Procurement Card (P-Card) Purchases



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September 28, 2026

Executive Summary

Conclusion: Policy updates, consistent departmental reviews, and enhanced monitoring processes could reduce the risk of policy infractions and promote effective oversight of expenditures.

Background: The City's P-Card Program, established in 2001 and administered by the Contracting & Procurement Department, is designed to streamline purchasing while maintaining financial controls. The program is designed with cardholder limits, department-level budget and approval safeguards, and City-wide monitoring through random reviews and a monthly analytics dashboard. During the audit period January 1, 2024, through February 28, 2026, cardholders completed approximately 93,000 transactions totaling about $31 million.

Finding Summary	Condition (What we saw)	Recommendation Summary
SECTION 1: CONTROL ENVIRONMENT		
INDIVIDUAL CARDHOLDER CONTROLS A review of P-Card holder transactions identified policy violations.	• Split transactions • 92 potential split transactions representing 41 purchases, 0.10% of population tested • Gift cards	**1.** Work with HR to require annual training for cardholders, to include a documented acknowledgement.
DEPARTMENTAL REVIEW Department-level reviews are not effective.	• Missing documentation • Finance approving other departments' expenses	**2A.** Create a monthly exception report for DCM review. **2B.** Work with I&T and Finance to properly route approvals.
PROCUREMENT MONITORING CONTROLS Procurement's P-Card monitoring activity is inadequate.	• Random monthly audits are not conducted • Dashboard configuration is not effective • Tracking/aggregating cardholder infractions is not performed • Infraction notifications are not provided to Internal Audit	**3A.** Reinstate monthly audits using an enhanced dashboard to include both a random sample and a risk-based selection. **3B.** Perform and document an annual risk assessment to evaluate emerging threats. The P-Card Policy and the P-Card Process and Procedures Manual should be updated as needed. **3C.** Implement a process that tracks cardholder infractions and periodically communicate results to Internal Audit.

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Finding Summary	Condition (What we saw)	Recommendation Summary
SECTION 2: QUESTIONABLE BUSINESS EXPENDITURES		
BUSINESS MEALS Supporting documentation often lacks detailed justification and costs are not tracked against an objective standard.	• Inadequate justifications • Per person costs exceeding GSA local rates	**4A.** Revise policies to establish clear, enforceable standards for discretionary spending. **4B**. Establish clear guidelines for meals, entertainment, donations, sponsorships, and employee appreciation expenditures and ensure appropriate budgetary controls are in place that align with that guidance.

EMPLOYEE APPRECIATION & GIFTS
Inadequate policy guidelines and inconsistent general ledger coding make it difficult to evaluate the appropriateness of expenditures.
 	
Current policies do not provide clear guidance to employees regarding which purchases are prohibited.
	• 281 transactions totaling $187k (0.59% of total audit population) identified at entertainment & sporting venues
	• Example gifts:
	  • Yeti buckets
	  • Tabletop firepits
	  • Pocketknife
	  • Edible Arrangements
	  • Religious bracelet
	  • Gift boxes
	  • Flowers	

TRAVEL ISSUES
Policy guidance defining allowable expenses as “reasonable” fails to provide objective spending thresholds resulting in questionable card charges for lodging and trip modifications.
	• Examples:
	  • Extra room nights
	  • Meals charged while traveling
	  • Unexplained charges	

SPONSORSHIPS & DONATIONS Policy guidance for sponsorship selection and approval is needed.	• Payments to charitable and political organizations	

Actions Planned: Procurement has accepted all recommendations and is working to implement corrective actions in a timely manner.

Management has agreed to the following:

- Necessary policy updates will be completed by 10/31/26
- Mandatory training will be developed and launched by 12/31/26
- Enhanced internal controls will be implemented by 10/31/26

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Table of Contents

Executive Summary 2

Objective 5

Background 5

Findings and Recommendations 7

SECTION 1: CONTROL ENVIRONMENT 7

1. **A review of P-Cardholders' transactions identified policy violations.** 7
2. **Department-level reviews are ineffective.** 8
3. **Procurement's City-wide monitoring of P-Card activity is inadequate.** 9

SECTION 2: QUESTIONABLE BUSINESS EXPENDITURES 13

4. **The lack of clearly defined City-wide policies contributed to inconsistent and questionable use of funds.** 13

Conclusion 19

Distribution of Report 19

Scope, Methodology, and Compliance 19

Appendix A 21

Appendix B 22

Appendix C 26

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Objective

The primary objectives of the audit were to:

- Assess the effectiveness of existing internal controls over the P-Card program, including usage, reconciliation, and monitoring.
- Determine if cardholders and program administrators comply with established policies and procedures regarding appropriate use, spending limits, documentation requirements, and reconciliation timelines.
- Identify any instances of questionable or prohibited purchases and determine if appropriate actions were taken to address them.
- Evaluate the effectiveness of current monitoring and oversight processes in preventing and detecting P-Card misuse.

Background

In 2017, the City implemented a centralized corporate procurement model, consolidating purchasing and contract administration responsibilities under General Services. With the adoption of the FY 2026 budget, the city reorganized these functions by combining the General Services Procurement Division and Charlotte Business INClusion to create the new Contracting & Procurement Department (Procurement).

The City established the P-Card Program in 2001. The purpose of the program is to provide "an efficient and effective process to acquire Goods and Services required by the City of Charlotte, while maintaining appropriate financial controls." The Citywide Procurement Card Policy (P-Card Policy) was significantly revised in FY2012 with additional revisions in FY2014 and FY2016. Procurement administers the Program and coordinates the issuance of cards through Bank of America. There are various layers of controls, as designed in the Policy.

Cardholder-Level Controls

- Single Transaction Limit – the standard is $3,000. Departments can set a lesser amount.
    - Per Policy, specific approval is needed for limits exceeding $3,000.
    - Department Directors approve temporary increases. Permanent increases require City Manager approval.
- Monthly Transaction Limit – monthly spending cap set by departments
- Merchant Category Code (MCC) Controls – cards are blocked from working at certain vendors (e.g., cash advances, gambling, adult entertainment, etc.)

Department-Level Controls

- Budget Check – cardholders must enter the Commodity Code and General Ledger (GL) string when submitting their transactions. This ensures expenditures are tracked against the proper budget line item.
- Segregation of Duties – cardholders cannot approve their own transactions.

City-wide Controls

- Monthly random cardholder "audits" – The P-Card Policy assigns Procurement the responsibility of randomly sampling cardholder transactions for a more detailed review.
- Monitoring Dashboard – Procurement uses a monthly Tableau dashboard to identify potential high-risk transactions, including splits purchases, transactions containing certain red-flag words, and other unusual activity requiring further review.

