City of Dallas

Audit of Purchasing Card Usage

December 30, 2025

Mark S. Swann, City Auditor

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Executive Summary

Through the State of Texas Cooperative Agreement with Citibank, the City of Dallas' (City) Purchasing and Travel Card Program provides employees with commercial credit cards to use for small dollar value purchases ($3,000 or less) of goods and/or services, air travel, and hotel accommodations necessary for business purposes. Until October 1, 2024, the Office of Procurement Services administered the program. Since October 1, 2024, the City Controller's Office administers the program.

For the purposes of this report all commercial credit cards are identified as purchasing cards. Purchasing cards include travel cards, purchasing cards and one card.

The objective of this audit was to determine if departments are using purchasing cards for authorized public purposes.

The scope of the audit was all departmental purchase activity using purchasing cards from October 1, 2022, to December 31, 2024.

Objective and Conclusion

1. Are departments using purchasing cards (including travel cards and one card) for authorized public purposes?

   Generally, yes. Of the 201 transactions reviewed across 26 departments, 173 (86 percent) were for an authorized public purpose. The remaining transactions were valid expenses for government goods or services. Limited administrative directive guidance and training on what constitutes a public purpose resulted in inconsistent documentation and uncertain use of the purchasing card for public purpose purchases. (See Observation A.)

   In addition, 98 transactions (49 percent) of the 201 transactions reviewed did not comply with one or more requirements of either Administrative Directive 4-07, Authorization and Reimbursement for Out-of-Town Travel and Travel-Related Expenses (October 1, 2013) or Administrative Directive 4-15, Purchasing Card Policy and Procedures (Interim) (September 7, 2022). More than one non-compliance attribute was found in nine departments (35 percent). (See Observation B).

Recommendations

Management should:

- Provide definitive public purpose guidance with consideration for employee morale and retention expenditures.

- Review and update all relevant administrative directives to reflect the current operating environment.

- Establish guidance governing the use of one card.

- Develop and implement refresher training modules on purchase card requirements.

- Establish a centralized, continuous monitoring program for all purchase card activity, with emphasis on public purpose compliance.

Risk Summary

Risk classification is based on criteria outlined in the *Standards for Internal Control In the Federal Government*—Compliance, Operational, Financial, and citizen focused criteria of Public Image. Each program is evaluated against these criteria, and the resulting risk classification reflects the program's alignment with departmental goals as well as its overall significance to the community.

Classification	No.	Management's Response
● High		
● Moderate	5	Agreed to All
● Low		

Audit Results

Both City Council Resolution 88-3428 and Administrative Directive 4-09, Internal Control prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Defining Public Purpose Usage

For this audit the following definition was used when determining if the purchase transactions met a public purpose.

Any good, service, facility, or event that benefits the public health, safety and/or welfare of the community as a whole. This good, service, facility, or event in return must also benefit the City of Dallas as a return on the public's investment[1]

Observation A: Public Purpose Guidance

Risk Rating: ● Moderate

The City's administrative directives and internal procedures do not provide a clear and specific definition of what a "public purpose" purchase is when using a purchasing card. As a result, there is an increased risk that purchases may not meet the intent of a purchase for a public purpose.

A review of the available purchase card transaction logs showed purchases were not clearly identifiable for a public purpose. Types of purchases not identifiable for a public purpose are described in **Exhibit 1.**

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[1] Auditor definition written using excerpts from: (1) *Black's Law Dictionary* (12th ed. 2024); (2) Henry Rottschaefer, *Handbook of American Constitutional Law*, 631–32 (1939); (3) Cornell Law School, Legal Information Institute, § 2740.0-5 Definitions; and (4) Kuruvilla (K.O.) Oommen, "Municipal Finance: The Public Purpose Doctrine and the Basics of Borrowing, Depositories, and Investments," presented at the Eighteenth Annual Riley Fletcher Basic Municipal Law Seminar, Dallas, Texas, February 9, 2018.

