



Procurement Card Audit - Corrective Action Plan

Auditor Recommendations	City Proposed Corrective Actions General	Timing of Corrective Action	Owner (responsible for corrective action execution)	Status	Comments
1. A restriction on the use of the card for food and entertainment purchases or align its policies with the State of Georgia statewide purchasing policy dated April 2017. This statewide policy sets parameters on food and entertainment. <b>Comments:</b> The auditors notes that the City's updated policy dated February 7, 2021 has placed a restriction on the use of the procurement cards for food and entertainment.	Inquire with the Purchasing Card issuing bank to determine if restrictions can be placed on the Purchasing cards for purchases at restaurant, gas station and entertainment companies. Inquire with issuing bank to determine if a transaction approval process can be implemented for all Pcard transactions to be approved via text or email by the Administration prior to approval.	In Progress	Purchasing Agent	Completed; Policy update 2.7.2021	
2. A specific date when the monthly or quarterly review of the procurements cards should occur and when any unresolved violations should be reported to the governing authority. The policy in-place during the engagement period did not include a date when these activities should occur. <b>Comments:</b> The auditor notes that the City's updated policy dated February 7, 2021 includes specific dates when these activities should occur.	The monthly and/or quarterly review and audit should happen within 10 days of the start of a new month or quarter by an Accounting Specialist. Report by Finance Director to City Manager.	5/31/2021	Accounting Specialist	In Progress	
3. All transactions should be accompanied by the following items: a. A completed and approved purchase order or requisition form b. A copy of the transaction receipt or supporting documents that justifies the purpose of the purchase c. A completed and signed expense report, if applicable	Add the following statement to <b>H. Accounting and Auditing</b> section of Purchasing Policy: By the last business day of the month a requisition form and/or supporting transaction receipts shall be scanned and emailed to the Accounting Specialist.	6/28/2021	Cardholders	In Progress	
4. A language that makes it clear that disciplinary action for violation of the procurement card policy includes termination of employment and criminal prosecution to the fullest extent of the law should be included in the procurement card policy.	<b>Purchasing Policy</b> <b>I. Violation</b> <b>Edit section to include:</b> Disciplinary action for violation of the Purchasing card policy may include actions up to and including termination of employment and criminal prosecution to the fullest extent of the law.	6/28/2021	Finance Director	In Progress	
5. A standardized purchase order or requisition form should be placed on the City's website for easy access to all cardholders.	The Requisition form is currently an appendix in the Purchasing policy. <b>Add</b> purchase requisition form for staff to have internally via sharepoint.	6/30/2021	Purchasing Agent/Communications	In Progress	
6. A standardized expense report form should be placed on the City's website for easy access to all cardholders and personnel.	<b>Add</b> expense report form to Online platform for Staff	6/30/2021	Purchasing Agent/Communications	In Progress	
7. Ensure separation of duties and appropriate responsibility such as: a. Establishing an effective approval process through which cardholder applicants are reviewed and approved prior to issuance. b. This process should promote and maintain adequate oversight as the City's needs grow and evolve. c. Approving officials should be selected to ensure sufficient independence and rank to adequately assess purchases. d. The responsibilities of cardholders, reviewing officials, and agency program coordinators should not overlap. e. All individuals involved in the procurement card process should be held accountable for timely and adequate participation in the program.	a. Approval process should include the review and approval of the Pcard Program Administrator, Finance Director, and City Manager. Application shall include a business justification for card issuance. b. Review and Approval process should be completed within 5 business days c. See a. above Purchasing Agent and Finance Director approval may not be assigned a proxy unless approved by City Manager. City Manager may assign a proxy for review and approval. However City Manager will remain responsible for the decisions of his and her proxy. d. Section H. Accounting and Auditing cardholders may not audit or reconcile their own card for the official record. (cardholder is expected to ensure proper documentation is submitted for monthly accounting procedure.) Internal auditor shall review approval process quarterly for compliance. e. Monthly accounting and auditing shall be performed as stated in the Purchasing Policy. Internal Auditor shall perform quarterly review of procedure adherence.	6/30/2021	Finance Director/ Internal Auditor	In Progress	
