

# Performance Audit: Limited Test of Purchase Card Transactions

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March 2010

# How the city uses purchase cards

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- ☐ Authorized employees use cards to “charge” small purchase
  - ☐ For transactions less than \$1000
  - ☐ Reduces administrative costs and allows items to be provided quickly
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## Previous audit work (January 2009)

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- ☐ City processes consistent with recommended practices

# Current audit work

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- ☐ Select a small number of transactions
  - ☐ Did selected transactions comply with city policies and procedures?
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# Selecting 10 transaction

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- ❑ Focus on departments that spend the most with cards and/or have the most cardholders
  - ❑ Not a random sample. Picked transactions to illustrate the range of types of purchases
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# Transactions generally follow city policies and procedures

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- ☐ Cardholders had authority to make purchases
  - ☐ Cardholders were aware of city policies and procedures
  - ☐ Documentation supported each transaction
  - ☐ Supervisors reviewed transaction and found it to benefit the city
  - ☐ Purchase was less than \$1000
  - ☐ Purchase didn't include sales tax
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# Observations

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- ❑ One cardholder agreement was not on file at the Finance Department
  - ❑ Two transactions appear to “split” purchases to remain below the \$1000 limit
  - ❑ Some cardholders annotated documentation especially well – making it easier for supervisors to review
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# \$1000 transaction limit

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- ❑ City policy calls for price quotes and the city manager's approval for purchases over \$1000
  - ❑ Purchase card guidelines and training should address the reason for the limit
  - ❑ Cardholders more likely to accept and follow a rule when they understand the reason for the rule
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# Purpose of \$1000 limit

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- ☐ Public confidence in city procurement practices
  - ☐ Fair and equitable treatment of everyone who deals with procurement
  - ☐ Maximize purchasing value
  - ☐ Encourage competition
  - ☐ Provide City Management oversight
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# Supervisor review is critical

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The city process relies on strong and timely review by supervisors to ensure correct use, appropriate purchases, adequate documentation, reasonable prices, and compliance with city procedures.

# Cards cancelled when employees left city employment

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- ☐ Almost half of cardholders that left the city in 2007 and 2008 did so before their cards were cancelled
  - ☐ Prior audit recommended strengthening control to cancel cards
  - ☐ For cardholders who left recently, all had their cards cancelled in a timely manner
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# Policy should address “rewards” programs

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- ☐ City should take advantage of some rewards programs
  - ☐ Employees should not receive credit on their personal rewards accounts for city purchases
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# Report available online

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☐ [www.lawrenceks.org/auditor](http://www.lawrenceks.org/auditor)

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