



MEMORANDUM

City of Fort Smith
Internal Audit

TO: Board of Directors

FROM: Tracey Shockley

DATE: April 2020

SUBJECT: P-card Remediation Report

A review was conducted of City credit cards (“P cards”) issued to the departments and department employees for the months of January 2018 through March 2018 and May 2019 through July 2019. This review was to determine whether the charges complied with the City’s policies. The testing also served as remediation testing for audit recommendations in previous reports.

Attribute testing included whether P card statements had the proper support attached, whether the statements were properly approved and submitted to the Purchasing Department timely. Ensure that expenses were not duplicate charges or also reimbursed on an employee expense report. The Travel and Entertainment Reimbursement remediation testing was also conducted and a separate report was issued.

The following table identifies the month and year tested, and the total dollar amount spent in each month for all City credit cards that were tested for that period.

Month/Year	Dollar Amount Spent
January 2018	\$176,142.59
February 2018	\$183,702.60
March 2018	\$188,964.66
May 2019	\$172,449.32
June 2019	\$163,662.12
July 2019	\$191,279.93
Total	\$1,076,200.63

The City receives a 1% rebate each month from Bancorp based upon the prior months credit card expenditures. Bancorp sends a rebate notification to the Purchasing Department. The Purchasing Department will forward the rebate notification with a spreadsheet listing City department’s purchases that allows the Finance Department to calculate the amounts to be placed in each of the fund accounts. The City received in 2018 rebates that totaled \$20,940 and in 2019 the rebates totaled \$21,344.

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The departments who have a credit card assigned to them have the responsibility for managing the card and its expenditures. Effective management of resources requires that reliable information be maintained, proper support detailing the expense be attached, expenditures are City related, and that certain items purchased that would be considered an asset were properly identified, documented and communicated to the necessary departments.

At the time of testing, there were 234 City credit cards issued. The following exceptions were noted in the testing performed:

- Sixteen credit card statements and support were not approved by the City Administrator and/or Dept. Head/Designee.
- One Hundred Fifty One (151) credit card statements did not have proper support/explanation and/or had missing receipts. For example, order summaries were attached but did not identify the purchase and contain an explanation, receipts were not itemized and did not explain the purchase.
- Two credit card statements and support did not have the approval for the extra purchases/insurance.
- Thirteen percent of credit card statement and support were not submitted to Purchasing timely.
- Twenty-Three credit card statements had technology related purchases that were not approved or made through the ITS Department that did not allow for tracking of the asset. For example, cell phones, cell phone blue-tooth, computers, cameras, etc...
- Three credit card statements had purchases that appear to be split to stay under the \$1000 purchasing policy limit. Purchasing policy identifies the procedures that should be followed for purchases \$1000 or more.
- Ten (10) credit card purchases had receipts that were too faded and/or could not be read to verify charges were appropriate.
- Twenty-Four credit card statement had support/receipts that were not itemized and/or did not have names listed for meal expenditures. IA was therefore unable to determine if the purchases were appropriate.
- Seven credit card statement and support were not reviewed and approved properly. If the approver had reviewed the support, it would have been noted that the correct receipts were not attached or that the receipts were missing.
- Seventeen credit card statements had expenses coded to an incorrect account. Additionally, three credit card statements had expenditures not coded to the proper department.
- Four (4) credit card statements had charges that were not appropriate City expenses. For example, extra days of parking fees, paper plates, paper bowls.
- One credit card statement and support had a personal charge that does not appear to have been reimbursed to the City. For example, the employee charged a belt and sole inserts to the City credit card.
- One credit card statement had an inappropriate charge where the full amount was not reimbursed.
- Credit card statements had three (3) hotel charges that did not appear appropriate because the stay encompassed several days before/after the conference attended.
- Credit card statements had three (3) charges that did not appear appropriate because a personal food purchase was made as well as per diem received.

- Credit card statements had one (1) airfare charge that did not appear appropriate due to not having proper support to show early/extra days outside of the conference. Additionally, five credit card statements had charges that did not have support provided to show lesser cost of travel to City for multiple flight legs
- Credit card statements had two (2) charges that did not appear appropriate due to the use of a travel agent.
- Credit card statements had two (2) hotel charges that did not appear appropriate due to the location and the start time of the conference.
- Credit card statements had three (3) charges that did not appear appropriate because fuel was purchased for a personal vehicle in a situation where mileage reimbursement should have been claimed on an expense report.
- Three credit card statements and support were not submitted timely by the credit card holder for approval.
- Forty-One credit card statements and support had charges that were over the allowable amount. For example, the employees made purchases for boots that were higher than the yearly allowable amount. The change of the amount was not allowed until July; however, the employees made purchases in May and June.
- One credit card statement had charges related to a non-City employee.
- Two credit card statements had personal charge that should have been reimbursed immediately to the City by the employee. Additionally, one credit card statement included personal charges that were not reimbursed to the City immediately and the employee waited until the statement was due before reimbursing the City for the charge.
- Three credit card statements had support that did not match documents attached.
- Three credit card charges had support that were personal charges. One purchase was not paid back until a month after the purchase. Two personal purchases do not appear to have been reimbursed to the City, and one did not have support attached to provide proof that the City was reimbursed. IA inquired about the purchase and support was provided for the reimbursement.
- Six credit card statements and support had charges that should not have been incurred by the City for services that were not used. For example, the City does not have the Concur travel expense accounting program, but charges relating to this program were being paid on a credit card.

City Administrator Response:

Upon review of the remediation results, the City Administrator stated that the report with all the bullet points is factual and require responses from the appropriate department head.

Internal Audit prepared a tracking sheet that notates the exception, department responses, and if the exception was implemented or not implemented. IA also had discussions with the Director of Human Resource and the Director of Finance regarding the need to update the Pcard policies and procedures in the City handbook. Both Directors agreed that the policies and procedures should be separate from the City handbook. The handbook will reference those areas to the policies and procedures that the Finance Department will update and add additional procedures needed based upon the exceptions noted in the remediation testing.