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**AUDIT OF PROCUREMENT CARD PROGRAM**  
**COVERING FISCAL YEARS 2012 AND 2013**  
**APRIL 30, 2014**

**AUDIT OBJECTIVES:**

An internal audit of the countywide Procurement Card Program was conducted covering fiscal years 2012 and 2013. Audit objectives were: 1) examine controls over credit card issuances and cancellations; 2) examine controls over disputed and fraudulent transactions; 3) examine controls that documentation of purchases meets appropriate standards; and 4) examine controls assuring that recordkeeping and payments are accurate and timely.

**BACKGROUND:**

It is the intent of Kane County to issue credit cards selectively to facilitate the purchase of certain goods and services. Purchase transactions using credit cards are less costly than purchase transactions using purchase order procedures. Kane County recognizes that its credit card program adds utility to its purchasing function, but also requires appropriate internal controls to assure responsible operations. Credit cards are used throughout Kane County elected offices and departments. The Audit Program will cover research and testing in many county operations areas

**AUDIT RESULTS:**

**OBJECTIVE 1: Examine Controls Over Credit Card Issuances and Cancellations**

Cards are issued and cancelled through notification to Procurement Card (P-card) Administrator Chris Rossman. When cards are issued, Fifth Third sends them to Mr. Rossman for distribution. Procedures call for each cardholder to sign the County's procurement card agreement form when they receive the p-card. We obtained copies of all cardholder agreements and compared them to the list of current cardholders. We found nine instances where there was no agreement on file for a particular cardholder. We have issued a memorandum to P-card Administrator Rossman to obtain signed agreements from the cardholders.

**OBJECTIVE 2: Examine Controls Over Fraudulent and Disputed Transactions**

Whenever a fraudulent transaction is found on a particular p-card, procedures call for the cancellation of the compromised card and the issuance of a new card. The county is not responsible for paying for fraudulent transactions. We found no exceptions in this area.

P-card Administrator Rossman reported two disputed transactions, and each was resolved according to procedures. We found no exceptions in this area

**OBJECTIVE 3: Examine Controls That Documentation Of Purchases Meets Appropriate Standards**

We selected a sample of 47 transactions using the dollar unit sampling method. 21 transactions were from 2012, and 26 transactions were from 2013. For each sample transaction we checked that the invoice was present, whether sales tax was charged, that proper general ledger account was used, and that required

approval was in place. We noted seven transactions with exceptions, and have sent a memorandum asking for information to remedy the exceptions.

**DISCUSSION:** In only one case was an invoice missing. The more frequent type of exception pertained to group meals and travel. There were four of these exceptions, and the problem was that no business purpose was explained in the documents provided. Normally an agenda or program for the activity is adequate documentation. If none is available, a short memo, showing approval by the cardholder's supervisor, giving the specifications of the activity, including the date(s), location, sponsoring organization, and the business purpose is adequate.

**RECOMMENDATION #1:** We recommend that cardholders, their supervisors, and support staff improve the quality and completeness of p-card transaction documentation. For example, providing an invoice showing a flight to a distant city should be supplemented with a program document that shows the business purpose of the trip. If no program document is available, a short memo, showing approval by the cardholder's supervisor, giving the specifications of the activity, including the date(s), location, sponsoring organization, and the business purpose is adequate.

**OBJECTIVE 4: Examine Controls Assuring That Recordkeeping And Payments Are Accurate And Timely:**

Current procedures call for cardholders to provide documentation as charges are made, and support staff to pull a weekly Fifth Third report showing all charges. With documentation and this report, support staff inputs transactions to New World. When this procedure is carried out, it can result in paying charges before the date due. We found, however, that this is not the practice in many departments and offices. Because there are sometimes delays in gathering invoices and other documentation, payments past the Fifth Third due date are also common. In practice, the Auditor's Office has found it prudent to track transactions and payments independently to assure that all charges are paid. While this practice has generally worked, it has not been perfect, and it is becoming more difficult. The Procurement Card program in Kane County has been successful and transaction volumes are growing. To make this growth sustainable with cost effective internal controls, the Auditor's Office is working with Purchasing, Finance and the Treasurer's Office to improve procedures and practices. In the next few months these new procedures will be implemented in all departments and offices.

**CONCLUSION:**

Within the scope of our examination, Audit found the internal controls in the Procurement Card program need improvement. Testing showed problems in the quality and completeness of transaction documentation. P-card volumes are growing and show the utility of the program in the purchasing activities of Kane County. P-card program management (Purchasing, Auditor's Office, Finance, Treasurer's Office) is devising procedure changes to improve timely payments, vendor information, and processing efficiency.

**RESPONSES TO AUDIT REPORT:**

Below we provide the standard language from Kane County Code Section 2-192. For this Procurement Card Audit, we ask for responses to the particular exceptions sent out earlier. From all Departments and Offices with procurement cards, we are looking for a response to Recommendation #1.

From Kane County Code Section 2-192. Internal Audit Procedure:

(1) Each county officer, agent or division shall, within three (3) business days, acknowledge receipt of the internal audit report.

(2) Within thirty (30) days of receipt of the internal audit report, each county officer, agent or division shall submit a written response to the county auditor, outlining the action that has taken place in response to the recommendations made by the auditor.

(3) Subsequent to the issuance of the internal audit report, the county auditor shall review the operations and financial reporting of the affected county officer, agent or division. This review will focus on, but not be limited to, the recommendations suggested in the internal audit report. Upon completion of the review, a report outlining the conditions found at the time of the review will be prepared and delivered to the county board.(Ord. 94-260, 10-11-1994)

The Auditor's Office wishes to express our appreciation to Purchasing Director and Procurement Card Administrator Chris Rossman, and Accounts Payable staff in county departments and offices, for their time and cooperation in the conduct of this audit.

Respectfully submitted,



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