



METRO

PURCHASING CARD PROCESS AUDIT (19-03)

Terry Follmer, VP of Internal Audit

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Executive Summary

As part of our FY2019 Audit Plan approved by the Capital Metro Board, we performed an audit of the Purchasing Card Process across the accounting and procurement departments. The overall objective is to review the P-card process and related controls. The audit results including the objective, scope, and conclusion are as follows.

Background

Capital Metro has contracted with JP Morgan Chase for the Purchasing Card (P-Card) to enable a fast, flexible, and cost-effective alternative to the existing Capital Metro “micro” purchasing process. The purpose of the P-card program is to provide an efficient and effective method of procuring and paying for micro purchases (i.e. < \$2999 for goods and services) and FY2018 expenditures totaled \$994,767. The P-card Program is administered by Finance Department, and the P-cards are in Capital Metro’s name and issued to specific employees (i.e. Cardholders), and all charges are billed to and paid directly by Capital Metro. As of August 31, 2018, there are 56 active Cardholders and most of the cards have a credit limit capped at \$3,000. The JP Morgan Smartdata system logs all P-card activities and provides the following functionality: assign transaction limits, update and signoff on purchase transactions, submit dispute notifications, ability to use canned reports, create ad hoc reports and exports, customize fields, provide accounting allocation codes and more.

The Accounting Department has put in place various controls to monitor Cardholder activity in the Smartdata system (see Exhibit A – P-Card Process Flowchart). Cardholders are required to review their transactions in the Smartdata system and enter the accounting including description, reason and accounting code for each transaction. Cardholders are also required to submit itemized receipts and/or packing slips for each transaction on the monthly package. The monthly package includes the supporting documentation and is submitted to the Finance Department via electronic scan or hard copy. Note, the Cardholder’s manager is required to approve all transactions in the Smartdata System and by signing the hard copy of the monthly package by the 3rd business day of the following billing cycle. The Program Administrator in the Finance Department downloads the data from the Smartdata System and reviews each transaction for compliance with the agency policies. The Purchase Card Policy (Fin-103) defines responsibilities for the cardholder, the cardholder’s manager, Program Administrator, and the Procurement Department which includes some redundancy. Every two months after the billing cycle closes, the Procurement Department reviews P-card transactions for compliance with the Acquisition and FIN-103 Policies, with a focus on vendor rotation, prohibited commodities/services, bid split and/or serial purchases.

Audit Objective & Scope

The primary objective of the audit was to review the P-Card process and related controls to determine whether expenditures are allowable/appropriate and whether approvals and reviews are completed. The scope of this project included reviewing and analyze the Smartdata from JP Morgan for the period of January 2018 – October 2018, review approved expense report and documentation, and interview program officials responsible for managing the purchase card program.

Opinion

Internal controls are in place and functioning as intended. Although, internal controls were adequate, we noted manual processes could be streamlined in the Purchasing Card policy through the following:

1. **Clarify Job Duties and Responsibilities related to P-Card Reviews**

Policy Fin-103 Purchasing Card Policy defines responsibilities for the Purchasing Card Holder, the Cardholder's manager, Program Administrator and Procurement Manager that defines processes that could be streamlined to ensure responsibilities are clarified to eliminate duplication of efforts.

2. **Automate Manual P-Card Compliance Reviews**

We noted that the reviews completed in the Finance and Procurement Departments are completely manual and are not leveraging potential automated checks that could be built into the JP Morgan Smartdata system or leveraging macros in Excel to automate checks for errors, missing data and non-allowable P-card activity.

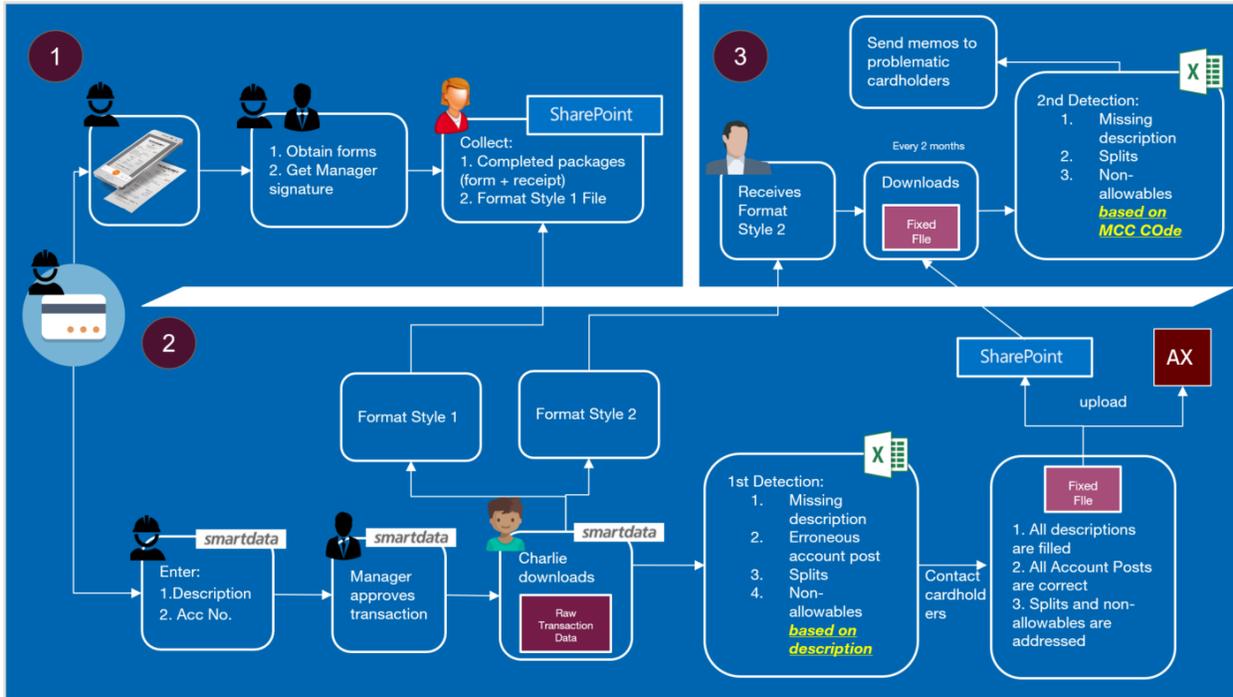
This audit was conducted in accordance with US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department and two Graduate of Accounting Students from University of Texas:

- Jeannette Lepe, Internal Auditor II (Project Lead)
- Terry Follmer, VP Internal Audit

We appreciate the cooperation and assistance provided to us throughout this audit.

Exhibit A

Current P-Card Process Flowchart



 = Cardholders (Individual P-card Users, Various Departments)

 = Approvers (Managers, Various Departments)

 = Charlie Natal, Accountant II, Finance Department (Program Administrator)

 = Danny Solano, Manager Small Purchasing & Investment Recovery, Procurement Department

 = Terri Wilson, Senior Administrative Assistant, Finance Department