

Summit County Executive Office
Department of Finance and Budget
Procurement Card Monitoring Non-Audit Service

Prepared For:

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Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues – 5

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures	2	<ul style="list-style-type: none"> • Incorrect references to the County Codified Ordinances • No written annual evaluation of the p-card program has been submitted to Summit County Council in accordance with Summit County Codified Ordinance §198.07. 	7

Internal Controls

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
U.S. Bank Testing	3	<ul style="list-style-type: none"> • Instances where supporting documentation was either not present or sufficient to determine if sales tax was paid or if the purchase was reasonable, instances where sales tax was paid on p-card purchases, instances of ineligible expenditures and instances of no pre-approval for cardholders not on the pre-approval spending list. • Instances where the pre-approved spending and transaction limit forms were not completed. • Instances where non-county credit cards utilized the Home Depot Pro Xtra Rewards Program and received a discount and correspondence documenting that the discount code was to be changed. 	8

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GENERAL BACKGROUND

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 Department 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 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 \$5,000. 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, U.S. 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.

The Procurement Card Program is currently utilized by the following thirty-five (35) departments/agencies:

- Prosecutor's Office
- Building Standards
- Health District
- Fiscal Office
- County Council
- Engineer's Office
- Clerk of Courts
- Common Pleas Court
- Domestic Relations Court
- Juvenile Court
- Probate Court
- Developmental Disabilities (DD) Board
- Human Resource Commission
- Summit County Law Library
- Veterans Service Commission
- Sheriff's Office
- Internal Audit Department
- Board of Elections
- SAMWA COG
- The Alcohol, Drug Addition, and Mental Health Board
- Office of Information Technology
- Children Services Board
- Executive's Office
 - Purchasing
 - Public Safety
 - Communications
 - Community and Economic Development
 - Job and Family Services
 - Physical Plants
 - Telecommunications
 - Human Resource
 - Environmental Services
 - Animal Control
 - Law, Insurance and Risk Management
 - Consumer Affairs
 - Medical Examiner

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OBJECTIVES, METHODOLOGY, AND SCOPE

The primary focus of this review was to provide the Summit County Executive's Office Department of Finance and Budget with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the specific areas. Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods, and procedures to ensure that goals are met. Specific objectives include evaluating the policies, procedures, and internal controls related to the Summit County Procurement Card Program.

We conducted this non-audit service in accordance with generally accepted government standards. Those standards require that we plan and perform the procedures to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Based on the results of our engagement, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Disclaimer:

We recognize that the Internal Audit Department (IAD) is a participant in the Procurement Card Program, and therefore is unable to review its own procurement card use in order to maintain objectivity. Based on this fact, IAD Procurement Card use is excluded from testing and review.

Specific Objectives:

1. To review policies and procedures and ensure that they are reasonable and in accordance with ORC §301.29 and Summit County Codified Ordinance Chapter 198.
2. To review the internal control structure of procurement card administration for reasonableness.
3. To review the reconciliation process for reasonableness and accuracy.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the department/agency from 1/1/20 through 12/31/20.

The following were the major steps performed:

OBJECTIVE 1 – TO REVIEW POLICIES AND PROCEDURES AND ENSURE THEY ARE REASONABLE AND IN ACCORDANCE WITH THE ORC AND CODIFIED ORDINANCES.

1. Obtain and review the current policies and procedures to ensure they are reasonable and in accordance with both the Codified Ordinance and ORC.
2. Perform testing to verify that each procurement cardholder has a signed County Procurement Card Program Cardholder and Coordinator Acknowledgement form and a Cardholder Application form on file.
3. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions. Verify that all departments have departmental procedures on file.

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4. Obtain the department's Record Retention Schedule (RC-2) and review for completeness with regard to procurement card documents.
5. Investigate discrepancies and summarize results. Make recommendations where appropriate.

