



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

February 2022

**Milwaukee County Office of the Comptroller
Audit Services Division**

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A handwritten signature in blue ink that reads "Jennifer L. Folliard".

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The County's credit card program began in 2000. Activity has remained steady on the cards with \$3.3 million in charges in 2001 and \$3.9 million in 2021.

- In 2000, the County instituted a purchasing card program establishing credit cards for use by employees for County expenses.
- The program was established to reduce paperwork, increase efficiency, reduce time for vendor payments, and to improve vendor relationships with the County.



Listing of Purchasing and Travel Cards by Department Including Total Charges and Total Transactions During 2018 to 2020

<u>Department</u>	<u>Total Cards</u>	<u>Total Charges</u>	<u>Total Transactions</u>
UW-Extension	1	\$806	8
Personnel Review Board	1	\$1,590	2
Treasurer	3	\$1,915	36
Election Commission	2	\$1,921	11
DAS-Risk Management	2	\$2,187	11
Register of Deeds	5	\$4,462	31
Office of the Comptroller	1	\$6,359	36
County Clerk	2	\$7,264	97
County Executive	2	\$10,457	106
MCDOT Director Office	3	\$14,106	116
CEX-Government Affairs	6	\$15,276	172
Corporation Counsel	3	\$16,588	202
Human Resources	4	\$18,547	71
Transportation Services	3	\$22,990	117
Department on Aging	3	\$24,279	175
County Board	3	\$30,633	150
Office on African American Affairs	5	\$37,900	166
Medical Examiner	2	\$54,164	269
Highway Maintenance	14	\$78,962	615
DAS-IMSD	10	\$125,651	758
Emergency Management	15	\$133,559	1,006
District Attorney	8	\$184,630	1,090
House of Correction	11	\$276,292	1,512
Sheriff	33	\$408,528	3,333
DHHS	20	\$499,164	2,933
DHHS-Behavioral Health Division	20	\$616,074	2,468
DAS-Fiscal Affairs	45	\$651,555	2,492
Parks Department	40	\$784,973	3,417
Zoological Department	63	\$1,785,787	8,103
Airport	47	\$3,493,635	8,519
Fleet Management	17	\$4,134,410	18,317
Total	394	\$13,444,664	56,339

In keeping with the County’s focus on racial and gender equity, we reviewed the racial and gender identity of cardholders, and card coordinators for cards with transactions during 2018 to 2020.

Racial/Ethnic Identity of Cardholders and Card Coordinators who had Transactions During 2018–2020							
	2018		2019		2020		2019 MC Workforce
	No.	Percent	No.	Percent	No.	Percent	
Cardholders							
American Indian or Alaskan	2	1.0%	3	1.4%	1	0.5%	1%
Asian	1	0.5%	0	0%	0	0	2%
Black or African American	24	11.9%	28	12.7%	27	12.9%	31%
Hispanic or Latino	7	3.5%	10	4.5%	10	4.8%	7%
Two or More Races	2	1.0%	1	0.5%	1	0.5%	2%
White	166	82.2%	179	81.0%	171	81.4%	57%
Total	202		221		210		
Card Coordinators							
American Indian or Alaskan	1	1.6%	2	3.1%	1	1.8%	1%
Asian	2	3.3%	3	4.7%	2	3.6%	2%
Black or African American	13	21.3%	13	20.3%	11	19.6%	31%
Hispanic or Latino	4	6.6%	4	6.3%	2	3.6%	7%
Two or More Races	0	0%	0	0%	0	0%	2%
White	41	67.2%	42	65.6%	40	71.4%	57%
Total	61		64		56		

We found those who identify with the White racial group to be overrepresented in both the cardholder and card coordinator categories compared to its share of the County workforce.

While in 2019, 52% of the County workforce identified as female we found the percentage of cardholders to be below this level while card coordinators were in excess.

