

Memorandum



CITY OF DALLAS

DATE: February 25, 2005

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-up report of the August 8, 2003, *Audit of the Procurement Card Program* Report #391

We conducted this follow-up audit of the Procurement Card (P-Card) Program, administered by the Business Development and Procurement Services, under the authority of Chapter IX of the City Charter and according to applicable government auditing standards. We included tests of records and reviews of program guidelines and procedures that we considered necessary in the circumstances. Our objective was to determine whether management had implemented the audit's original recommendations or had taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original audit report contained four findings with 16 related recommendations. Management has implemented 12 of the recommendations, partially implemented three of them, and has not implemented one.

The following details the original audit findings and recommendations and shows the status of implementation.

1. Business Development and Procurement Services (BDPS) developed policy and procedures; however, this guidance was not implemented on a timely basis and contained contradictions.

We recommended that:

- A. In the future, the BDPS Director closely monitor the status of draft Administrative Directives (ADs) and pursue timely publication. Delays should be noted to the Assistant City Manager.

We found that the director of BDPS has not finalized AD 4-5. It has been in draft status for more than two years; and the City Manager knows of the delays. (Partially implemented).

- B. The P-Card not be used for travel and entertainment and that this prohibition is clearly stated in the AD.

We found that AD 4-15 prohibits the use of the P-Card for travel and entertainment; BDPS has developed a separate card program for those activities. (Implemented).

2. The AD did not address provisions previously committed to the City Council and did not incorporate review comments from City departments.

We recommended that the BDPS Director ensure that:

- The guidance received from and commitments made to City Council that are not currently included in the AD are added.

We found that management added the guidance and commitments to the final AD, except for the one stating that the Administrator will positively confirm the need for each card's renewal when that time comes. (Partially implemented).

- The P-Card Administrator develops written policy and procedures.

The Administrator has developed written policy and procedures. (Implemented).

- The department directors develop written policy and procedures that cover their unique requirements.

The appropriate department directors have developed written policy and procedures that cover their unique requirements. (Implemented).

- The P-Card Administrator immediately establishes procedures for implementing a method of positive confirmation and communicates these procedures to the City departments and to Bank One.

The Administrator has not established positive confirmation procedures for renewing P-Cards. (Not implemented).

3. The controls associated with the administration of the P-Card program should be strengthened.

We recommended that:

A. The BDPS Director improve internal controls by segregating duties related to the process of approving, requesting, and issuing of P-Cards. The following is not intended to be construed as (the only) corrective action, but is suggested to assist management and demonstrate that segregation of duties can be accomplished with existing personnel.

- The P-Card Administrator forwards departments' authorization forms to a second employee after requesting new cards from the bank.
- The second employee would:

- Compare authorization forms to payroll listing to confirm that the potential cardholder is a bona fide employee.
- Receive all new P-Cards from the bank.
- Reconcile the new cards to the authorization forms to ensure that only these cards were issued and thus there are no extra cards.
- Keep the cards until training is provided and documented for the new cardholders (cards should be stored in a safe or locked drawer).
- Distribute cards to new cardholders.
- Return authorization forms to P-Card Administrator.

We found that the Administrator has segregated duties by forwarding authorization forms from departments to a second manager for review; and this manager takes the steps listed above. (Implemented).

- B. Department directors and BDPS enforce City policy and ensure P-Card transactions are properly documented.

The directors and BDPS are enforcing the policy and documenting transactions. (Implemented).

- C. Department directors and BDPS enforce City policy and ensure P-Card logs are properly documented and reviewed on a timely basis. The P-Card log should be revised to reflect the date the cardholder completed the reconciliation and forwarded to the manager.

The log form has been altered to reflect the reconciliation and forwarding date, but that the Administrator does not review them. (Partially implemented).

- D. The BDPS Director prohibit/restrict the use of P-Cards for personal, professional, or planning services to prevent potentially violating procurement policy and procedures and develop procedures to periodically validate departments' MCC requirements.

BDPS has added a merchant category code, which aids in review of expenditures, and the Administrator generates a weekly report and forwards it to an Assistant City Manager. (Implemented).

- E. The BDPS Director ensure that:

- Cardholders and Department P-Card Coordinators are properly trained to perform reconciliations.
- The P-Card Administrator promptly resolves any variances.

BDPS provides training to cardholders and Coordinators on reconciliations and the Administrator resolves variances she finds. (Implemented).

4. On-site audits are needed.

We recommend that:

The BDPS Director

- Ensure that the P-Card Administrator conducts on-site audits of P-Card accounts.

We found that the Administrator has been conducting on-site audits. (Implemented).

- Ensure that the P-Card Administrator develops written policy and procedures that augment City policy.

The Administrator has developed written policies and procedures. (Implemented).

- Clearly define the P-Card Administrator's duties and responsibilities and update the individual's position description and performance standards to document those duties and responsibilities.

The Administrator's duties and performance standards have been updated. (Implemented).

- Establish the P-Card Administrator as a full-time position.

The Administrator position is now full-time. (Implemented).

The department directors enforce AD 4-15 and ensure that P-Card accounts and transactions are periodically audited.

The departments are complying with the AD and periodically auditing their cardholders. (Implemented).

We commend management for their work in addressing issues related to the 16 original audit recommendations.

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C: Mark Duebner, Director of BDPS