City of Sioux Falls Internal Audit

Purchasing Card



Objectives

- Determine if purchasing card transactions are appropriate & in compliance with City policy & procedure;
- Determine if City purchasing card program controls adequately mitigate risk;
- Determine whether the City's purchasing card program is operating effectively in accordance with leading business practices & that cardholders have purchasing limits in accordance with actual purchasing activity.

Background

The City's purchasing card program was implemented for small-dollar purchases as a cost-effective, simplified, and efficient alternative to the City's existing purchase requisition and purchase order processes.

The purchasing card program offers cost savings to the City and time savings to employees by reducing the amount of paperwork as well as administrative costs. Additional benefits include the ability to set & control limits on cards, control purchases to specific merchant categories, and rebates from the bank.

From July 1, 2017 through June 30, 2018, the City spent approximately \$5,661,822 through approximately 12,600 purchasing card transactions. The City has received approximately \$360,490 back in rebates from the bank.

What We Found

Finding 1: Cardholder training provided by the Purchasing department is inconsistent.

- We were unable to obtain all sign in sheets to verify that all initial & ongoing trainings occurred.
- The Purchasing Card Program Guide states "Prior to releasing the card, the cardholder will be required to attend a training session conducted by the Program Administrator.
- The Government Finance Officers Association (GFOA) recommends initial & ongoing training of cardholders & supervisors as a leading practice for governmental purchasing card programs.

Finding 2: Two individuals who have access to credit card allocations in the financial system, who also have a City of Sioux Falls purchasing card in their name, are allocating their own purchasing card transactions.

Finding 3: The City's Purchasing Card Program Guide does not include any direction regarding the process of required for an increased spending limit on an employee's purchasing card, should a legitimate business need arise.

- The process that is currently followed is either done verbally or through email, and is initiated through the Purchasing Analyst.
- The GFOA recommends that written requests for higher spending limits be documented in internal written policies and procedures and followed as stated.

What We Recommend

- Both initial & ongoing training should be provided consistently to all cardholders who are issued a City of Sioux Falls purchasing card in their name. Trainings should be documented & filed as proof that cardholders attended required training.
- Management should ensure proper segregation of duties exists by ensuring those employees who have both purchasing ability with a City purchasing card as well as reallocation access in the financial system do not reallocate their own purchases.
- Management should develop & document, in policy and procedure, a written process for requests for higher spending limits for all City of Sioux Falls purchasing cards.