



PRINCE WILLIAM COUNTY, VIRGINIA

## **Prince William County, Virginia**

### **Internal Audit of Procurement Card Management**

**Fiscal Year 2014/2015**

**Prepared By:  
Internal Auditors**

**June 29, 2015**



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June 29, 2015

The Audit Committee of  
Prince William County, Virginia  
1 County Complex Court  
Prince William, Virginia 22192

Pursuant to the approved internal audit plan for fiscal year (“FY”) 2014/2015 for Prince William County, Virginia (the “County”), we hereby present our internal audit of Procurement Card Management. We will be presenting this report to the Audit Committee of Prince William County at the next scheduled meeting on August 4, 2015. Our report is organized in the following sections:

<b>Executive Summary</b>	This provides a summary of the issues related to the internal audit of procurement card management.
<b>Background</b>	This section provides an overview of the procurement card management function.
<b>Objectives and Approach</b>	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Issues Matrix</b>	This section gives a description of the issues noted during our internal audit, recommended actions, management’s corrective action plan, responsible party and estimated completion date.
<b>Process Maps</b>	This section provides a process map depicting the flow of the County’s procurement card management processes.

We would like to thank those involved in assisting the Internal Auditors in connection with the internal audit of procurement card management.

Respectfully Submitted,

**MCGLADREY**

## **Executive Summary**

# Executive Summary

The County implemented a Purchasing Card (“PCard”) program during spring 2014. A PCard is a form of charge card that allows goods and services to be procured without using a traditional purchasing process. They are typically issued to employees who make low dollar, high volume transactions. There can be significant risks if the policies and procedures are not established correctly and are not functioning as designed.

This audit’s primary objective was to assess the design of the new policies and procedures for adequacy of the included controls for promoting and encouraging the achievement of management’s objectives for an effective function. This involved the evaluation of the appropriateness of PCard purchases and the adequacy of program administration and oversight, including internal controls to safeguard the County from fraud, waste, and abuse.

Our testing covered the process in its current state and PCard activity for the period July 1, 2014 through December 31, 2014.

A summary of issues identified and their relative risk rating is provided below. We have assigned relative risk factors to each issue identified. This is the evaluation of the severity of the concern and the potential impact on operations. There are many areas of risk to consider in determining the relative risk rating of an issue, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk. Items are rated as High, Moderate, or Low.

- *High Risk Items* are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
- *Moderate Risk Items* may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
- *Low Risk Items* could escalate into operational issues, but can be addressed through the normal course of conducting business.

The details of the below summarized issues are included within the Issues Matrix section of this report.

Issues	Risk Rating
<b>1. PCard Policy Violations</b>	<b>High</b>
<p>We identified the following exceptions to the PCard Policy in our testing of 65 sampled transactions:</p> <ul style="list-style-type: none"> <li>• Three of the transactions were not supported by sufficient purchase documentation. No receipt was on file for two of the purchases, and the support for one purchase included only a summary receipt, with no itemized receipt showing the detail of what was actually purchased.</li> <li>• One sampled transaction breached the assigned monthly credit limit by \$547 and no supporting documentation of the request and approval to exceed the limit was on file. The monthly PCard credit limit was adjusted by the PCard Administrator, but no documented approval to support the temporary increase was on file.</li> <li>• Tax was improperly paid on four of the sampled transactions and not reimbursed.</li> <li>• The approval documentation for one month was not sufficient since the file did not contain the “Monthly Allocation Report,” which houses the approval signature and serves as the official approval for purchase card transactions.</li> <li>• The monthly statements for 14 of the transactions were signed by the cardholder’s supervisor after the required 30 day time frame.</li> </ul> <p>Proper supporting documentation must be on file for all purchases to evidence that the goods or services actually purchased are appropriate and allowable. Consistent supporting documentation requirements serve as a deterrent to PCard fraud or misuse, and other County policy violations and enable effective monitoring of card usage.</p>	

## Executive Summary - continued

Issues	Risk Rating
<b>2. Documented Procedures</b>	<b>Moderate</b>
<p><u>Approval Due Dates</u> The current Procurement Card Procedures include transaction approval requirements, but do not specifically state the due dates for manual sign-off on the monthly statement and electronic purchase approvals.</p> <p>Consistent standardized procedures reduce opportunities for misuse or fraud, strengthen the ability to provide proper management of procurement cards, promote compliance with County policy and applicable State Statutes, and provide guidance for adequate review and approval of purchase card documentation.</p> <p><u>Documentation of Key Procedures</u> The operational and monitoring processes performed by the PCard Administrator are not currently documented. The PCard Administrator's role and function are critical to the PCard process, and include performance of various monitoring controls and operational processes that are not documented in the job description, policy, or procedures. We did note that the most crucial PCard processes are currently documented in an Excel document which covers how to create weekly and monthly upload files, create supporting documents and initiate payments in Performance, and find transactions in the Performance system.</p> <p>Documented procedures provide detailed guidance to help ensure accurate and consistent process functioning, monitoring and reporting; and protect the integrity of established processes during employee turnover.</p>	
<b>3. Human Resources Information Access</b>	<b>Low</b>
<p>The PCard Administrator currently has minimal access to the Human Resources Information System. This causes inefficiencies in the current PCard management process, such as additional steps required to verify employment, cardholder status, and status changes.</p> <p>Access to Human Resources information would improve the efficiency and effectiveness of the PCard Administrator's role in multiple aspects. The PCard Administrator should be provided read-only access to the County's Human Resources Information System, including the ability to run reports on employment and cardholder status.</p>	
<b>4. PCard Authorization Documentation</b>	<b>Low</b>
<p>We noted the following opportunities to improve the current PCard authorization forms and agreements:</p> <ul style="list-style-type: none"> <li>• The "New Cardholder Request" form does not contain a field for credit limit amount. This area would allow supervisors to request credit limits other than the default \$2,500 transaction limit and \$5,000 monthly limit. The assigned credit limits would also be explicitly displayed and agreed to by the cardholder, allocator, approver, and proxy approver (if applicable).</li> <li>• The "Procurement Card Employee Agreement" does not include a space for the supervisor's printed name, just their signature, which can be hard to read, making it hard to identify which agreement is for which employee.</li> </ul> <p>Clear and consistent purchase card documentation will support an efficient monitoring process.</p>	

