



# City-wide Procurement Card Monitoring Controls FY 2020



**City of Charlotte**  
**Internal Audit Department**  
600 E. Fourth St.  
Charlotte, NC 28202

## **Staff**

### **City Auditor**

Gregory L. McDowell, CPA, CIA

### **Audit Supervisor**

Marie Marsicano

### **Senior Auditor**

Lynette Stover

### **Auditor**

Cheryl Ramsey

To learn more about Internal Audit,  
please visit our [website](#).

**September 29, 2020**

# City-wide Procurement Card Monitoring Controls FY 2020

## Executive Summary

### Objective

This audit was conducted to determine whether City Procurement's monitoring controls for P-Cards are adequate, with a focus on COVID-19 related purchases.

### Background

The City's P-Card program was established in 2001. The policy was significantly revised in FY 2012 with additional revisions adopted in FY 2014 and FY 2016.

Most employees can spend up to \$3,000 per transaction and as much as \$10,000 per month with no advance approval or immediate supervisory review. In March 2020, fourteen employees were provided limit increases to allow for emergency needs due to COVID-19. All increases expired by June 30, 2020.

Through the Coronavirus Relief Fund (CRF), the City accepted \$154.5 million to fund expenditures incurred due to the public health emergency.


### Conclusion

City Procurement adequately monitors P-Card controls in accordance with policy, and COVID-19 related purchases have been appropriate.

### Highlights

- 1. City Procurement's controls for P-Card activities are adequately designed and operating effectively.***
  - City Procurement adequately monitors P-Card transactions, following the processes set forth by the Department.
- 2. With one exception, cardholders with increased Single and Monthly Transaction Limits used the P-Card appropriately.***
  - One cardholder made personal purchases with the City P-Card. The violation was self-discovered, reported and corrected by the cardholder.
- 3. With a few exceptions, Departments appropriately coded COVID-19 transactions for reimbursement.***
  - Four transactions were scheduled to transfer to the appropriate accounting code due to the audit inquiry.

### Recommendations

-  This report contains no recommendations. Minor errors were resolved during the audit.

## Contents

Highlights .....	1
Background .....	3
Objective .....	3
Scope, Methodology, and Compliance .....	4
Findings .....	5
1. <i>City Procurement's controls for P-Card activities are adequately designed and operating effectively.</i> .....	5
2. <i>With one exception, cardholders with increased Single and Monthly Transaction Limits used the P-Card appropriately.</i> .....	6
3. <i>With a few exceptions, Departments appropriately coded COVID-19 transactions for reimbursement.</i> .....	6
Conclusion .....	7
Distribution of Report .....	7

## Background

---

The City's P-Card program was established in 2001. The policy was significantly revised in FY 2012 with additional revisions adopted in FY 2014 and FY 2016.

City Procurement, a division of the General Services Department, administers the City's program and coordinates the issuance of P-Cards by Bank of America. The cards are restricted from use at specific types of vendors, as defined by Merchant Category Codes (MCC). They have single transaction limits as well as monthly expenditure limits that vary for each cardholder.

Most employees can spend up to \$3,000 per transaction and as much as \$10,000 per month with no advance approval or immediate supervisory review. In March 2020, fourteen employees were provided limit increases to allow for emergency needs due to COVID-19. All increases expired by June 30, 2020. P-Card transaction data is uploaded weekly to the City's enterprise resource planning system (MUNIS) for cardholders to verify and allocate appropriately. Transactions for FY 2020 included:

- Annual expenditures of \$9.4 million
- 30,569 P-Card transactions
- Average P-Card amounts of approximately \$300

Each month, Procurement uses software to perform data analytics to select transactions for review. Staff determines if purchases are acceptable and business-related, appropriate documentation has been included, taxes have been recorded correctly, transactions are expensed to proper accounts, and approved within deadlines. Weekly and monthly procedures were not changed during COVID-19.

Through the Coronavirus Relief Fund (CRF), the City of Charlotte accepted \$154.5 million to fund expenditures that are incurred due to the public health emergency with respect to the disease, not included in the most recent budget and made between March 1, 2020, and December 30, 2020. A unique journal entry location code was created to track expenditures for COVID-19 purposes.

## Objective

---

This audit was conducted to determine whether City Procurement's monitoring controls for P-Cards are adequate, with a focus on COVID-19 related purchases.

## Scope, Methodology, and Compliance

---

### Scope

The audit reviewed City Procurement's monitoring process for the period July 1, 2019, through June 30, 2020, as well as P-Card related transactions from March 1, 2020, through June 30, 2020. Emphasis was placed on cardholder transactions with increased Single (STL) and Monthly (MTL) Transaction Limits and transactions specifically expensed to the 319999 location code.

### Methodology

To achieve the audit objectives, auditors performed the following:

- Interviewed City Procurement staff and Departmental P-Card Managers;
- Analyzed the monitoring processes of the City's P-Card Administrators;
- Using a statistical sample, reviewed 52 of 252 P-Card transactions for the 14 cardholders with increased transaction limits;
- Using a statistical sample, reviewed 102 of 673 transactions recorded in the 319999 location, and
- Reviewed all 83 transactions described as COVID-19 related in the City Accounting system and not expensed to the 319999 location code.

