

STATUS OF IMPLEMENTATION – AUDIT SERVICES DIVISION REPORT RECOMMENDATIONS

Audit Report Title: Procurement’s Purchasing Card Program: Efficiency is Achieved but More Oversight and Updated Guidelines are Needed

File Number: 22-397
Status Report Date: October 2023

Audit Issued: February 2022
Department: DAS-Procurement

Open Recommendations

Recommendation #8	
<p>Recommendation - February 2022 Procurement work with the Community Business Development Partners Division which oversees the Targeted Business Enterprise (TBE) program to inform and assist departments in utilizing TBE vendors when making local purchases on the P card.</p>	
<p>Deadlines Established Y/N? Yes</p>	
Date	Management Comments:
Current – Oct 2023	<p>DAS – Procurement UPDATE: In April 2023, Procurement activated a Milwaukee County Business Prime membership and received a free annual trial as we observed opportunities with Amazon purchasing activities, including Amazon as a punch-out system vendor; and shipping costs associated with punch-out orders and purchasing card transactions. Through this membership enhancement we have already realized cost-savings and because of the activation of this membership, Amazon has increased visibility to ethnically diverse/local/and certified business suppliers. The spend to date with purchasing cards is \$233k, of which \$99k has been spent with target business enterprises. Furthermore, Procurement has shared information to businesses interested in becoming an Amazon supplier via and internet link.</p> <p>Procurement and the ERP team continue to implement system enhancements within Infor as reported in the March 2023 status update.</p>
March 2023	<p>DAS – Procurement is disaggregating 2022 transaction data which includes analyzing merchant profiles to capture diverse spend. DAS – Procurement continues to work with the Infor ERP team on system enhancements. Card-holder transaction reviews will occur on a quarterly basis, and included in summary reports to departments.</p>
July 2022	<p>The Procurement Division obtained the certified list directory from the Community Business Development Partners. The list is in production with the Infor ERP team to centralize access of certified and diverse business directory which is reflected by industry sector and North American Industry Classification System (NAICS) codes. A scheduled review of card holder transactions will be conducted annually in December.</p>
Audit response – February 2022	<p>The Procurement Division fully supports the commitment towards Targeted Business Enterprise (TBE) goals of achieving 4% with purchased commodities. To that extent, the Procurement Division is reviewing available options to provide a real-time directory of business enterprises by industry based on historical purchase card transactions. It has been expressed that current tools available are not user-friendly and limitations exist such as education on the marketplace availability of diverse businesses, and system training.</p>

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Newly Closed Recommendations

Recommendation #1	
Recommendation - February 2022	
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.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current – Oct 2023	DAS – Procurement UPDATE: Procurement verifies cardholder and card coordinator on a monthly basis to ensure there are no discrepancies. The list is referred to as the Active Purchasing Cardholders report received from Milwaukee County Payroll Division. Procurement has developed written procedures outlining this guideline within the new Purchasing Card Program Manual and Purchasing Card Task List. Audit Services Division has received copies of the written procedures which will be published for internal use only within Infor and on the Forms Library on County Connect.
March 2023	DAS – Procurement is finalizing written procedures and anticipates releasing the Purchasing Card Program Manual early second-quarter 2023.
July 2022	The Procurement Division has implemented monthly auditing of active Card Holder status. Documentation has been centralized to a secured electronic file within the Procurement Division, and consists of records effective from January 1, 2022. ASD Comment: Item kept open pending completion and receipt of written procedures.
Audit response – February 2022	The Procurement Division will implement routine auditing of cardholder and card coordinator to ensure roles are designated appropriately; and include proper documentation when an exception has been approved. Updated procedures will be included within the Policy & Procedure Manual for Purchasing/Travel Card.

Recommendation #2	
Recommendation - February 2022	
Procurement implement written procedures to ensure all training is complete prior to issuance of a purchasing card.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current – Oct 2023	DAS – Procurement UPDATE: Procurement conducts regular monthly trainings for new Card Holders and Card Coordinators. Purchasing cards are not issued to Card Holders until they have completed the Procurement - Purchasing Card E-Learning training available within the Dayforce LMS Tool. Card Coordinators are also required to complete this training prior to issuance of the purchasing card which includes a link to sign the related agreement forms based on the role confirming the individual understands the expectations and rules associated with participating within the Purchasing Card Program. The revised purchasing card manual references this expectation and requirement.