## Executive Summary - continued

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Issues	Risk Rating
<b>5. Inconsistent Sales Tax Identification in PaymentNet</b>	<b>Low</b>
<p>The PaymentNet “Monthly Allocation Report” did not indicate sales tax charged on six of the sampled transactions. This report is used by the designated supervisors/ approvers to review purchase transactions for appropriateness, including that tax was not paid on exempt transactions.</p> <p>PaymentNet’s sales tax identification function provides an additional layer of review for compliance and if the “Monthly Allocation Report” does not capture sales tax accurately, the review will not be effective in identifying transactions for which sales tax was improperly paid and should be refunded.</p>	

## **Background**

# Background

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## Overview

Prince William County implemented a procurement card program in early 2014 to provide a more efficient method of purchasing and payment. A procurement card (“PCard”) is a form of charge card that allows goods and services to be procured without going through the traditional purchasing process to enhance efficiency and reduce processing costs. They are typically issued to employees who make a high volume of low dollar transactions. The use of the PCard is not intended to avoid or bypass required procurement or payment policies.

The County contracts with JPMorgan Chase Bank to issue PCards and earns a rebate of approximately 1-2% under this contract. The rebate earned is based on total average charge volume of all PCard purchases made by the County and corresponding days to pay (payment cycle length). Currently, there are 232 PCards issued throughout the County. The County received a rebate of \$8,475 for purchases made in 2014. As the PCard program is further developed and card usage increases, the County will realize greater rebate savings.

The 2014 RPMG Research Purchasing Card Benchmark Survey results show that average administrative cost (including sourcing, purchasing, and payment activities) of a traditional purchase order-based process is approximately \$90 per transaction, compared to a cost of approximately \$20 per purchase card transaction. The PCard Administrator estimates that the County saves approximately \$74 per transaction, in line with the figures from this study.

## **Selected Statistical Data - (July 1, 2014 – December 31, 2014)**

Description	County-Wide Data
Approximate number of cardholders	232
Approximate number of transactions	1,711
Total purchases (net of returns)	\$ 394,093
Average transaction amount	\$ 243

*Source: PaymentNet query information generated as of January 2015.*

## **Procurement Card System**

JPMorgan’s PaymentNet is the County’s procurement card system and is the database of record for all procurement card transaction information. This web-based program provides cardholders and approvers with a convenient method of querying information and transaction detail, allocating transactions to funds, and accessing card statements. Access to PaymentNet is password-restricted to ensure safekeeping of information. New user accounts and approval levels are maintained in PaymentNet by the PCard Administrator to ensure proper segregation of the review and approval process. Supporting documentation for each transaction is retained by the responsible approving employee in hard copy. Documentation stored includes receipts, “Monthly Allocation Reports” (also referred to as “Statements of Account”), applicable transaction logs, and other transaction support, such as email communications regarding purchase transactions. Cardholders use PaymentNet for their expense reconciliation and to validate that all their support matches the transactions recorded in PaymentNet. The PCard Administrator retains all administrative documentation pertaining to PCard setup, such as signed agreements, training documentation, special transaction request forms, termination documentation, and new cardholder checklists.

Administrator access to add or delete cardholders and modify account information, such as transaction limits or status, is granted only to the County’s Purchasing Division Chief and the Procurement Card Administrator. The PCard Administrator has implemented a robust PCard administration function including training and monitoring, as further described below. Employees are not allowed to enter into any other credit or purchase card agreements other than through the approved PCard program.

## Background - continued

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### ***Cardholder Setup and Maintenance***

The procurement card issuance and maintenance function is the responsibility of the Purchasing Division and the cardholder's assigned department or agency. The department supervisors notify the PCard Administrator when a new card is needed. The PCard Administrator initiates the new cardholder process, reviews the department's assigned approval roles, and obtains a signed "Procurement Card Employee Agreement" from the cardholder. The agreement indicates the cardholder, allocator, supervisor, approver or proxy approver (if applicable), cardholder information, cardholder responsibilities, account codes, purchase categories, alternate monthly credit limits and per transaction limits. Each allocator and approver also signs a corresponding agreement ("Procurement Card Allocator Agreement" or "Procurement Card Approver Agreement"). The PCard Administrator reviews the signed and completed agreements for proper completion and appropriate authorization, and validates the appropriateness of the requested account codes, purchase categories, and credit limits. Each employee applying for a card is required to complete training and pass a test with questions corresponding to their assigned role(s): cardholder, allocator or approver. Evidence of training completion is retained with corresponding new cardholder/allocator/approver documentation.

