

# **Procurement Card Audit June 2018**

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City Auditor's Office

June 7, 2018

Honorable Mayor and Members of the City Council:

The City Auditor's Office has completed the Procurement Card Audit. The purpose of the audit was to review procurement card purchases for compliance with applicable City policies.

Management's response to our audit findings and recommendations, including target implementation dates and responsibility, is included following the report.

We would like to thank staff from the Purchasing Division for their full cooperation and assistance during the audit.

*Lori Brooks Jaquess*

Lori Brooks Jaquess, CPA, CIA, CGAP, CRMA  
City Auditor

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# Procurement Card Audit

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## *Executive Summary*

The City Auditor's Office has completed the Procurement Card (P-Card) Audit. The performance audit was conducted in accordance with generally accepted government auditing standards. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit objective was to review procurement card purchases, to include travel and training expenses, for compliance with applicable City policies. In addition, the Executive Credit Card Program was also reviewed.

The City Auditor's Office noted strengths in the P-Card program related to the following areas:

- The Purchasing Division requires training for the P-Card cardholder
- The majority of P-Card cardholders adhere to the policy
- The Purchasing Division conducts periodic refresher training when requested
- There were no purchases found that violated the P-Card policy

We noted potential opportunities for improvement in the following areas:

- Additional guidance in P-Card Guidelines
- Mandatory Refresher training for P-Card cardholders
- Training for P-Card approvers
- Requiring approvers to sign an agreement detailing their roles in the program
- Periodic random audits conducted by Purchasing
- Verifying the amount of rebate received

Details of audit findings, conclusions and recommendations are included in the following report.

## ***Audit Scope and Methodology***

The audit was conducted in accordance with generally accepted government auditing standards. The following methodology was used in completing the audit.

- Interviewed personnel responsible for P-Card program management
- Reviewed relevant City of Arlington policies and procedures
- Reviewed transactional data from JP Morgan Chase
- Reviewed purchase receipts and monthly reconciliation packets
- Interviewed P-Card cardholders and approvers
- Conducted analytical tests on transactional data
- Reviewed employee agreements and employee request forms

## ***Background***

The City of Arlington's P-Card program was established in FY 2002. The city participates in the program through a co-operative agreement with the City of Fort Worth and JP Morgan Chase. The program provides an easier and more cost-effective method to purchase low dollar items instead of using Purchase Orders, Payment Authorizations and/or Petty Cash. The cards have a maximum single purchase limit of \$2,999 and a monthly cycle limit not to exceed \$10,000. The individual cardholder limits can be lower and are established by the department head. Additionally, some P-Card cardholders, at the request of a department head, have been authorized to use the card for meals, travel or entertainment.

The program is managed by a Procurement Card Administrator in the Purchasing Division. This individual is responsible for the issuance and termination of P-Cards, training the cardholders, the monitoring of expenditures, and the establishment of the program's policies and procedures. Additionally, the P-Card Administrator sets up each cardholder in the JP Morgan Chase system and can place restrictions on the cards based on merchant codes. This allows the City to prevent charges from certain types of prohibited merchants.

Employees are issued P-Cards at the request of the employee's department head/supervisor and upon completion of an Enrollment Request Form and the Employee Card Agreement Form by the employee. These forms outline basic terms and conditions that must be followed when using the card; documents the employee's agreement with these terms; specifies whether the card can be used for travel and/or food/catering; and establishes the purchase limits for the card. Both forms are signed by the department head. Upon receipt of these forms, the P-Card Administrator requests a card from JP Morgan Chase in the name of the employee. The employee must then attend and complete a training session with the P-Card Administrator. The employee must reconcile their purchases with the JP Morgan Chase online system every month. The employee enters a description of the purchase and the proper accounting codes into the system so that the purchase can be entered into the Lawson Accounting System.

