

# INTERNAL AUDIT REPORT

2011-08(A)

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Annual Municipal Procurement Card Review

Purchasing Department

July 11, 2011

Amended

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MUNICIPALITY OF ANCHORAGE  
Internal Audit Department  
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*Mayor Dan Sullivan*

July 11, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Amended Internal Audit Report 2011-08(A), Annual Municipal Procurement Card Review, Purchasing Department** for your review. A brief summary of the report is presented below.

In accordance with the 2011 Audit Plan, we have completed an audit of the Municipal Procurement Card Program. The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2010, to December 31, 2010. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16 and Policy and Procedure 24-23.

Overall, employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. In addition, we noted that disallowed purchases have declined over the last several years. However, our review of Procurement Card transactions during 2010 revealed some instances of questionable or prohibited purchases. Examples of these purchases include food for employee lunch meetings, Christmas cards, parking tickets, business cards, and detailing of municipal vehicles. We have also noted that items such as cameras, tools, and mobile communication devices continue to be purchased year after year, sometimes in large quantities.

There was one finding in connection with this audit. Management was responsive to the finding and recommendation.

A handwritten signature in black ink, appearing to read "Peter Raiskums".

Peter Raiskums, CIA, CFE  
Director, Internal Audit



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Purchasing Department**

**Introduction.** The Purchasing Department implemented the Procurement Card (P-Card) Program in 2001 to provide for the purchase and payment of low-dollar goods and services. According to the Purchasing Department, P-Card transactions increased from 44,035 (\$13,609,500) in 2009 to 46,403 (\$13,747,345) in 2010. To establish an appropriate level of control over the program and maintain accountability of public funds Policy and Procedure (P&P) 48-16, *MOA Procurement Cards*, requires Internal Audit to perform an annual review of controls within the P-Card program. In addition, P&P 24-23, *Disallowed Purchases*, was implemented in 2009 to provide guidance for disallowed Municipality of Anchorage expenditures.

**Objective and Scope.** The objective of this audit was to determine whether employees adhered to Municipal policies and procedures regarding P-Card use. Our audit included a review of purchases made from January 1, 2010, to December 31, 2010. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with P&P 48-16 and P&P 24-23.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit is required by P&P 48-16, Section 7f(1).

**Overall Evaluation.** Overall, employees adhered to Municipal policies and procedures regarding the use of P-Cards. In addition, we noted that disallowed purchases have declined over the last several years. However, our review of P-Card transactions during 2010 revealed some instances of

questionable or prohibited purchases. Examples of these purchases include food for employee lunch meetings, Christmas cards, parking tickets, business cards, and detailing of municipal vehicles. We have also noted that items such as cameras, tools, and mobile communication devices continue to be purchased year after year, sometimes in large quantities.

## FINDINGS AND RECOMMENDATIONS

### 1. Questionable P-Card Purchases.

- a. **Finding.** Our review of P-Card transactions during 2010 revealed some instances of questionable or prohibited purchases. Examples of these purchases include food for employee lunch meetings, Christmas cards, parking tickets, business cards, and detailing of vehicles. While the magnitude of these purchases was not significant, they may not be consistent with prudent fiscal management or in compliance with Municipal policy. Policy and Procedure 48-16 states that P-Cards will only be used for the conduct of official Municipal business. Policy and Procedure 24-23 states that it is the Municipality's policy that Municipal funds cannot be used for purchases that do not serve the public interest.

We have also noted that some items continue to be purchased year after year, sometimes in large quantities. Examples of some of these items include cameras, tools, and mobile communication devices. Some of these purchases could be an indication of employees trying to keep up with the latest technology or a failure to protect Municipal assets from loss.

- b. **Recommendation.** The Purchasing Officer should remind all Municipal agencies of the requirements of P&P 48-16 and P&P 24-23.

- c. **Management Comments.** Management stated, “Agree. A memorandum will be issued to remind and guide Municipal agencies of the requirements found in P&P 48-16 and P&P 24-23 regarding P-Card use. Action will be taken within 30 days.”
  
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on May 31, 2011.

Audit Staff:  
Michael Chadwick, CICA