The PCard Administrator corresponds with the Human Resources Department to validate that applicants are current active employees of PWC. The PCard Administrator utilizes a new cardholder checklist to monitor and document completion of the various steps in the PCard setup process. PCard issuance is completed centrally by the Purchasing Division of the Department of Finance. New procurement cards are received by the Finance Administrative Assistant and are maintained in secure locked areas until issued to cardholders. PCard activation numbers are kept with the PCard Administrator's documentation, and to mitigate fraud risk, the activation numbers and card numbers are kept separated at all times. The cardholder's identification is verified when they pick up their card, and they sign off to document taking custody of the card from the Finance Administrative Assistant. The PCard Administrator provides the new cardholder with training on how to use PaymentNet, reiterates the County's policy, and answers any outstanding questions. Completion of this training is documented, with cardholder position, name and date completed. Each cardholder is provided a sleeve for their PCard as a reminder that the card is not to be used for personal transactions. The PCard sleeve is also printed with reminders and tips for PCard usage.

When an employee is transferred to another department/division, or another card manager's area of responsibility, the PCard may be transferred with them, reissued, or canceled depending on the situation. Documentation of each scenario is retained by the PCard Administrator. When an employee is terminated, the PCard is collected and destroyed by the department and notification is provided to the PCard Administrator to request the card be closed in JPMorgan's system of record. The cardholder is required to promptly report loss or theft of their PCard to the PCard Administrator.

The PCard Administrator is notified of all employee terminations via email from the Human Resources Department that lists all County employee terminations. The PCard Administrator reviews the list of terminated employees and identifies any that are also PCard holders. The terminated employee's PCard is then obtained, destroyed, and canceled.

### ***Monthly Reconciliation***

Throughout the month, cardholders make purchases which are allocated, reviewed, and approved in PaymentNet by employees designated as allocators and approvers. Cardholders are responsible for reviewing transactions and providing receipts and other supporting documentation to their designated allocators. At the end of the month, the allocator prints the "Monthly Allocation Report" from PaymentNet, which shows all of the cardholder's transactions for the month. All receipts, invoices, department approval documentation, and various supporting documents are consolidated and attached to the "Monthly Allocation Report." Some high volume cardholders also submit a detailed transaction log for ease of review. The cardholder's supervisor signs off on the "Monthly Allocation Report" to evidence their review. This serves as the "Official Approval Document" and is retained in hard copy by the allocators/approvers. Transactions must also be electronically approved in PaymentNet on or before the 4th business day of the following month. The supervisor's review process confirms that transactions have proper documentation and purchases are in compliance with County requirements.

## Background - continued

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### ***General Monitoring of Program***

It is the responsibility of the supervisor and approver to review procurement card expenditures to ensure the goods or services were for official use and were made in accordance with applicable County policies, laws and regulations. Calendar review reminders are sent to cardholders, allocators, and approvers a week in advance of the approval deadline. The day before the deadline, the PCard Administrator inspects PaymentNet to identify any unapproved transactions and follows up with the necessary parties to obtain approval. On the 5<sup>th</sup> business day, the approval due date, if any unapproved transactions remain, the PCard Administrator records the explanation provided and transaction information from PaymentNet, and issues the appropriate action required under the Procurement Card Compliance Protocol. The PCard Administrator conducts annual spot check reviews of a judgmental sample of cardholders and department PCard activity to validate appropriate review/approval and that appropriate supporting documentation is maintained on file.

A report of all declined transactions is generated weekly from PaymentNet. The PCard Administrator follows up with the cardholders to explain the reason the transaction was declined and reiterates any applicable policy information. A report of all cardholder credit limits is also reviewed monthly by the PCard Administrator to identify any temporary limit/restriction amendments that are no longer required. The PCard Administrator inspects the previous day's transaction detail on PaymentNet and follows up with cardholders/allocators if the business purpose is not fully described. Monthly, the PCard Administrator provides a copy of all transactions, the procurement card volume report, results of spot check reviews, and a summary of all activity to the Purchasing Division Chief.

The PCard Administrator plans to implement a periodic agency review process in the near future, which will include review of the PCard process in place for selected departments to identify risks and policy compliance exceptions.

## **Objectives and Approach**

# Objectives and Approach

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## Objectives

This audit's primary objective was to assess the design of the new PCard program's policies and procedures for adequacy of the included controls for promoting and encouraging the achievement of management's objectives for an effective function. This involved the evaluation of the appropriateness of PCard purchases and the adequacy of program administration and oversight, including internal controls to safeguard the County from fraud, waste, and abuse. The scope of this internal audit encompassed the process at its current state and PCard activity from July 1, 2014 to December 31, 2014.

## Approach

Our audit approach consisted of the following three phases:

### Understanding and Documentation of the Process

During the first phase, we performed the following:

- Conducted an entrance conference with Purchasing Division personnel to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements;
- Obtained copies of financial information and other documents deemed necessary;
- Reviewed the applicable County policies related to this internal audit;
- Conducted interviews with responsible personnel from various departments to obtain an understanding of the department-level processes in order to perform the walkthroughs and our testing; and
- Developed flowcharts of the processes, which are included in this report.