As of April 2026, there were 871 cardholders. The following table provides a high-level summary of the transactions during the audit period.

Year	# of Unique Cards Used[1]	# of Transactions	Amount Spent
2024	808	43,631	$ 15,311,658
2025	894	42,563	$ 14,050,257
2026[2]	619	6,759	$ 2,059,169
Audit Period Total		92,953	$ 31,421,084

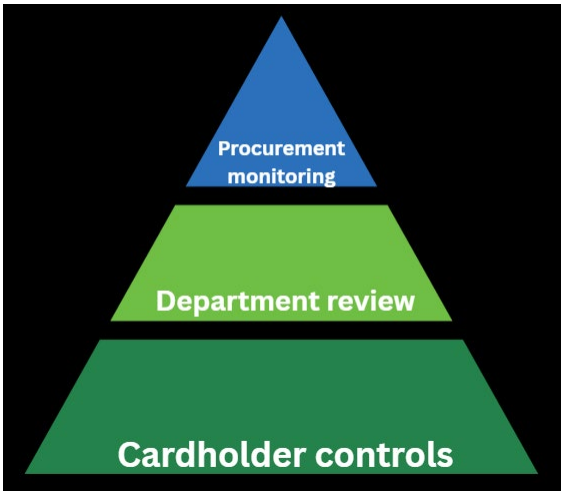
[1] This number fluctuates from year-to-year largely due to some cardholders being issued new/replacement cards
[2] Only includes January and February

Findings and Recommendations

SECTION 1: CONTROL ENVIRONMENT

The City's Financial Internal Control Policy (FIN 1) defines internal control as a framework of policies and procedures designed to provide reasonable assurance regarding the safeguarding of assets and compliance with laws and regulations. Furthermore, the Citywide Procurement Card Policy (MFS 25) establishes specific roles and responsibilities to ensure accountability and maintain appropriate segregation of duties within the procurement process.

The City of Charlotte's procurement card (P-card) internal control structure relies on multi-tiered oversight to prevent the misuse of public funds, preserve public trust, and ensure full compliance with procurement laws and City policies. This distributes accountability sequentially through individual cardholder compliance (first level), individual departmental review and approval workflows (second level), and City-wide monthly monitoring and testing administered by the Procurement Department (third level). An evaluation of the P-Card control environment noted control design and operational gaps at all three levels.



1. A review of P-Cardholders' transactions identified policy violations.

A split transaction occurs when a cardholder(s) intentionally divides a single purchase into two or more transactions to bypass the single transaction limit (STL). The City's P-Card Policy sets the STL for standard P-Cardholders at $3,000 and prohibits splitting transactions. There is an established process departments can follow to have STLs either temporarily or permanently increased for specific purchasing needs.

Using data analytics, auditors identified 92 potential split transactions representing 41 purchases (see Appendix B). Evidence of intentionally splitting transactions includes instances where the same cardholder executed consecutive transactions with the same vendor on the same business day, as well as instances where separate cardholders within the same department executed concurrent transactions with the same vendor on the same day for identical items. For example, multiple cardholders from the same department visited the same retail paint vendor on the same day to purchase identical paint colors, separating the total expense across individual transactions to stay below the STL threshold (see Appendix B).

In addition to prohibiting split transactions, the P-Card Policy prohibits the purchase of gift cards. During our review, auditors identified three gift card expenditures totaling $1,534 made by two cardholders for 25 gift cards (see Appendix C).

> "Under no circumstances is a P-Cardholder permitted to use the P-Card for personal purchases, gift cards, or for non-City related purposes."
> **P-Card Policy, section 5.4**

Recommendation 1: Procurement should work with the Human Resources Organizational Learning and Development Division to develop a mandatory training module. It should include an annual review of the P-Card Policy and cardholder responsibilities, and documented acknowledgment of completion.

Value Added: Compliance; Risk Reduction

Procurement Response: Agree. The City's P-Card Program Administrator will work with the identified Human Resources individual(s) to develop this training to implement in Workday. Procurement and Human Resources will work together to develop a timeline for implementation.

Human Resources Response: Agree. HR's Organization Development & Learning Team will develop and launch an annual P-Card eLearning course by December 31, 2026, contingent upon approval of the revised P-Card policy by October 31, 2026, and receipt of complete, approved training content from Contracting & Procurement by November 15, 2026.

2. Department-level reviews are ineffective.

The Citywide P-Card Policy requires cardholders to enter descriptions and attach documentation for each transaction to support the purchase. While requirements vary by transaction type, documentation must be sufficient to allow a reviewer to confirm the validity of the transaction prior to approval. Examples of documentation that must be included, as appropriate, are:

- Itemized receipt
- Travel authorization[3]
- Conference brochure
- Business justification
- Food and Beverage Form

Auditors noted department approvers authorized at least 265 transactions (11% of sample[4]) that were missing required documentation, such as itemized receipts or an adequately completed Food & Beverage Form. Attached receipts and forms lacked adequate business justification and or descriptions – see Section 2. Based on the exceptions noted, departmental reviews do not provide sufficient assurance that transactions are valid expenses. Without

[3] As of July 2025, travel-related expenses should be made exclusively via Travel Cards (T-Cards)
[4] This judgmental sample result cannot be extrapolated to the full population of P-card transactions

proper documentation, approvers cannot verify the legitimacy of purchases, which undermines the effectiveness of the approval process as a key control.

The following contributed to the observations noted above:

- Procurement stopped its monthly audits (see Section 2).
- Approvers reviewed transactions made by their supervisors. This creates a conflict of interest which can limit accountability.
- Multiple operating departments have integrated Finance Department personnel into their standard P-Card approval workflows. Finance employees often lack the specific knowledge to assess operational needs or appropriateness.

Because department-level reviews have been ineffective, Procurement's monitoring function (discussed in Finding 3) is crucial to ensure the integrity of the P-Card program.

Recommendation 2A: Procurement should report the results of the monthly audits to Deputy City Managers (DCM) for their review.

Value Added: Compliance; Risk Reduction; Effectiveness

Procurement Response: Agree. The monthly reviews, and resulting reports, are expected to be implemented by October 31, 2026.

Recommendation 2B: Procurement, in consultation with I&T and Finance, should review workflows and reassign roles to ensure approvers have adequate operational knowledge of purchases.

Value Added: Compliance; Risk Reduction; Effectiveness

Procurement Response: Procurement agrees to research roles and work with applicable departments to update workflows appropriately (e.g., Finance staff approving Communications' purchases). This review is expected to be completed by December 31, 2026.