8. A prohibition on assigning cards to individuals responsible for administering the program. a. Auditor notes that the City's updated policy dated February 7, 2021 designates the Purchasing Agent as the program administrator and also list the Purchasing Agent as an authorized card holder.	Cardholders shall submit a purchase requisition for the procurement of goods and or services in support of City Programs to the Purchasing Agent. The Purchase Requisition shall include a quotation from the proposed vendor, expected scope of services and schedule of delivery of services. An authorized administrator (Finance Director or City Manager) shall review/approve the purchase.	6/30/2021	Purchasing Agent	In Progress	

<p>9. Develop a multi-faceted approach to monitoring and oversight</p> <p>a. The City should have several levels of review and oversight in place including primary, supervisory review and City-wide reporting.</p> <p>b. These levels help identify questionable transactions, split purchases, improper cardholder limits, and fraudulent activity.</p> <p>c. Proper oversight should also include periodic audits for card activity and retention of purchase documentation and a regular review of spending per vendor and merchant category codes.</p> <p>d. The City should be aware and take advantage of automatic procurement card controls provided by the program's service provider.</p> <p>e. These controls may include automatic purchase denial based on merchant category codes and credit limit, as well as other reporting tools.</p>	<p>a. Primary review of Pcard activity shall be performed monthly by the Accounting Specialist. The Finance Director shall review the monthly accounting and auditing report developed by the Accounting Specialist along with the transaction and supporting documentation monthly for all Departments. Internal Audit shall review the Finance Director's monthly accounting and auditing report and supporting documentation quarterly for all Departments.</p> <p>b. see a. above</p> <p>c. Finance Director shall randomly review and comment on the monthly transaction detail of up to 5 Pcards prior to the monthly accounting and audit report.</p> <p>d. Automatic procurement card controls provided by card issuer will be reviewed to determine best practices.</p>	5/30/2021	Accounting Staff/Finance Director	In Progress	
<p>10. The City's stance on loyalty points should be documented and communicated in context with or in reference to the Conflict of Interest policy.</p>	<p>Amend Purchasing Policy to state Purchasing card holders shall not be eligible to participate in loyalty points programs.</p>	6/24/2021	All	In Progress	
<p>11. <b>Software purchases</b></p> <p>a. The Information Technology Manager should prepare and maintain a listing of all monthly recurring software charges to include the specific user and purpose</p> <p>b. The listing should be updated for software additions and deletions as needed</p> <p>c. The listing along with any additions and deletions accompanied by a purchase order or requisition form should be approved by the City Manager</p> <p>d. The approved listing along with the purchase order or requisition form should be provided to the accounting department as documentation of recurring software purchases</p>	<p>IT Manager shall provide a monthly software log for all recurring software subscriptions. This log shall contain a tab for deletions of software subscriptions. Software additions to the log shall be accompanied by a requisition form. The City Manager shall approve the monthly addition and deletion log.</p>	6/15/2021	IT Manager/ City Manager	In Progress	
<b>Accounting</b>					
<p>12. Each procurement card should be reconciled on a monthly basis to the general ledger</p>	<p>See proposed actions under the General section above items 2 and 3.</p>	5/31/2021	Purchasing Agent	Completed	
<p>13. Payments of the procurement card should be approved by the City Manager</p>	<p>The statements are generated around the 16th of the month. The required documentation will be submitted to the City Manager for approval.</p>	5/31/2021	Finance Director/Purchasing agent	In Progress	
<p>14. Segregation of duties should be implemented for the monthly accounting of the procurement cards. Appropriate segregation of duties should include:</p> <p>a. Ensuring the individual that reconciles the monthly statement to the general ledger is different from the individual that authorizes the use and payments of the procurement card.</p> <p>b. Ensuring that the individual in the purchasing department handling all reimbursement for transaction lacking appropriate supporting documents is different from anyone involved in the transaction cycle.</p>	<p>a. Establish Accounting Specialist role to be responsible for monthly reconciling of Pcards and filing of documentation for later review of Accounting Mgr. Accounting Specialist shall not be a member of the Pcard applicant review and approval workflow.</p> <p>b. Establish purchasing representative to review and process reimbursement requests. Reimbursement requests must be approved by the Finance Director and the City Manager. In the event that the Finance Director or City Manager are requesting reimbursement two preselected council members shall approve the reimbursement.</p> <p>c. Finance Director will report any discrepancies to the City Manager</p>	5/30/2021	Accounting Specialist/ Payroll Rep/Finance Director/ City Manager/ City Council	Completed	