Exhibit 1: Transactions Not Identifable as Public Purpose Usage

Purchase Description	Number of Departments	Percent	Approximate Dollar Value
City hosted reception for an outside organization	3	12	$47,152
Employee appreciation/awards luncheons and events	6	23	44,017
Purchase of a table for a non-profit organization fundraiser	3	12	18,630
Covering the food and beverage minimum shortfall for an outside organization's summit hosted by the City	1	4	7,318
Supplies (plates, silverware, napkins) and equipment (coffee/ice makers/mini refrigerators) for breakrooms	4	15	4,532
Employee retirement/termination celebration	1	4	2,950
Snacks and drinks for breakrooms	1	4	1,372
Air travel upgrades and boarding priority	5	19	458
Holiday decorations	1	4	473
Thank you gift (cookies) delivered to another department employee	1	4	32

Source: Testing working papers

Based on the review, most of the above purchase card activities considered as public purpose by departments were generally employee related. As this audit used a judgmental sample selection, the error rates (percentages) referenced in this observation are not necessarily reflective of the entire population of purchase card transactions during the audit scope period.

Criteria

◆ *Black's Law Dictionary* (12th ed. 2024).

◆ Henry Rottschaefer, *Handbook of American Constitutional Law*, 631–632 (1939).

◆ Cornell Law School, Legal Information Institute, 26 C.F.R. § 2740.0-5, Definitions.

◆ Kuruvilla (K.O.) Oommen, "Municipal Finance: The Public Purpose Doctrine and the Basics of Borrowing, Depositories, and Investments," presented at the Eighteenth Annual Riley Fletcher Basic Municipal Law Seminar, Dallas, Texas, February 9, 2018.

◆ Administrative Directive 4-07, Authorization and Reimbursement for Out-of-Town Travel and Travel-Related Expenses (October 1, 2013).

◆ Administrative Directive 4-15, Purchasing Card Policy and Procedures (Interim) (September 7, 2022).

◆ *Standards for Internal Control in the Federal Government:* Principle 10—Design Control Activities.

Recommendation

We recommend the **City Manager**:

A.1: Provide definitive public purpose guidance with consideration for employee morale and retention expenditures.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
A.1	**Agree**	The City Controller's Office is in the process of revising Administrative Directive 4-15, Purchasing Card Policy and Procedures. The revised AD will provide comprehensive guidance for using City-issued credit cards and ensuring usage aligns with a public purpose.	9/30/2026 / 6/30/2027

Observation B: Administrative Directive Non-Compliance Analysis
Risk Rating: ● Moderate

Out of the 201 transactions reviewed, 98 transactions (49 percent) across 26 departments were not compliant with administrative directive requirements. More than one non-compliance attribute was found in nine departments (41 percent). Non-compliance with the existing administrative directive increases the risk that purchase card transactions are more expensive than need be or not for a public purpose.

The following are examples where an administrative directive requirement was not complied with and the number of departments that had the purchasing activity.

- Not using a master agreement; five departments, 19 percent.

- Performing a split transaction; five departments, 19 percent.

- No monthly transaction log; five departments, 19 percent.

- Lack of an approved travel request or reimbursement form; five departments, 19 percent.

- Purchase of flight insurance; four departments, 15 percent.

- Travel card taken on a trip; two departments, 8 percent.

- Using the wrong purchase card; two departments, 8 percent.

- Being charged sales tax; one department, 4 percent.

- Not using the City's procurement process; one department, 4 percent.

In addition, we observed:

- **Searching for a master agreement in the City is not always a simple task**. For instance, there are several sources to search for a master agreement. Knowing what name to use for an organization (e.g. Alias or doing business as (DBA) and, how to enter the name (e.g. use wildcards "*" or exact name) are not intuitive. Even then, the result may not be accurate because an active master agreement is noted as inactive in search results.

- **Administrative Directive 4-07, Authorization and Reimbursement for Out-of-Town Travel and Travel-Related Expenses** *(October 1, 2013)* **needs to be updated**. Modern activities such as purchasing airline tickets, possible additional charges for bags and seats and the City's recent conversion to CGI Advantage for processing travel activities are not included.

- **There is no guidance governing one card usage**.

