



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Purchase Card Program Follow-up Audit
March 20, 2024

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INTRODUCTION

The Office of the County Auditor performed a follow-up audit of Fulton County's Purchase Card (P-Card) Program in accordance with the County Auditor's 2023 audit plan. Fulton County's Purchase Card program is under the purview of the Department of Purchasing and Contract Compliance.

BACKGROUND

The P-Card program is an innovative method the County has undertaken to acquire goods and services and to streamline the procurement process to allow the User Departments to procure goods and services under \$2,500 in an efficient and timely manner. The P-Card program is currently managed by Bank of America and administered by the County. The Department of Purchasing is responsible for program compliance, policy development and implementation, auditing and training of County personnel. Department liaisons and/or cardholders are also accountable for ensuring effective program management. Each department liaison and cardholder have the responsibility to review, reconcile and submit the appropriate receipts and signature for processing and payment by the established due date.

The primary benefits of the P-Card are:

- Accepted by any supplier who accepts Visa;
- Faster purchase and receipt of goods;
- Reduction in transaction costs associated with processing purchase orders;
- Increased information about purchasing transactions, tracking of expenses;
- Improved supplier relations;
- Customer empowerment;
- Ability to take advantage of supplier discounts; and
- Ability to redirect purchasing staff to more value-added activities.

Fulton County Board of Commissioners adopted Fulton County Code § 102-383 in accordance with Georgia General Assembly HB 192 and O.C.G.A. § 36-80-24, to govern the issuance of purchasing credit cards to constitutional officers and elected officials. The Fulton County Purchasing code 102-383 (Small Purchases) and the Purchasing Card Manual must be adhered to by all user departments. The P-Card is the property of the County and any failure to comply can result in the suspension from the P-Card program. In 2022, there were ninety-two (92) cardholders and thirty-nine (39) user departments/divisions assigned purchasing cards based on departmental needs and specific job functions relevant to procurement. The County spent over \$3.4 million dollars on purchase card transactions.

OBJECTIVE

The objectives of the audit were to determine whether adequate measure were taken to resolve the findings and recommendations noted in the prior audit report dated September 28, 2022. Additionally, to determine whether internal controls are operating effectively.

SCOPE

The scope of this audit was from January 1, 2022 – December 31, 2022.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews with key staff to identify updated internal controls and implementation of corrective actions since the prior audit;
- Reviewed the revised Department of Purchasing and Contract Compliance - Purchasing Card Manual, as well as any applicable federal and state regulations;
- Identified all active cardholders and total spending during the year of 2022 for each department conducting business on behalf of Fulton County Government;
- Reviewed and ensured proper administrative documentation was present for all active cardholders, liaisons and department heads;
- Selected a sample of fifty-one (51) monthly reconciliations from three (3) departments totaling \$315,203.74 to test the effectiveness of internal controls;
- Ensured proper segregation of duties were maintained for P-card transactions, submittal of reconciliations, and authorizations/approvals;
- Verified required signatures were present, as evidence of approval on reconciliation packets; and
- Obtained and reviewed invoices, receipts, and other supporting documentation for each sampled transaction.

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

STATUS OF CORRECTIVE ACTION PLAN

In response to the September 28, 2022 Purchase Card Audit, The Department of Purchasing and Contract Compliance and The Department of Finance – Accounts Payable division addressed the six (6) findings and one (1) concern reflected in the report. Based on our review, three (3) recommendations were implemented, four (4) recommendations were partially implemented. Table 1 summarizes the implementation status of each finding.

We classified the status of implementation as follows:

- **Implemented** – The Division has fully implemented the recommendation.
- **Partially Implemented** – The Division has partially implemented the recommendation.
- **In Progress** – The Division intends to fully implement the recommendation.
- **Not Implemented** – The Division has not implemented the recommendation.

