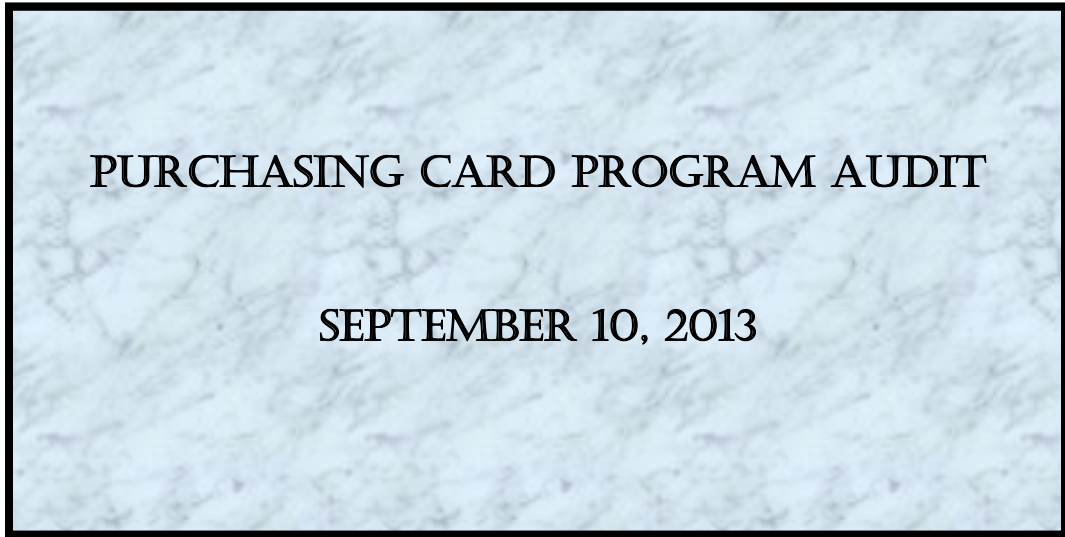


**AUDIT TEAM**

***Jim Williamson, CPA, CIA, City Auditor  
Matt Weller, CPA, Assistant City Auditor  
Pamela Martindale, MBA, Senior Auditor***



**MAYOR AND CITY COUNCIL**

<b><i>Mick Cornett</i></b>	<b><i>Audit Committee, Mayor</i></b>
<b><i>James Greiner</i></b>	<b><i>Ward 1</i></b>
<b><i>Ed Shadid</i></b>	<b><i>Ward 2</i></b>
<b><i>Larry McAtee</i></b>	<b><i>Audit Committee, Ward 3</i></b>
<b><i>Pete White</i></b>	<b><i>Ward 4</i></b>
<b><i>David Greenwell</i></b>	<b><i>Audit Committee, Ward 5</i></b>
<b><i>Margaret S. “Meg” Salyer</i></b>	<b><i>Ward 6</i></b>
<b><i>John A. Pettis Jr.</i></b>	<b><i>Ward 7</i></b>
<b><i>Patrick J. Ryan</i></b>	<b><i>Ward 8</i></b>




September 10, 2013

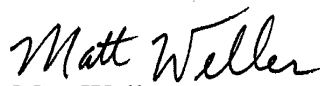
The Mayor and City Council:

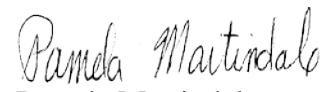
The Office of the City Auditor has completed an audit of the purchasing card (Pro-Card) program. Based on the results of our audit, we believe that:

- Established controls over Pro-Card purchases by selected cardholders were adequate and operating effectively during the 3 months ended March 31, 2013.
- Recommendations included in our previous report dated July 3, 2012 had been addressed as of June 30, 2013.

All comments, recommendations, suggestions, and observations arising from our audit have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the content and emphasis of the items in this report. Management's responses to the recommendations in this report are attached.

  
Jim Williamson  
City Auditor

  
Matt Weller  
Assistant City Auditor

  
Pamela Martindale  
Senior Auditor

## PURCHASING CARD (PRO-CARD) PROGRAM

### AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to:

- Evaluate the adequacy and determine the effectiveness of controls over Pro-card purchases by selected cardholders during the three months ending March 31, 2013.
- Evaluate the status, as of June 30, 2013, of recommendations and related management responses include in our previous Pro-Card program audit report dated July 3, 2012

The Pro-Card program was implemented in 2001 to reduce administrative costs related to small-dollar/high-volume purchases associated with issuing a traditional purchase order. The program is managed by the Finance Department's Procurement Division.

Procedures performed during our audit included examination of documentation supporting Pro-Card purchases and physical inspection of selected items purchased; interviews of program management personnel; and review of program policies and reports.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). GAGAS requires 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 objectives.

Each status and recommendation included in this report is immediately followed by management's response. Responses from management are attached to this report in their entirety.

### ADEQUACY AND EFFECTIVENESS OF CONTROLS

*Established controls over Pro-Card purchases by selected cardholders are adequate and operating effectively.*

The City Pro-Card was used by 129 cardholders for 6,987 purchases totaling approximately \$3.3 million during the three months ended March 31, 2013, of which we reviewed 1,124 purchases by 16 cardholders in 8 departments totaling approximately \$804,000. No material noncompliance with program policies or purchases without valid business purposes were identified during our audit.

