1. Department Directors have been reminded of their responsibilities to monitor this program and that cardholders are personally responsible for charges on their cards. The P-Card policy requires each card holder to sign a responsibility statement upon issuance of the card. A message from the City Manager was published reminding employees of our values of ethical behavior and accountability.
2. Each department is reviewing cardholder/authorizer relationships to ensure appropriate separation of duties and authority. While the report cited many subordinates approving supervisor charges, a review of the process indicates that in many cases, clerical staff are responsible for documentation in the on-line system, charging the correct accounts, and resolving sales tax issues. Separately, signatures of higher ranking approvers are maintained on documents that are scanned and maintained by Finance. A complete review of the process will be conducted in the next several months to include input by Internal Audit on any necessary changes.
3. The Finance Department is updating policies related to P-Cards to ensure they are consistent, reflect industry best practices, are comprehensive, and safeguard the City wherever possible. The revised policies will be published by June. These policies will include a description of the approval roles and process, both in the on-line system and the document management system.
4. The Finance Department is also responding to the audit findings and improving current operations. Examples include working with our bank to determine additional merchant blocking capabilities.
5. Internal Audit found 12 employees of the 75 files tested (16%) who did not complete the required training. Of those 12 employees, one was exempted by the City Manager, six cards were cancelled due to separation of employment or for other reasons, one employee had his card cancelled for non-compliance with the training requirements then subsequently completed the training in order to receive a new card, three employees completed the training subsequent to the audit review scope timeframe, and one card was suspended until the employee completed the training on January 11, 2016. Staff will continue to monitor training compliance and suspend cards accordingly.

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6. A procedural finding related to purchases made that exceeded the threshold when annual agreements should be established. Departments have been reminded to review aggregate spending levels in order to identify areas where new agreements should be established. In addition, some P-card purchases occurred due to delays in bidding for new agreements when old annual agreements expired. By February 15, departments will work with Purchasing to identify any existing backlogs of annual agreements to the City Manager's Office. Thereafter, departments will obtain in writing any temporary authorizations to use P-Cards to carry on business while appropriate agreements are finalized.
7. For the few inappropriate charges that were identified, appropriate discipline has been administered.
8. The audit also mentioned instances where purchases were made outside of existing annual contracts. In these instances, the P-Card holder may have expended more funds to purchase an item than was contractually necessary. These transactions are being reviewed to determine the magnitude and volume of these items.
9. Internal Audit and the Purchasing Card Administrator will provide ongoing data review and more regular audits to identify noncompliance with the City's policies and procedures.
10. Internal Audit and the City Manager's Office will jointly review audits prior to their publication to ensure that the City Council and the public are well-informed. In this instance, there were a number of findings or cautions raised that upon further review would have benefited from additional explanation. Examples include:
 - a. The cited retirement party was fully reimbursed with donor commitments obtained prior to the event.
 - b. The majority of restaurant purchases were associated with after school and summer day camp programs. In addition, several were associated with events that honor volunteers who give thousands of hours of their time maintaining and supporting City facilities.
 - c. A cosmetic purchase was part of a self-sufficiency program and complied with the Federal and State guidelines for the funding.

However, departments will be working to improve documentation to avoid these issues in the future.

Our efforts are directed at ensuring the public we are responsible stewards of their money. We look forward to continuing to work with Internal Audit to provide appropriate oversight of this program.

David Cooke
City Manager