



MEMORANDUM

DATE: September 16, 2022

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Karen W. Woodson, CIA ^{KW}
Interim Director, Office of Internal Audit

SUBJECT: Procurement Card Audit

BACKGROUND

As part of the 2021 Audit Work Plan, the Office of Internal Audit (IA) has performed a Procurement Card Audit.

The Office of Purchasing Services (Purchasing), within the Department of Budget and Finance (Budget), is responsible for administering the Procurement Card (p-card) Program. The program was set up to increase efficiency for schools/departments/offices to use a division-issued Visa purchase card to make small-dollar or high-volume repetitive purchases. Bank of America (BOA), the issuer of the p-card, receives one consolidated monthly payment that is processed from a file from Works, BOA's card management software, that is uploaded to Oracle Cloud, Virginia Beach City Public School's (VBCPS) financial system. BOA assigns each merchant a specific code, certain codes are restricted for use on the p-card to prevent unauthorized purchases from specific merchant types.

Purchasing requests that BOA issue a p-card to an active employee or generically in the name of a school after receiving approval from the Budget Manager. In addition, the Budget Manager determines the cardholder's single transaction and monthly spending limits. Single purchase limits that exceed \$10,000 must be approved by the Director of Purchasing. Generic p-cards have a single transaction limit of \$500, the cycle limit is selected by the Budget Manager of up to \$10,000. Both the Budget Manager and cardholder are responsible for agreeing to follow the *VBCPS Purchasing Card Program Policy and Procedures Manual* when the card is issued and signs a Purchasing Cardholder Agreement acknowledging this once the card is issued. Each Budget Manager is responsible for assigning a Site Administrator for their location(s). The Site Administrator manages the site's p-card process, including signing the p-card agreement when a new card is issued, and is responsible for reconciling, compiling, and submitting the approved monthly p-card report for review and payment. As of June 1, 2022, the division had issued 645 p-cards to users and locations.

The general p-card purchase process is as follows:

- The cardholder is authorized to make a purchase; or
- The employee is authorized to use the generic p-card and will check out the generic p-card from the Site Administrator;
- The p-card purchase is made; if the purchase is \$10,000 or more, it must be made from an existing contract or be approved by Purchasing;
- The cardholder confirms that the amount paid matches the itemized receipt/invoice and enters the purchase on a p-card transaction log; or
- The employee confirms that the purchase made with the generic p-card matches the itemized receipt/invoice and enters the transaction on the generic p-card transaction log; and submits the receipt/invoice and generic p-card to the Site Administrator;
- Each month, cardholders are required to turn in their signed p-card transaction log with the detail of purchases and itemized receipts/invoices to the Site Administrator for review and approval;
- The Site Administrator compares the transactions in Works to the receipts/invoices received from cardholders and the generic p-card users to confirm that each charge in Works is coded to the correct account, appears reasonable, and has a matching itemized receipt/invoice;
- Once this review is complete, the Site Administrator approves the transaction log and electronically approves the transaction in Works;
- At the end of each month, the Site Administrator extracts a report from Works, showing all purchases by account code and vendor, and attaches all transaction logs, and receipts/invoices for the Signature Authority's review and approval;
- The Site Administrator submits the approved packet to the Office of Business Services (OBS), Accounts Payable Office (Accounts Payable);
- Accounts Payable reviews each packet for the Signature Authority's approval, all travel charges, and a sample of all other transactions to confirm that the itemized receipt/invoice matches the charge prior to making payment to BOA.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS, AND CONCLUSIONS

Inquiry and examination of documents and data, as well as site visits, were the methods of reviewing internal controls. The audit period was the procurement card cycles for January 2021- December 2021. IA conducted this audit to review the procurement card process. The audit objectives, methodology, results, and conclusions are as follows:

1. *Objective:*

Determine if 65 cardholders have purchasing limits in Works that match what was approved by the Budget Manager. IA will also determine if the Cardholder Agreement was approved by the Budget Manager and the purchasing limit was approved by Purchasing, if applicable.

Methodology:

IA reviewed the approval documentation in Laserfiche for 65 p-card holders; to ensure the approved purchase limit matched the limit in Works. In addition, IA reviewed their Cardholder Agreements to determine if it was approved by the appropriate Budget Manager and if Purchasing approved any single purchasing limits of \$10,000 or above. IA judgmentally selected 10% of active cardholders, including 10% who have purchase limits above \$10,000. Judgmental sampling allowed IA to select cardholders from different areas across the division, including those with high dollar purchasing limits. This sample cannot be extrapolated across the population.

Results:

61 of the 65 approved purchase limits matched the limit in Works. 64 out of the 65 Cardholder Agreements examined were approved by the Budget Manager, and Purchasing, as applicable.