### Compliance

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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Findings

### ***1. City Procurement's controls for P-Card activities are adequately designed and operating effectively.***

The Citywide Procurement Card Policy (MFS25) authorizes the City's P-Card Administrator to implement and maintain the Procurement Card Program for the City. Specifically, the Administrator is responsible for appropriate controls and compliance measures to include, but not limited to:

- Establishing and maintaining a monitoring program that is designed to help ensure the following:
  - Expenditures charged through the Program are appropriate and within policy;
  - Complete and proper documentation supporting card charges are retained;
  - Fraudulent activity is identified and minimized; and
  - Monthly reconciliations are performed as required.
- Establishing, scheduling, communicating, and monitoring the completion of City Procurement's audit activities with the Department P-Card Managers and ensuring appropriate reporting and escalation of findings.

Auditors reviewed the monitoring controls and compliance measures in place by City Procurement and determined they were adequate. The percentage of monthly transactions reviewed among multiple risk-based categories indicates that transactions are acceptable business-related purchases, correct object codes are being used, and transactions are appropriately and timely approved. The chart below denotes percentages of transactions tested by Procurement, those that were flagged for further review, and the number of violations for FY 2020.

FY 2020 City Procurement Percentage of Monthly Testing						
Month	Transactions	# Tested	% Tested	Trans. Flagged	% Flagged	Violations
July	2,689	363	13.5%	57	15.7%	6
August	2,789	465	16.7%	62	13.3%	1
September	2,742	731	26.7%	85	11.6%	7
October	2,971	769	25.9%	59	7.7%	3
November <sup>1</sup>	2,610	0	0.0%	55	0	8
December	2,723	537	19.7%	62	11.5%	6
January	2,916	631	21.6%	55	8.7%	11
February	2,642	532	20.1%	41	7.7%	6
March	2,595	594	22.9%	41	6.9%	15
April	1,973	407	20.6%	46	11.3%	14
May	1,943	428	22.0%	29	6.8%	6
June	1,976	508	25.7%	60	11.8%	2
<b>FY20</b>	<b>30,569</b>	<b>5,965</b>	<b>19.5%</b>	<b>652</b>	<b>10.9%</b>	<b>85</b>

<sup>1</sup> Test file was lost during transfer of data. Procurement implemented process change to correct going forward.

In summary, City Procurement tested 5,965 (about 20%) of the City's 30,569 P-Card transactions completed in FY 2020. Procurement flagged nearly 11% (652) of the transactions reviewed and determined there were 85 violations of policy. Violations included the lack of required documentation, unauthorized transactions, and card sharing, resulting in written warnings and/or counseling for each instance. The 85 violations represented 13% of the transactions reviewed by Procurement, but only 0.3% of all transactions completed during the year.

City Procurement adequately monitors P-Card transactions, following the processes and procedures set forth by the Department.

## ***2. With one exception, cardholders with increased Single and Monthly Transaction Limits used the P-Card appropriately.***

Beginning March 13, 2020, fourteen P-Card holders requested Single Transaction Limit (STL) or Monthly Transaction Limit (MTL) increases for emergency purchasing needs. The P-Card Management team separately tracked and verified individual cardholders purchases after a temporary STL or MTL increase was granted. The P-Card team also monitored cardholders' STL and MTL increases confirming they reverted to the original limits by June 30, 2020.

Auditors reviewed 52 of 252 transactions for the 14 cardholders with increases ensuring they were appropriate and coded correctly. During the review, the original STLs and MTLs were examined to verify reinstatement by the expiration date.

In March 2020, one employee erroneously made four personal purchases with the City P-Card via Amazon. The employee self-reported the error upon reviewing his monthly statement and has corrected the error.

## ***3. With a few exceptions, Departments appropriately coded COVID-19 transactions for reimbursement.***

The City of Charlotte accepted \$154.5 million to fund expenditures that are incurred due to COVID-19, not included in the most recent budget and made between March 1, 2020 and December 30, 2020.

In May 2020, the Finance Department instructed City departments to set up a specific location code 319999 to track reimbursable COVID-19 funding purchases. Departments allocated new purchases and transferred prior purchases (from March 1, 2020 forward) to the code for approved expenditures. Purchases must be made by December 30, 2020, for departments to receive reimbursements to budget accounts.

Using a statistical sample, auditors reviewed 102 of 673 transactions recorded in the 319999 location code. There were no incidents of cardholders inappropriately using the code.

In addition, auditors reviewed all 83 purchases described as COVID-19 related in the City's MUNIS system but not expensed to the 319999 location code. Program Managers of eight departments were contacted regarding the purchases. Of those reviewed, 50 transfers (60%) had already been completed, three were in process, and four were scheduled due to the audit inquiry. See table below.

Purchase Transferred to code 319999						
Month	COVID-19 description (MUNIS)	Transferred prior to audit inquiry	Transfer in process	Transferred per audit inquiry	Not Transferred	Percentage Transferred
April	53	41	1	1	10	77%
May	23	5	1	1	16	22%
June	7	4	1	2	0	57%
<b>Total</b>	<b>83</b>	<b>50</b>	<b>3</b>	<b>4</b>	<b>26</b>	<b>60%</b>

The remaining 26 purchases in the audit sample were not COVID-19 related. The descriptions were inaccurate and therefore did not need to be transferred to 319999.

## Conclusion

---

City Procurement adequately monitors P-Card controls in accordance with policy, and COVID-19 related purchases have been appropriate.

## Distribution of Report

---

This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).