### Detailed Testing and Review

This phase consisted of evaluating the design and testing the operating effectiveness of internal controls. We performed walkthroughs and detailed testing of 65 transactions occurring between July 1, 2014 and December 31, 2014. Specific procedures performed included:

- Reviewed forms utilized;
- Reviewed segregation of duties within the departments over the PCard process;
- Performed testing of a population of 65 monthly reconciliations for proper completion, documentation of expenditures and approval;
- Reviewed procedures performed around the weekly transaction reports for adequate monitoring;
- Reviewed all transactions in our population in a PaymentNet report to validate that each transaction included a department code, description, required transaction codes, and that no tax was paid on the purchase;
- Reviewed management review process for cardholders with no activity;
- Assessed appropriateness of segregation of duties and authorization of the designated Approvers;
- Assessed appropriateness of segregation of duties of the PCard activity review and authorization process;
- Assessed the appropriateness of current credit limits set on all active PCards against actual usage to identify possible excessive limits;
- Benchmarked the County's PCard policies and procedures to industry standards to identify possible improvement opportunities; and

## Objectives and Approach - continued

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### Approach - continued

#### Detailed Testing and Review – continued

- Testing the sampled transactions for proper justification, approval, and documentation of receipt by the responsible persons, including verification of the following:
  - Employee conducting purchase is an active employee;
  - Transactions were not split to avoid single transaction limit;
  - Purchases were not backordered or for prohibited/restricted items;
  - Purchases were within the assigned credit limits;
  - Timeliness of approval of the transaction and Statement of Account;
  - Purchase is in line with the assigned merchant category code(s);
  - Purchase is appropriate for Department/Division;
  - Virginia sales and use tax was not paid on exempt transactions;
  - Purchases were in-line with County policy;
  - Department/Division conducted proper follow-up and resolution for transactions violating County policy;
  - Purchase is compliant with provisions of the Virginia Public Procurement Act - Title 2.2, Chapter 43 of the Code of Virginia; and
  - Purchases of food were supported by required documented request form.

#### Reporting

At the conclusion of this audit, we summarized our findings related to the PCard Management process. We have reviewed the results of our testing with the PCard Administrator, Purchasing Division Chief, Director of Finance, and representatives from the selected departments/divisions. We have incorporated management's response into our report.

## **Issues Matrix**

# Issues Matrix

Rating	Issue
High	<p><b>1. PCard Policy Violations</b></p>
	<p>We identified the following exceptions to the PCard Policy in our testing of 65 sampled transactions:</p> <ul style="list-style-type: none"> <li>• Three of the transactions were not supported by sufficient purchase documentation. No receipt was on file for two of the purchases, and the support for one purchase included only a summary receipt, with no itemized receipt showing the detail of what was actually purchased.</li> <li>• One sampled transaction breached the assigned monthly credit limit by \$547 and no supporting documentation of the request and approval to exceed the limit was on file. The monthly PCard credit limit was adjusted by the PCard Administrator, but no documented approval to support the temporary increase was on file.</li> <li>• Tax was improperly paid on four of the sampled transactions and not reimbursed.</li> <li>• The approval documentation for one month was not sufficient since the file did not contain the "Monthly Allocation Report," which houses the approval signature and serves as the official approval for purchase card transactions.</li> <li>• The monthly statements for 14 of the transactions were signed by the cardholder's supervisor after the required 30 day time frame.</li> </ul> <p>Proper supporting documentation must be on file for all purchases to evidence that the goods or services actually purchased are appropriate and allowable. Consistent supporting documentation requirements serve as a deterrent to PCard fraud or misuse, and other County policy violations and enable effective monitoring of card usage.</p>
	<p style="text-align: center;"><b>Recommendation</b></p>
	<p>We recommend that the PCard policy and agreement requirements be reiterated to users and training is provided to reinforce this where necessary. We further recommend that a procedure is developed for self-reporting missing transaction support to the PCard Administrator. This will allow the PCard Administrator to identify patterns of violations for further follow up. This requirement should be communicated to allocators, approvers, supervisors, and cardholders.</p>
	<p style="text-align: center;"><b>Management's Response</b></p>
	<p><b>Response:</b> Management agrees with the auditors recommendation to provide additional training to PCard users. A Procurement Card Compliance Protocol document has been developed and a spreadsheet will be kept to document and identify patterns of violations. Additional training will be provided as needed. Recertification training is required by every cardholder at the time of card expiration.</p> <p><b>Responsible Party:</b> PCard Administrator, Finance Department</p> <p><b>Estimated Completion Date:</b> February 2016</p>

## Issues Matrix - continued

Rating	Issue
Moderate	2. Documented Procedures
	<p><u>Approval Due Dates</u>            The current Procurement Card Procedures include requirements for approval of purchase transactions, but do not specifically state the due dates for manual sign-off on the monthly statement and electronic purchase approvals. The procedures should be updated to include the following due dates:</p> <ul style="list-style-type: none"> <li>• Within 30 days of month end, cardholders and supervisors must review and sign off on the hard copy of each procurement card statement to document their approval of the listed purchases. The signed statement becomes the “Official Approval Document” and is retained on file with copies of original receipts and other supporting documentation.</li> <li>• Electronic purchase approval must be documented by supervisor sign off in PaymentNet by the 4th business day of the following month, and no approvals can be made after the 5<sup>th</sup> business day of the following month.</li> </ul> <p>Consistent standardized procedures reduce opportunities for misuse or fraud, strengthen the ability to provide proper management of procurement cards, promote compliance with County policy and applicable State Statutes, and provide guidance for adequate review and approval of purchase card documentation.</p> <p><u>Documentation of Key Procedures</u>            The operational and monitoring processes performed by the PCard Administrator are not currently documented. The PCard Administrator’s role and function are critical to the PCard process, and include performance of various monitoring controls and operational processes that are not documented in the job description, policy, or procedures. We did note that the most crucial PCard processes are currently documented in an Excel document which covers how to create weekly and monthly upload files, create supporting documents and initiate payments in Performance, and find transactions in the Performance system.</p> <p>Examples of the key procedures that should be documented include:</p> <ul style="list-style-type: none"> <li>• Cardholder set up,</li> <li>• Termination of existing procurement cards,</li> <li>• Transaction limit changes,</li> <li>• Agency reviews,</li> <li>• Consequences for violations of PCard policy or procedures, and</li> <li>• Periodic reviews of procurement card utilization to identify excess transaction limits and cards that should be deactivated.</li> </ul> <p>Documented procedures provide detailed guidance to help ensure accurate and consistent process functioning, monitoring and reporting; and protect the integrity of established processes during employee turnover.</p>