3. Procurement's City-wide monitoring of P-Card activity is inadequate.

Per the P-Card Policy, Procurement is responsible for:

- Program Administration and Training
- P-Card Account Maintenance
- Control, Compliance, and Oversight
- Enforcement and Escalation

While Procurement monitoring controls exist, gaps in execution and control design reduce the effectiveness of these safeguards.

MONTHLY COMPLIANCE MONITORING

The P-Card Policy (MFS 25, section 3.2.1) designates Procurement as the party responsible for monitoring compliance via monthly random cardholder audits and a monthly dashboard highlighting transactions for further review (i.e., potential splits, red flag words, etc.).

- **Monthly Audits –** Procurement is not currently performing its random monthly transaction audits. Conducting these reviews, in conjunction with department level reviews/control(s), would provide reasonable assurance that P-Card activities comply with City policies.
- **Monitoring Dashboard –** Procurement primarily relies on an automated dashboard to monitor City-wide p-card activity. Opportunities exist to strengthen the system configuration. The dashboard is currently configured to search for 29 red-flag keywords within the "Transaction Description" field. It does not analyze other high-risk transaction data fields, such as vendor name, merchant description, or Merchant Category Codes (MCCs). As a result, potentially high-risk transactions – including split purchases, unapproved technology assets, certain internet vendors and payment platforms (e.g., eBay, Amazon, PayPal, etc.), and purchases for personal benefit – may not be identified for review.

These monitoring gaps increase the risk of undetected cardholder misuse. Effective oversight requires not only active surveillance tools but also a centralized governance framework that systematically tracks compliance and enforces accountability across all City departments.

GOVERNANCE

The City's P-Card Process and Procedures Manual establish clear risk mitigation and governance requirements for the P-Card Program, explicitly stating the responsibilities of the Citywide P-Card Administrator:

"Reviewing and maintaining this policy on an annual, or more frequent basis, to ensure application of 'best practices' in the Purchasing Card industry and compliance with all associated City policies..."

"Disciplinary Action including suspension and/or cancellation of a P-Card in the event of non-compliance... and maintaining a listing of all reported and identified policy and system infractions and reporting to Internal Audit periodically or as requested."

The P-Card Manual also states it is "a living document that will continually be edited and updated as necessary." Auditors noted that it has not been updated since 2016.

While the P-Card Policy requires tracking and reporting of non-compliance, existing administrative practices do not support effective organization-wide risk monitoring. Currently, infractions are documented and retained within individual cardholder files which

prevents Procurement from tracking the frequency and severity of violations across the organization. Without this data, Procurement's oversight role is reactive rather than preventative and individual infractions are treated as isolated events rather than symptoms of broader behavioral trends. Cardholders with repeated instances of non-compliance face minimal escalation or consequences because historical compliance data is not readily available.

Recommendation 3A: Procurement should establish a two-pronged monthly monitoring process that pairs their traditional random compliance audits with an enhanced, data-driven risk dashboard. To ensure targeted and effective oversight, dashboard enhancements should include:

- *Advanced Split-Purchase Detection:* Program the dashboard to identify potential split purchases across multiple cardholders within the same department and issue formal compliance infractions when true policy violations are confirmed.
- *Expanded Risk Filters:* Broaden automated surveillance by expanding the red-flag keyword list, scanning other fields beyond the "item description," and including high-risk Merchant Category Codes (MCCs) such as entertainment, amusement, or alcohol establishments.
- *High-Risk Sampling:* Configure the selection query to automatically identify transactions made by high-risk profiles (e.g., accounts with historical policy violations and newly issued cards).

Value Added: Compliance; Efficiency; Risk Reduction; Effectiveness

Procurement Response: Procurement agrees to reinstate monthly audits and to enhance the dashboard (currently in Tableau). It's important to note that the bank prevents purchases within unapproved MCCs at the point of sale. Procurement will explore the viability of a live Workday dashboard to meet reporting needs. If this does not work, Procurement will work with I&T to make enhancements to a static dashboard. The random monthly audits will restart by October 31, 2026. An enhanced monitoring dashboard is expected to be implemented by December 31, 2026.

Recommendation 3B: Procurement should perform and document an annual risk assessment to evaluate emerging threats. The P-Card Policy and the P-Card Process and Procedures Manual should be updated as needed, ensuring policy changes and/or updates to internal controls are formally communicated to all cardholders upon implementation.

Value Added: Compliance; Risk Reduction

Procurement Response: Agree. Procurement will annually assess risk and update the Policy and Procedures Manual as business needs evolve. The first risk assessment will be completed by June 30, 2027, and annually thereafter.

Recommendation 3C: Procurement should implement a process that tracks infractions by cardholder and department. This would help identify recurring behavioral trends, support disciplinary thresholds, and facilitate required communications to Internal Audit.

Value Added: Compliance; Risk Reduction; Effectiveness

Procurement Response: Procurement agrees with this recommendation and has already begun developing a solution using Seamless Docs. The P-Card Program Administrator will manage the implementation of this solution. It is expected to be completed by October 31, 2026.

SECTION 2: QUESTIONABLE BUSINESS EXPENDITURES

> "Employees are expected to be good stewards of the people's money when traveling and conducting city business."
>
> **Employee Travel & Expense Policy**

> Department buyers are responsible for "Conducting all Procurement activities with the highest standards of ethical conduct and civic stewardship."
>
> **Procurement Policy, section 2.4.2**

> "Employees are expected to … exercise good judgment in distinguishing between comfort and extravagance."
>
> **Employee Travel & Expense Policy**

The P-Card Policy and the Employee Travel and Expense Reimbursement Policy require all departments to maintain responsible procurement processes that ensure the accurate recording of financial transactions and the proper stewardship of public funds.

In addition to the guidance referenced above, three sources define allowable purchases:

1. **The Citywide Procurement Card Policy** (MFS 25) requires that "P-Card purchases must be for the use and benefit of the City, and no personal purchases are allowed."
2. Under the **North Carolina Constitution**, all municipal expenditures must serve a recognized public purpose (N.C. Const. Art. V, Sect. 2(1)).
3. **North Carolina General Statute § 160A-164** states that Council may provide spending, other personnel policies, and other measures that "promote the hiring and retention of capable, diligent, and honest career employees."

4. The lack of clearly defined City-wide policies contributed to inconsistent and questionable use of funds.

Auditors reviewed transactions in various spending categories, and identified vulnerabilities related to the following types of expenditures.