- **No policy on whether departments should check with Information and Technology Services for equipment and accessory needs**. Four departments (15 percent) purchased computer accessories such as keyboards, flash drives, and headphones for approximately $1,751.

Non-compliance with existing administrative directives and the absence of updated or comprehensive guidance reduces the effectiveness of internal controls over purchase card usage.

Without improved compliance monitoring and updated administrative directives, the City faces increased risk of overspending, inefficient procurements, and expenditures that may not align with public purpose standards. As this audit used a judgmental sample selection, the error rates (percentages) referenced in this observation are not necessarily reflective of the entire population of purchase card transactions during the audit scope period.

Criteria

◆ Administrative Directive 4-07, Authorization and Reimbursement for Out-of-Town Travel and Travel-Related Expenses (October 1, 2013).

◆ Administrative Directive 4-15, Purchasing Card Policy and Procedures (Interim) (September 7, 2022).

◆ *Standards for Internal Control in the Federal Government*: Principle 10—Design Control Activities.

Recommendations

We recommended the **City Manager**:

B.1: Review and update all relevant administrative directives to reflect the current operating environment, including new City systems (e.g., CGI Advantage) and update external processes for booking travel and obtaining goods and services.

B:2: Establish guidance governing the use of one card.

B.3: Develop and implement refresher training modules on purchase card requirements. Training should be available on demand, mandatory for new cardholders, and required for periodic recertification.

B.4: Establish a centralized, continuous monitoring program for all purchase card activity, with emphasis on public purpose compliance. Monitoring procedures should:

- Flag and resolve transactions with a questionable public purpose.
- Verify use of master agreements and identify opportunities to create new agreements for commonly used products and services.
- Conform with the City's policy regarding Information and Technology Services approval before purchasing computer accessories.
- Detect and address split transactions.

Management Response

No	Concurrence	Action Plan	Implementation / Follow-Up Date
B.1	Agree	The City Controller's Office is in the process of revising Administrative Directive 4-07, Travel on City Business, and Administrative Directive 4-15, Purchasing Card Policy and Procedures. The revised administrative directives will accurately reflect the current operating environment and expectations when booking travel.	9/30/2026 / 6/30/2027
B.2	Agree	The City Controller's Office is in the process of transitioning to a new credit card issuer and revising Administrative Directive 4-15, Purchasing Card Policy and Procedures. The revised AD will provide comprehensive guidance for using one cards, which will be used for purchases and/or travel using merchant category codes (MCCs).	9/30/2026 / 6/30/2027
B.3	Agree	The City Controller's Office will develop a new training program to align with the processes and systems of the new credit card issuer. Training will be offered on demand, required for new cardholders and on a periodic	9/30/2026 / 6/30/2027

No	Concurrence	Action Plan	Implementation / Follow-Up Date
		basis, such as biennially, and training records will be maintained electronically.	
B.4	**Agree**	The City Controller's Office will inquire with the new card issuer regarding reporting capabilities to identify questionable charges that may conflict with the new administrative directives. Additionally, the City Controller's Office will utilize a data analytics tool, such as Audit Command Language, to periodically identify and research questionable charges.	9/30/2026 / 6/30/2027

Background

Through the State of Texas Cooperative Agreement with Citibank, the City of Dallas (City)' Purchasing Card Program provides employees with commercial credit cards used for small-dollar purchases of goods and services ($3,000 or less), as well as air travel and hotel accommodations necessary for official City business.

Until October 1, 2024, the Office of Procurement Services administered the program under Administrative Directive 4-15, Purchasing Card Policy and Procedures (Interim) and Administrative Directive 4-7, Authorization and Reimbursement for Out-of-Town Travel and Travel-Related Expenses. Since October 1, 2024, the City Controller's Office administers the program.

Each cardholder is required to document all purchases on a monthly transaction log and reconcile their monthly credit card statement against the log with supporting purchase receipts. The reconciled statement, with supporting receipts, is reviewed by the cardholder's supervisor and the designated department Purchasing Card Coordinator to ensure the transaction log is complete and accurate.

