



DATE: November 22, 2022
TO: Larry Davis, Assistant City Manager
FROM: Internal Audit Division
SUBJECT: Procurement Card Review for January through June 2022
(No Response Required)

The Internal Audit Division has completed our review of Procurement Card Program along with a Programmatic Review by the Purchasing Division as administered by the Financial & Administrative Services Department. Attached you will find our review report; the departmental response and our replies to their responses. We feel that our concerns have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

cc: Marlene Druga, Director of Financial and Administrative Services
Chris Payne, Deputy Finance Director of Administrative Services
Angie Waters, Procurement Services Manager
Mary McCollough, Procurement Card Administrator



DATE: November 9, 2022
TO: Marlene Druga, Finance Director
FROM: Internal Audit Division
SUBJECT: Procurement Card Review for January through June 2022
(Response Required by November 23, 2022)

The Internal Audit Division has completed the review of the Procurement Card program expenditures, as administered by the Financial and Administrative Services Department, for the months of January through June of 2022. The objectives of our review were to:

- Obtain copies of the procurement card statements for all months during the review period.
- Select approximately 1% of the cardholder files for review. Review the files, ensuring each file contains a timely proxy signature, the individual transactions each contain a valid receipt, the sales tax is properly coded and the transaction appears to be for a valid business purpose. Review the files and transactions and ensure procurement card policies appear to have been followed.
- Obtain the summary of cardholders submitting files late during all months of the review period. Also obtain the summary of individuals that were late reconciling their transactions for each month and the list of any cardholder suspensions during the review period.
- Obtain the Procurement Card Quarterly Facts Report from Financial and Administrative Services for the review period.

Total procurement card spending for the six-month review period was \$8,138,470.22, as follows:

<u>Month</u>	<u>Total Charges</u>	<u># of Cards With Balances</u>
January 2022	\$1,044,740.18	365
February 2022	1,449,018.83	399
March 2022	1,342,318.08	389
April 2022	1,278,898.00	375
May 2022	1,454,145.78	383
June 2022	<u>1,569,349.35</u>	376
Total	\$8,138,470.22	

Monthly Reports

We obtained copies of the procurement card statements for the months of January 2022 through June 2022 from the Financial and Administrative Services Department. The reports came from Works, a procurement card management software program. We used Excel to compile the procurement card data by cardholder and sorted the totals, from the largest balance to smallest balance, for each individual month.

Transaction Review

We selected 20 cardholder files for review. We chose the cardholders with the largest monthly transaction totals (only choosing one month for each cardholder) that had not previously been selected for review. The sample was selected to have no more than two cardholders selected from the same department.

The sample of transactions totaled \$277,646.88, which represents 3.4% of the total dollar amount of transactions for the review period. It represents 0.87% of cards with balances during the quarter. Cardholders selected for the review were from the following departments: Coliseum, Communications, Engineering & Inspections, Executive, Field Operations, Finance, Fire, Information Technology, Parks & Recreation, Police, Transportation and Water Resources. Our sample selection procedures ensure all City departments get selected for review periodically.

We reviewed the monthly Procurement Card folders, comprised of the monthly statements and receipts for the selected cardholders. We attempted to confirm that each file contained a timely proxy signature, the individual transactions each contained a valid receipt, the sales tax was properly coded and that the transaction appeared to be for a valid business purpose. We also attempted to note any potential split transactions, where the procurement card was charged multiple times on the same day by the same vendor to circumvent single transaction limits.

Finding: Documentation Issues

There were 17 transactions where the provided documentation was a payment receipt or statement, not a detailed receipt with a description of the goods or services purchased. There were 4 transactions where the provided supporting documentation was incomplete. There was 1 transaction where an amount included a "balance forward" but no detail of this amount. There was 1 transaction where the supporting documentation was for a different amount and no explanation was provided.

Recommendation:

Department staff should continue to stress to cardholders and proxies the importance of providing adequate documentation to support each transaction.