Currently, there are 263 city employees across various departments/divisions that have been issued P-Cards. P-Card expenditures per department for the two-year audit period are listed below:

**P-Card Cardholders and Transactions by Department/Division**

**October 1, 2015 – September 30, 2017**

Department/Division	Transaction Count	Transaction Value	Cardholder Count
Parks & Recreation	17,003	\$3,875,800	96
Public Works	8,501	\$1,263,538	44
Water	4,368	\$ 956,079	20
Police	3,616	\$ 818,536	36
Fire	3,193	\$ 724,633	17
Management Resources	2,034	\$ 555,609	8
Library	1,385	\$ 358,096	3
Community Development and Planning	1,810	\$ 305,926	6
Convention Center	836	\$ 276,925	5
Code	1,172	\$ 169,706	5
Information Technology	534	\$ 141,488	4
Human Resources	460	\$ 121,804	3
Airport	356	\$ 71,528	3
City Attorney	319	\$ 65,428	3
Municipal Court	352	\$ 55,682	1
Finance	291	\$ 41,576	2
Handitran	153	\$ 24,504	2
Internal Audit	84	\$ 22,966	1
Judicial	85	\$ 10,768	4
<b>TOTAL</b>	46,552	\$9,860,592	263

In addition, the City also has an executive card program which functions similarly to the P-Card program. According to the Policy for the Executive Credit Card Program, “Unlike the City-wide procurement card program, the parameters of the business card are less rigid, allowing City officials to react swiftly to applicable situations as they arise. This card can only be obtained via written permission from the City Manager.” Currently, no one holds an Executive Card.

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## *Audit Results*

### **Analytical Testing**

Internal Audit downloaded all procurement card transaction data for FY16 and FY17 from JP Morgan Chase and performed a number of analytical tests using TeamMate Analytics, a data analysis tool. The analytical testing identified transactions that:

- Exceeded predefined limits
- Appeared to be excessive
- Appeared to be split into multiple transactions
- Appeared to be duplicate transactions
- Occurred on holidays and weekends
- Had even dollar amounts

The program also summed the transactions by vendor and by cardholder. The ability to analyze all transactions in the period reviewed allowed Internal Audit to gain additional perspective about the overall use of the City's P-Cards.

As a result of this testing, Internal Audit identified the following trends in the use of the City's P-Cards:

- A number of departments purchase Sam's Club Memberships for employees to make City purchases. During the period reviewed, the City of Arlington purchased 63 Sam's Club memberships. Three of these employees did not make a purchase on their P-Card at Sam's Club during this period.
- A number of departments (8) purchase Amazon Prime Memberships for employees to make City purchases. Internal Audit noted that in a number of cases, a cardholder purchased an Amazon Prime membership and subsequently had the membership canceled. The charge was refunded. During the review period, ten Amazon Prime memberships were purchased and not canceled. The cost associated with these memberships was \$3,410 in FY16 and \$3,020 in FY17.
- A number of departments (12) purchase Survey Monkey Memberships for employees to create surveys.
- Cardholders spent approximately \$80,506 and \$91,110 in FY16 and FY17, respectively, to purchase food. This does not include food purchased at grocery stores.

With this knowledge, the City may want to consider evaluating cost savings strategies and identify opportunities to further strengthen the guidance provided for these types of transactions.

## Compliance Testing

The information provided by the analytics program allowed Internal Audit to identify cardholders having the highest dollar volume of transactions during the review period. These cardholders were included in the audit sample for further review and compliance testing. Additional cardholders were added to the sample, as well, based on the results of the analytical tests; and the results were also used to identify individual transactions requiring additional review.

Internal Audit selected a judgmental sample of twenty-one P-Card cardholders. The sampled cardholders were from various City departments and included individuals that were authorized for food and travel purchases. For each of the cardholders selected, Internal Audit reviewed transactions from a minimum of three months. To ensure an adequate sample, for cardholders with a lower volume of transactions, the number of months reviewed was greater than three. In total, Internal Audit reviewed 1,386 transactions.

Internal Audit tested the transactions and the cardholder using six attributes: (1) Was the purchase allowed per policy, (2) Was sales tax paid on the purchase, (3) Was the purchase approved by the supervisor, (4) Was the cardholder and supervisor-approved account statement on file in the department, and (5) Was the purchase documentation for each transaction included with the account statement.

All transactions reviewed were allowable purchases with the P-Card and were approved by the supervisor in the JP Morgan Chase system. Internal Audit noted that for 62 (4%) of the 1,386 transactions, the cardholder paid sales tax. On most of the occasions, the cardholder worked with the vendor to get the sales tax refunded back to their card. Of the 1,386 transactions reviewed, 149 lacked a receipt.

