



Firewheel P-card Audit

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Table of Contents

	<u>Page</u>
Authorization	1
Scope and Methodology	1
Overall Conclusion	2
Background	2
Opportunities for Improvement	3

Authorization

We have conducted a P-card audit of the Firewheel Department. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This included compliance with directives, policies and procedures. Our audit period covered January 1, 2007 to March 31, 2010.

While we report to the Mayor and City Council and present the results of our work to the Audit Committee, we are located organizationally outside the staff or line management functions we are auditing. Therefore, this Audit organization may be considered free of organizational impairments to independence to audit internally and report objectively to those charged with governance.

The objectives of our audit were:

1. To evaluate the system of internal controls of P-card purchases.
2. To examine a sample of payments for reasonableness and compliance with City Directives and policies.

To adequately address the audit objectives, we:

- Ensured P-cards were secure and signed by the employee (Obj. 1)
- Ensure that monthly reviews are performed and Transaction Detail Reports are signed by the Managing Director (Obj. 1)
- Ensured receipts were originals and itemized (Obj. 2)
- Determined that purchases were for business expense and not personal (Obj. 2)
- Determined that purchases were not split to circumvent the bidding process (Obj. 2)

Overall Conclusion

We conclude that Firewheel's compliance with the Procurement card guidelines and directives are being satisfied, although we did identify one area where improvement can be made.

Background

The Purchase Card program, which is also referred to as (P-card) was introduced City-wide to all departments in 2000. The program was implemented to procure low dollar value maintenance, repair and operational expense items, other low dollar value one time purchases and approved travel expenses. The purpose of the P-card program is to provide an efficient, cost-effective method of purchasing and paying for these items. The program has resulted in a significant reduction in volume of purchase orders, invoices and checks processed. The cards are to be used whenever a department purchase order, check request, or petty cash would have been used and with any vendor that accepts VISA credit cards.

After a fraudulent use of a P-card in the Firewheel Department, which resulted in the termination of an employee, prudent business practices dictate that we ensure proper internal controls are in place and operating effectively, and because of this, we scheduled a P-card audit.

As of June 9, 2010, there were a total of 10 active P-cards issued to Firewheel Department employees.

For the year of 2009, a total of \$185,295.56 was spent in purchases using the P-card for a total of 806 transactions. For the period of January 1, 2010 - March 31, 2010, there were a total of \$50,528.58 spent and 253 transactions.

Opportunities for Improvement

During our audit we identified certain areas for improvement. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

Finding #	Condition (The way it is)	Criteria (The way it should be)	Cause (Difference between condition & criteria)	Effect (So what?)	Recommendation	Management Response
1 (Obj. 1)	Monthly Transaction Detail Reports are not generated or reviewed in a timely manner. Fifteen months of transaction detail reports were reviewed, 13 were generated anywhere from 1 to 5 months later.	Transaction Detail Reports are to be generated every month and backup documentation attached for the Managing Director (or above) to review, approve, sign and date.	Monthly Transaction Detail Reports were generated and reviewed, approved and signed by the Golf Pro but the reports were not generated at the end of the billing cycle (timely) as stated in the directive. Per City Directive Procurement Card Program #4 under the Reconciliation section it states: "At the end of each billing cycle, the DPC will: 1. Download and reconcile, in PDF format, the consolidated	A prohibited or inappropriate purchase can be made and not known by the Golf Course Superintendent or Managing Director because reports and documentation are not submitted in a timely manner. It is easier to identify problems or correct issues when transaction detail reports are generated in a timely manner.	We Recommend that the Golf Course Superintendent ensure that monthly transaction detail reports are generated in a timely manner for review and approval.	Concur. We will ensure that the transaction detail reports are generated at the end of the billing cycle and they will be reviewed and approved by the Firewheel's P-card Coordinator, followed by the Golf Course Superintendent and finally by the Golf Pro. These reports will be initialed

Finding #	Condition (The way it is)	Criteria (The way it should be)	Cause (Difference between condition & criteria)	Effect (So what?)	Recommendation	Management Response
			Transaction Detail Report for all cardholders under his/her hierarchy.			by the Golf Course Superintendent following his review of them and they will be signed by the Golf Pro following his review of the transaction detail reports. We will follow the same procedure in regards to the weekly P-card Recap Reports.