<p>15. Appropriate staffing within the accounting department to ensure that there is adequate personnel to account, reconcile and perform the monthly required functions required by the purchasing policy.</p>	<p>The following roles shall be hired or appointed: Accountant (1) Purchasing Agent (1) Purchasing Specialist (1)</p>	7/15/2021	Finance Director	In Progress	
<b>Safety and security</b>					
<p>16. All procurement cards should be kept in a locked safe in the City Hall at all times.</p>	<p>Cardholder by way of receiving the Purchasing card and completing training shall also have the authority and responsibility associated with Pcard as prescribed in the Cardholder Agreement and will be responsible for all charges incurred.</p>	5/31/2021	Purchasing Agent/ Finance Director	No action required	
<p>17. A log should be maintained to track the release and return of each procurement card. The log should include the name, date, time, purpose and any other pertinent information to track each procurement card.</p>	<p>Cardholder by way of receiving the Purchasing card and completing training shall also have the authority and responsibility associated with Pcard as prescribed in the Cardholder Agreement and will be responsible for all charges incurred.</p>	5/31/2021	Purchasing Agent	No action required	
<p>18. Upon the termination of a cardholder's employment with the City, the cardholder's procurement card should be immediately canceled and no further transactions should be incurred on the card.</p>	<p>Purchasing Agent shall immediately contact the issuing bank of the Purchasing card to cancel the Pcard upon an employee's termination or resignation.</p>	5/7/2021	Purchasing Agent	Completed; Ongoing	
<p>19. Upon the City being notified of impending departure from the City, the respective cardholder card limit should be reduced to zero.</p>	<p>Purchasing Agent shall immediately contact the issuing bank of the Purchasing card to cancel the Purchasing card upon an employee's impending exit from the City.</p>	5/7/2021	Purchasing Agent	Completed; ongoing	
<p>20. Establish a policy to deactivate procurement cards when employees are on leave.</p>	<p>Purchasing Agent to contact Purchasing card issuing bank to place a hold on employee Purchasing cards while employees are on leave. If such a feature is not available Purchasing card shall be surrendered while employees are on leave to be sealed and locked in the safe at City Hall until employee returns from leave. Purchasing policy to be amended to reflect deactivation of cards when employees are on leave or when not in use.</p>	Ongoing	Purchasing Agent/Finance Director	Ongoing; Cards can be placed on an inactive status by the Finance Director	
<p>21. Signed Card Holder agreement should be kept on file with the City and the agreement should be updated for changes in the City procurement policies.</p>	<p>Purchasing Agent shall maintain all signed (electronically or original hard copy) card holder agreement and shall annually ensure that changes in Procurement policy are communicated to all card holders.</p>	5/31/2021	Purchasing Agent	In Progress	

<p>22. Establish spending limit commensurate with needs –</p> <p>a. Cardholder spending limits should align with actual need on a single transaction and total monthly basis.</p> <p>b. Changes in spending limit should be requested in writing through a formalized procedure, and an annual review of the program should include an assessment of credit limit appropriateness.</p> <p>c. Allowing many cardholders to have the same spending limits and limits higher than necessary exposes the City to higher monetary risk.</p>	<p>a. Purchasing Agent shall review the business justification for Purchasing card to establish single transaction and monthly spending limits. Purchasing Agent shall submit a recommended spending threshold by card holder based on the business justification provide during the application process to the Finance Director for review.</p> <p>b. Changes in spending limits shall be submitted to the Purchasing Agent along with a rationale for the change (increase or decrease) with a copy to the Finance Director and City Manager.</p>	5/30/2021	Finance Director	Transaction limits updated at bank. Making recommendation to increase monthly spending limit for City Manager's card to \$25,000.	