BUSINESS MEALS

City policy lacks guidance regarding the purchase of meals and miscellaneous food and beverage items (e.g., individual coffees, waters, snacks). During the audit period, P-Card food purchases[5] totaled approximately $3,755,000. Although these transactions often have the required supporting documentation attached (e.g., Food & Beverage form), the underlying written justifications are frequently minimal, utilizing generic phrases like "lunch meeting" or "working lunch" with no explanation of the actual City business performed. The lack of adequate documentation and policy guidance makes it difficult for reviewers to determine the business necessity of these expenses.

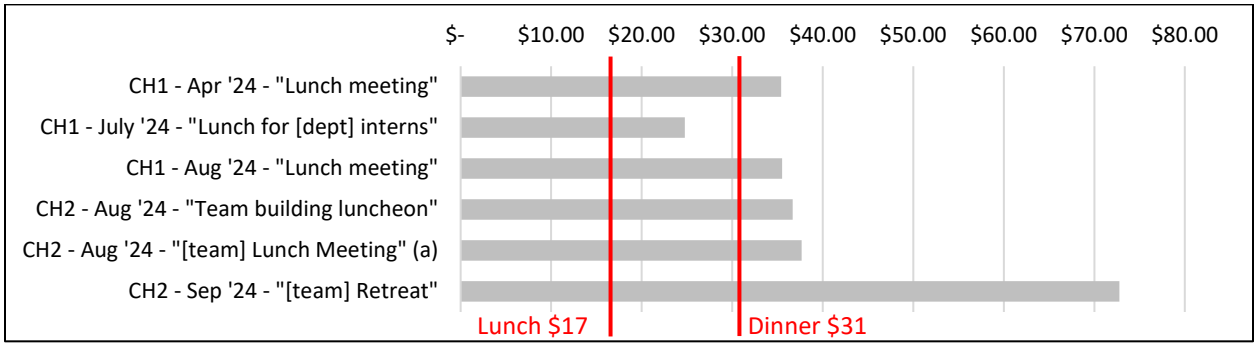
[5] Includes MCCs for: bakeries, candy and confections, caterers, drinking places, eating places, fast food, grocery, and misc. food stores

The policy lacks specific City-wide guidance defining when business meals are allowable and what constitutes a reasonable cost of a meal. Because individual meal costs were not tracked against an objective public standard, there is no indicator to alert reviewers when a business meal exceeds what would be considered reasonable.

The U.S. General Services Administration (GSA) per diem rates are regularly used by Federal, State, and local entities (including the City of Charlotte) as a basis for reimbursing meal costs.

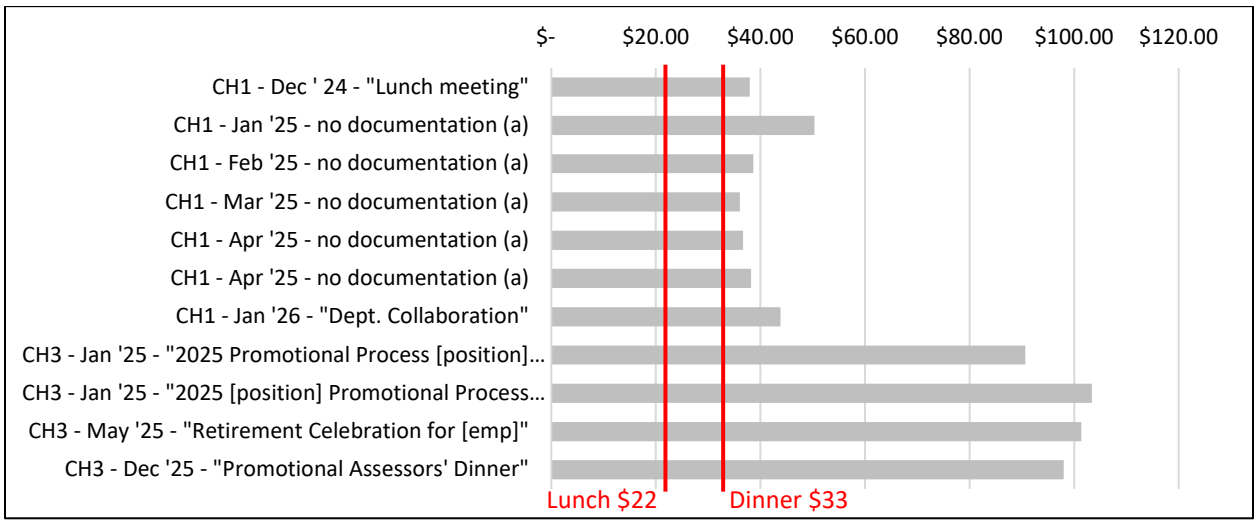
Auditors used this standard for benchmarking purposes and noted transactions at dining establishments often exceeded the local GSA per person meal rate for Charlotte. The following exhibits are provided as examples.

Figure 1: Example meal cost-per-person during GSA FY24 (Oct '23 – Sept '24)
(note: each "CH#" represents a unique cardholder)



(a) Food & Beverage Form said, "[team] Lunch Meeting" w/ 5 attendees, however, itemized receipt shows "2 guests" and 2 meals ordered

Figure 2: Example meal cost-per-person during GSA FY25-FY26 (same rate; Oct '24 – Sept '26)
(note: each "CH#" represents a unique cardholder)



(a) Without documentation, it was not possible to determine the number of attendees or the business purpose for the meals. We estimated two attendees based on purchased items and similar purchases that included documentation.

EMPLOYEE APPRECIATION EVENTS & GIFTS

As mentioned above, N.C. General Statute § 160A-164 authorizes local governments to use public funds to recognize and motivate employees. Some spending can bolster employee morale, engagement, and outreach when appropriately justified; however, City policies do not define appropriate organizational parameters or thresholds for funding staff celebrations (staff retreats, retirement parties, baby showers, etc.). City policies also lack clear guidance on what purchases are strictly prohibited and what expenses may be permitted with adequate justification, documentation, and approval.

For the audit period, auditors noted 281 transactions totaling $186,769 (0.59% of total audit population) for events at entertainment and sporting venues like bowling alleys and miniature golf. Discrepancies in funding and frequency of departmental outings also raise workplace equity concerns.

