

**CITY OF ROCHESTER
REVIEW OF THE PURCHASING CARD PROGRAM**

**Office of Public Integrity
Date: August 29, 2017**

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 July 1, 2016 through March 31, 2017. This review established general compliance with P-card guidelines. However, we noted the following findings that require 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 eight names on the P-Card Custodian List who were no longer employed with the City at the time the list was generated. We also identified one City employee who was issued and authorized to use a P-card but who had not yet been added to the P-card Custodian List.
- ◆ The Department of Finance's Purchasing Card Procedures require that cardholders do not exceed \$100 for any single transaction without prior approval from Purchasing. We noted 18 purchases totaling \$6,419.33 which exceeded the \$100 approval threshold but did not receive prior approval from Purchasing. However, OPI reviewed these purchases and found them to be reasonable purchases for the conduct of City business.

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 initial 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 May 1, 2017, there were 157 P-cards on file in the Bureau of Treasury, representing a total available credit of \$38,615.14. 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>Credit Limit</u>	<u>Number of Cards</u>	<u>%</u>	<u>Value Of Cards</u>	<u>%</u>
\$ 0	122	77.7%	\$ 0	0.0%
1-500	9	5.7	3,200.00	8.1
501-1000	19	12.1	17,915.14	47.7
1001+	<u>7</u>	<u>4.5</u>	<u>17,500.00</u>	<u>44.2</u>
Total	<u>157</u>	<u>100.0%</u>	<u>\$38,615.14</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 July 1, 2016 through March 31, 2017, 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 findings that require 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 eight names on the P-card Custodian List who were no longer employed with the City at the time the list was generated. We also identified one City employee who was issued and authorized to use a P-card but who had not yet been added to the P-card Custodian List. We confirmed with the City Treasurer that the eight 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.

B. Purchases Made Without Purchasing Department Approval

The Department of Finance's, Purchasing Card Procedures requires that cardholders must adhere to the purchase limits and restrictions of the P-card and ensure the total charge, including tax, shipping and handling, and any other applicable fees for any single transaction does not exceed \$100 without prior approval from Purchasing.

OPI noted 18 purchases totaling \$6,419.33 which exceeded the \$100 approval threshold but did not receive prior approval from Purchasing. However, OPI reviewed these purchases and found them to be reasonable purchases for the conduct of City business.

◆ Recommendation

P-card custodians should familiarize themselves with the City's Purchasing Card Procedures for purchases that are in excess of

\$100 and seek the approval of Purchasing prior to making the purchase.

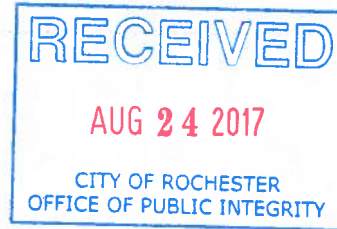
IV. DEPARTMENTAL RESPONSE

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



City of Rochester

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Charles A. Benincasa
Director of Finance

To: Timothy Weir, Director of Office of Public Integrity
From: Charles A. Benincasa, Director of Finance
Date: August 23, 2017
Subj: Response to P-Card Audit Findings

The Department of Finance responses to the P-Card audit findings as follows:

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

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OPI noted eight 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 eight 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.

Finance Department Response

Although the physical cards and return of P-Card forms were in the possession of the Program Administrator, we concur with the finding that the custodial list should have been updated to remove the employees that were no longer employed by the City. The Program Administrator will update the P-Card custodial list each month by comparing it to the monthly employee master list.



B. **Purchases Made Without Purchasing Department Approval**

The Department of Finance's, Purchasing Card Procedures requires that cardholders must adhere to the purchase limits and restrictions of the P-card and ensure the total charge, including tax, shipping and handling, and any other applicable fees for any single transaction does not exceed \$100 without prior approval from Purchasing.

OPI noted 18 purchases totaling \$6,419.33 which exceeded the \$100 approval threshold but did not receive prior approval from Purchasing. However, OPI reviewed these purchases and found them to be reasonable purchases for the conduct of City business.

◆ **Recommendation**

P-card custodians should familiarize themselves with the City's Purchasing Card Procedures for purchases that are in excess of \$100 and seek the approval of Purchasing prior to making the purchase.

Finance Department Response

Although some purchases that exceed the limit are granted verbal approval, we concur with the finding that some purchases were made without prior approval from Purchasing. The current procedure does not denote the method of communicating approval. The updated procedure will explicitly state that approval must be in written form, and that e-mail is the recommended method of communicating approval.

The procedures will be updated to read as follows:

The Cardholder must:

*Adhere to the purchase limits and restrictions of the P-card and ensure the total charge, including tax, shipping and handling, and any other applicable fees for any single transaction does not exceed **\$100 without prior written approval from Purchasing** (e-mail recommended). Prior written approval is not required from Purchasing in Emergencies per Section XVI, or for travel costs approved in accordance with Employee Travel Expenses Administrative Regulation A.R. No 05-1, or for specific P-card transactions authorized by a purchase order.*

Xc: Kim D. Jones, City Treasurer