## Issues Matrix - continued

Rating	Issue
Moderate	2. Documented Procedures - continued
	<p data-bbox="781 285 1008 310" style="text-align: center;"><b>Recommendation</b></p> <p data-bbox="380 323 621 348"><u>Approval Due Dates</u> We recommend that the Procurement Card Procedures be updated to include approval deadlines for both the hardcopy sign-off on the monthly procurement card statement (30 days after month end) and electronic approval in PaymentNet (4th business day of the following month). Establishing the PaymentNet approval due date as the 4th business day of the following month will allow time for the PCard Administrator to follow-up on delinquent transaction approvals before the system is closed for approvals on the 5<sup>th</sup> business day of the following month.</p> <p data-bbox="380 600 789 625"><u>Documentation of Key Procedures</u> We recommend that the functions and tasks performed by the PCard Administrator be documented in a Procurement Card Administrator manual. The manual should include all procedures performed by the PCard Administrator including: process steps and related timing/frequency, documentation requirements, importance of the process step, distribution requirements, review and reporting procedures, follow up procedures, and any other pertinent information.</p> <p data-bbox="732 844 1057 869" style="text-align: center;"><b>Management's Response</b></p> <p data-bbox="380 907 516 932"><b>Response:</b></p> <p data-bbox="380 953 1419 1012"><u>Approval Due Dates</u> - Management agrees with the auditors recommendations and has posted the FY16 Allocation Schedule on the Purchasing Division's intranet page.</p> <p data-bbox="380 1045 1419 1129"><u>Documentation of Key Procedures</u> - Management agrees with this finding and the PCard Administrator and Purchasing Division Chief will complete a manual of procedures to be both in physical and electronic formats by the end of FY16.</p> <p data-bbox="380 1167 1127 1192"><b>Responsible Party:</b> PCard Administrator, Finance Department</p> <p data-bbox="380 1230 867 1255"><b>Estimated Completion Date:</b> June 2016</p>

## Issues Matrix - continued

Rating	Issue
Low	<b>3. Human Resources Information Access</b>
	<p>The PCard Administrator currently has minimal access to the Human Resources Information System (“HRIS”). Access to Human Resources (“HR”) information is important to the PCard process because the PCard Administrator must promptly update PCard access based on employee changes such as transfers, terminations, and promotions. Additionally, pertinent employee information including department, position, and supervisor, is housed in the HR records system.</p> <p>We noted the following inefficiencies in the current process that would be improved or eliminated if the PCard Administrator is given view-only access to the HR system:</p> <ul style="list-style-type: none"> <li>• When a new cardholder set up request is initiated, the PCard Administrator must request verification of active employment from the Human Resources Department via email and wait for their response before continuing the new cardholder set up process. Also, the PCard Administrator does not have access to look up active employees in the system to validate position, supervisor, or length of employment.</li> <li>• The PCard Administrator receives an email from Human Resources when an employee is terminated. The emails do not distinguish between cardholders and non-cardholders, so the PCard Administrator must check the PCard records to determine cardholder status of each terminated employee. The Human Resources Department is currently working to add a field identifying which employees are cardholders in the employee information system, which would reduce the time the PCard Administrator spends on looking up the cardholder status of terminated employees.</li> <li>• The PCard Administrator is not routinely notified of other employee status changes, such as transfers, suspensions or leave of absences. This causes delays in the related PCard system updates. Since transferred cardholders’ purchases are the responsibility of their new supervisors, the PCard system must be timely updated to ensure transaction approvals are properly aligned and effective.</li> </ul> <p>Failure to promptly deactivate PCard accounts increases the risk of fraudulent charges and timely communication is required for the PCard Administrator to make system updates. Going forward, as the number of cardholders and transactions increases, access to the HR records system would increase the efficiency and timeliness of system updates, and allow for more effective monitoring.</p>
	<p style="text-align: center;"><b>Recommendation</b></p>
	<p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• The PCard Administrator should be provided read-only access to the County’s Human Resources Information System, which would include the ability to run ad hoc reports.</li> <li>• The Human Resources Department should continue with efforts to update the employee information system data fields to include employee cardholder status. Once this is in place, automatic notifications should be set up to notify the PCard Administrator when a cardholder termination, transfer, position change, or supervisor change occurs.</li> </ul>