Conclusion: Substantially all approved purchase limits tested matched Works. Substantially all Cardholder Agreements examined were approved by the Budget Manager and Purchasing, as applicable.

2. Objective:

Determine if the Site Administrators at 15 schools and nine departments/offices are using the generic p-card to make purchases, and to determine if any Site Administrator has been issued a p-card.

Methodology:

A) IA reviewed the transaction logs for the generic p-card used during the audit period at 15 schools, including five high schools, four middle schools, six elementary schools, and nine departments/offices to determine if the Site Administrator's name was listed on the purchase log as a purchaser.

Results:

IA did not find any generic p-card logs with a Site Administrator's name listed as the purchaser for the generic p-card.

B) IA compared the Site Administrator List to the Cardholder list from Works to determine if a p-card was issued to a Site Administrator.

Results:

There were no p-cards issued to a Site Administrator.

Conclusion:

Site Administrators at 15 schools and nine departments/offices are not using the generic p-card to make purchases, and p-cards have not been issued to Site Administrators.

3. Objective:
Determine if all cardholders, as of June 1, 2022, are current employees.
- Methodology:
A) IA compared a list of all cardholders in Works to a listing of all current employees from WISE to ensure that all cardholders are current employees.
- Results:
All cardholders in Works are current employees.
- Conclusion:
All cardholders, as of June 1, 2022, are current VBCPS employees.
4. Objective:
Determine if the system control for cardholders exceeding their single purchase and billing cycle spending limit is working as designed.
- Methodology:
A) IA reviewed the p-card transaction history in Works to identify purchases more than the single purchase and cycle spending limits.
- Results:
IA noted there were purchases made in Works above the single purchase and billing cycle limits because of temporary approved limit increases made by Purchasing to override the system controls.
- B) IA reviewed the declined transaction reports from Purchasing's files to determine if transactions were declined based on the single purchase and cycle limits.
- Results:
IA noted that transactions were declined in Works based on the single purchase and cycle limits.
- Conclusion:
The system controls for the single purchase and billing cycle spending limits on p-cards are working as designed.
5. Objective:
Determine if the system control is working to restrict purchases from vendors with certain MCC codes.
- Methodology:
A) IA reviewed the transaction history for all 2021 purchases in Works and compared the MCC code for the purchase to the listing of blocked MCC codes set up by VBCPS and BOA. For any blocked purchases, IA investigated if Purchasing lifted the spending restriction.
- Results:
There was a purchase made from a restricted MCC code; however, the purchase was approved by Purchasing and was processed because Purchasing manually lifted the spending restriction.
- B) IA reviewed the declined transaction reports in Purchasing's files for blocked MCC codes.

Results:

There were occurrences of declined transactions related to certain blocked MCC codes.

Conclusion:

The system control for restricting purchases from certain MCC codes is working as designed.

6. Objective:

Determine if the non-school activity fund p-card purchases made during the October 2021 monthly billing cycle at 15 schools and nine departments/offices were approved by the Signature Authority with receipts/invoices to support the purchases and are reasonable for the location making the purchase.

Methodology:

A) IA reviewed the Works Billing Statement Report for the October 2021 p-card monthly billing cycle to determine if the Signature Authority approved the purchases.

Results:

All p-card purchases made during the October 2021 p-card monthly billing cycle at 15 schools and nine departments/offices were approved by the Signature Authority.

B) IA compared the vendor and amount listed on the monthly Billing Statement Report for the October 2021 p-card billing cycle from Works to the invoice/receipt (using originals where available) in the p-card packet for all non-school activity fund transactions to determine if they matched; if a contract was applicable IA determined if the invoice matched the terms of the contract.

Results:

There were three schools and five departments/offices that were missing supporting documentation to support the purchases. One office had payments that IA was unable to determine if they matched the terms of the contract because the invoice did not have enough information.

C) IA reviewed the receipt/invoice to determine if the purchase appeared reasonable for the location making the purchase.

Results:

One department had a purchase that did not appear reasonable.

Conclusion:

All non-school activity fund p-card purchases made during October 2021 monthly billing cycle at 15 schools and nine departments/offices were approved by the Signature Authority. Substantially all purchases appeared reasonable; however, a significant number of schools/departments/offices were missing receipts/invoices to support p-card purchases.

7. Objective:

Determine if all purchases of \$10,000 or more were approved by the Signature Authority with receipts/invoices to support the purchase from a current contract approved by Purchasing, which match the terms of the contract and determine if the purchase is reasonable for the location making the purchase.