Table 1

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
1.	Lack of Supporting Documentation	We recommend the Department of Purchasing and Contract Compliance, along with the Finance Department, conduct a thorough review to ensure each transaction includes all required supporting documentation to confirm the validity and accuracy of transactions.	There was no corrective action plan, as the Department of Finance and the Purchasing Department did not concur with this finding. Per the Department of Finance: Accounts Payable staff conduct a thorough evaluation of all reconciliation packages before payment to certify the submission contains the following: Billing Statement, Invoices/Receipts, Proof of Payment, Authorized Signature/Approval.	During our review of fifty-one (51) monthly reconciliations, there were no instances lacking supporting documentation. Implemented

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
2.	Untimely Payment of Invoices	We recommend the Department of Purchasing and Contract Compliance establish specific standards for the timely submission of P-Card payments, in addition to consistently educating P-Card users on best practices in purchasing.	The Department of Purchasing revised the Purchasing Card manual to state: “paying for outstanding invoices with the purchase card is an unauthorized purchase and policy violation. “	During our review, we observed twenty-two (22) out of the fifty-one (51) monthly reconciliations that included past due invoices of 31 days or more. Partially Implemented
3.	Failure to Obtain Required Signatures for Reconciliation Reports	To strengthen controls surrounding the reconciliation review process, we recommend a thorough assessment be completed of all reconciliation documents by the P-Card Liaisons, the P-Card Administrator, and the Finance Department to ensure all signatures and required components are present before processing.	Reconciliation packets submitted without the proper signature will be rejected back to the P-Card Administrator for department correction.	During our review, we noted nine (9) out of fifty-one (51) monthly reconciliations that did not have the required signatures from user department representatives, such as the Cardholder, Liaison, or Department Head. Partially Implemented
4.	Failure to Approve	We recommend the Department of	The Purchasing Card Administrator	During our review, we concluded there were

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
	Reconciliation Reports by Evidence of Signature	Purchasing and Contract Compliance evaluate the workload of the Purchasing Card Program Administrator to identify the need for additional resources. We also recommend assessing the adequacy of overall staffing needs to strengthen internal controls and ensure the efficient operation of the P-Card program.	conducts a thorough review of all monthly reconciliations submitted as well as approve AMS entries from cardholders. Purchasing will review the Purchasing Manual to ensure the same process does not require a duplicate approval process.	twelve (12) out of the fifty-one (51) monthly reconciliations reviewed that did not include the required signatures from either the Purchase Card Program Coordinator/Administrator or the Finance Department Processor. Partially Implemented
5.	Failure to Submit Timely Reconciliation Packets	We recommend the Purchasing Card Administrator continue to monitor untimely submittals of the reconciliation package. Furthermore, continue to enforce the policies that govern the P-Card, and consistently enforce consequences on those departments with repeat policy violations. The	The Department has enacted the following process in order to reduce the number of untimely submittals of reconciliation reports. The following notices are emailed monthly to the User Department P-Card Liaisons: <ul style="list-style-type: none"> • <u>1st Notice</u>: Courtesy Reminder provided 2 weeks prior to the end of the monthly billing cycle • <u>2nd Notice</u>: 	All fifty-one (51) monthly reconciliations were submitted to the Purchasing Department before or on the required due date for submittal. Implemented

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
		Administrator should also revisit and revise policies as necessary, and consistently discipline all policy violators governed under the Fulton County Purchase Card Manual.	<p>Courtesy copy of the billing statement on 27th of each month, two days after close of the billing cycle</p> <ul style="list-style-type: none"> • <u>3rd Notice:</u> Reminder Notice on the 1st day of the month after the close of the billing cycle that P-Card Reconciliation Reports are due. • <u>4th Notice:</u> After the 3-day Grace Period, notice to the User Departments that a P-Card Reconciliation Report was not received, and the department's card(s) will be temporarily suspended until the Reports are received and are current. 	
6.	Separation of Duties Not Enforced for Cardholders and Liaisons	We recommend the Department of Purchasing and Contract Compliance identify barriers that may prevent them from	This issue was addressed and included in the Purchasing Card Manual revision of 1/2021, page 14, Monthly Reconciliation	Based on our review of the 2022 list of cardholders and liaisons, there are six (6) department cardholders that hold the role of department liaison. Of those six (6) dual roles