OBJECTIVE 2 – TO REVIEW THE INTERNAL CONTROL STRUCTURE OF PROCUREMENT CARD ADMINISTRATION

1. List personnel to be interviewed, the respective interview dates and documentation obtained to gain an understanding of the specific functions and duties for the area of responsibility of the interviewee. (i.e., Mission Statements, Department Procedures, etc.). Document the interview utilizing the questionnaire.
2. Obtain and review a listing of cardholders and a listing of user IDs from U.S. Bank. Confirm all employees on both listings are active per Banner and that a p-card is in the cardholder's possession. Review permissions assigned to users in the U.S. Bank system to ensure that permissions are reasonable. Compare the listing of cardholders to the listing of user IDs with coordinator privileges to ensure that duties are appropriately segregated (e.g., there are no cardholders with coordinator capabilities).
3. Obtain a current Merchant Category Code (MCC) listing from U.S. Bank showing eligible and ineligible transactions. Review for reasonableness.
4. Obtain a listing of spending limits for all approved cardholders. Review to ensure spending limits are reasonable and in compliance with those established in the policies and procedures.
5. Obtain a listing of transactions from the U.S. Bank system to perform detailed testing.
6. Obtain a listing of monthly payments made to U.S. Bank (broken down by account code, purchase order number, etc.). Choose a sample for testing and indicate the sampling technique used. For each payment selected, obtain the corresponding monthly bank statement and perform detailed testing.
7. Review the various rewards programs (e.g., Home Depot Pro Xtra, Petsmart Treats, etc.) cardholders have enlisted in to ensure reasonableness and compliance with Summit County p-card policies.
8. Investigate discrepancies and summarize results. Make recommendations where appropriate.

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DETAILED COMMENTS

I. Policies & Procedures

The Summit County Ohio Procurement Card Program Policy and Procedures, revised and effective 5/14/21, and the Pre-Authorization Signature form was obtained to gain an understanding of the policies and procedures currently in place and the form used to establish blanket approval authorization.

The cardholder listing from the 2019 p-card nonaudit was compared to a current listing of cardholders in order to create a complete listing to include any new cardholders that joined the procurement card program since the 2019 nonaudit. IAD then tested to verify that all new cardholders had a cardholder application and a policy and procedure sign-off on file in accordance with the Procurement Card Program Policy and Procedures manual, section III.C.

A listing of all of the current departments that participate in the procurement card program was obtained and compared to the policy and procedure manual testing from the 2019 p-card nonaudit to verify that all new departments participating in the program submitted their p-card policy and procedure manual for review in accordance with the Procurement Card Program Policy and Procedures manual, section III.A.

A listing off all current department p-card coordinators was obtained. IAD then tested to verify that all coordinators had a completed Coordinator Acknowledgment form completed in accordance with the Procurement Card Program Policy and Procedures manual, section III.B.

The Records Retention Schedule (RC-2) for the Department of Finance and Budget was obtained and reviewed for completeness with regard to p-card documents.

The following issues were noted:

1. Issue:

Upon review of the Department of Finance & Budget's Policy and Procedure Manual, IAD noted (2) two instances where the County Codified Ordinance was referenced incorrectly.

Recommendation:

IAD recommends that policies and procedures be updated/reviewed and approved by management and updates be made to reference the correct Codified Ordinances.

Management Action Plan:

The codified ordinance reference has been corrected in the revised Policy and Procedure Manual.

Target Date: Completed

2. Issue:

Upon discussion with Purchasing personnel, IAD noted an annual written evaluation of the procurement card program has not been submitted to County Council, in accordance with Summit County Codified Ordinance § 198.07.

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Recommendation:

IAD recommends that the Department of Finance and Budget provide an annual written evaluation of the countywide procurement card program to County Council. This will help to ensure compliance with Summit County Codified Ordinances.

Management Action Plan:

The Department of Finance and Budget will provide an annual written evaluation to Council upon completion of this monitoring report. In subsequent years, the annual written evaluation will be provided upon the completion of any procurement card monitoring in that same year but no later than the end of the fiscal year

Target Date: Upon completion of this monitoring report, but no later than the end of the fiscal year

II. Internal Controls

Interviews were conducted with the Purchasing Director of the Department of Finance and Budget to gain an understanding of the procurement card program, processes, and control environment.

A cardholder and user ID listing generated from the U.S. Bank system was obtained and filtered for active cards. All active cardholders were reviewed to confirm that they were active employees per Banner. All active cardholders were contacted to verify that the correct card was in their possession. The U.S. Bank user ID listing was obtained and all user permissions were reviewed for reasonableness.

A listing of cardholders who have program coordinator or program administrator privileges was generated from the cardholder listing and user ID listing, and reviewed to verify that a proper segregation of duties existed. A listing of MCC codes generated from the U.S. Bank system was obtained and reviewed to determine the reasonableness of eligible/ineligible transactions. The cardholder listing was filtered to determine the cardholder's limits and reviewed for reasonableness and compliance.

The Declined Transaction Listing was obtained and reviewed for any declined transactions to confirm that transaction limit controls are functioning properly. To further test transaction limit controls, the following detailed testing was performed:

- The number of transactions per day did not exceed established limits.
- The total amount per transaction did not exceed established limits.
- The total amount per day did not exceed established limits.
- Transactions with blocked MCC codes were declined.
- Users who gave final approval for each transaction are authorized to approve transactions.