Methodology:

A) IA reviewed the Monthly Billing Statement Report for all p-card purchases of \$10,000 or more to determine if the Signature Authority approved the purchase.

Results:

All p-card purchases of \$10,000 or more were approved by the Signature Authority.

B) IA reviewed the contract associated with each p-card purchase of \$10,000 or more to determine if it was current and approved by Purchasing.

Results:

There were two p-card purchases over \$10,000 that were made without a contract or the approval of Purchasing.

C) IA compared the vendor and amount listed on the Monthly Billing Statement Report from Works for all p-card purchases of \$10,000 or more to the invoice/receipt in the p-card packet to determine if it matched and compared the invoice to the terms of the contract to determine if it agreed.

Results:

The vendor and amount paid in Works for all p-card purchases of \$10,000 or more matched the invoice/receipt. IA was unable to identify if the p-card purchases for two offices matched the terms of the contract because the invoice did not have enough information.

D) IA reviewed the invoice/receipt to determine if the purchase appears reasonable for the location making the purchase.

Results:

All p-card purchases of \$10,000 or more appeared reasonable.

Conclusion:

All p-card purchases of \$10,000 or more were approved by the Signature Authority and appeared reasonable for the location making the purchase. Substantially all p-card purchases over \$10,000 matched the terms of the contract and were paid from current contracts approved by Purchasing.

8. Objective:

Identify and investigate any unusual p-card purchases made during the calendar year 2021 p-card billing cycle.

Methodology:

A) IA reviewed the Works transaction history for all p-card purchases and identified multiple charges made from the same vendor, on the same day, by the same cardholder.

Results:

IA noted two occurrences of vendors charging a p-card twice for one transaction. In addition, IA noted nine school generic p-card, and seven office/school user-issued p-card occurrences where the purchaser/cardholder made multiple purchases from the same vendor on the same day, these purchases appear to have been split to circumvent the single purchase limit.

- B) IA reviewed the Works transaction history for all p-card purchases and reviewed purchases made to unusual vendors.

Results:

All transactions to unusual vendors reviewed appeared reasonable.

- C) IA reviewed the Works transaction history to identify vendors with cumulative purchases of \$200,000 or more to determine if procurement guidelines were followed.

Results:

Procurement guidelines were followed for all three vendors with cumulative purchases of \$200,000 or more.

Conclusion:

IA identified 18 irregular occurrences of multiple purchases with the same vendor on the same day.

AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of the audit were discussed with management. We thank management and staff of Purchasing and other schools, departments, and offices that were contacted for their cooperation throughout the audit.

cc: J. Kevin Beardsley, Director, Office of Purchasing Services
Crystal M. Pate, Chief Financial Officer

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Circumventing Single Purchase Limits

IA identified from the 35,810 p-card transactions during the audit period the following individual cardholders and generic p-card users who circumvented the single purchase limit approved by the Budget Manager or established on the generic p-card by splitting their purchases into more than one transaction.

Purchases were made with the same vendor to split purchases on the same day using the generic p-card, which has a single purchase limit of \$500. See details below:

Generic Card Location	Description of Purchases	Number of Purchases	Amount of each Purchase	Total
Arrowhead ES	Chromebook chargers	2	\$ 479.82	\$959.64
Green Run ES	Magnetic letters	3	497.17, 329.45, 131.78	958.40
Lynnhaven MS	Construction materials	2	461.55, 415.01	876.56
Landstown HS	Food	2	504.40, 336.16	840.56
Landstown MS	Framed print	2	493.00, 74.00	567.00
Old Donation School	Notebooks	2	270.00	540.00
Princess Anne ES	Chromebook chargers	2	316.81, 216.32	533.13
Lynnhaven MS	Cheerleading supplies	2	105.10, 395.10	500.20
Princess Anne HS	Food	3	338.25	1,014.75

Purchases were made with the same vendor to split purchases on the same day using a p-card issued to a staff member. See details below:

Cardholder Location	Single Purchase Limit	Description of Purchases	Number of Purchases	Amount of each Purchase	Total
Princess Anne HS	\$5,000.00	Athletic uniforms	3	\$5,000.00, 3,000.00, 2,845.00	\$ 10,845.00
Guidance Services	5,000.00	Promotional products	2	4,162.42, 1,820.49	5,982.91
Brandon MS	3,000.00	Athletic uniforms	2	2,980.00, 2,690.00	5,670.00
Princess Anne HS	5,000.00	Athletic equipment	2	2,665.78, 2,500.00	5,165.78
Brandon MS	3,000.00	Athletic equipment	2	2,512.24, 2,500.00	5,012.24
Food Services	1,000.00	Supplies	2	872.15, 861.17	1,733.32
Princess Anne ES	200.00	T-shirts	2	161.50, 144.50	306.00