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March 2023	DAS – Procurement conducts regular monthly trainings for new Card Holders and Card Coordinators. Additionally, training is made available to individuals requiring additional support when deemed necessary. The release of the Purchasing Card Program Manual in second-quarter 2023 will further support the various roles associated with Milwaukee County’s Purchasing Card Program.
July 2022	The Milwaukee County Purchasing Card Employee Agreement for Card Holder’s and Card Coordinator’s has been updated and is in process of being implemented through DocuSign. The form includes additional statements ensuring employees understand their responsibilities.
Audit response – February 2022	The Procurement Division currently tracks and monitors when cardholders have been assigned to the role and have completed training. An update requiring the designated employee has complied with completing the required training will be added to the Milwaukee County Purchasing Card Employee Agreement. Additional training will be recommended through electronic communication from the Procurement Division when non-compliance to the purchasing card guidelines occurs. Repeat non-compliance and misuse to purchasing card guidelines will result in the removal and reassignment of the cardholder and may result in further action set by Milwaukee County outlined within the Milwaukee County Purchasing Card Employee Agreement.

Recommendation #3	
Recommendation - February 2022	
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.	
Deadlines Established Y/N?	Yes
Date	Management Comments:
Current - Oct 2023	DAS – Procurement UPDATE: Procurement staff continues to review transaction spend in accordance with the per-purchase limit. It does not appear to be a need to update the existing ordinance to increase single-purchase limits. Exception requests received to increase single-purchase limits are documented for audit purposes. Not all single-purchase exception requests are approved as Procurement has been successful in identifying alternative methods to purchase the items associated with the requestor via an active price-agreement, purchase order, or the need to submit a Purchasing to Bidding Exception Form when the single-purchase limit requires conformance to ordinance based on established pricing thresholds. Procurement responds to requests when an exception is necessary, and is utilizing this data to inform its recommendations for strategic purchasing forecasting needs county-wide.
March 2023	DAS – Procurement staff is disaggregating 2022 spend and will present its findings and recommendations to county-wide departments in 2023. Communications have been shared to departments to inform them of the efforts underway and the potential impact towards transitioning transactions to an alternate method of payment. DAS – Procurement currently responds to requests when an exception is necessary, and is utilizing this data to inform its recommendations for credit limits.

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July 2022	The Procurement Division is managing requests on a case-by-case basis. Modifications to the credit limit were performed on a temporary basis in some instances since the last update to the Board. A scheduled review of Card Holder credit limits will be conducted annually in December.
Audit response – February 2022	The Procurement Division will review the existing ordinance to determine if a revision is necessary to increase per-purchase limits by assessing the instances where credit limit increases were requested from January 2021 through December 2022. A report summary will be provided to departments to validate the accuracy of existing limits. This data will inform the determination to modify credit limits if necessary. The Procurement Division will also review transaction reports semi-annually for recurring charges to ensure appropriate use of the purchasing card and provide recommendations to departments to transition recurring transactions to a price agreement or purchase order.

Recommendation #4	
Recommendation - February 2022	
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 training.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current - Oct 2023	DAS – Procurement UPDATE: Procurement included an updated Unauthorized Purchasing Card Use section within the updated Purchasing Card Program Manual to include the following statement: <i>“The purchasing card SHALL NOT BE USED FOR THE FOLLOWING PURPOSES: Establishing an internet payment provider account/service such as PayPal, Venmo, Cash App & Google Wallet”.</i> Procurement continues to conduct follow-up audits for flagged transactions through the monthly statement reconciliation process.
March 2023	DAS – Procurement continues to research best practices where internet payment providers are concerned. We continue to conduct follow-up audits for flagged transactions through the monthly statement reconciliation process.
July 2022	The Procurement Division continues to review internet payment providers quarterly. Instances for exceptions are afforded to users when it is confirmed the internet payment provider is the only point-of-sale option available.
Audit response – February 2022	The Procurement Director and designated staff will review the use of internet payment providers to determine the legitimacy of these transactions when considering which providers warrant blocking. The goal for the Procurement Division is to strengthen internal controls to mitigate the potential for misuse and recognizes the concerns of this audit finding.