A Banner report of payments made to U.S. Bank, during the period 1/1/20 through 12/31/20, was generated and a sample of four (4) months was judgmentally selected, one (1) month from each quarter, for detail testing. Monthly U.S. Bank statements corresponding to these payments were obtained and detail testing was performed to ensure the following:

- Sales tax was exempted from all purchases.
- There was appropriate supporting documentation (receipts, order forms, etc.).
- The purchase was reasonable.
- The purchase was properly recorded.
- Proper management approval was recorded on the transaction log and/or the employee has an approved blanket approval form on file.

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A listing off all pre-approved p-card holders was obtained. IAD then tested to verify that all pre-approved cardholders had a completed Pre-Approved Spending and Transaction Limit form completed in accordance with the Procurement Card Program Policy and Procedures manual, section III.C.

Through testing of p-card purchases, it was noted that the Executive's Office Physical Plants Department, Department of Development (DOD) and Animal Control utilize various rewards programs (e.g., Home Depot Pro Xtra, Staples and PetSmart Treats). These programs offer cardholders discounts on purchases after cumulative dollar thresholds are met or specific discounts on certain products. IAD reviewed transactions utilizing rewards programs for the period 1/1/20 – 12/31/20 to ensure transactions were reasonable in accordance with Summit County p-card policies and procedures that states reward program benefits should not be obtained for personal gain.

The following issues were noted:

3. Issue:

Upon detail testing of County p-card purchases, IAD noted the following:

- Forty-three (43) out of two thousand three hundred thirty-three (2,333), or 2%, instances where sales tax was paid. These transactions total \$761.62.
- Ninety-seven (97) out of two thousand three hundred thirty-three (2,333), or 4%, instances where supporting documentation was either not present or not sufficient. These transactions totaled \$22,611.79.
- Six (6) instances where an ineligible expenditure (e.g., purchase of gift cards) occurred in accordance with p-card policies and procedures. These transactions total \$4,756.94.
- One hundred eighty-one (181) out of two thousand three hundred thirty-three (2,333), or 8%, instances where the cardholder was not on the pre-approved spending list and the transactions were not pre-approved. These transactions total \$49,532.46.

Recommendation:

IAD recommends that the Department of Finance and Budget require that all department cardholders only procure eligible goods and services, not pay sales tax and obtain proper pre-approval for transaction and record this pre-approval appropriately. This will help to ensure that all cardholders are in compliance with the Summit County Procurement Card Program Policy and Procedures manual.

Management Action Plan:

A memo will be sent to the cardholders who had unallowed gift card purchases. Additionally, a second memo will be sent to all cardholders and department coordinators to remind them:

1. Cards can only be used for eligible goods and services
2. Cards cannot be used to pay sales tax; and
3. Cardholders must obtain proper pre-approval for transactions with a detailed description of the purchase.

Target Date: Draft Memos are attached and will be sent when our MAP is finalized.

4. Issue:

Upon detail testing of pre-approved spending and transaction limit forms, IAD noted four (4) out of one hundred three (103), or 4%, instances where a pre-approval form was not completed in accordance with p-card policies and procedures.

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Recommendation:

IAD recommends that the Department of Finance and Budget require that all pre-approved spenders complete a pre-approved spending and transaction limit form. This will help to ensure that all cardholders are in compliance with the Summit County Procurement Card Program Policy and Procedures manual.

Management Action Plan:

All departments choosing pre-approved spending have completed and/or updated their Pre-Authorized Spending Forms.

Target Date: Completed

5. Issue:

Upon detail testing of Physical Plants Department purchases utilizing the Home Depot Pro Xtra Rewards Program discount code, IAD noted five (5) out of seventy-eight (78), or 6%, instances where non-county credit cards were utilized and received a discount totaling \$74.49. Per Summit County p-card Policy, employees are prohibited from receiving any type of reward for using their personal card.

Additionally, during the prior p-card audit, IAD noted that the Home Depot Pro Xtra Rewards Program discount code was to be changed; however, it has not.

Recommendation:

IAD recommends the Physical Plants Department change their Home Depot Pro Xtra Rewards Program discount code and redistribute the County p-card policy to all employees to emphasize that County discounts cannot be utilized for personal benefit. This will help to ensure compliance with the County p-card program.

Corrective Action Taken Prior to the End of Fieldwork:

IAD obtained a Retail Perks Policy on 7/6/21, prohibiting any Department of Administrative Services (DAS) from utilizing County issued rewards for their personal benefit. Additionally, upon discussion, with DAS personnel, on 7/1/21, IAD noted that this policy was sent to all DAS employees.

Management Action Plan:

We have confirmation the Home Depot Pro Xtra rewards discount code has been changed. When training new cardholders for Administrative Services we will also provide their 7/6/21 Retail Perks Policy.

Target Date: Completed.