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CITY OF ROCHESTER  
REVIEW OF THE PURCHASING CARD PROGRAM

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Office of Public Integrity  
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## I. EXECUTIVE SUMMARY

In this review, we assessed the adequacy of Purchasing Card (P-card) procedures used by custodians and determined the extent of compliance with P-card policies. The Office of Public Integrity (OPI) reviewed P-card purchases made during the period January 1, 2019 through December 31, 2020. This review established general compliance with P-card guidelines. However, we noted the following finding that requires management attention to improve compliance with prescribed policy:

- ◆ P-cards are not transferrable and only a City employee who has signed a Cardholder Acknowledgement Form and signed the back of the card is authorized to use the card for purchases. We noted four names on the P-Card Custodian List who were no longer employed with the City at the time the list was generated.

## II. BACKGROUND, OBJECTIVES AND SCOPE

### A. Assignment

The P-card Purchasing Card program was initiated in March of 2013. This is the Office of Public Integrity's second review of the program. The Office of Public Integrity will periodically conduct unannounced reviews of the P-card program.

### B. Background

The intent of the P-card is to substitute it for petty cash purchases, to allow for on-line purchases where vendors will not accept purchase orders, to pay for travel and training expenses where these must be pre-paid, to make necessary purchases of goods and services where these must be pre-paid, to make necessary purchases of goods and services when traveling out of metropolitan Rochester on emergency response business approved by the Mayor, or to make necessary purchase of goods and services during a state of emergency at the local level. P-cards are issued to City employees only and are not to be used to replace normal MUNIS procedures for purchase orders and contracts.

The Department of Finance issued the City policy outlining the P-card program upon the program's inception in March of 2013. To setup a P-card, these guidelines require the completion of a Request for P-card Form. The appropriate department head must approve the Request for P-card Form and the employee designated as the fund custodian must endorse it. Only a City employee who has signed a Cardholder Acknowledgement Form and signed the back of the card is authorized to

use the card for purchases. Each custodian has direct responsibility for the maintenance and operation of their P-card and compliance with City policy.

If a custodian transfers or leaves the employ of the City, department and administrative bureau heads are responsible for ensuring that the custodian returns the P-card and completes a Return of P-card Form. The Bureau of Treasury retains the Return of P-card Form as the official record of the custodian returning the P-card to the City.

As of July 1, 2021, there were 117 P-cards on file in the Bureau of Treasury; representing a total available credit of \$54,528.00. The vast majority of P-cards are Emergency Use cards that are inactive and unable to be used for purchases unless activated by order of the Mayor and City Treasurer. The following is a summary of the current available credit of all P-cards:

<u>P-Cards Outstanding</u> <u>As of July 1, 2021</u>				
<u>Credit Limit</u>	<u>Number of Cards</u>	<u>%</u>	<u>Value of Cards</u>	<u>%</u>
\$ 0	81	69.2%	\$ 0	0.0%
1-500	14	12.0	5,599.00	10.3
501-1000	11	9.4	11,000.00	20.2
1001+	<u>11</u>	<u>9.4</u>	<u>37,929.00</u>	<u>69.5</u>
Total	<u>117</u>	<u>100.0%</u>	<u>\$54,528.00</u>	<u>100.0%</u>

Although a P-card fund is minor in relation to the budget and assets of a department, certain procedures of internal control must be observed to ensure the integrity of the City's assets. This principle is the basis for conducting this review.

C. Objectives and Scope

The objectives of the review were to assess the adequacy of procedures used by selected custodians and determine compliance with approved City policies. The scope included a review of all P-cards and purchases that occurred during the period of January 1, 2019 through December 31,

2020, as well as an examination of documentation supporting expenditures for propriety.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the examination, but do not include all possible improvements that a more extensive review might develop.

### III. RESULTS OF REVIEW

In general, the P-card custodians appear to comply with the City's P-card policy. However, we noted the following finding that requires management attention to improve compliance with the policy.

#### A. P-card Custodian List Needs to be Updated

P-cards are not transferrable, and only a City employee who has signed a Cardholder Acknowledgement Form and signed the back of the card is authorized to use the card for purchases. An accurate and up-to-date list

of P-card custodians is critical in knowing who is authorized to use the card for purchases.

OPI noted four names on the P-card Custodian List who were no longer employed with the City at the time the list was generated. We confirmed with the City Treasurer that the four employees returned the P-cards to the City Treasurer upon completion of employment with the City and signed a Return of P-card Form.

◆ Recommendation

The program administrator should maintain an updated P-card Custodian List. Former custodians as well as new custodians should be addressed on the custodian list in a timely manner.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Finance to findings in this report begins on the next page.