



OFFICE OF THE KANE COUNTY AUDITOR
Penny Wegman, Kane County Auditor

**Audit of the Kane County
Procurement Card
Program**

July 28, 2021

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Overview

Kane County's Procurement Card Program was developed to improve efficiencies associated with the procurement process and reduce the cost associated with making purchases and processing vendor payments. The program requires compliance with current county procurement procedures and is intended to improve the timely delivery of products and services.

Kane County Purchasing Department is responsible for managing and monitoring the overall program. Purchasing administers the training required for all program participants, established and communicates rules and guidelines, oversees participants' compliance with the county's procurement policies and procedures, and coordinates the interface between Fifth Third Bank and the County.

Fifth Third Bank has been Kane County's Procurement Card vendor since 2007.

Purchase Cards Issued to Each Department

As of July 2021, the County has issued 79 procurement cards to employees as follows:

Department	Number
Sheriff	22
Circuit Clerk	9
Information Technologies	6
State's Attorney	5
Court Services	4
Building Management	3
Coroner	3
Judiciary / Courts	3
Public Defender	3
County Clerk	2
Development	2
Emergency Management	2
Juvenile Justice Center	2
Animal Control	1
Auditor	1
Community Reinvestment	1
County Board	1
Department of Employment & Education	1
Environmental Resources	1
Health	1
Kane County Emergency Communications	1
Law Library	1
Purchasing	1
Transportation	1
Veteran's Commission	1
Water Resources	1
Total Cards	79

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Total Purchases Reviewed Per Department

Transactions from Fifth Third Statements Dated December 2019 Through November 2020		
Department	Total Purchases	
	Number	Dollar Amount
Information Technology	816	\$ 287,467
Sheriff	1,205	\$ 272,382
Health	285	\$ 92,149
Court Services	291	\$ 57,323
Transportation	323	\$ 45,930
State's Attorney	249	\$ 43,835
Workforce Development	94	\$ 37,485
Animal Control	245	\$ 31,758
Coroner	211	\$ 30,245
County Clerk	82	\$ 27,152
Judiciary	79	\$ 25,112
Emergency Management	73	\$ 25,105
Building Management	81	\$ 18,276
Kane County Emergency Communications	94	\$ 10,343
Development	96	\$ 9,973
Law Library	62	\$ 8,503
Public Defender	67	\$ 8,484
Community Reinvestment	47	\$ 8,239
Circuit Clerk	49	\$ 7,701
Purchasing	15	\$ 5,557
Environmental Management	40	\$ 4,991
Auditor	12	\$ 2,768
Water Resources	21	\$ 2,761
Veteran's Commission	25	\$ 1,580
Total	4,562	\$ 1,065,120

****Fifth Third Monthly Statements contain transactions from previous month. Example: December 2019 Fifth Third Statement includes majority of November 2019 transactions.***

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Top 10 Vendors Used

Top Ten Vendors Used			
Rank	Vendor	Number of Purchases	Total Dollar
1	Amazon	1,324	\$ 257,586
2	Paypal	58	\$ 41,204
3	Best Buy	64	\$ 30,894
4	SQ KC-100, LLC	2	\$ 28,801
5	Comcast Chicago	141	\$ 26,087
6	ZOOM	72	\$ 22,977
7	Devry University	6	\$ 22,000
8	ACT Tyler Technologies	17	\$ 16,575
9	Wal Mart	70	\$ 14,618
10	4IMPRINT	19	\$ 14,596

- ***Top 10 vendors account for 44.6% of total Procurement Card purchases and Amazon accounts for 24.2% of Procurement Card purchases***

Audit Objective

Our audit objective is to provide management and the County Board with an independent assessment about the adequacy and effectiveness of internal controls over the use of procurement cards. Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial and non-financial information.