<b>Training</b>					
<p>23. Currently, there is no training process for procurement card holders and there is no training manual. As such:</p> <p>a. Training for new cardholders should be provided along with a comprehensive training manual.</p> <p>b. There should be an acknowledgement by new cardholders in regards to reading and understanding the procurement card policy and the training manual.</p> <p>c. Training should be clear on the required procedures along with required supporting documentation to ensure a successfully procurement card program.</p> <p>d. Training should demonstrate to new card holders what constitutes a proper and improper card use and the potential consequences for misuse.</p> <p>e. Periodic training refresh should be required of all current card holders to highlight the importance of adherence to the procurement card policies and consequences for misuse.</p> <p>f. Training should be required for all individuals involved in the procurement card process such as approval, review and reconciliation.</p> <p>g. Training should remind card holders of their responsibility to avoid sales tax payments and the process to recoup the sales tax that has yet to be recouped.</p>	<p>a. Annual training session shall be conducted by the Finance Director or proxy to explain the comprehensive Procurement Policy. A training manual containing the City expense report and requisition form along with sample supporting documentation for Purchasing card transactions shall be developed by the Purchasing Agent.</p> <p>b. The training shall include an evaluation at the end to confirm completion of the training.</p> <p>c. See a. above</p> <p>d. See a. above</p> <p>e. On demand electronic annual refresher training will be offered to highlight the importance of adherence to the procurement card policies and consequences for misuse.</p>	6/30/2021	Finance Director	In Progress	
<b>Attorney Recommendations</b>	<b>City Proposed Corrective Actions</b>	<b>Timing of Corrective A</b>	<b>Owner (responsible for corrective action execution)</b>	<b>Status</b>	<b>Comments</b>
<p><b>1. Restrict Card Holders</b> -1. Revoke any purchasing cards issued to elected officials; 2. revoke purchasing cards issued to purchasing agent and other employees/officials; 3. Establish the following as the exclusive list of authorized purchasing card holders: City Manager, Chief Financial Officer, or designee; and accounting manager; 4. Make possession of purchasing card by an unauthorized employee grounds for discipline, up to and including termination; 5. Make issuing or facilitating issuance of purchasing card to unauthorized employee grounds for discipline, up to and including termination</p>	<p>1. Amend Purchasing policy to include revocation of purchasing cards issued to elected officials</p> <p>2. Amend Purchasing policy to revoke purchasing cards issued to purchasing agent and other employees/officials</p> <p>3. Amend Purchasing policy to revise the exclusive list of authorized purchasing card holders: City Manager, Chief Financial Officer, or designee; and accounting manager;</p> <p>4. Amend Purchasing policy to make possession of purchasing card by unauthorized employee grounds for disciplinary action, up to and including termination</p> <p>5. Amend Purchasing Policy to make issuing or facilitating issuance of purchasing card to unauthorized employee ground for disciplinary action up to and including termination.</p>	6/28/2021	Finance Director	In Progress	
<p>2. Signed Acknowledgement - Every card holder should be required to execute a document acknowledging the policy requirements and agreeing to use the purchasing card strictly in accordance therewith.</p>	<p>An acknowledgement form has been created and added to the purchasing policy that all purchasing card holders will be required to sign after they have been provided training.</p>	6/1/2021	Finance Director	Complete	
<p>3. Periodic Public Reporting</p>	<p>City Finance Director will provide to the City Council a report showing all transactions of the purchasing cards and all supporting documentation. The report will be for transactions of the preceding month, unless otherwise noted. In the event the Finance Director is a card holder, the monthly report shall be generated by the Internal Auditor or non-card holding official. This report will become a public document.</p>	7/1/2021	Finance Director		
<p>4. Demand from Jacobs</p>	<p>City Finance Director will work with the Acting City Manager (Official City representative) and City Attorney to make a formal written demand from Jacobs to ensure all improper purchasing card charges as well as other indirect cost to the City are captured.</p>	6/28/2021	Finance Director/Acting City Manager/City Attorney	In progress	
<p>5. Prosecutorial Referral</p>	<p>City Finance Director will work with the City Attorney to provide any additional documentation or records to assist in the referral to the DeKalb County District Attorney for investigation and prosecution.</p>	6/30/2021	Finance Director/City Attorney	In progress	