

**SUMMIT COUNTY  
PROCUREMENT CARD PROGRAM  
AUDIT**

**08-Procurement Card**

**APPROVED BY AUDIT COMMITTEE  
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**Summit County  
Internal Audit Department  
175 South Main Street  
Akron, Ohio 44308**

*Bernard F. Zaucha, Director  
Lisa Skapura, Assistant Director  
Mira Pozna, Deputy Director*

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## Background & Introduction

Section 301.29 of the Ohio revised Code (ORC) permits counties to use procurement cards and defines under what conditions they may be used. Chapter 198 of the Summit County Codified Ordinances grants authority of the use of Procurement Cards by employees of Summit County. The policies and definitions defined under Chapter 198 are incorporated in a policy and procedures document created by the Office of Finance and Budget. Chapters 198.02 through 198.04 defines aggregate spending limits on procurement cards, permissible goods and services which may be purchased using the cards, and procedures to be followed in the event a card is misused.

Summit County's Procurement Card Program is designed to allow County employees to make small-dollar purchases in a manner that reduces paperwork and processing time. The program is an alternative to the traditional purchasing process and can significantly reduce the number of purchase orders and payments processed. It is designed primarily for the purchase of tangible materials, equipment, supplies, and approved services that cost less than \$3,000. Use of the card is meant to simplify and streamline the acquisition process and lower overall transaction costs. The program introduces an electronic invoicing payment process that will significantly streamline the way payments are made by the County.

All cardholders have limits that are defined by the Program Participant and County Program Administrator and are enforced at the point of purchase by Visa. Limitations are established for spending amounts per transaction, monthly spending limits and number of transactions that can be made per day. Several controls concerning classes of merchants are also placed upon the card. In addition, US Bank provides transactional reporting designed to detect irregularities in cardholder usage. Cardholders are also subject to routine and random audits by the County's Department of Internal Audit.

## Work Performed & Audit Observations

IAD attended several interviews and presentations given by the various banks to aid in the selection of the bank to facilitate the procurement card program for Summit County.

After the interview process was completed, U.S. Bank was selected to provide the procurement cards to Summit County and provide web-based reporting to assist with transactional reporting to detect irregularities. US Bank provided web-based training on the system to the departments selected for the pilot program as well as administrators in the Office of Finance and Budget.

IAD performed research on other procurement card programs from other government agencies across the country utilizing the Association of Local Government Auditors list serve. Audit findings and recommendations were reviewed with the Office of Finance and Budget to help ensure that Summit County implemented a strong internal control structure in the design phase of the program.

IAD reviewed the Ohio Auditor of State's Best Practices Bulletins regarding procurement through government issued purchasing cards. These bulletins outlined common problems associated with the use of procurement cards. IAD then suggested incorporation of these controls into the Office of Finance and Budget's Procurement Card Program Policies and Procedure Manual.

A policy and procedure manual was prepared by the Office of Finance and Budget to guide employees on the proper procedures for use of the procurement cards and IAD provided input where necessary.

IAD reviewed the Monthly Transaction Approval Log to determine that all appropriate information is documented on a monthly basis to ensure that transactions, along with their authorizations, could be tracked and monitored for each department.

## Procurement Card Testing

Three departments were selected by the Office of Finance and Budget to serve as the pilot program before the procurement cards were distributed county-wide. Prior to the distribution of the cards, IAD was requested to test the internal controls that were in place when utilizing the card at various locations. The test of controls included attempting to make transactions that were restricted by the MCC codes (merchant category code) and county policies.

During the testing phase it was noted that one transaction was successfully completed for an MCC code that was indicated by the bank to have been "blocked." The testing further revealed that transactions were allowed to be made for purchases that, in IAD's opinion, should not be allowed to be made by County employees utilizing the County procurement card. Additionally, weak internal controls were noted on the initial activation process for a procurement card by US Bank.

IAD then met with the Office of Finance and Budget and reviewed the MCC listing to make changes to the initial listing. Several conference calls with US Bank were made to remove some of the MCC codes that the county would not utilize. These generalized MCC codes were further narrowed utilizing code-specific purchases for better purchasing controls. US Bank also agreed to provide Summit County with a specific password when activating a new card and not a general activation code that could be easily determined if a card was lost or stolen prior to activation.

IAD will continue to pursue its efforts in monitoring the implementation of the procurement card program with the two pilot departments before the card is distributed county-wide. This monitoring will include an observation of the department employees utilizing the procurement card, ensuring the department has an effective policy and procedure in place for utilization of the card, a proper segregation of duties exist within the department, and a proper approval and monthly reconciliation process is in place. IAD will also confirm that the proper paperwork is sent by each department to the Office of Finance and Budget on a monthly basis which reflects the activity for the procurement card.

## Summary

IAD will work with the Office of Finance and Budget to closely monitor the implementation of the procurement card program throughout the initial phase. In addition, IAD will continue to monitor and test the use of procurement cards throughout the county as part of their audit program for departments that are utilizing the cards.

Once IAD has a comfort level that the internal controls are in place and testing has revealed they are working effectively, the procurement card will be distributed to additional departments throughout the county.