



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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22-05 Colorado Spring Utilities Procurement Card Program

February 2022

Purpose

The purpose of this audit was to evaluate the adequacy of the internal control environment as it relates to Procurement Card (P-Card) transactions and to determine that purchases are being made in accordance with policy and procedure.

Highlights

We conclude that overall procurement cards were issued and utilized in accordance with policies and procedures. We identified one recommendation to improve the P-Card program internal controls.

The audit period under review was August 2020 through July 2021. This audit included a review of the Utilities' administration of the P-Card program. The P-Card administration audit objectives included:

- Review of cardholder training
- Review of daily and monthly spend limits in accordance with policy and purchases were within approved limits
- Review of user access management
- Review that separated employees no longer had active P-Cards
- Review of open or closed merchant category codes (MCC's)
- Review of high level purchase activity and analytics
- Review sample selection for purchase policy compliance

The P-Card program was administered within the Procurement department. The P-Card was issued to Utilities' employees to make efficient and cost-effective purchases on behalf of Utilities. The program provides guidance to ensure that purchases of goods and/or services made with a P-Card were allowable, have a valid business purpose, and comply with applicable Utilities policies and procedures.

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Management Response

Management was in agreement with our recommendation.

Recommendation

Procurement Card administration should ensure Justification Forms are completed and required signatures obtained prior to increasing cardholder credit limits.

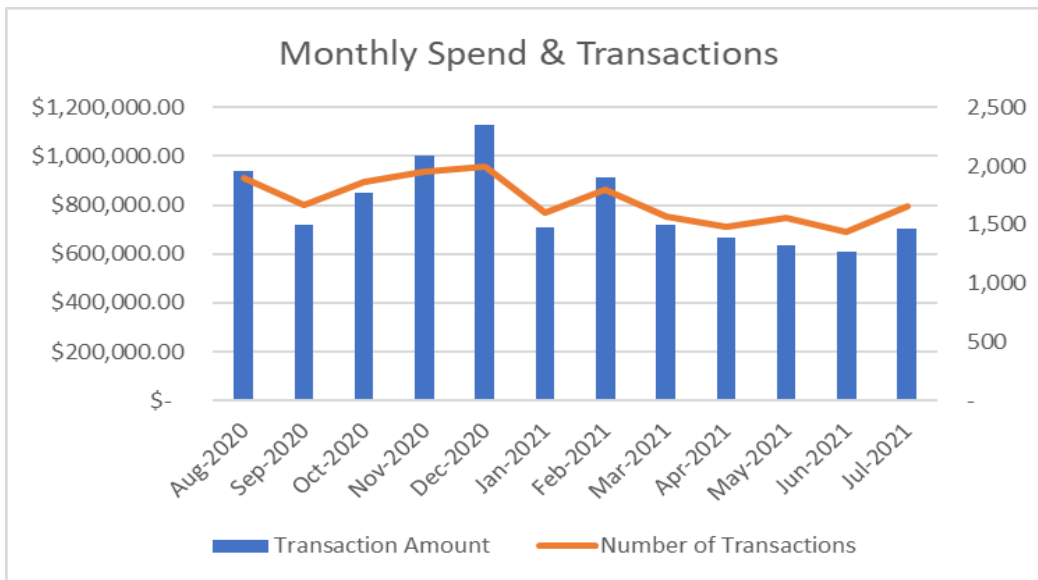
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At the time of our review, cardholders were required to submit a cardholder justification with supervisor and/or manager approval, undergo P-Card training, and complete a card application with the vendor. P-Card administration was able to customize each card as it relates to transaction and monthly spend limits. Merchant category codes were restricted at a program level.

When making purchases cardholders were required to maintain all receipts, invoices, and relevant documentation. On a monthly basis, cardholders and managers were then required to attach supporting documentation to the monthly review and reconcile purchases to ensure all charges were appropriate for Utilities' business and within policy and guidance.

Certain employees within the Procurement department were authorized as administrators of the P-Card program. Administrators change spend limits, approve card requests, and close accounts. Administrators also review purchase activity at a high level monthly, sample a selection of purchases for policy compliance, and close out card transactions as needed.

We reviewed the 12 month period August 1, 2020 through July 31, 2021. During this period there were 20,478 transactions that accounted for \$9,597,259.22. As of September 10th, 2021 there were 496 active cardholders.



We would like to thank the Procurement P-Card administration for supporting the audit, providing complete and timely responses to inquiries.

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Observation 1

Increased cardholder spend limits were not supported with documented approvals.

Four employees of the 39 we reviewed, had credit limits which exceeded what was authorized on the initial Justification Forms (JF) filled out during card issuance. These limits were increased after the cards were issued and no modified JF was documented authorizing the credit increase. P-Card administration indicated these increases were done by email request and verbal authorization.

Management Response

Management agrees with the recommendation. Supply Chain Analytics/P-Card Administration will be launching an electronic form with corresponding automation to obtain electronic approvals for this process. The capture of the necessary approvals will be done and recorded before the request is routed to the P-Card Administrator to complete the changes. This process will be completed by 2/28/22.

Recommendation

P-Card administration should ensure Justification Forms are completed and required signatures obtained prior to increasing cardholder credit limits.