Internal Audit noted that 2 of the 21 cardholders in the sample did not retain the appropriate reconciliation documentation. Per the City of Arlington Procurement Card Policy, the cardholder should retain all purchase related documents (receipts, invoices, etc.) and file them with a cardholder and supervisor-approved account statement. Upon request, these cardholders were able to locate supporting documentation for their purchases. Additionally, three other employees were missing documentation of one purchase, but they were later able to produce the missing documentation.

Internal Audit spoke with each cardholder regarding the compliance issues noted above during the course of the review.

Additionally, Internal Audit reviewed the Mayor's business card. This card functions similarly to the procurement cards, but it does not have the same restrictions. Internal Audit reviewed the purchases on the card as recorded in the JP Morgan Chase System and did not note any issues. All purchases are reconciled and approved by the Chief Financial Officer.



## Contract Review

Internal Audit reviewed the City's contract with JP Morgan Chase and evaluated compliance with the terms of the contract. The City opted to "piggy-back" on a City of Fort Worth contract with JP Morgan Chase. Several cities have chosen to do the same and are considered a consortium with respect to the contract. The contract includes opportunities to receive rebates based on the use of the cards. The following outlines the rebates available and the City's current status as it relates to the rebates.

- The first rebate is calculated on the total spending of the consortium for the year. Each member of the consortium receives a percentage of their total spend during the period back in the form of a rebate. Currently the city receives a rebate of 1.61%. For FY17 this amounted to \$81,090.
- The second rebate allows the city to receive .0075% for each day that the city pays before the 29th day of the billing cycle. Currently, the city makes payment on the 29th day. Based on the current spending level, the city would receive a rebate of approximately \$1.03 per/day that the bill was paid early.
- The third rebate available to the city is for "Large Ticket Transactions," which are transactions generally over \$7,500. Currently, the city would receive .2% of the total of large ticket transactions. The City does not allow P-Card use for large ticket transactions.

Based on review of the contract, all parties appear to be in compliance with the terms of the agreement. However, opportunities exist for the City to increase the rebates received from JP Morgan Chase.

## Other Testing

As part of the testing, Internal Audit reviewed P-Card related training, security of the cards, and number of cards issued.

### Training

Before receiving their P-Card, all prospective cardholders must attend and complete a training program with the Purchasing Division. The training is documented on the Enrollment Request Form by Purchasing and signed by the cardholder. Internal Audit reviewed the enrollment request forms and matched them against the roster of P-Card cardholders. It appears that all cardholders have completed the required training. Although not required, some departments schedule a refresher training session with the Purchasing Division for their cardholders.

It was noted that P-Card *approvers* are not required to complete training prior to becoming an approver. While there are some instructions related to the P-Card on the Purchasing portal, there is little information specifically for the P-Card approver. Based on the evaluation of the training offered by Purchasing, Internal Audit identified opportunities to enhance the training offered by Purchasing.

### Security

To determine if the P-Card Policy was being followed in regard to card security, we spoke with the P-Card Administrator. When a cardholder transfers to another department or leaves the city, the employee's supervisor contacts the Administrator, who then deactivates the card. At that time, the Administrator will either tell the supervisor to shred the card or send the card back to Purchasing to be shredded. If the supervisor is responsible for destroying the card, they will email the Administrator to let her know when the card has been destroyed. Internal Audit also discussed card security with the sampled cardholders. No issues related to card security were noted.

### Number of P-Cards Issued

At the time of the audit, the City had issued 263 procurement cards to individuals in 19 departments. Most departments have very few cardholders. However, the Parks and Recreation and Public Works Departments account for the majority of current cardholders. During the course of the audit testing, Internal Audit assessed the reasonableness of the number of cardholders in these departments with a large number of cardholders. Generally, reasons given for the large number of cardholders had to do with the geographic dispersion of the department's operations and the need to make purchases outside of normal business hours. Additionally, no compliance issues were noted within those departments and it appears that sufficient controls are in place and working as intended.