	Finding	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
		identifying user departments that lack separation between cardholder and Liaison. Additionally, perform a thorough review of P-Card documentation to ensure no one individual is performing multiple duties.	Process, Item 5: "After reconciling and reviewing all purchase transactions, the monthly reconciliation form and monthly cardholder statement must be approved by the authorized cardholder, Department Purchasing Card Liaison, and Department Head. Note: Any deviations or special circumstances regarding the signature approval process will require approval from the Chief Purchasing Agent."	holders, one (1) department has the department head as the cardholder and liaison. Partially Implemented

	Concern	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
1	Workload of Purchase Card Administrator	We recommend the Department of Purchasing and Contract Compliance continue its efforts to fulfill the coordinator position while reviewing the	The Department is currently working with the Human Resources Department and has provided an updated PDQ for the Purchasing Card Program Administrator as	The Purchasing Department was approved to add an additional position, Purchase Card Program Coordinator, to assist the Purchase Card Program Administrator. The position is filled and assisting with the P-Card Program Administrator's

	Concern	Recommendation	Corrective Action Plan	Current Status of Corrective Action Plan
		necessary steps to expedite the process. Additionally, we recommend the department review possible solutions to reduce the workload of the Purchase Card Program Administrator until additional positions are filled.	well as updated the job description for the Purchasing Card Program Coordinator positions.	workload. Implemented

FINDINGS AND RECOMMENDATIONS

Finding 1 - Violation of Purchase Card Standards and Controls

As noted in the Purchasing Card Manual under Program Administration Roles and Responsibilities, “mandatory training on the Introduction to P-Card Principles is required along with the cardholder’s signature affirmation on the Cardholder Agreement Form before a card will be issued.” In 2022, there were twenty-six (26) cards issued for new accounts within various departments in Fulton County Government. Of those twenty-six (26) cards issued, we were provided twenty-one (21) cardholders’ Purchase Cardholder Agreement forms for the year 2022. The current Purchase Card Program Coordinator was unable to retrieve the five (5) missing Purchase Card Agreement forms from the previous Coordinator after retiring. Failure to properly maintain P-Card administrative records may result in duplication of effort and violates the record retention requirements outlined in the purchasing manual.

Recommendation

We recommend the Department of Purchasing and Contract Compliance implement an efficient process to maintain pertinent P-Card administrative documents to conform to the record retention requirements explained in the Purchase Card Manual.

Finding 2 – Failure to Obtain Required Signatures for Reconciliation Reports

Pursuant to the Purchasing Card Manual, under the Monthly Reconciliation Process, “the monthly reconciliation form and monthly cardholder statement must be approved by the authorized cardholder, the department card liaison, and the department head.” It is the responsibility of the liaison to ensure proper signature signoffs are present before submitting reconciliation reports to The Purchasing Department. We concluded that eight (8) monthly reconciliations did not have the required signatures from user department representatives, and of those eight (8), there was no evidence of the Chief Purchasing Agent’s signature as stated in the purchasing manual when any deviations or special circumstances occur. Per the department, most of these instances occur when a department representative is out of the office, whether physically or remotely, during the review and submittal process. Failure to provide all required departmental signatures on reconciliation reports may result in unauthorized purchases on the department purchase card that could lead to additional P-Card violations such as theft and personal purchases.

Recommendation

We recommend Purchasing Department implement procedures that requires department liaisons to comply with policy standards to ensure all required signatures are present before submitting monthly reconciliations for approval to the Purchasing department.

Finding 3 – Failure to Approve Reconciliation Reports by Evidence of Signature

According to the Purchasing Card Manual, it is the Purchase Card Administrator’s responsibility to approve all completed and correctly submitted reconciliation reports and PRCC entries by signature evidence by the twelfth (12th) day of the month following the end of each spending cycle. Additionally, the designated person(s) within the Finance Account Payables staff is responsible for conducting a financial review of each monthly reconciliation report received from the Purchasing Card Program Administrator. The reconciliation form requests signatures from both, the Purchasing Card Program Coordinator and the Finance Department Processor, to ensure the accuracy of the monthly reconciliation and the necessary supporting documentation is provided. Our sample consisted of twelve (12) monthly reconciliations that did not include the required signatures from either the Purchase Card Program Coordinator, Purchase Card Program Administrator and/or the Finance Department Processor. The missing signatures are caused by technical issues when saving documents with digital signatures on the computer. However, failure to sign and approve reconciliation forms may result in unauthorized purchases, decrease the operating efficiency of internal controls, and violate the established guidelines of the P-Card program.

