

Why We Did This Audit

We conducted a review of the issuance of purchasing and travel cards and the transactional data for purchasing cards along with post transactional record retention and oversight. The audit was requested by the Comptroller.

What We Recommend

ASD made 10 recommendations that, if implemented, will address the issues raised in the audit. Key items include:

- *Procurement implement written procedures to review the cardholder and card coordinator list on at least an annual basis to ensure no cardholder is also functioning as a card coordinator and that the listing of card coordinators is accurate and up-to-date.*
- *Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.*
- *Procurement review the current allowable P card limit to determine if it is appropriate to update the existing ordinance to increase the per-purchase limit.*
- *Procurement review and confirm that the use of an internet payment provider remains an inappropriate use, continue to explore the ability to automatically block internet payment providers in the system and include this item in the P Card training.*
- *Procurement establish a process to review potential chaining purchases and provide additional training for both cardholders and card approving supervisors on the prohibition on chaining of purchases to exceed the card limit.*
- *Procurement continue to stress in its training program and its manual the tax exempt status and search for solutions that would allow for an easier review of sales tax paid.*
- *Procurement establish a documented procedure for departments to request approval to the exceptions to the P Card policy and establish written policies and procedures to track when exceptions to the policy are granted.*
- *Procurement work with CBPD to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.*
- *Procurement work to design a review process or training program for card coordinators to ensure proper record retention and review of required signatures and for card approving supervisors to ensure that proper review of purchases at the departmental level is occurring and purchases are appropriate.*
- *At least once a year Procurement should conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.*



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Procurement's Purchasing Card Program: Efficiency is Achieved but More Oversight and Updated Guidelines are Needed.

BACKGROUND

In 2000 the County instituted a purchasing card (P card) program establishing credit cards for the use of employees for County expenses for both general purchases and travel. In 2020, card activity totaled over \$3.9 million with an allowable purchase value of \$2,000 per transaction. An audit of the credit card program was requested by the Comptroller. This audit reviews 2018 to 2020 and the issuance of purchasing and travel cards, transactional data for P cards, and post-transaction record retention and oversight. Under the County's new financial system, the travel card (T card) program is now under the Payroll Services Division. A later report will review the transactional data for T cards and post-transaction record retention and oversight of the T card program.

OVERALL OBJECTIVE

Our overall objective was to evaluate the adequacy of internal controls, policies, procedures and processes of the program, determine compliance with purchasing guidelines and how purchases are approved, if any improper purchases occurred and evaluate the termination of purchasing cards.

WHAT WE FOUND

- We found no issues between the list of cardholders at U.S. Bank and Procurement and found almost 100% compliance with the requirement that cardholders and card coordinators are full-time employees.
- We found one cardholder who was also listed as the card coordinator for the same card and 9 instances were cardholders served as card coordinator for other cards within their department. The P card program does not allow an employee to be both a cardholder and a card coordinator.
- We reviewed the issuance of 133 new cards for compliance to the requirements in the Policy and Procedure Manual and found minimal issues with the completion of the required forms, however, we found 13 out of 110 cardholders did not complete their training prior to their first transaction on the card. Of 133 new cards, 110 were issued to individuals because some cardholders have both a P card and a T card.
- We reviewed the transactional data and found no charges placed upon a closed card.
- We found 63% of the purchases to be within the State of Wisconsin. 33% were within Milwaukee County.
- The two largest categories of spending on the P card are for Vehicle Expenses with \$2.1 million and Wholesale Trade expenses, such as Home Depot, Lowe's and Menards, with expenses of \$5.7 million during 2018 to 2020.
- The State of Wisconsin and the City of Milwaukee have a maximum per transaction limit of \$5,000 on their P cards. Milwaukee County's limit is \$2,000. A department needs to spend \$2,428 to procure the same items it could have bought in 2012 for \$2,000.
- We did a judgment sample review and found six of the 11 departments in our sample to have used an internet payment provider which is prohibited. Overall, we found payments of \$108,598 to PayPal during 2018 to 2020.
- Chaining is a prohibited practice where a cardholder breaks a purchase into multiple payments to avoid the \$2,000 per transaction limit. We found 14 instances of possible chaining in our sample totaling \$57,397. An example of chaining was two purchases from the same vendor of 20 LED 150-Watt bulbs for \$2,000 on January 19, 2018 with a total purchase cost of \$4,000.
- We attempted to review if any sales taxes were paid on P card purchases, but found the only mechanism to review for sales tax was a manual review of invoices submitted by departments. We conducted a sample review and found less than \$150 paid in sales tax on over \$900,000 in purchases.
- The use of P cards by departments at times included purchases that appear to be in conflict with the manual but are consistent with the goal of the program to provide efficiencies to the County's purchasing program. We found a lack of documentation that exceptions to the allowed use of the P card were granted.
- Only one department of the 11 we interviewed indicated they perform the required step of checking multiple sources to ensure the County is receiving the best price.
- None of the 11 departments we interviewed indicated they solicit Targeted Business Enterprise vendors to attempt to meet the 4% goal as stated in the manual.
- We requested detailed documentation from 92 months to review the post-transaction record retention and oversight. We received 80 sets of documents, 12 were found to be missing.
- The required purchasing log was missing in 10 sets of documentation and those we were provided at times were missing required signatures.
- We found 53 of the 80 to have completed the required reconciliation on time, 12 were not dated, seven were not completed at all and eight were completed 15 to 89 days late.
- The current training offered at the County is the same for cardholders, card coordinators and cardholder approving supervisor.

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