The department Purchasing Card Coordinator submits a copy of each cardholder's purchasing card or travel card transaction log to the Purchasing Card Administrator each month. The original transaction log and supporting receipts are retained by the cardholder's department. The Purchasing Card Administrator is responsible for managing adjustments to purchasing cards with Citibank, ensuring accurate payment to Citibank, and overseeing the overall program.

During the audit period of October 1, 2022, through December 31, 2024, the City made approximately 59,098 purchases totaling $27.7 million. As of September 30, 2024, the City had 1,553 credit cards outstanding with a total credit exposure of approximately $10.7 million.

Methodology

The audit methodology included:

- Interviewing personnel from the selected departments and other City departments

- Reviewing policies and procedures, the Texas Local Government Code, applicable administrative directives, and best practices

- Performing various analyses using Audit Command Language (ACL) on the transactions, downloaded from the Citibank website to compare to Benford's Law and identify transactions potentially having a higher likelihood of the following attributes:

  - Split transactions

  - Duplicate transactions

  - Transactions ending in a whole dollar

  - Transactions without a clear description

  - Transactions exceeding the single transaction limit or monthly credit limit

  - Unusual airfares

The 201 transactions reviewed were judgmentally selected from the various datasets listed in the previous bullet points. **Exhibit 2** lists the number of transactions and purchase amount sampled by department.

Exhibit 2: Sample of Number of Transactions and Purchase Amount by Department

Department	Number of Sampled Transactions	Total Dollar Value of Sampled Transactions
Dallas Police	37	$205,433
Park and Recreation	5	9,062
Aviation	15	13,690
Convention and Event Services	15	40,685
Transportation and Public Works	10	13,690
Water Utilities	11	21,875
Office of Arts and Culture	6	8,735
Equipment and Fleet Maintenance	33	52,885
Sanitation Services	15	21,178
City Manager's Office	2	5,500
Office of Homeless Solutions	5	6,000
City Attorney	5	1,978

Department	Number of Sampled Transactions	Total Dollar Value of Sampled Transactions
Facilities and Real Estate Management	5	685
Dallas Fire-Rescue	3	3,775
Information & Technology Services	13	20,738
Procurement Services	2	220
Code Compliance	2	600
Office of Equity and Inclusion	6	194
Office of Risk Management	1	951
Dallas Animal Services	1	50
Office of Bond & Construction Management	2	43
Office of Community Care & Empowerment	3	65
Office of Environmental Quality & Sustainability	1	3,000
Mayor[2]	1	38
Planning & Development	1	26
Office of Economic Development	1	55
Total	**201**	**$431,151**

Source: Auditor Testing Working Papers

GAGAS Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Report Classification

Final Report – For Public Use

This report is a product of the Office of the City Auditor and is issued in accordance with the Texas Public Information Act (Texas Government Code, Chapter 552).

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[2] Mayor's Office includes City Council.

Major Contributors

Zachary Goebel—In-Charge Auditor
Rory Galter—Engagement Manager, CPA

Appendix A—Acknowledgement Letter

See next page(s)

Memorandum

CITY OF DALLAS

This letter acknowledges that the City Manager's Office received the *Audit of Purchasing Card Usage* and submitted responses to the recommendations in consultation with the City Controller's Office.

Since assuming responsibility for administering the City's purchase card program on October 1, 2024, the City Controller's Office has focused on improving the process and reducing risk. We appreciate the auditor's work and associated recommendations.

The City Controller's Office has already started implementing some of the auditor's recommendations and agrees to implement all of the auditor's recommendations.

Specifically, the City Controller's Office will:

- Provide guidance to ensure the usage of City-issued credit cards aligns with a public purpose;

- Review and update administrative directives 4-07, Travel on City Business, and 4-15, Purchasing Card Policy and Procedures to reflect the current operating environment;

- Provide guidance on using one cards;

- Develop on-demand refresher training and training for new cardholders; and

- Establish continuous monitoring for City-issued credit card transactions.

Please let me know if you need additional information.

Service First, Now!

Kimberly Bizor Tolbert
City Manager

C: Jack Ireland, Chief Financial Officer
    Sheri Kowalski, City Controller