## ***Detailed Audit Findings***

### **Purchasing Card Policy**

The Purchasing Card Policy places very few limitations on the use of the P-Card. While this makes it easier for departments to make necessary purchases, it can create opportunities for cardholders to make mistakes or spend City funds unnecessarily. Because of the ease of use, departments purchase food for departmental luncheons, retirement gifts, etc. with very little guidance provided on justification for these purchases. Additionally, because these purchases are not centralized, a number of memberships, such as Sam's Club, Amazon, Survey Monkey, etc. are purchased. Perhaps, some of these memberships could be consolidated and/or shared among departments, or a City-wide membership could be purchased, reducing the City's cost.

#### ***Recommendation:***

- 1. The City Auditor's Office recommends the Purchasing Division consider including additional guidance in the P-Card Policy related to the purchase of food, gifts, memberships, etc.***

### **Lack of P-Card Refresher Training for Cardholders**

Currently a cardholder is not required to attend and/or complete a P-Card training refresher course. However, there are some departments that arrange for the Purchasing Division to provide

periodic refresher training for their P-Card cardholders. When the program was designed, the one-time training with the option to request additional training was deemed sufficient.

Leading business practices dictate that cardholders be required to attend/complete periodic refresher training. Required refresher training would assure that all cardholders are reminded of the P-Card requirements and would allow for any changes in the program to be consistently communicated.

***Recommendation:***

- 2. The City Auditor's Office recommends the Purchasing Division require each P-Card cardholder attend and/or complete refresher training periodically. This training could be either face to face or computer-based training.***

### **Lack of Approver Training**

P-Card approvers are not required to complete any type of training before becoming an approver. Although the P-Card Policy is available on the portal, the lack of training has resulted in some current approvers not understanding all aspects of the P-Card policy or their roles and responsibilities as an approver. Leading business practices dictate that approvers be required to attend/complete training before becoming an approver. Required training would assist in assuring that all approvers understand their roles and responsibilities as well as the P-Card Policy.

***Recommendation:***

- 3. The City Auditor's Office recommends the Purchasing Division develop a training program for P-Card approvers.***

### **Lack of Approver Agreement that Outlines Responsibilities**

Currently, the P-Card Approver does not sign an agreement that explains their role in the P-Card program. The Employee Card Agreement is signed by the P-Card cardholder and the department head. The Enrollment Request Form is signed by the department head/designee. However, these forms layout the responsibilities of the cardholder, not the approver. The Purchasing Division has not mandated that the approver sign an agreement that lists their roles and responsibilities. Since they are not required to sign an agreement form detailing their roles and responsibilities, not all approvers fully understand their roles and responsibilities. Leading business practices include requiring the approver to sign an internal agreement that outlines their role in the P-Card program.

***Recommendation:***

- 4. The City Auditor's Office recommends the Purchasing Division create an Approver Agreement Form that explains the roles and responsibilities of a P-Card Approver. The Approver should be required to sign the agreement, indicating that they understand their roles and responsibilities and agreeing to abide by the program requirements.***

### **No Periodic Random Audits**

Currently, there are no periodic random audits of P-Card documentation and compliance with the P-Card Policy by the Purchasing Division. The Purchasing Division does not feel they have the authority to conduct random audits because the policy does not specifically mandate the action. Good internal controls require that management monitor programs they have implemented. Without adequate monitoring, the success and continued viability of a program cannot be assessed.

#### ***Recommendation:***

- 5. The City Auditor's Office recommends the Finance Department implement a monitoring program, whereby one such aspect of this program could be periodic random audits. Additionally, the P-Card policy should be amended to reflect the Finance Department's responsibility to monitor.***

### **Verification of Rebate Calculation Not Performed**

The Purchasing Division does not verify that the amount collected for the annual rebate from JP Morgan Chase is accurate. The rebate is based on a pre-established percentage of the City's expenditures. Leading business practices dictate that payments be verified to determine that they are in accordance with contract terms.

#### ***Recommendation:***

- 6. The City Auditor's Office recommends the Purchasing Division verify that the rebate amount is in accordance with the terms of the agreement.***

### **Additional Opportunities to Increase Rebates from JP Morgan Chase**

The Purchasing Division is not taking full advantage of rebates in the P-Card contract. The City does not currently use P-Cards to purchase large ticket items (over \$7,500). The P-Card contract provides for a rebate of .2% of all purchases on a P-Card that are over the \$7,500 threshold. When the City's P-Card program was established, the objective was to provide a method to pay for small dollar transactions only. Leading business practices dictate that rebates be maximized to the extent possible. By not taking advantage of this rebate opportunity, the City loses potential revenue.