Recommendation

We recommend both the Purchasing and Finance department ensure proper review of the reconciliation packets includes all required signature signoffs on all monthly reconciliations packets to maintain the accuracy and validity of reconciliations processed for payment by the County.

Finding 4 – Separation of Duties Not Enforced for Cardholders and Liaisons

It is stated in the Purchasing Card Manual, the Purchasing Card Liaison is “a designated person within the User Department, who is not a P-Card holder.” Of the 105 cardholders that conducted transactions with the P-Card in 2022, six (6) cardholders hold the role of Cardholder and Liaison. Also, one (1) of the six (6) cardholders serves as the department head and liaison. Purchasing explained that due to staffing issues within departments, a cardholder or a liaison may no longer be employed with the County which causes the cardholder or liaison and even, in some cases, a department head to take on the responsibilities. This causes a lack of separation of duties until they are able to train another employee within the department. Department representatives holding multiple roles, especially in the review and approval process, increase the risk of errors and fraud.

Recommendation

Although the Purchasing Card Manual states that the responsibilities of P-Card holder and P-Card Liaison should be separated, we recommend additional guidance be provided to departments with fewer employees to ensure accuracy and compliance with policies and procedures. We also recommend departments with several cardholders, reduce the number of liaisons and remove the role of liaison from cardholders.

Finding 5 – Failure to Conduct an Accurate Review of P-Card Transactions

According to the Purchase Card Manual, “Fulton County is exempt from paying all sales tax at the point of sale.” During our review, we noted sales tax charged in the amount of \$1.53 on a UPS Store receipt. State law prohibits a charge of sales tax on a P-Card. Furthermore, this charge was included on a receipt that was submitted and approved on the monthly reconciliation for payment. We were not provided with any supporting documentation of an attempt to obtain or retrieve credit for the tax that was charged to the P-Card, as stated in the Purchase Card Manual should a sales tax charge occur. An inadequate review of supporting documentation from the liaison, department head, and Purchasing Card Program Administrator resulted in sales tax being charged. This was the only occurrence in our sample; however, any amount of sales tax charged on the P-Card is prohibited under State law and is a violation of Fulton County’s purchasing policies and procedures.

Recommendation

We recommend the Department of Purchasing and Contract Compliance and the Department of Finance perform a thorough review of reconciliation packets to ensure sales tax is not included. Additionally, to ensure all P-Card representatives uphold the standards and controls established throughout the Purchasing Card Manual.

Finding 6 – Untimely Payment of Invoices

Best practices reflect that vendor invoices should be paid before the due date provided on the invoice or within thirty (30) days. We identified twenty-two (22) monthly reconciliations that included past due invoices. It is the cardholder's responsibility to ensure invoices are paid in a timely manner when conducting business on behalf of the County. It is unclear as to why department cardholders did not pay invoices before or on the due date, but reoccurrences of untimely payments to vendors may cause unnecessary late fees, reporting issues, and hinder vendor relationships with the County.

Recommendation

We recommend the Department of Purchasing and Contract Compliance reiterate the importance of paying vendor invoices timely and emphasize best practices in purchasing.

CONCLUSION

Our follow-up audit of the Purchase Card program identified four (4) repeat findings from the prior audit and two (2) additional findings listed below:

- Violation of Purchase Card Standards and Controls
- Failure to Obtain Required Signatures for Reconciliation Reports
- Failure to Approve Reconciliations Reports by Evidence of Signature
- Separation of Duties Not Enforced for Cardholders and Liaisons
- Failure to Conduct an Accurate Review of P-Card Transactions
- Untimely Payment of Invoices

Based on our follow-up review of the Purchase Card program, we concluded that the Department of Purchasing and Contract Compliance and the Department of Finance – Accounts Payable division is continuously progressing, strengthening and improving internal controls through policies and procedures. We recommend management continue their effort in providing an efficient and effective purchase credit card program for all departments and users, including elected and appointed government officials that utilize the P-Card to conduct business on behalf of Fulton County Government.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted to Shauna Herbert, Audit Manager, in the office of the County Auditor at Shauna.Herbert@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.