MCC Description	Count of Transactions	Amount Spent
AMUSEMENT, RECREATION SERVICES	194	$ 99,679
AMUSEMENT PARKS, CIRCUSES, CARNIVALS	27	$ 54,914
TOURIST ATTRACTIONS AND EXHIBITS	52	$ 26,387
GOLF COURSES-PUBLIC	8	$ 5,790
GRAND TOTAL	**281**	**$ 186,769**

TOP 10 DEPARTMENTS	Count of Transactions	Amount Spent
CMPD	87	$ 68,673
AVIATION	47	$ 31,575
CHARLOTTE WATER	38	$ 16,047
CATS	17	$ 13,631
CDOT	15	$ 12,175
GENERAL SERVICES	14	$ 9,998
PLANNING	8	$ 8,987
ATTORNEY'S OFFICE	3	$ 4,755
FIRE	3	$ 4,487
HOUSING & NEIGHBORHOOD SERVICES	5	$ 2,861
11 OTHERS	44	$ 13,580
Grand Total	**281**	**$ 186,769**

Expenditures related to employee appreciation events lack standardized coding. Some departments code these transactions to "meals," while others split the expenses across various unrelated spending categories. Without a specific line item, it is hard to hold departments accountable to a budget for these expenses.

In addition to the gifts highlighted in Finding 1, auditors noted p-card purchases for various types of gifts, including but not limited to:

- Yeti buckets (150 for $5,148)
- Tabletop firepits (10 for $601)
- Osborne 940 EDC pocketknife (1 for $222)
- Edible Arrangements (1 for $155)
- Religious bracelet (1 for $62)
- Harry & David gift boxes, various (20 for $2,758)
- Lululemon belt bags (5 for $204)

These items commemorate holidays, personal milestones, professional transitions, or express sympathy. Current City policies lack clear guidance for these types of purchases.

The summary of transactions with the Merchant Category Code (MCC) of "Flowers" or "Florists" is presented below. Because flower purchases are more consistently identifiable in P-Card data than other gift types, auditors compiled this information to illustrate the overall level of spending in this category. The chart is intended only to show the total amount spent on flower-related purchases across departments; it should not be interpreted as indicating that all expenditures within this MCC are improper.

MCC: FLOWERS, FLORISTS		
TOP 10 DEPT	Count of Transactions	Amount Spent
CHARLOTTE WATER	39	$ 16,834
CMPD	55	$ 10,219
CATS	46	$ 5,562
SOLID WASTE SERVICES	19	$ 3,146
AVIATION	20	$ 3,143
INNOVATION & TECHNOLOGY	28	$ 2,881
HOUSING & NEIGHBORHOOD SVCS	26	$ 2,628
PLANNING	30	$ 2,431
GENERAL SERVICES	23	$ 2,259
HUMAN RESOURCES	19	$ 1,621
10 OTHERS	45	$ 5,068
Grand Total	**350**	**$ 55,792**

TRAVEL ISSUES

Ambiguous policy guidance defining allowable travel expenses (i.e., transportation and lodging) as "reasonable" does not provide objective spending thresholds resulting in questionable card charges for lodging and trip modifications. Auditors noted:

- Extra room nights without supporting documentation
- Upgraded rooms/Unclear charge descriptions
- Meals charged while traveling (City policy requires per diem reimbursement of meals)
- Non-standard transportation choices (e.g., limos and black cars)

SPONSORSHIPS & DONATIONS

For the audit period, auditors analyzed transactions in the following categories:

MCC	Transaction Count	Total Amount
CHARITABLE AND SOCIAL SERVICE ORGS	2,367	$963,791
CIVIC, SOCIAL AND FRATERNAL ASSOCIATIONS	512	$215,704
POLITICAL ORGANIZATIONS	4	$325
RELIGIOUS ORGANIZATIONS	4	$4,549
SCHOOLS AND EDUCATIONAL SERVICES	933	$410,537
Grand Total	**3,820**	**$1,594,906**

Payments to political organizations totaled $325. No employee may use city funds, supplies, or equipment for partisan purposes, or for political purposes except where such political uses are otherwise permitted by law.

Many of the expenditures in these codes were for professional organization dues and training, room rentals, and other expenditures with a clear public purpose. Transactions also include charitable donations and sponsorships which primarily appear to be tables purchased at various events (recruiting, professional organizations, training, etc.) or general donations.

Auditors identified 17 transactions where the documentation maintained in the system of record did not demonstrate a clear public purpose. Four of the 17 transactions involved payments to non-profits where employees within the initiating department served as a board member, creating the appearance of impropriety (see Appendix C). Departments subsequently provided documentation detailing the public purpose of these sponsorship and donation expenditures. The City needs a policy that outlines a process for selection and approval and clarifies who has authority to approve related party transactions. This will ensure future expenditures are equitable, reasonable, and authorized.

Recommendation 4A: Procurement should work with Finance to revise policies (including but not limited to the P-Card Policy) to establish clear, enforceable standards for discretionary spending. Specifically, the updated policy/policies should:

- *Define Clear Spending Limits:* Replace subjective guidelines (e.g., "reasonable cost") with firm, objective spending limits (e.g., GSA local rates).
- *Establish Categorical Prohibitions vs. Exceptions:* Document prohibited purchases (e.g., defining "personal use items", alcohol, political expenses, etc.) and the justification and documentation required for exception authorization.
- *Standardize Public Purpose Documentation Requirements:* Document as a part of policies and procedures what constitutes a valid "public purpose" explanation, requiring cardholders to document how a discretionary transaction directly supports City operations or public service goals.

Value Added: Compliance; Cost Savings; Risk Reduction; Effectiveness

Procurement Response: Procurement agrees with this recommendation. There will need to be additional collaboration with Finance, Human Resources and City Attorney's Office to determine if "public purpose" should be outlined in a separate policy/guidance and referenced in the P-Card policy; or if the P-Card policy should provide the citywide guidance on public purpose. Once that is determined, an implementation timeline will be developed by September 30, 2026.

Finance Response: Agree. The Division Manager for Internal Control and System Division will serve as the primary point of contact for Finance for P-Card policy revisions. Additionally, other relevant policies (i.e. the Travel Card Policy, etc.) will be updated as needed.

Recommendation 4B: The City should establish clear guidelines for meals, entertainment, donations, sponsorships, and employee appreciation expenditures and ensure appropriate budgetary controls are in place that align with that guidance.

Value Added: Compliance; Cost Savings; Risk Reduction; Equity

Procurement Response: Agree. Human Resources is coordinating with the City Manager's Office and major departments to develop an employee spending policy. The goal is for the policy to be approved by September 30, 2026.

Conclusion

Policy updates, consistent departmental reviews, and enhanced monitoring processes could reduce the risk of policy infractions and promote effective oversight of expenditures.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, the Contracting and Procurement Department, and all other departments. Following issuance, audit reports are sent to City Council and subsequently posted to the Internal Audit website.

Scope, Methodology, and Compliance

Scope

This audit is to assess the adequacy of the City's Procurement Card (P-Card) controls for the transactions made during the period January 1, 2024, through February 28, 2026.