#### ***Recommendation:***

- 7. The City Auditor's Officer recommends the Purchasing Division evaluate the feasibility of using the P-Card on large ticket items.***

### **Maintenance of Reconciliation Documentation at Handitran**

The cardholder reviewed at Handitran failed to maintain an appropriate “reconciliation package” as required by the P-Card Policy. Section 6.2 of the policy states, "A complete reconciliation package is required for each cycle containing purchases. The original sales documents for all items listed on the monthly statement should be neatly attached to the monthly statement printout which shows cardholder and supervisor approvals. When numerous receipts are involved, a manila envelope clearly marked with the billing cycle dates should be used. A complete reconciliation package is critical to enable audit substantiation."

Additionally, it was noted that the cardholder does not provide the receipts to the approver for review. However, the approver stated that the purchases are discussed prior to the purchase. Therefore, he would know if a transaction was not appropriate.

The cardholder stated that he does not always have the time to maintain the documentation as outlined in policy. Without a proper reconciliation package, the supervisor is not able to make sure that the receipts exist for each purchase, which could lead to inappropriate purchases being made and approved. The cardholder was able to provide receipts for the majority of the transactions reviewed. No inappropriate purchases were noted.

#### ***Recommendation:***

- 8. The City Auditor's Office recommends the Transit Manager at Handitran require the Cardholder to prepare a reconciliation package as required by the P-Card Policy. In addition, the Manager should inspect the documentation packet to ensure that it has all the proper receipts at the time of approving the transactions in the JP Morgan Chase online system. The reconciliation package should be retained for the current fiscal year plus three additional fiscal years as required by the retention policy.***

### **Maintenance of Reconciliation Documentation at the Action Center**

The cardholder reviewed at the Action Center failed to maintain an appropriate “reconciliation package” as required by the P-Card Policy. Section 6.2 of the policy states, "A complete reconciliation package is required for each cycle containing purchases. The original sales documents for all items listed on the monthly statement should be neatly attached to the monthly statement printout which shows cardholder and supervisor approvals. When numerous receipts are involved, a manila envelope clearly marked with the billing cycle dates should be used. A complete reconciliation package is critical to enable audit substantiation."

Additionally, it was noted that the cardholder does not provide the receipts to the approver for review. The approver is aware of the purchases and did not find it necessary to review the receipts. The approver was not aware of the policy requirements as they relate to the reconciliation package and his responsibility to review receipts. The cardholder was able to provide receipts to substantiate the majority of the transactions reviewed. Internal Audit did not identify any purchases in violation of City Policy.

**Recommendation:**

9. *The City Auditor's Office recommends the Action Center Manager require the Cardholder to prepare a reconciliation package as required by the P-Card Policy. In addition, the Manager should inspect the documentation packet to ensure that it has all the proper receipts at the time of approving the transactions in the JP Morgan Chase online system. The reconciliation package should be retained for the current fiscal year plus three additional fiscal years as required by the retention policy.*

**Action Center Employee Incentive Program**

During the course of reviewing P-Card purchases in the Action Center, Internal Audit noted the Action Center has implemented an employee incentive program to encourage employees to reduce their absenteeism rates. The incentive awards are gift cards that were purchased with the P-Card. The Action Center purchased 40 individual gift cards totaling \$1,445 for various vendors in varying amounts. The purchases were all made at the end of FY17, and the incentive program did not begin until the beginning of FY18. These gift cards are sufficient to operate the incentive program for at least 18 months. It was also noted that the department does not maintain an inventory of the gift cards.

By purchasing the gift cards, the Action Center has effectively charged FY 2018 expenses to FY 2017. The department invested \$1,445 in a program that had yet to be tested or proven to be successful in reducing absenteeism. If the program is canceled, consideration must be given to how best to utilize the remaining gift cards. Good business practices dictate that the best course of action would have been to purchase a minimal number of gift cards until the program had been proven effective. Additionally, good internal control practices preclude the purchase of gift cards on a procurement card. By requiring gift cards to be purchased through other means, it allows additional control of an asset that is equivalent to cash.

