



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 17-28 Colorado Springs Utilities Purchasing Card Audit

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### **Purpose**

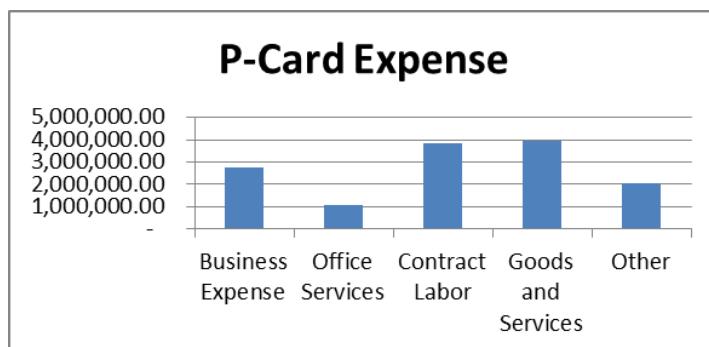
The purpose of this audit was to evaluate the internal control environment related to Purchasing Card (P-Card) transactions, and determine if disbursements were made in accordance with policies and procedures. Our audit period was the twelve months ended June 2017.

### **Highlights**

We conclude that, overall, controls over P-Cards were effective and transactions were processed in compliance with policies and procedures. During the audit, we identified two recommendations and one opportunity for improvement to further strengthen internal controls. Please see pages two and three of this report for observation details.

The Utilities P-Card program was administered by the Procurement and Contract Services Department in the Planning and Finance Division. The P-Card program was designed to reduce or eliminate administrative burdens involved in buying low cost supplies and materials.

Our tests included review of P-Card statement packages for proper use of the P-Card, review, and approval. Additionally, our procedures included data analytics to identify any unusual vendors or split transactions. We noted good compliance with policies and procedures in our test.



Source: Utilities pcard statement transactions for 12 months ending June 2017.

### **Recommendations**

1. Assign responsibility for on-going reviews of P-Card transactions.

Review should be performed by a department not directly responsible for P-Card administration, such as Finance or Enterprise Risk Management.

2. Update P-Card policy to require the cardholder to sign and date the statement and reconciliation package.

### **Opportunity for Improvement**

1. Consider the following: Risk and administrative effort of increased card limits compared to benefits.

Renegotiation of the temporary staff contract to allow more favorable terms for centralized payment.

### **Management Response**

Management's responses may be found on pages two and three of this report.

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## **Observation 1**

Ongoing independent review of P-Card statements and support packages was not in place.

Supervisors were required to review and approve P-card statements and support. Utilities' P-Card policy manual required the following:

*6.14.1 The Internal Review section of Enterprise Risk Management (ERM) will perform continuous audit tests of P-Card transaction activity on an annual basis.*

Independent reviews help ensure compliance with policies and procedures and prompt detection of improper P-Card use.

## **Management Response**

Colorado Springs Utilities agrees. Utilities will determine the proper resources to perform internal reviews of P-Card transactions, and will update the policy language accordingly to reflect any changes.

## **Recommendation**

Colorado Springs Utilities ERM should perform reviews of P-Card transactions in compliance with Utilities policy.

If management determines this responsibility should be assigned to another department, policy should be revised accordingly.

Review should be performed by a department not directly responsible for P-Card administration.

## **Observation 2**

The cardholder was not required to sign and date the P-Card statement.

Under Utilities' P-Card policy manual, the P-Card statement could be signed and submitted by the cardholder or an employee assigned to reconcile the statement. The statement was then approved by the Supervisor. The policy was inconsistent because it included the following:

- The employee is accountable for all purchases made on the card.
- At the end of each billing cycle, the cardholder shall certify that the goods were legitimately purchased and received in accordance with the organization's policies and procedures.

Employee signature helps to ensure accountability for transactions processed with the card.

## **Management Response**

Colorado Springs Utilities agrees. Utilities will update policy to require cardholder written or electronic acknowledgement for monthly transactions.

## **Recommendation**

Utilities' P-Card policy manual should be updated to require the cardholder to sign and date the statement and reconciliation package.

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## ***Opportunity for Improvement***

- Approximately 28% of charges to P-Cards during our audit period related to contract labor.
- Ten cardholders had P-Card transaction limits over \$20,000 and monthly limits over \$100,000.

Contract labor was charged to P-Cards to maximize the rebate under the bank agreement and was allowable under P-Card policy. The contract labor agency was responsible for paying the fee to accept P-Card payment.

Transaction limits were set at levels to allow payment of contract labor and permit fees. and monthly card limits.

## ***Management Response***

Colorado Springs Utilities agrees. Utilities will evaluate the current payment process for Contract Labor Agency compared to other viable options and determine best practice based on evaluation.

## ***Recommendation***

Colorado Springs Utilities should consider the risk of increased card limits compared to administrative cost savings and rebate benefits.

Based on this analysis, Utilities should:

- Determine if use of the P-Card for contract labor is a best practice.
- Consider negotiation of more favorable terms with the Contract Labor Agency for centralized payment options.