## Issues Matrix - continued

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Rating	Issue
Low	<b>3. Human Resources Information Access - continued</b>
	<b>Management's Response</b>
	<p><b>Response:</b> Management agrees with the auditors' recommendation and will work with the Departments of Information Technology and Human Resources to get the PCard Administrator read-only access to the County's HRIS System.</p> <p><b>Responsible Party:</b> PCard Administrator, Department of Information Technology, Human Resources Department, Finance Department</p> <p><b>Estimated Completion Date:</b> July 2016</p>

## Issues Matrix - continued

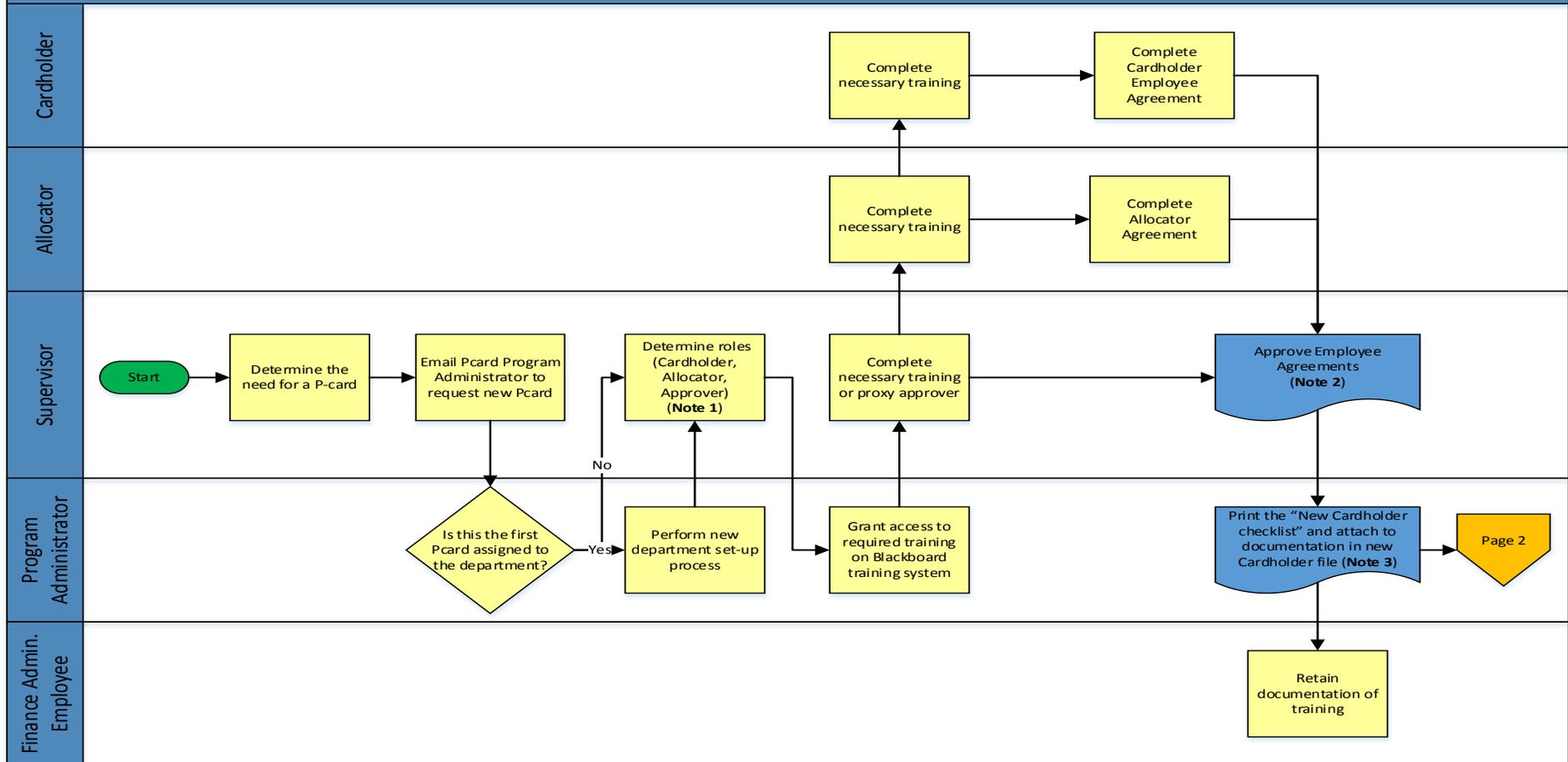
Rating	Issue
Low	4. PCard Authorization Documentation
	<p>We noted the following opportunities to improve the current PCard authorization forms and agreements:</p> <ul style="list-style-type: none"> <li>• The “New Cardholder Request” form does not contain a field for credit limit amount. This area would allow supervisors to request credit limits other than the default \$2,500 transaction limit and \$5,000 monthly limit. The assigned credit limits would also be explicitly displayed and agreed to by the cardholder, allocator, approver, and proxy approver (if applicable).</li> <li>• The “Procurement Card Employee Agreement” does not include a space for the supervisor’s printed name, just their signature, which can be hard to read, making it hard to identify which agreement is for which employee.</li> </ul> <p>Clear and consistent purchase card documentation will support an efficient monitoring process.</p>
	<b>Recommendation</b>
	<p>We recommend that the monthly transaction credit limit amount requested be added to the “New Cardholder Request” form and that the supervisor’s printed name be added to the standard Procurement Card Employee Agreement.</p>
	<b>Management’s Response</b>
	<p><b>Response:</b> Management agrees with the auditor’s recommendation and the changes have been made to the forms for FY16.</p> <p><b>Responsible Party:</b> PCard Administrator, Finance Department</p> <p><b>Estimated Completion Date:</b> July 2015</p>