**Comment (1)**

The Parks Department Pro-Card Coordinator did not review supporting documentation for 530 purchases by 16 cardholders totaling approximately \$373,000 during the audit period. Review of documentation supporting Pro-Card transactions was discontinued after electronic transaction approvals became possible within new Pro-Card banking software implemented in October 2011.

Pro-Card policies require supervisory review of documentation supporting monthly transactions for validity and compliance with City Purchasing policies. Fraudulent Pro-Card purchases could occur without detection in the absence of supervisory review of supporting documentation.

**Recommendation (1)**

The Parks Department Pro-Card Coordinator should review supporting documentation for all Pro-Card transactions monthly. Supporting documentation for Pro-Card transactions occurring since such reviews were discontinued should also be reviewed by the Pro-Card Coordinator to confirm transaction validity and compliance with City Purchasing policies.

***Parks Department Response (1)***

*Agree with recommendation. The Parks and Recreation Department Pro-Card Coordinator and/or other departmental staff assigned by the Parks and Recreation Department Director, will review supporting documentation for all Pro-Card transactions monthly. Also, supporting documentation for Pro-Card purchases occurring since such reviews were discontinued will be reviewed to confirm transaction validity and compliance with City Purchasing policies.*

**STATUS OF RECOMMENDATIONS FROM PREVIOUS REPORT**

*The recommendations included in our previous report have been addressed.*

**Status 1**

***Implemented.*** Procedures ensuring cardholders use registered vendors for Pro-Card purchases have been established. Pro-Card transactions where cardholders have entered incorrect vendor numbers are identified through monthly comparisons between the Pro-Card banking software and the PeopleSoft financial system. Identified transactions are assessed to determine if purchases were from unregistered vendors.

***Finance Department Response (1)***

*Concur. Procedures were implemented.*

## **Status 2**

**Implemented.** Cardholders are selected for on-site reviews by Procurement Division Buyers in an unpredictable manner and these on-site reviews are performed throughout the year.

### ***Finance Department Response (2)***

*Concur. Procedures were implemented.*

## **Status 3**

**Addressed.** Policies requiring annual confirmation of cardholder credit limits were carried out in March 2013.

### ***Finance Department Response (3)***

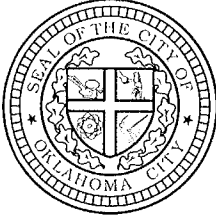
*Concur. Procedures were addressed.*

## **Status 4**

**Addressed.** Efforts to enforce mandatory Pro-Card usage policies are carried out. Procurement Division Buyers inquire about Pro-Card use when approvals of purchase orders less than \$2,500 are requested and vendor acceptance of the Pro-Card is unknown. Cardholder purchase orders less than \$2,500 are reviewed during on-site reviews. The performance measure “percentage of eligible purchasing card purchases made with the purchasing card” is used to assess results of these efforts.

### ***Finance Department Response (4)***

*Concur. Procedures were addressed.*



# MEMORANDUM

The City of  
OKLAHOMA CITY



TO: Jim Williamson, City Auditor  
THROUGH: James D. Couch, <sup>Joe</sup> City Manager  
FROM: Wendel Whisenhunt, Director *W.W.*  
DATE: August 22, 2013  
SUBJECT: Purchasing Card (Pro-Card) Program Audit

The following is the Parks and Recreation Department's response to the recommendations in the recent Purchasing Card Program Audit:

1. Agree with recommendation. The Parks and Recreation Department Pro-Card Coordinator and/or other departmental staff assigned by the Parks and Recreation Department Director, will review supporting documentation for all Pro-Card transactions monthly. Also, supporting documentation for Pro-Card purchases occurring since such reviews were discontinued will be reviewed to confirm transaction validity and compliance with City Purchasing policies.

Pc: Dennis Clowers, Assistant City Manager  
Larry, Ogle, Parks and Recreation Dept. Assistant Director  
Wes Gray, Parks and Recreation Dept. Business Manager

Attachment



# MEMORANDUM

The City of  
OKLAHOMA CITY



TO: Jim Williamson, City Auditor  
THROUGH: James D. Couch, City Manager *JDC*  
FROM: Craig Freeman, Finance Director *CF*  
DATE: August 19, 2013  
SUBJECT: Audit No. 12-04 - Finance Department – Purchasing Card Program Audit Response

## Status 1 Implemented

Procedures ensuring cardholders use registered vendors for purchasing card purchases have been established. Purchasing card transactions where cardholders have entered incorrect vendor numbers are identified through monthly comparisons between the purchasing card banking software and the PeopleSoft financial system. Identified transactions are assessed to determine if purchases were from unregistered vendors.

**Finance Department Response 1**  
Concur. Procedures were implemented.

## Status 2 Implemented

Cardholders are selected for on-site reviews by Procurement Division Buyers in an unpredictable manner and these on-site reviews are performed throughout the year.

**Finance Department Response 2**  
Concur. Procedures were implemented.

## Status 3 Addressed

Policies requiring annual confirmation of cardholder credit limits were carried out in March 2013.

**Finance Department Response 3**  
Concur. Procedures were addressed.

**Status 4**

**Addressed**

Efforts to enforce mandatory purchasing card usage policies are carried out. Procurement Division Buyers inquire about purchasing card use when approvals of purchase orders less than \$2,500 are requested and vendor acceptance of the purchasing card is unknown. Cardholder purchase orders less than \$2,500 are reviewed during on-site reviews. The performance measure "percentage of eligible purchasing card purchases made with the purchasing card" is used to assess results of these efforts.

**Finance Department Response 4**

Concur. Procedures were addressed.