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Recommendation #5	
Recommendation – February 2022	
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.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current – Oct 2023	DAS – Procurement UPDATE: This update has been completed and written examples are referenced with updated documents including the Frequently Asked Question and Purchasing Card Task List which have been provided to Audit Services Division. On-going data mining will also support the Procurement Division to efficiently identify potential chained transactions.
March 2023	DAS – Procurement has updated examples of chaining within the updated Purchasing Card Program Manual. This is already present within the updated Milwaukee County Purchasing Card Employee Agreement signed by the Card Coordinator and Card Holder. Electronic copies are available via DocuSign for reference. Furthermore, DAS – Procurement is disaggregating 2022 transactions to present potential chaining findings to departments. Moving forward, quarterly reviews will be conducted by DAS – Procurement and presented to departments.
Current - July 2022	The Milwaukee County Policy & Procedure Manual for Purchasing and Purchasing Card Employee Agreement have been updated to include examples of chaining. The Procurement Division continues to explore more efficient methods to spot-check chaining transactions. The Transaction Report is reviewed monthly by the Procurement Division and action is performed by the Procurement Division where applicable.
Audit response – February 2022	The Procurement Division will update the Policy & Procedure Manual for Purchasing/Travel Card to include examples of the appearance of chaining transactions. The Milwaukee County Purchasing Card Employee Agreement will also be updated to include explicit language surrounding the employee’s understanding of chaining and its disallowance. Additional training will be afforded to individuals when the appearance of chaining exists which may result in the review of the assigned credit limit for increase consideration; in addition to determining if an alternate purchasing option is necessary for recurring charges such as a transition to a price agreement or purchase order. Chaining abuse or repeated misuse of the purchasing card will result in the removal of the cardholder and subsequent action by Milwaukee County as outlined within the Milwaukee County Purchasing Card Employee Agreement.

Recommendation #6	
Recommendation - February 2022	
Procurement continue to stress in its training program and its policy and procedure manual the tax exempt status of Milwaukee County and search for possible solutions via the U.S. Bank system or the County’s financial system that would allow for an easier review of sales tax paid.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current – Oct 2023	DAS – Procurement UPDATE: The updated Purchasing Card Program Manual includes tax - exempt references and is incorporated within the DayForce training. It is also listed on the Milwaukee County Purchasing Card Employee Agreement. Procurement continues to press the

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	concern to US Bank on why sales taxes are being applied on transaction where the provided receipt for the transaction reflects taxes were exempt at the time the transaction occurred at the point of sale.
March 2023	DAS – Procurement has not observed or captured any changes towards an improved implementation remedy for US Bank’s backend operations. Tax exempt status is included in training sessions and listed on the Milwaukee County Purchasing Card Employee Agreement. We will continue to press the concern to US Bank and explore available solutions.
July 2022	The Procurement Division continues to follow up with US Bank to obtain clarification on taxes appearing on the Transaction Report and Transaction Approval Report and this item remains pending. Cardholders and Card Coordinators are aware of Milwaukee County’s tax-exempt status as it is included in the training session.
Audit response – February 2022	The Procurement Director and designated staff can confirm transactions processed at the point of sale when it appears tax exempt status was adhered to is occurring. It has been identified a back-office- system function occurs with vendors when sending additional detail to their acquiring bank which then sends that detail to US Bank and has the appearance of sales tax being passed on after the transaction occurs. We continue to work with US Bank to resolve potential discrepancies.