At the time of the audit, the Action Center had awarded three gift cards through the incentive program. These gift cards are considered income for the employee and must be reported to the Payroll Division so that they can be recorded as income and taxed appropriately. Although the gift cards were awarded during the period of October 2017 through December 2017, Payroll was not notified as to who received the gift cards and the value of those cards until January 2018. Payroll should be notified in a more timely manner so that the income can be recorded in the pay period it is received.

**Recommendations:**

10. *The City Auditor's Office recommends the Action Center establish an inventory tracking system for the gift cards and require the employee to sign for gift cards received.*

- 11. The City Auditor's Office recommends the Action Center notify the Payroll Division to properly record the gift cards as income for the employees who receive them during the pay period the gift cards are distributed.*
- 12. The City Auditor's Office recommends the Purchasing Division amend the P-Card Policy to prohibit the purchase of gift cards with P-Cards.*

**CITY OF ARLINGTON  
PROCUREMENT CARD AUDIT  
AUDIT RECOMMENDATIONS AND MANAGEMENT RESPONSE**

<b>AUDIT RECOMMENDATION</b>	<b>CONCUR/DO NOT CONCUR</b>	<b>MANAGEMENT RESPONSE</b>	<b>RESPONSIBLE PARTY</b>	<b>DUE DATE</b>
<p>1. <i>The City Auditor's Office recommends the Purchasing Division consider including additional guidance in the P-Card Policy related to the purchase of food, gifts, memberships, etc.</i></p>	<p>Concur</p>	<p>The Procurement Card Policy will be updated to include guidance on food and gift purchases. The update will also include additional language regarding travel reservations and 3rd party transactions. Once these updates are complete and the new policy in place, the Purchasing Division will conduct mandatory refresher training for all the p-card holders and approvers. The Finance Department will also continue to routinely monitor spend by vendor to identify potential contracting opportunities for potential cost savings.</p>	<p>Will Velasco, CPPB Purchasing Manager</p>	<p>December 31, 2018</p>



AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p>2. <i>The City Auditor's Office recommends the Purchasing Division require each P-Card cardholder attend and/or complete refresher training periodically. This training could be either face to face or computer-based training.</i></p>	<p>Concur</p>	<p>Finance currently provides quarterly training classes, which we recommended to all our end users. That training consists of a Purchasing 101 overview that includes a p-card refresher. Going forward, we will mandate that all p-card users attend a separate refresher training every two years where they will be updated on changes to the policy and performance of program in order to retain their p-card privileges. This will be done at the convenience of department user groups and is anticipated to be completed no later than December 31, 2018.</p>	<p>Will Velasco, CPPB Purchasing Manager</p>	<p>December 31, 2018</p>

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p>3. <i>The City Auditor's Office recommends the Purchasing Division develop a training program for P-Card approvers.</i></p>	Concur	<p>The Finance Department will implement a required training program for approvers before they are allowed access into JP Morgan Chase. New approver training will occur in conjunction with the p-card user training that takes place before the card is issued. In addition, Finance will also require all current approvers attend a refresher training program to ensure all approvers are proficient in the roles and responsibilities of the position. The refresher training will include handouts and explanations of what constitutes a good and auditable p-card reconciliation packet, in accordance with the policy. It will also highlight restricted and sequential purchases. This training is expected to be completed for all approvers no later than December 31, 2018.</p>	Will Velasco, CPPB Purchasing Manager	December 31, 2018
<p>4. <i>The City Auditor's Office recommends the Purchasing Division create an Approver Agreement Form that explains the roles and responsibilities of a P-Card Approver. The Approver should be required to sign the agreement, indicating that they understand their roles and responsibilities and agreeing to abide by the program requirements.</i></p>	Concur	<p>The Finance Department will develop an Approver Agreement Form similar to the Card Holder Agreement Form that lays out the responsibilities of the approver within the City of Arlington P-Card Program. This form will be accepted at the conclusion of the initial p-card training that's referenced in Finding 3. Finance will also gather signed forms once the approver refresher training is completed.</p>	Will Velasco, CPPB Purchasing Manager	December 31, 2018