## Issues Matrix - continued

Rating	Issue
Low	<b>5. Inconsistent Sales Tax Identification in PaymentNet</b>
	<p>The PaymentNet “Monthly Allocation Report” did not indicate sales tax charged on six of the sampled transactions. The report is used by the supervisor/approver to review purchase transactions for appropriateness, including that tax was not paid on exempt transactions.</p> <p>PaymentNet’s sales tax identification function provides an additional layer of review for compliance and if the “Monthly Allocation Report” does not capture sales tax accurately, the review will not be effective in identifying transactions for which sales tax was improperly paid and should be refunded.</p>
	<p style="text-align: center;"><b>Recommendation</b></p>
	<p>We recommend that the PCard Administrator continue to work with the PaymentNet vendor (JPMorgan) to determine the cause for sales tax reporting inconsistency. This will increase identification of compliance issues and facilitate effective monitoring of taxes paid.</p>
	<p style="text-align: center;"><b>Management’s Response</b></p>
	<p><b>Response:</b> Management agrees with the findings and will continue to work with JP Morgan to determine cause of sales tax reporting inconsistency.</p> <p><b>Responsible Party:</b> PCard Administrator, Finance Department</p> <p><b>Estimated Completion Date:</b> July 2015</p>

## **Process Map**

# Process Maps

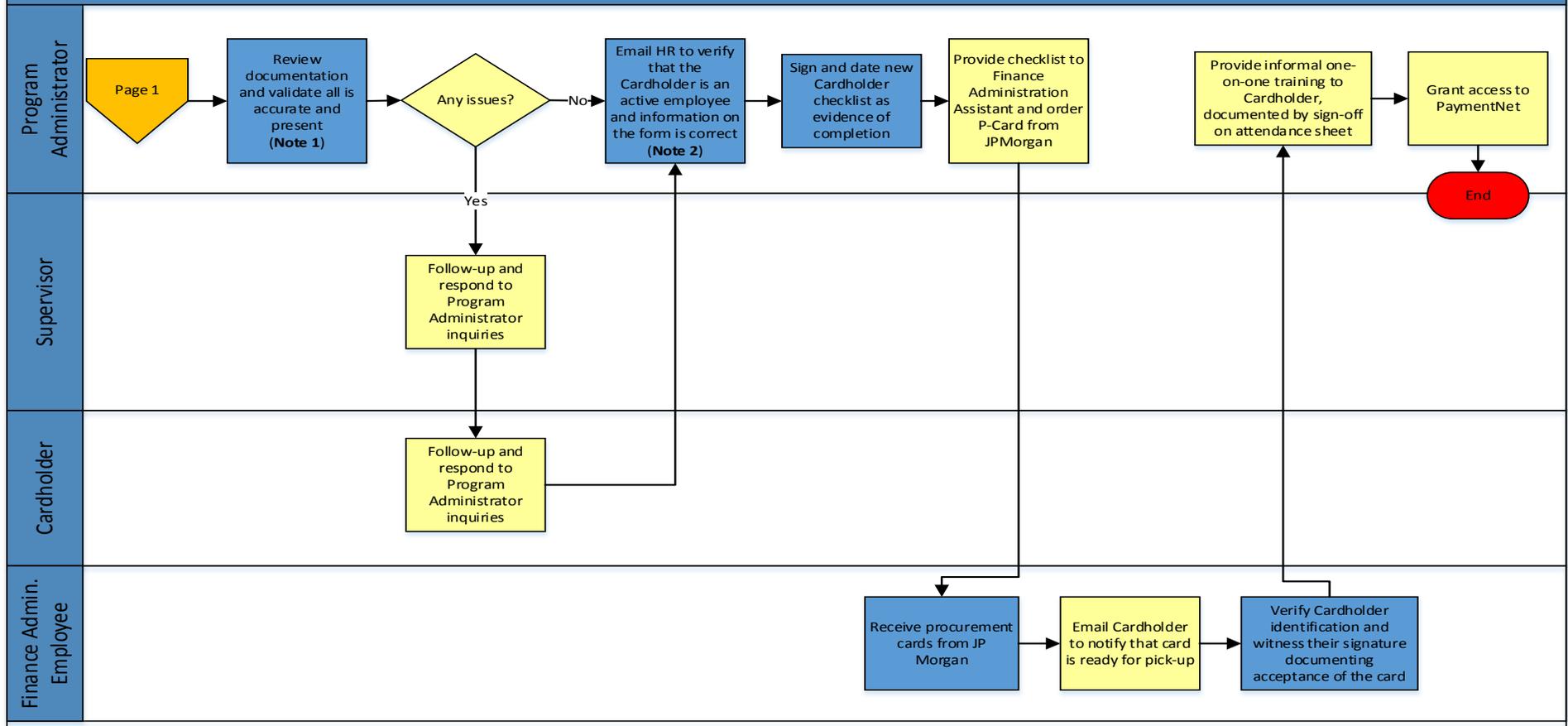


**Note 1:** If a department is in the process of receiving their first P-Card, the Program Administrator will hold a meeting with department personnel to explain the County's P-Card procedures and roles via PowerPoint presentation.  
**Note 2:** The Cardholder/employee agreement indicates the purchase categories permitted by Merchant Category Code ("MCC") groups, monthly spending limit, single transaction spending limit, and the specific duties of the Cardholder. Cardholder signs the document to evidence agreement.  
**Note 3:** The Program Administrator utilizes a "New Cardholder Checklist" to make sure all steps are followed and documentation is completed and retained.