Recommendation #7	
Recommendation - February 2022	
Procurement on establish a documented procedure for departments to request approval to the exceptions to the P card policy and establish written policies and procedure to track when exceptions to the policy are granted.	
Deadlines Established Y/N?	Yes
Date	Management Comments
Current – Oct 2023	DAS – Procurement UPDATE: The updated Purchasing Card Program Manual includes exception request procedures. Currently, requests are being received via a dedicated Outlook inbox, and we are transitioning this process to an automated tool under development with dedicated IMSD staff. Once the Purchasing Card Program Exception Link is live, it will be made available in Infor’s Supply Chain Homepage – Purchasing Card Section.
March 2023	DAS – Procurement will release the final draft of Purchasing Card Program Manual in the second quarter of 2023. Additional edits to the draft contributed to the delay in releasing the final draft. DAS – Procurement has created an automated webform that will replace the current email workflow departments pursue for exception approvals. This process enhancement will bring greater transparency and real-time access to requests, including a centralized electronic storage location for submitted requests.
July 2022	The Procurement Division is finalizing the Policy & Procedure Manual for Purchasing Card. It is anticipated to be published in the 2022 fourth quarter.

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Audit response – February 2022	The Procurement Division will update the Policy & Procedure Manual for Purchasing/Travel Card to establish written procedures when exceptions to the policy are granted to include monitoring controls and responsibilities of the requesting department designee.
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Recommendation #9	
Recommendation - February 2022	
Procurement work to design a review process or training program for card coordinators to ensure proper record retention and review of required signatures. Procurement should also design a training program for cardholder approving supervisors to ensure that proper review of purchases at the departmental level is occurring and purchases are appropriate.	
Deadlines Established Y/N? No	
Date	Management Comments:
Current – Oct 2023	DAS – Procurement UPDATE: This recommendation is complete which incorporates the Approval Manager/Supervisor role within the DayForce e-learning training requiring their signature confirming their understanding of the roles, responsibilities, and expectations while serving in the Purchasing Card Program end-user capacity.
March 2023	DAS – Procurement continues to perform the tasks identified within the February 2022 response. The recommendation is complete. Audit Services Division – Although Procurement is nearing completion, a few tasks remain for this item to be closed.
July 2022	The Procurement Division is actively performing the tasks identified within the February 2022 response.
Audit response – February 2022	The Procurement Division agrees additional training will benefit all parties involved within purchasing card activities and will work to design training materials to support controls, transparency, and accountability. An annual review for all parties involved will be provided to departments to ensure compliance to the designated roles. This review may include but is not limited to the following: 1) requests for credit limit and single purchase limit requests, 2) exception requests directed to the Procurement Division after a transaction has occurred, 3) chaining concerns, 4) Targeted Business Enterprises (TBE) opportunity, and 5) adherence to timely statement reconciliation.

Recommendation #10	
Recommendation - February 2022	
In addition, we recommend that at least once a year Procurement conduct a system wide review to flag any potential inappropriate purchases and seek departmental clarification on questionable purchases.	
Deadlines Established Y/N? Yes	
Date	Management Comments:

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Current – Oct 2023	DAS – Procurement UPDATE: This recommendation is complete and will be conducted on an annual basis as we found quarterly monitoring ineffective as we needed to evaluate trends over an extended period of time to provide recommendations to departments county-wide.
March 2023	DAS – Procurement is actively performing the actions reported during the July 2022 update. The year-end report has been downloaded and data is being disaggregated and reports for 2022 transaction data will be shared with departments in the second quarter of 2023. Upon completion of this action, regular quarterly monitoring will commence and assist in transaction analysis to support year-end reporting. Results for the prior year will be shared with departments during the first quarter of the subsequent fiscal year.
July 2022	The Procurement Division is actively engaging with Departments. Transaction reports are reviewed monthly and exception requests are reviewed on an as-needed-basis. A full transaction report inclusive of exception requests and non-compliance instances will be provided to Department users annually. Reports can be made available to users upon request. The Procurement Division is actively working to finalize the format, and is tentatively scheduled to be conducted in December 2022.
Audit response – February 2022	As indicated within my responses to the audit findings, I fully support increasing transparency and accountability with the purchasing card program by 1) updating the Policy & Procedure Manual for Purchasing/Travel Card, 2) improve training for all parties involved in purchasing card activities, 3) quarterly reviews of transaction detail reports, 4) quarterly reviews of designated purchasing card roles to capture potential staff transitions, and 5) streamline purchasing activities assuring adherence to applicable ordinance(s).

Previously Closed Recommendations

None