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p>5. <i>The City Auditor's Office recommends the Finance Department implement a monitoring program, whereby one such aspect of this program could be periodic random audits. Additionally, the P-Card policy should be amended to reflect the Finance Department's responsibility to monitor.</i></p>	Concur	<p>Currently, the Finance Department reviews Merchant Detail reports quarterly to identify vendor and p-card group spend. This ensures program policies are not being violated and contracting opportunities are being addressed by recognizing repeated or aggregate spend. Going forward, the Finance Department will consider alternate methods, such as conducting spot audits, as work load allows.</p>	<p>Will Velasco, CPPB Purchasing Manager</p>	<p>December 31, 2018</p>
<p>6. <i>The City Auditor's Office recommends the Purchasing Division verify that the rebate amount is in accordance with the terms of the agreement.</i></p>	Concur	<p>The Finance Department will review the terms of the contract with JP Morgan Chase and develop an internal process to ensure the rebate amount is in accordance with the contract. This will include coordinating with the Treasury Division to ensure the amount issued is based off the pre-established percentage of the City's expenditures.</p>	<p>Will Velasco, CPPB Purchasing Manager</p>	<p>October 31, 2018</p>

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
7. <i>The City Auditor's Office recommends the Purchasing Division evaluate the feasibility of using the P-Card on large ticket items.</i>	Concur	The Finance Department will review opportunities within the organization where we can take advantage of this clause in the contract. Several of our Finance controlled contracts such as electricity and gas have already been identified as potential areas where we can evaluate this process and test its value. The City must be cautious with implementing this type of rebate citywide on all issued p-cards to ensure State purchasing laws are not violated.	Will Velasco, CPPB Purchasing Manager	December 31, 2018
8. <i>The City Auditor's Office recommends the Transit Manager at Handitran require the Cardholder to prepare a reconciliation package as required by the P-Card Policy. In addition, the Manager should inspect the documentation packet to ensure that it has all the proper receipts at the time of approving the transactions in the JP Morgan Chase online system. The reconciliation package should be retained for the current fiscal year plus three additional fiscal years as required by the retention policy.</i>	Concur	The transit manager will review the prepared paper packet as requested against the electronic approval process. Packets will be maintained as required.	Bob Johnson	April 26, 2018

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
<p>9. <i>The City Auditor's Office recommends the Action Center Manager require the Cardholder to prepare a reconciliation package as required by the P-Card Policy. In addition, the Manager should inspect the documentation packet to ensure that it has all the proper receipts at the time of approving the transactions in the JP Morgan Chase online system. The reconciliation package should be retained for the current fiscal year plus three additional fiscal years as required by the retention policy.</i></p>	Concur	Immediately after this was brought to the P-Card holder's attention, we implemented the auditor's recommendation at that time.	Action Center Manager/Action Center Supervisor	Implementation of the revised process completed January 2018
<p>10. <i>The City Auditor's Office recommends the Action Center establish an inventory tracking system for the gift cards and require the employee to sign for gift cards received.</i></p>	Concur	We are in agreement this should be implemented. We have created a inventory document that both the Action Center Manager and P-card holder have to each sign off on.	Action Center Manager/Action Center Supervisor	Implementation of the revised process completed on April 26, 2018
<p>11. <i>The City Auditor's Office recommends the Action Center notifies the Payroll Division to properly record the gift cards as income for the employees who receive them during the pay period the gift cards are distributed.</i></p>	Concur	<p>The Action Center Manager did reach out to the HR Manger responsible for Work Force Investment to help with engagement ideas for Action Center staff. During follow up conversations I did make him aware of our gift card incentive program.</p> <p>Initial discussions with the Payroll Division it was not communicated to us we should inform them when a gift card was presented to an agent with in that same pay period. Going forward, we will.</p>	Action Center Manager	Implementation of the revised process completed December 2017

AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE
12. <i>The City Auditor's Office recommends the Purchasing Division amend the P-Card Policy to prohibit the purchase of gift cards with P-Cards.</i>	Concur	The Finance Department will review the Procurement Card Policy in its entirety to include all recommended changes from this audit. This will include prohibiting the purchase of gift cards. Once all updates are in place, Finance will conduct a mandatory refresher training for all users and approvers in the program.	Will Velasco, CPPB Purchasing Manager	September 30, 2018