**Legend:**

Process Step	Automated Control	Manual Control	Gap
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# Process Maps - continued

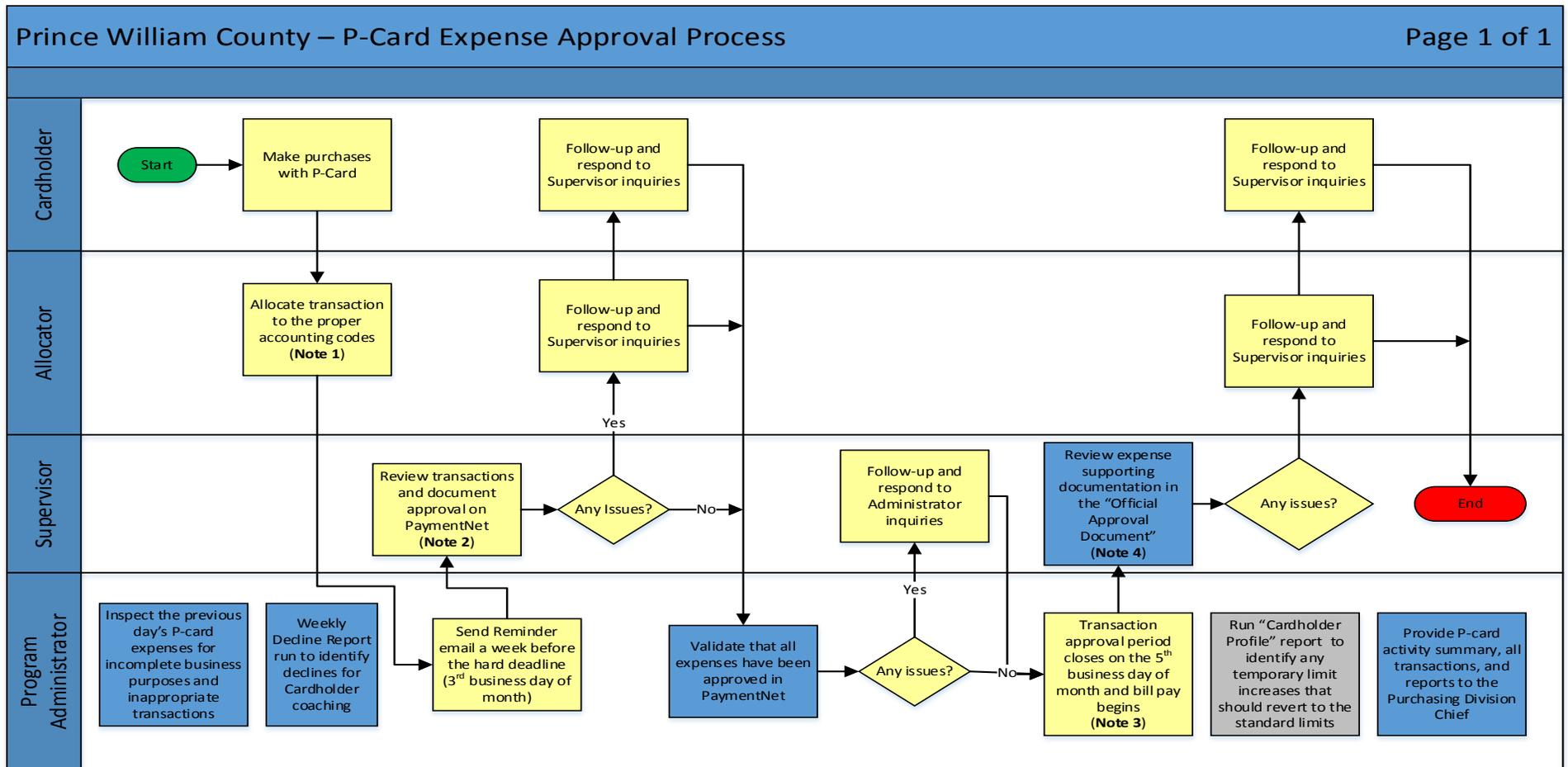


**Note 1:** As part of the document review, the Program Administrator validates that the Approver and Allocator also have the appropriate training completed and evidence is on file.  
**Note 2:** Program Administrator prints and retains Human Resources documentation to evidence that the applicant is a active employee.

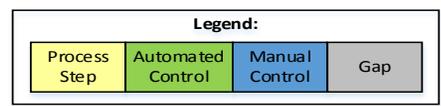
**Legend:**

Process Step	Automated Control	Manual Control	Gap
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# Process Maps - continued



**Note 1:** Allocators are encouraged to allocate expenses on the PaymentNet site on a weekly basis and must do so by the 3<sup>rd</sup> business day after month end.  
**Note 2:** The designated approver may be different from the Cardholders supervisor, which will be documented in the Cardholder's file.  
**Note 3:** Purchases must be approved on PaymentNet by the 5<sup>th</sup> business day after month end, after which the period is closed automatically by PaymentNet and no approvals may be done.  
**Note 4:** The "Official Approval Document" includes all required supporting documentation for transactions and must be signed by the approver within 30 days of month end.



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