Audit Scope

We conducted our audit from May 2021 through July 2021 reviewing procurement card transactions listed on Fifth Third monthly statements dated December 2019 through November 2020. To accomplish our objectives, we performed the following:

- Obtained and analyzed policies and other documents to confirm compliance with county’s procurement card policies and procedures
- Obtained a listing of all procurement card holders and reviewed transactions for compliance to cardholder agreements
- Examined all cardholder receipts and credit card statements for the 12-month testing period (4,562 P-Card Transactions Reviewed)
- Verified whether appropriate levels of management review and approval existed and were exercised
- Tested Fifth Third Bank’s rebate calculation for 2020

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Summary of Overall Findings

Of the 4,562 P-Card Transactions reviewed, the following general issues were identified:

- 2% of the purchases lacked appropriate documentation/support for the purchase
- 7% of the documentation/support for the purchase lacked a description of the County / Business purpose or the County / Business purpose wasn't obvious
- 7% of the purchases included taxes paid, approximately \$5,300
- 40% of the purchase support (invoices, etc.) lacked documentation of a Supervisor's review and approval of the purchase

Possible Violation of Multiple Kane County Policies

Based upon the information uncovered, there appears to be an instance where a cardholder used their Procurement Card instead of following current county policies.

Utilizing the Procurement Card, through six (6) transactions in 2020, the cardholder authorized the assistance of a \$22,000 perk to one employee. After expanding our search criteria, there were an additional nine (9) procurement card transactions and two (2) paid directly to a vendor that were outside the scope of 2020. Over a four-year period, these seventeen (17) transactions totaled \$58,112. The Auditor's Office did not receive supporting documentation that provided the proper authority to authorize the above transactions.

This information has been turned over to the Kane County's States Attorney, Human Resources and the Chair of the Administrative Committee. Kane County Auditor recommends that the County Board ask for outside counsel to perform an investigation.

Audit Issues & Recommendations

Over the past six years, the amount of Procurement Card purchases have increased:

Procurement Card Purchases (Fiscal Year)	
Year	Purchases
2015	\$ 725,246
2016	\$ 660,840
2017	\$ 663,492
2018	\$ 769,897
2019	\$ 958,198
2020	\$1,147,773

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Currently, the Cardholder is required to review his/her monthly Fifth Third statement to confirm all the purchases listed are correct. The Cardholder is then required to attach receipts and other appropriate documentation supporting the purchase and deliver the statement and receipts to their Department Procurement Card Administrator. The Administrator is required to review for completeness and then process as an Accounts Payable batch for payment. The Auditor's Office then performs the final Accounts Payable batch review and approval prior to final payment.

The Auditor's Office believes the Procurement Card oversight and monitoring controls should be strengthened to keep pace with the Procurement Card program growth, minimize risk and ensure future success.

Currently, Kane County is conducting a search for a New Director of Purchasing. The current Acting Director of Purchasing has a tremendous amount of County Government purchasing experience and knowledge and was very instrumental in the following issues and recommendations.

The Auditor's Office worked closely with the **Acting Director of the Purchasing Department** regarding Procurement Card oversight and monitoring and together, the following issues and improvements were identified:

1. Re-Bid the Procurement Card Contract

Fifth Third Bank has been Kane County's Procurement Card contractor since 2007. The rebate from Fifth Third Bank was recently (September 2020) re-negotiated from .2% to .5%. Since this contract hasn't been re-bid in several years, it is impossible to know if the current contract maintained with Fifth Third is comparable to other vendor's in the market. The Auditor's Office believes putting the contract out to bid more often (every 3 years) will ensure Kane County consistently receives the best available contract terms.

Purchasing Department Response

- ***The Director of Purchasing will re-bid the Procurement Card contract as soon as possible to ensure Kane County receives the best available contract terms.***

2. Negotiate a Rebate from Amazon

Amazon is Kane County's top vendor accounting for approximately 24.2% of Kane County's Purchase Card transactions. The Auditor's Office recommends the Purchasing Department initiate rebate discussion with Amazon.

Purchasing Department Response

- ***The Director of Purchasing will initiate a rebate negotiation with Amazon as soon as possible to ensure Kane County takes advantage of their volume of purchases with Amazon.***

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3. Update / Modify Procurement Card Agreements and Administrative Procedures

The Auditor's Office recommends the current Procurement Card agreement and administrative procedures, that were written in 2007, be updated and modified to reflect the current volume of the Kane County Procurement Card transactions. The Auditor's Office would be happy to work together with the Purchasing Department to identify both Best Practices and neighboring county's Procurement Card procedures to determine what procedures work best for Kane County.