Finding: Sales Tax Issues

Overall, there were 38 transactions with sales tax issues; those transactions totaled \$52,468.43 or 18.9% of the total reviewed transactions. There were 14 instances where sales tax on an invoice was not entered in Works. There were 11 transactions where sales tax coded in Works was different from the amount on the supporting documentation. There were 11 transactions where it appears use tax was due but it was not coded properly in Works. There were 2 transactions that appear to be non-taxable but were coded as taxable in Works.

Additional Facts:

The Financial and Administrative Services Department makes an entry to correct sales tax coding. In such situations, there is a possibility the sales tax amount will remain incorrect (if there are taxable and non-taxable components or if the sales tax code is not entered correctly).

Recommendation:

Department staff should continue to educate cardholders about proper coding of sales taxes in Works.

We did not note any split transactions in the sample of items reviewed.

Late Cardholder Information

We obtained the summary of total cardholders submitting their procurement card files late, total cardholders reconciling their transactions in Works late and card suspensions from Mary McCollough, Procurement Card Administrator in the Financial and Administrative Services Department.

Reviewed folders (including the monthly statement, receipts and a proxy signature) are due to the Procurement Services Division by the 15th of each month. Transaction reconciliation is also due by the 15th of the month. The reports list the following late folders and reconciliations:

<u>Month</u>	<u>Late Folders</u>	<u>Late Reconciliations</u>
January	12	6
February	3	0
March	6	4
April	6	2
May	1	2
June	5	0

There were 5 procurement cards suspended during the review period for various policy infractions. There were also 3 cards suspended from June through December 2021 that were not previously reported.

Department Report

The Procurement Card Audit Report from the Financial and Administrative Services Department is attached. We agreed the amounts noted on the report to the documentation obtained in this review and noted the facts presented appear accurate.

We would like to thank the staff of Financial and Administrative Services for their assistance and cooperation during this review. Please provide a written response by November 23, 2022. If there are any questions concerning the details of this review, please call us at (336) 373-2230.



Garland Wells
Internal Auditor



Len Lucas
Internal Audit Director

- cc: Larry Davis, Assistant City Manager
- Chris Payne, Deputy Director for Administrative Services
- Angie Waters, Procurement Services Manager
- Mary McCollough, Procurement Card Administrator



DATE: November 9, 2022
TO: Garland Wells, Internal Audit
FROM: Angie Waters, Procurement Services Manager
DEPARTMENT: Internal Audit
SUBJECT: Procurement Card Audit Report, Period ending June 30, 2022

Procurement Card Audit Reporting

The City of Greensboro Procurement Services Division will compile monthly reporting data during the reconciliation period verifying completeness. The findings may identify possible policy infractions. This summary is showing information from January 2022 through June 2022, the third and fourth quarters of fiscal year 2022.

Electronic Approval

Cardholder transactions are electronically approved before the required deadline. The result of the cardholder's non approval is the necessity to apply or "force" their charges to a "miscellaneous" account and not the appropriate section or object code.

Forced charges

January 2022 – There were 6 employee's charges forced in January and it was recorded that 15 total charges were forced to the miscellaneous accounts for this cycle.

February 2022 – There were 0 employee's charges forced in February and it was recorded that 0 total charges were forced to the miscellaneous accounts for this cycle.

March 2022 – There were 4 employee's charges forced in March and it was recorded that 11 total charges were forced to the miscellaneous accounts for this cycle.

April 2022 - There were 2 employee's charges forced in April and it was recorded that 2 total charges were forced to the miscellaneous accounts for this cycle.

May 2022 - There were 2 employee's charges forced in May and it was recorded that 2 total charges were forced to the miscellaneous accounts for this cycle.

June 2022 - There were 0 employee's charges forced in June and it was recorded that 0 total charges were forced to the miscellaneous accounts for this cycle.

Reference quarters 3&4 ending June 30, 2022. Review files for a breakdown of infractions within a department.