Gender Identity of Cardholders and Card Coordinators who had Transactions During 2018–2020						
	2018		2019		2020	
	No.	Percent	No.	Percent	No.	Percent
Cardholders						
Female	73	36.1%	90	40.7%	89	42.4%
Male	129	63.9%	131	59.3%	121	57.3%
Total Cardholders	202		221		210	
Card Coordinators						
Female	41	67.2%	43	67.2%	37	66.1%
Male	20	32.8%	21	32.8%	19	33.9%
Total Card Coordinators	61		64		56	

We used Procurement's manual to map out compliance with the program.

- Purchasing cards (P cards) are used for purchasing items
- Travel cards (T cards) are used to reserve and pay for travel
- Both have allow purchases of \$2,000 or less per transaction

During 2018 to 2020:

- There were P card purchases in excess of \$12 million.
- 63% of all P card purchases were within the State of Wisconsin
- 33% of expenses were within Milwaukee County.
- Wholesale Trade and Vehicle Expense categories accounted for \$7.8 million and included items from vendors such as Loew's, Home Depot, the Napa Store, Pomp's Tires and O'Reilly's Auto Parts.

Milwaukee County Purchasing/Travel Card Small Dollar Purchasing Tool



Policy & Procedure Manual For Purchasing/Travel Card

Rev.
August 2018

We found minimal issues with training and cardholders card coordinator conflicts.

Issues we found include:

- Ten cardholders who were also listed as card coordinators; however, only one was listed as the card coordinator of their own card
- Card coordinators listed who are employed in another department.
- Updates to the U.S. Bank system require notification to Procurement

Recommendation #1 - 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.

Issues with training we found included:

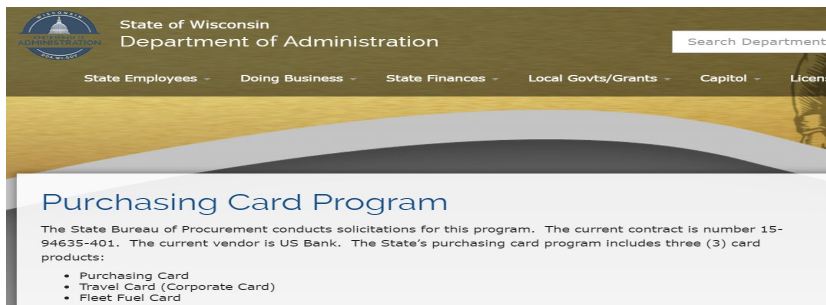
- 13 individuals who did not complete their training prior to the first transaction placed upon their card.
- Our interviews with nine departments found some departments performed the training verification themselves while others stated it was the responsibility of Procurement to confirm training prior to card issuance.

Recommendation #2 - Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.

The credit card program began in 2001 with a per transaction limit of \$1,000 and is currently set at \$2,000 per transaction.

- City of Milwaukee and the State of Wisconsin to allow purchases that are not in excess of \$5,000.
- Based upon CPI, in 2022 a department would need to spend \$2,428 to procure the same item it could have obtained in 2012 for \$2,000.

***Recommendation #3** - 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.*



Procard

The Procurement Card Program (Procard) was originally designed in 1996 and implemented in 1997 as an efficient means for purchasing low-dollar value items. Today, departments are able to purchase certain goods and services under \$5,000 using a Procard.



The manual lists the establishing an internet payment provider account/service such as PayPal and Google Wallet as a prohibited use for the P card.

- \$108,598 was paid via PayPal from 2018 to 2020 mainly for conferences, software and membership fees.
- Training does not currently include a specific reminder of the prohibition in using an internet payment provider.
- None of the departments we interviewed and asked regarding use of PayPal, were aware it was prohibited.
- According to an interview with the current Procurement staff, the office is working with U.S. Bank to block the use of internet payment providers within the U.S. Bank system.

Using Your Card

Dedines	Taxes	Security	Unacceptable Purchases Travel Cards <ul style="list-style-type: none">• Personal Purchases or identification• Entertainment expense• Purchases unrelated to travel expense Procurement Cards <ul style="list-style-type: none">• Personal purchases• Travel expenses (i.e.. hotel, airfare, registration costs)• Cash advances• Food purchases• Floral arrangements• Utility bills (i.e. telephone, cable, cell services)• Items already covered by contract or price agreement• Outstanding invoices for goods or services previously received• Down payments or partial payments
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Recommendation #4 - 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.