Methodology

To achieve the audit objectives, auditors performed the following:

- Interviewed Procurement staff
- Performed process walkthroughs of the P-Card process
- Reviewed various relevant City policies, including but not limited to the Citywide Procurement Card Policy, the Employee Travel & Expense Reimbursement Policy
- Analyzed P-Card transaction data obtained directly from the City's card issuer for the designated audit period
- Judgmentally selected 2,500 transactions using a risk-stratified approach which focused on high-risk spending categories, vendors, transaction descriptions, and cardholders as a result of our internal control evaluation.
- Inspected underlying transactional evidence, including itemized merchant receipts, formal business justifications, and mandatory supplemental attachments (such as Food & Beverage justification forms) to assess the adequacy of internal control verification

We assessed the reliability of P-Card transaction data by performing substantive testing. We determined that this data was sufficiently reliable for the purposes of this audit. For this audit, any test results from our samples cannot be projected to the entire population.

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.

Government auditing standards require that we determine which internal controls are material to the audit objective(s) and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of the processes used and the associated internal controls, assessed the internal control risks, and determined the following internal control components were significant:

- Control Environment – The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
- Risk Assessment – The process for identifying and assessing risks that may limit the achievement of objectives.
- Control Activities – The actions management establishes through policies and procedures to achieve objectives and respond to risks.
- Information & Communication – The quality of information which management and personnel communicate and use to support the internal control system.
- Monitoring – The activities management uses to assess the quality of performance over time.

Internal control deficiencies that are significant within the context of this audit's objective(s) are stated in the Findings and Recommendations section of this report. For additional information regarding internal control components and the related principles of internal control, please see Appendix A.

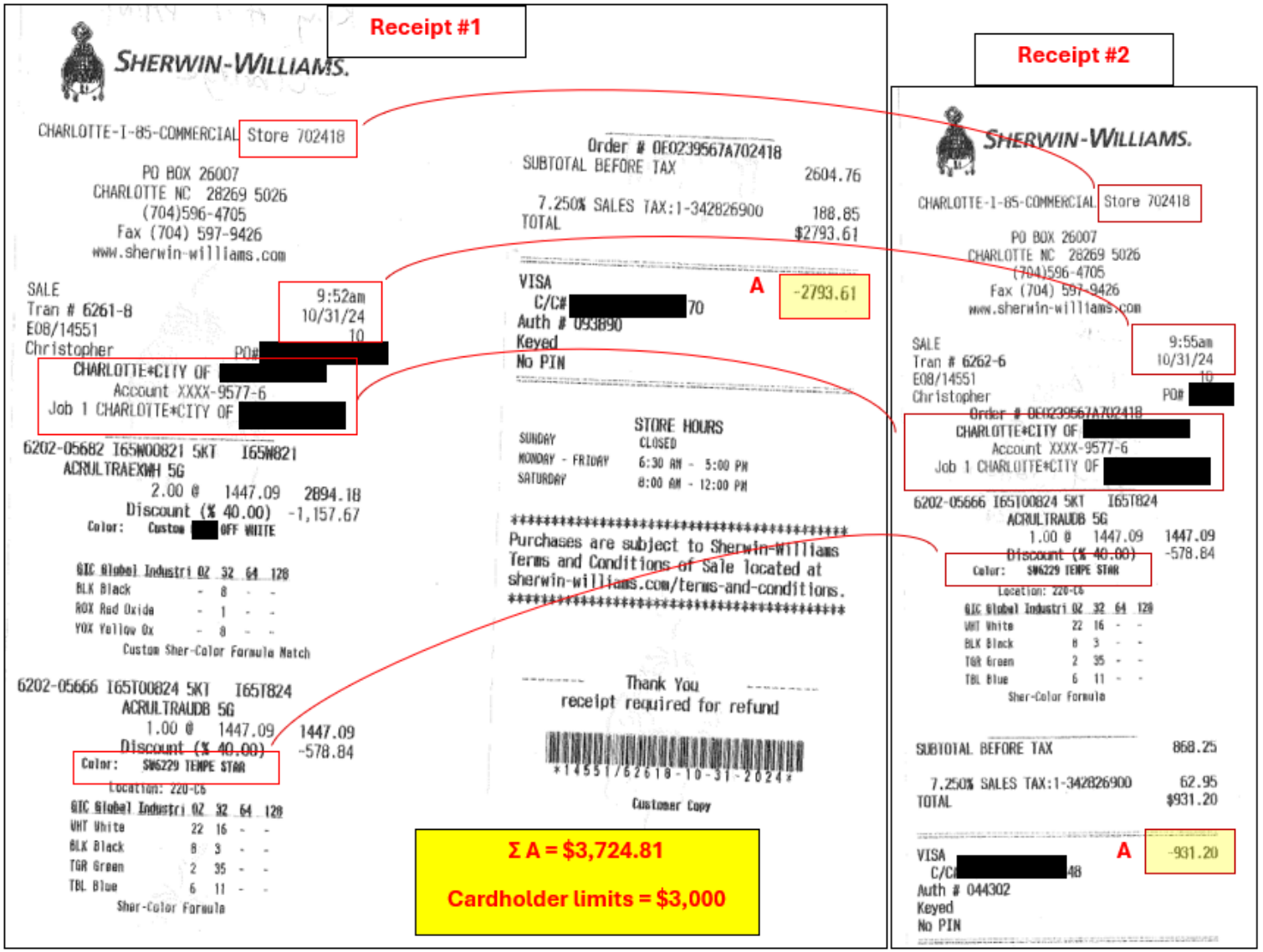
Appendix A

The Five Components and 17 Principles of Internal Control

Control Environment	1. The oversight body and management should demonstrate a commitment to integrity and ethical values. 2. The oversight body should oversee the entity's internal control system. 3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives. 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals. 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
Risk Assessment	6. Management should define objectives clearly to enable the identification of risks and define risk tolerances. 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives. 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks. 9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	10. Management should design control activities to achieve objectives and respond to risks. 11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks. 12. Management should implement control activities through policies.
Information & Communication	13. Management should use quality information to achieve the entity's objectives. 14. Management should internally communicate the necessary quality information to achieve the entity's objectives. 15. Management should externally communicate the necessary quality information to achieve the entity's objectives.
Monitoring	16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results. 17. Management should remediate identified internal control deficiencies on a timely basis.