Receipt of the P-card Envelope (Signed by Proxy)

It is a requirement for cardholders to have their Proxy to review the receipts and statement each cycle, for policy compliance and forward to Procurement Services. These are also audited in Procurement Services, and then filed for a minimum of 3 years. It is necessary to receive all files within the allotted time; any delay in receiving a file will hinder the completed process. For this six-month period, 33 cardholder submissions were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and electronic filing and year-end closings.

January 2022 – 12 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

February 2022– 3 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

March 2022 - 6 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

April 2022 - 6 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

May 2022 - 1 cardholder envelopes was late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

June 2022 - 5 cardholder envelopes were late and required additional emails to attempt to have them completed and turned in to PSD for auditing and filing.

Reference quarters 3&4 ending June 30, 2022. Review files for a breakdown of infractions within a department.

Suspended Cards

There were 5 cardholder accounts suspended during these two quarters. These suspensions were due to various policy violations. There were also 3 cardholder accounts suspended in September and October 2021 that were not previously reported.

Angie Waters

Angie Waters, CLGPO, CPCP
Manager, Procurement Services

Wells. Garland

From: Payne, Chris
Sent: Thursday, November 17, 2022 3:46 PM
To: Wells. Garland
Cc: Waters, Angie; McCollough, Mary; Lucas, Len; Druga, Marlene
Subject: Re: PCard Review Report for January Through June 2022

Good afternoon Garland,

I offer the following responses to your findings for Pcard review period - January through June 2022:

Finding #1

All sample charges included a receipt however, the policy requires a "detailed" receipt to determine the appropriateness of the purchase. The PCA highlights this policy requirement to include detailed receipts when available for all transactions. If a detailed receipt is not available, cardholders are instructed to prove the required documentation manually. This requirement is covered during the initial and required annual training for all cardholders.

Finding #2

We will continue to emphasize accurate reporting of sales tax. This component of the reconciliation process is specifically highlighted during initial and the required annual training for all cardholders.

Policies for the late submission of reports are being followed including the suspension of cardholder privileges.

Thanks,
-Chris

Chris S. Payne, C.P.M., CLGPO
Deputy Finance Director – Administrative Services
Financial and Administrative Services Department
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From: "Wells. Garland" <Garland.Wells@greensboro-nc.gov>
Date: Wednesday, November 9, 2022 at 2:25 PM
To: "Druga, Marlene" <Marlene.Druga@greensboro-nc.gov>, "Payne, Chris" <Chris.Payne@greensboro-nc.gov>
Cc: "Davis, Larry" <Larry.Davis@greensboro-nc.gov>, "Waters, Angie (Wade)" <Angie.Waters@greensboro-nc.gov>, "McCollough, Mary" <Mary.McCollough@greensboro-nc.gov>, "Lucas, Len" <Len.Lucas@greensboro-nc.gov>
Subject: PCard Review Report for January Through June 2022

Marlene and Chris:

Good afternoon. Attached, please find the Procurement Card Review Report for January through June 2022. I have also attached your Department's report. Please respond to our findings by November 23.

Thank you.

Please note: Internal Audit's Review Report, along with all responses and replies, will be made available to the public on the City's external website. Contact Internal Audit if you have any further questions or concerns.

Garland Wells, Internal Auditor
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Greensboro, NC 27402-3136
www.greensboro-nc.gov



DATE: November 18, 2022

TO: Marlene Druga, Finance Director
Chris Payne, Deputy Finance Director – Administrative Services

FROM: Internal Audit Division

SUBJECT: Procurement Card Review Response January – June 2022

The Internal Audit Division has received the response to the Procurement Card Review Report for the period of January through June 2022. We find the response sufficient and no further action is required.

We would like to thank the Financial and Administrative Services staff for their assistance and cooperation during this review. If there are any questions concerning the details of this review, please call us at (336) 373-2230.

Garland Wells
Internal Auditor

Len Lucas
Internal Audit Director

cc: Larry Davis, Assistant City Manager
Angie Waters, Procurement Services Manager
Mary McCollough, Procurement Card Administrator