Purchasing Department Response

- ***The Director of Purchasing will work with the Auditor's Office to update and modify Kane County's current Procurement Card Agreement and Administrative Procedures to ensure Kane County maintains appropriate oversight and monitoring.***

4. Update / Modify Procurement Card Training

The Auditor's Office recommends the current Procurement Card Training Documents / Processes, that were written in 2007, be updated and modified to reflect the current volume of the Kane County Procurement Cardholders. The Auditor's Office would be happy to work together with the Purchasing Department to identify both Best Practices and neighboring county's Procurement Card training processes to determine what training processes work best for Kane County.

Purchasing Department Response

- ***The Director of Purchasing will work with the Auditor's Office to update and modify Kane County's current Procurement Card Training documents to ensure cardholders understand their responsibilities.***

5. Update / Modify Kane County Procurement Card Financial Policies

The Auditor's Office recommends the Procurement Card Financial Policies be updated and modified to ensure Procurement Card holders comply with County guidelines. The Auditor's Office would be happy to work together with the Purchasing Department to identify both Best Practices and neighboring county's Procurement Card financial policies to determine what financial policies work best for Kane County.

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Updated Financial Policies should include the following:

Monthly Approval

- Each Cardholder Supervisor should be required to review the Cardholder's monthly purchases and sign off (signature & date) on each P-Card monthly statement indicating:
 - Supervisor's approval of each purchase for an appropriate County purpose
 - Ensuring taxes were not paid
 - Ensuring the Cardholder followed appropriate purchasing policies requiring a Purchase Order or three quotes for purchases over \$3,000

County / Business Purpose

- Each Cardholder be required to write on the invoice an explanation the county purpose for each purchase and also include additional appropriate documentation (if needed) in addition to the invoice, for example:
 - Food Purchase – include county purpose and who attended
 - Travel (Airline & Hotel) – include county purpose and training itinerary showing dates of meeting

Purchasing Department Response

- ***The Director of Purchasing will work with the Auditor's Office to update and modify Kane County's current financial policies and documentation requirements.***

6. Purchasing Card Monthly Statement Review

Currently, the Purchasing Department performs a monthly review of P-Card purchases by scanning the complete monthly statement received from Fifth Third Bank. Purchasing's review attempts to identify suspicious transactions, purchases over the assigned limits, possible duplicate purchases, split transactions but Purchasing does not have access to each individual vendor invoice or any other documents provided that support the purchase like travel itineraries, list of volunteers, etc.

The Auditor's Office recommends the Purchasing Department continue with their monthly Fifth Third statement reviews and when they identify a suspicious purchase, contact the Auditor's Office, who will perform a thorough investigation of the purchase.

Purchasing Department Response

- ***The Purchasing Department will continue to perform their monthly review of the Fifth Third statement and any suspicious purchase identified will be forwarded to the Auditor's Office for investigation and follow-up.***

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7. Auditor's Office Notified of Changes in Cardholder's Single and/or Monthly Limits

On occasion, the Purchasing Department receives requests to raise a cardholder's single and/or monthly limit for a short period of time. Since the Auditor's Office performs the final approval of all payables, the Auditors Office requests any increases in cardholder limits granted by the Purchasing Department be forwarded to the Auditor's Office immediately.

Purchasing Department Response

- ***The Purchasing Department will forward all changes to Cardholder's single or monthly limits to the Auditor's Office when the changes are approved and granted.***

8. Fifth Third Monthly Statement Still Shows Previous Purchasing Director's Name

The monthly statement received from Fifth Third is still addressed to the prior Purchasing Director. To avoid any confusion or delay, The Auditor's Office recommends Fifth Third be notified to address the statement to the current Acting Purchasing Director or remove the Director's name all together.

Purchasing Department Response

- ***The Director of Purchasing will contact Fifth Third to remove the previous Directors name from the bill and replace with the current Director.***



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