

INTERNAL AUDIT REPORT

2015-02

Annual Municipal Procurement Card Review

Purchasing Department

March 12, 2015

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 600
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



INTERNAL AUDIT DEPARTMENT
Peter Raiskums, CIA, CFE, CGFM
Director
Phone: (907) 343-4438
Fax: (907) 343-4370
E-Mail: raiskumspw@muni.org

MUNICIPALITY OF ANCHORAGE



Internal Audit Department
632 W. 6th Ave., Suite 600

Phone: 907-343-4438
Fax: 907-343-4370

Mayor Dan Sullivan

March 12, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-02; Annual Municipal Procurement Card Review; Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of the Procurement Card program. The objective of this audit was to whether employees adhered to Municipal policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from January 1, 2014 to December 31, 2014. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with Policy and Procedure 48-16, Policy and Procedure 24-23, and the Procurement Card Guide.

Based on our review, it is our opinion that, overall, most employees adhered to Municipal policies and procedures regarding the use of Procurement Cards. However, our review of Procurement Card transactions during 2014 revealed some instances of questionable or prohibited purchases. Examples of these purchases include ice for an employee's retirement party, a retirement gift, office art work, business cards, and food for employee training and lunch meetings. In addition, our review also found that some Procurement Card holders used their Procurement Cards to purchase meals while they were traveling.

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

Peter Raiskums, CIA, CFE, CGFM
Director, Internal Audit

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Introduction. The Purchasing Department implemented the Procurement Card (P-Card) Program to provide for the purchase and payment of low-dollar goods, services, and business and travel related expenses. According to the Purchasing Department, the number of P-Card transactions decreased from 46,077 (\$15,599,810) in 2013 to 45,624 (\$15,950,091) in 2014. To establish an appropriate level of control over the P-Card 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*, provides guidance for disallowed 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, 2014 to December 31, 2014. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with P&P 48-16, P&P 24-23, and the Procurement Card Guide.

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, most employees adhered to Municipal policies and procedures regarding the use of P-Cards. However, our review of P-Card transactions during 2014 revealed some instances of questionable or prohibited purchases. Examples of these purchases include ice for

an employee's retirement party, a retirement gift, office art work, business cards, and food for employee training and lunch meetings. In addition, our review also found that some P-Card holders used their P-Cards to purchase meals while they were traveling.

FINDINGS AND RECOMMENDATIONS

1. Questionable/Prohibited P-Card Purchases.

- a. **Finding.** Our review of P-Card transactions during 2014 revealed some instances of questionable or prohibited purchases. Examples of these purchases include ice for an employee's retirement party, a retirement gift, office art work, business cards, and food for employee training and lunch meetings. While the magnitude of these purchases was not significant, they may not be consistent with prudent fiscal management or comply with Municipal policy. Policy and Procedure 48-16 states that P-Cards will only be used to conduct official Municipal business. Furthermore, Policy and Procedure 24-23 states that it is the Municipality of Anchorage's policy that Municipal funds cannot be used for purchases that do not serve the public interest.

In addition, some P-Card holders used their P-Cards to purchase meals while they were traveling. Policy and Procedure 68-1, *Employee Travel Approval, Travel Expenses and Per Diem*, states that P-Cards should not be used to pay for personal expenses, including personal meals and alcohol.

- b. **Recommendation.** The Purchasing Officer should ensure that Municipal agencies know the requirements found in P&P 48-16, P&P 24-23, and P&P 68-1.
- c. **Management Comments.** Management stated, "I concur with the findings of the 2014 Annual Audit of the Procurement Card Program. Cardholders, Approvers and Department Coordinators are reminded through emails and telephone calls about the

Policy and Procedures and Procurement Card Guide. The findings are very low dollar amounts and are still a violation of the rules set forth for the program.

“An email will be sent to the Department Coordinators to remind PaymentNet (Procurement Card Web Interface) Users to comply with the Policy and Procedures and Procurement Card Guide and the Cardholders Agreement.

“Abusive violations or misconduct will result in having the Procurement Card revoked and access to PaymentNet cancelled.

“In addition, Directors will be reminded during the Municipal Manager’s Pre-Agenda meeting of their responsibilities.”

- 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.

Audit Staff:
Scott Lee