Appendix B

Example Split Purchase



Potential Split Purchases

DEPT	Purchase Date	Amount	Vendor Name	MCC Description
Attorney	01/04/24	$ 1,924.00	IMLA	CIVIC, SOCIAL AND FRATERNAL ASSOCIATIONS
Attorney	01/04/24	$ 1,924.00	IMLA	CIVIC, SOCIAL AND FRATERNAL ASSOCIATIONS
Aviation	11/21/24	$ 2,505.07	ADDLOGOS	MEN'S AND WOMEN'S CLOTHING STORES
Aviation	11/21/24	$ 1,018.23	ADDLOGOS	MEN'S AND WOMEN'S CLOTHING STORES
Aviation	01/08/25	$ 2,305.76	CES 478	ELECTRICAL PARTS AND EQUIPMENT
Aviation	01/08/25	$ 1,493.44	CES 478	ELECTRICAL PARTS AND EQUIPMENT
Aviation	08/12/25	$ 2,998.63	IN PETROLEUM EQUIPMENT &	PROFESSIONAL SERVICES NOT ELSEWHERE CLAS
Aviation	08/12/25	$ 1,368.01	IN PETROLEUM EQUIPMENT &	PROFESSIONAL SERVICES NOT ELSEWHERE CLAS
Aviation	07/18/24	$ 2,993.34	ITW GSE	DURABLE GOODS,NOT ELSEWHERE CLASSIFIED
Aviation	07/18/24	$ 2,849.85	ITW GSE	DURABLE GOODS,NOT ELSEWHERE CLASSIFIED
Aviation	06/24/24	$ 1,498.00	MAC/FAB COMPANY, INC.	WELDING
Aviation	06/24/24	$ 2,354.66	MAC/FAB COMPANY, INC.	WELDING
Aviation	08/12/24	$ 2,150.00	MAC/FAB COMPANY, INC.	WELDING
Aviation	08/12/24	$ 1,800.00	MAC/FAB COMPANY, INC.	WELDING
Aviation	10/31/24	$ 931.20	SHERWIN-WILLIAMS702418	GLASS, PAINT, WALLPAPER STORES
Aviation	10/31/24	$ 2,793.61	SHERWIN-WILLIAMS702418	GLASS, PAINT, WALLPAPER STORES
Aviation	04/18/24	$ 1,883.75	SQ Q.C. COMM FLOOR SVCS,	PROFESSIONAL SERVICES NOT ELSEWHERE CLAS
Aviation	04/18/24	$ 2,101.00	SQ Q.C. COMM FLOOR SVCS,	PROFESSIONAL SERVICES NOT ELSEWHERE CLAS
Aviation	03/06/25	$ 2,371.08	TWIST INC	METAL SERVICE CENTERS AND OFFICES
Aviation	03/06/25	$ 2,371.08	TWIST INC	METAL SERVICE CENTERS AND OFFICES
Aviation	03/12/24	$ 2,406.82	UNITED REFRIG BR#402	COMMERCIAL EQUIPMENT, NOT ELSEWHERE CLAS
Aviation	03/12/24	$ 1,108.36	UNITED REFRIG BR#402	COMMERCIAL EQUIPMENT, NOT ELSEWHERE CLAS
Aviation	01/13/25	$ 1,964.43	WAITERS CHOICE CATERING -	EATING PLACES, RESTAURANTS
Aviation	01/13/25	$ 1,252.87	WAITERS CHOICE CATERING -	EATING PLACES, RESTAURANTS
Aviation	01/13/25	$ 4,416.07	WAITERS CHOICE CATERING -	EATING PLACES, RESTAURANTS
CATS	11/19/25	$ 1,701.71	CHEFSTORE 8102	MISC FOOD STORES-SPECIALITY,CONVENIENCE,
CATS	11/19/25	$ 5,583.96	CHEFSTORE 8102	MISC FOOD STORES-SPECIALITY,CONVENIENCE,
CATS	11/19/25	$ 2,500.00	CHEFSTORE 8102	MISC FOOD STORES-SPECIALITY,CONVENIENCE,
CATS	10/09/24	$ 2,500.00	DOZR.COM	TRUCK AND UTILITY TRAILER RENTAL
CATS	10/09/24	$ 1,545.78	DOZR.COM	TRUCK AND UTILITY TRAILER RENTAL
CATS	10/09/24	$ 1,999.88	DOZR.COM	TRUCK AND UTILITY TRAILER RENTAL
CATS	03/16/24	$ 2,000.00	MELLOW MUSHROOM #139	EATING PLACES, RESTAURANTS

CATS	03/16/24	$ 2,746.34	MELLOW MUSHROOM #139	EATING PLACES, RESTAURANTS
CATS	03/16/24	$ 2,827.45	MELLOW MUSHROOM #169	EATING PLACES, RESTAURANTS
CATS	03/16/24	$ 2,200.25	MELLOW MUSHROOM #169	EATING PLACES, RESTAURANTS
CATS	03/20/24	$ 1,680.88	SQ WACKY SPANKY?S KITCHE	FAST FOOD RESTAURANTS
CATS	03/20/24	$ 2,490.92	SQ WACKY SPANKY?S KITCHE	FAST FOOD RESTAURANTS
CATS	01/07/26	$ 2,144.00	WWW.TD.ORG	MEMBERSHIP ORGANIZATIONS NOT ELSEWHERE C
CATS	01/07/26	$ 1,395.00	WWW.TD.ORG	MEMBERSHIP ORGANIZATIONS NOT ELSEWHERE C
Charlotte Water	09/18/24	$ 2,279.00	IN I. MILLER MICROSCOPES	LAB/MEDICAL/DENTAL/OPHTHALMIC HOSPITAL E
Charlotte Water	09/18/24	$ 1,700.00	IN I. MILLER MICROSCOPES	LAB/MEDICAL/DENTAL/OPHTHALMIC HOSPITAL E
Charlotte Water	07/01/25	$ 4,999.87	PRO IMPRINT	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI
Charlotte Water	07/01/25	$ 4,999.78	PRO IMPRINT	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI
Charlotte Water	07/01/25	$ 2,251.64	PRO IMPRINT	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI
CMPD	09/04/24	$ 1,326.51	ARTICULATE GLOBAL, LLC	MISCELLANEOUS PERSONAL SERVICES
CMPD	09/04/24	$ 1,326.51	ARTICULATE GLOBAL, LLC	MISCELLANEOUS PERSONAL SERVICES
CMPD	02/05/24	$ 1,425.00	IN PLUSH IN A RUSH	HOBBY,TOY, AND GAME SHOPS
CMPD	02/05/24	$ 1,425.00	IN PLUSH IN A RUSH	HOBBY,TOY, AND GAME SHOPS
CMPD	08/14/25	$ 2,500.00	PLAYERS SPORTING GOODS IN	SPORTING GOODS STORES
CMPD	08/14/25	$ 395.68	PLAYERS SPORTING GOODS IN	SPORTING GOODS STORES
CMPD	10/24/24	$ 2,090.87	POSITIVE PROMOTIONS	DURABLE GOODS,NOT ELSEWHERE CLASSIFIED
CMPD	10/24/24	$ 1,818.10	POSITIVE PROMOTIONS	DURABLE GOODS,NOT ELSEWHERE CLASSIFIED
CMPD	01/06/26	$ 1,651.62	ROOMSTOGO.COM	FURNITURE, HOME FURNISHINGS AND EQUIPMEN
CMPD	01/06/26	$ 1,048.89	ROOMSTOGO.COM	FURNITURE, HOME FURNISHINGS AND EQUIPMEN
Economic Development	02/18/25	$ 958.21	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Economic Development	02/18/25	$ 355.18	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Economic Development	02/18/25	$ 561.08	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Economic Development	05/30/25	$ 561.08	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Economic Development	05/30/25	$ 355.18	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Economic Development	05/30/25	$ 1,127.30	YSI Venture X Franchising	REAL ESTATE AGENTS AND MANAGERS-RENTALS
Fire	10/14/25	$ 1,510.74	APCO INTERNATIONAL INC	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI
Fire	10/14/25	$ 1,861.00	APCO INTERNATIONAL INC	BUSINESS SERVICES NOT ELSEWHERE CLASSIFI
Fire	10/29/24	$ 9,510.00	CARDINAL CAMERA CHARLOTTE	CAMERA AND PHOTOGRAPHIC SUPPLY STORES
Fire	10/29/24	$ 1,350.00	CARDINAL CAMERA CHARLOTTE	CAMERA AND PHOTOGRAPHIC SUPPLY STORES
Fire	12/10/24	$ 1,540.94	LOWES #00907	HOME SUPPLY WAREHOUSE STORES
Fire	12/10/24	$ 724.28	LOWES #00907	HOME SUPPLY WAREHOUSE STORES