Chaining is a prohibited practice where a cardholder breaks a purchase into multiple payments to avoid the \$2,000 per transaction limit.

- We found a total of 14 instances of potential chaining based upon our review with a total costs of \$57,397. Examples of potential chaining we found include buying the same item twice on the same day from the same vendor with total expenses of \$4,000 and \$2,784.
- We had eight instances of potential chaining selected for review that had missing receipts, redacted credit card amounts or receipts lacking enough detail to perform a review.

Recommendation #5 - 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.

Our review of sales tax revealed that the only mechanism to review for sales tax was a manual review of invoices submitted by departments.

- U.S. Bank statements do not include accurate tax statements.
- Invoices are the only source to review payment of taxes.
- Our review of selected invoices found less than \$150 in sales tax paid on over \$900,000 in purchases.
- Training does includes a reminder regarding payment of sales tax.

Item listed on U.S. Bank statement with taxes paid.

05-20	05-20	PUR ID: Verbal TAX: 0.00	24137460149100159763343	5200	172.82 ✓
05-29	05-27	MENARDS FRANKLIN WI FRANKLIN WI PUR ID: TAX: 0.00	24707800150027016227977	5099	1,805.00 ✓
06-01	05-29	STANCHION WORLD 727-954-4354 FL PUR ID: 10600 TAX: 124.63	24692160155100265588232	5942	401.94 ✓

Invoice showing no taxes paid.

Discount of \$9.00 per Barricade has been given. Estimated 3-5 day transit time, this quote does not include any additional services.	SUBTOTAL	1,500.00
	TAX (0%)	0.00
	SHIPPING	405.00
	TOTAL	\$1,905.00

Item listed on U.S. Bank statement with no tax when taxes were paid.

12-01	11-30	ZOOM.US 888-799-9666 WWW.ZOOM.US CA PUR ID: 62097428 TAX: 0.00	24492150335637620974280	4814	2,108.95
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Using Your Card

Dedines	Taxes	<p><u>Taxes</u></p> <p>Milwaukee County is a tax exempt government entity. Taxes should never be applied to any purchases made on the County Purchasing / Travel Card.</p> <p>The card holder should be prepared to provide the County's tax exempt information or tax ID number upon request. This form can be found in the Milwaukee County Forms Library located on the county intranet.</p>	Security	Unacceptable Purchases
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Recommendation #6 - 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.

At times purchases appear to be in conflict with allowable items in the manual. There was a lack of documentation of approval of exceptions by Procurement.

Examples of items we found that appear to be in conflict with the manual include:

- Gifts cards from Southwest Airlines purchased for marketing events.
- Gift cards purchased and paid for via grant funding for local fast food restaurants.
- Movie theater tickets purchased for employee award program.
- Food items were purchased by four different departments including food for sequestered staff for snow removal.

***Recommendation #7** - Procurement establish a document 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.*

None of the 11 departments we interviewed, who accounted for over \$6.5 million of expenses, indicated they solicit TBE vendors.

- The County has a 4% Disadvantaged Business Enterprise (DBE) goal for commodities. P card users are not required to comply but are encouraged to solicit and use TBE vendors whenever possible.

***Recommendation #8** - Procurement work with CBDP to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.*

Review of Post-transactional record retention and review found multiple areas that require additional oversight by both Procurement and Departmental Staff.

Our review had the following results:

- We received 80 sets of documentation but were unable to obtain the documentation for 12 monthly statements.
- The required purchasing log was missing in 10 of the 80 sets of documentation we received.
- We noted that 71 of 80 sets contained the required cardholder signature and that 67 of 80 sets contained the required cardholder approving supervisor and card coordinators' signatures.
- We found a mixed result from our review of the reconciliation process. Only 53 of the 80 reconciliations were completed and within the 30-day required window.

Recommendation #9 – 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.

Recommendation #10 - At least once a year, Procurement conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.

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