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Date: April 21, 2009

To: Mayor & City Council

From: Patrick H. West
City Manager

Subject: Purchasing Card Audit
- Item #5 on the April 21, 2009
City Council Agenda

Comments: Information related
to Agenda Item C-5 on April 21,
2009 Council Agenda

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Date: April 20, 2009

To: Patrick H. West, City Manager

From: Lori Ann Farrell, Director of Financial Management

For: Mayor and Members of the City Council

Subject: Purchasing Card Audit – Item #5 on the April 21, 2009 City Council Agenda

The Department of Financial Management, Purchasing Division, has reviewed the Purchasing Card Audit conducted by the Office of the City Auditor appearing as Item #5 on the April 21, 2009 City Council agenda. The objective of the audit was to verify whether P-Card transactions were in compliance with the established policies and procedures set forth in the User Guide and the City's Administrative Regulations and to evaluate the adequacy of internal controls over the Program.

The City Auditor's initial draft audit was submitted to Financial Management on February 19, 2009. The Purchasing Division met with the City Auditor's Office to provide clarification regarding the issues highlighted in the report. The City Auditor's Office incorporated many of our recommendations into its final report. The final report was submitted to the Purchasing Division on March 18, 2009.

City Management is in general agreement with the City Auditor's recommendations but respectfully disagrees with the characterization in Issue #1 relating to unsupported or unauthorized transactions. Rather than unauthorized, most of these transactions were authorized after the specified timeframe or the authorization date was missing, rendering them late but not necessarily unauthorized. Occasional errors in a program of this size are not unusual; hence the City Auditor's results serve as a validation that the Program is generally working effectively. However, the Department of Financial Management will continue to monitor the timeliness of authorizations to ensure compliance.

In addition, many of the audit recommendations are in the process of implementation. Specifically, the adoption of a Citywide Administrative Regulation with policies and procedures in addition to the existing User Guide should serve to enhance the Program's internal controls. This will address most of the concerns raised in the audit report related to the Program.

With the above steps in place, the City's P-Card Program will have enhanced controls and improved oversight. This will ensure a more effective Program that continues to benefit many Citywide programs and operations.

In sum, the Purchasing Division will continue to work with departments to implement these Program changes and ensure that internal controls are functioning, as well as continuously seeking ways to improve this Program. Please also note that P-Card purchases are limited to \$1,000 per transaction; thereby significantly reducing the potential for abuse of the Program.

We want to thank the City Auditor's Office for its assistance in reviewing this important Program.

If you have any questions regarding this matter, please do not hesitate to call me at extension 8-6427.

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CC: SUZANNE FRICK, ASSISTANT CITY MANAGER
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LAURA L. DOUD, CITY AUDITOR