Fire	12/10/24	$ 1,540.94	LOWES #00907	HOME SUPPLY WAREHOUSE STORES
Fire	10/17/25	$ 2,877.64	LOWES #01060	HOME SUPPLY WAREHOUSE STORES
Fire	10/17/25	$ 1,449.01	LOWES #01060	HOME SUPPLY WAREHOUSE STORES
Fire	04/24/25	$ 1,657.50	THE HOME DEPOT PRO	COMMERCIAL EQUIPMENT, NOT ELSEWHERE CLAS
Fire	04/24/25	$ 2,357.25	THE HOME DEPOT PRO	COMMERCIAL EQUIPMENT, NOT ELSEWHERE CLAS
General Services	09/27/24	$ 1,500.00	BRIDGETOWER MEDIA ADS	ADVERTISING SERVICES
General Services	09/27/24	$ 150.00	BRIDGETOWER MEDIA ADS	ADVERTISING SERVICES
General Services	07/10/24	$ 1,026.97	INSIGHT PARTNERS	PLUMBING & HEATING EQUIPMENT AND SUPPLIE
General Services	07/10/24	$ 1,141.86	INSIGHT PARTNERS	PLUMBING & HEATING EQUIPMENT AND SUPPLIE
General Services	03/20/25	$ 1,355.30	MICRO CENTER	ELECTRONIC SALES
General Services	03/20/25	$ 2,573.95	MICRO CENTER	ELECTRONIC SALES
General Services	06/16/25	$ 1,500.00	SOUTHERN LOCK OF CHARLO	HARDWARE EQUIPMENT AND SUPPLIES
General Services	06/16/25	$ 583.84	SOUTHERN LOCK OF CHARLO	HARDWARE EQUIPMENT AND SUPPLIES
General Services	08/06/24	$ 2,561.13	STATE LINE LIGHTING	HARDWARE STORES
General Services	08/06/24	$ 935.92	STATE LINE LIGHTING	HARDWARE STORES
General Services	08/06/24	$ 235.95	STATE LINE LIGHTING	HARDWARE STORES
General Services	08/06/24	$ 40.49	STATE LINE LIGHTING	HARDWARE STORES
General Services	08/06/24	$ 122.27	STATE LINE LIGHTING	HARDWARE STORES
Housing & Neighborhood Services	11/18/24	$ 1,500.00	TST HEIST BREWERY AND BA	DRINKING PLACES (ALCOHOLIC BEV.)-BARS,TA
Housing & Neighborhood Services	11/18/24	$ 785.23	TST HEIST BREWERY AND BA	DRINKING PLACES (ALCOHOLIC BEV.)-BARS,TA
HR	12/15/25	$ 1,636.90	SQ MOM & POP'S PRINT SHO	COMMERCIAL PHOTOGRAPHY, ART, AND GRAPHIC
HR	12/15/25	$ 1,573.10	SQ MOM & POP'S PRINT SHO	COMMERCIAL PHOTOGRAPHY, ART, AND GRAPHIC
Planning	12/06/24	$ 2,842.00	SPARE TIME - PINEVILLE	BOWLING ALLEYS
Planning	12/06/24	$ 4,853.07	SPARE TIME - PINEVILLE	BOWLING ALLEYS
Storm Water	11/25/25	$ 1,802.36	IN J PARC LLC	CATERERS
Storm Water	11/25/25	$ 1,645.40	IN J PARC LLC	CATERERS

Appendix C

GIFT CARDS				
Department	Purchase Date	Vendor		Amount
CMPD	08/23/24	HARRIS TEETER	$	50.00
I&T	12/13/24	SUGARWISH.COM GIFTS	$	1,355.00
I&T	12/13/24	SUGARWISH.COM GIFTS	$	129.00
			$	**1,534.00**

POLITICAL FUNDRAISERS				
Department	Purchase Date	Vendor		Amount
Communications-OCS	07/24/24	ACTBLUE DEM.WOMEN.MC	$	100.00
Communications-OCS	07/30/24	A RepWomenGreater	$	72.92
Communications-OCS	04/25/25	LWVCM	$	52.00
Communications-OCS	06/16/25	ACTBLUE JEFF.JACKSON	$	100.00
			$	**324.92**

DONATIONS W/ BOARD MEMBER IN DEPT				
Department	Purchase Date	Vendor		Amount
I&T	06/11/25	GOOD FRIENDS CHARLOTTE	$	3,109.00
I&T	06/13/25	IN CMS FOUNDATION	$	2,500.00
CMPD	07/14/25	SSP BBBSCC	$	5,250.00
CMPD	10/11/25	CAROLINAS FREEDOM FDN	$	1,072.00
			$	**11,931.00**