The *VBCPS Purchasing Card Program Policy and Procedures Manual* states that a purchase that exceeds the cardholder's single purchase limit must not be split or broken down into two or more purchases merely to bypass the single transaction limit. Purchasing stated that they contact the Site Administrators to remind them of the purchase limit when it appears that a transaction has been intentionally split. If a cardholder or generic p-card user splits purchases over the purchase limit, it overrides their purchase boundaries.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Recommendations:

We recommend that Purchasing use the transaction information in Works to identify cardholders/users that are splitting transactions over the purchase limit and to make contact with the Budget Manager to determine if limit adjustments or other changes are necessary.

Management's Response:

The Chief Financial Officer (CFO) concurs. Purchasing will develop a process by January 31, 2023, to periodically review data in Works to monitor purchases that are split to circumvent the single purchase limit.

Finding No. 2: Cardholder Purchase Limits

IA reviewed the cardholder agreements for 65 p-card users to ensure they were signed by the cardholder and approved by the appropriate Budget Manager. IA also reviewed the purchasing limits in Works as of 06/01/22, to ensure that they matched the source documents in Laserfiche approved by the Budget Manager. IA noted that one cardholder did not have an approved Cardholder Agreement in Laserfiche to support the card issuance, and three limits examined did not match the approval or did not have approval in Laserfiche for the limit in Works. The details are as follows:

- One cardholder has a \$10,000 single purchase and a \$30,000 billing cycle limit in Works; however, there is no paperwork showing its approval in Laserfiche.
- One cardholder has a temporary \$1,000 single purchase and a \$3,000 billing cycle limit in Works. There is no documentation in Laserfiche requesting to make the temporary limit increase permanent, nor was the previous \$500 single purchase and \$1,000 billing cycle limit restored.
- One cardholder has a temporary \$3,000 single purchase and \$6,000 billing cycle limit in Works. Documentation in Laserfiche shows that the limits should have been adjusted on 02/14/22, to the previously approved \$500 single purchase and \$2,000 billing cycle limit.
- One cardholder has a \$5,000 single purchase and a \$10,000 billing cycle limit in Works. Documentation in Laserfiche shows that the single purchase limit should be \$4,000, and the billing cycle limit should be \$7,000.

The *VBCPS Purchasing Card Program Policy and Procedures Manual* states that all purchasing single transaction and billing cycle limits are established by the Budget Manager. In addition, the cardholder and Budget Manager are required to sign a cardholder agreement for each card issued. Purchasing does not have a process in place to check that purchase limits in Works match the stored approval documentation in Laserfiche. Monitoring cardholder limits to confirm they match the approved amount ensures that the system-controlled spending limitations are established as intended.

Recommendations:

We recommend that Purchasing adjust the limit in Works to the correct amount and follow up with the Budget Manager to obtain approval documentation as needed. In addition, we recommend that Purchasing establish a process to monitor the single purchase and cycle

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

spending limits for each cardholder in Works to ensure that they match the amount approved by the Budget Manager.

Management's Response:

The CFO concurs. Purchasing will make the above corrections immediately and will establish a process to monitor that cardholder limits in Works match the amount approved by the Budget Manager by January 31, 2023.

Finding No. 3: Inadequate Review of P-card Transactions

IA reviewed p-card transactions at 15 schools and nine departments/offices for non-school activity funds for the October 2021 p-card billing cycle. In addition, IA reviewed all purchases that appeared to be duplicate transactions and all p-card purchases of \$10,000 or more during the audit period. IA noted the following discrepancies:

- Missing or incomplete supporting documentation
 - Two offices did not have receipts/invoices or invoices to support the purchases; and
 - Four departments/offices, and two schools did not have itemized receipts/invoices to identify what was purchased.
After Internal Audit questioned these transactions, the Site Administrators were able to obtain a receipt, an itemized receipt, or an invoice. IA determined that they matched the procurement card charge and appeared reasonable.
- P-card purchases which appear to be an unnecessary or inappropriate use of Central Administration funds
 - One department made a purchase of \$68.28 for a fruit bouquet that was sent to a sick employee; and
The department stated they will use staff collected money for future staff-related purchases.
 - One school made a purchase of \$79.00 for an auto-renewal subscription that was not being utilized.
After IA questioned the transaction, the school canceled the subscription, which would have renewed again in October 2022.
- One office was charged twice for the same purchases
 - Tidewater Fleet Supply charged \$280.89 twice for one purchase; and
 - Sonny Merryman Inc. charged \$287.48 twice for one purchase.
After Internal Audit questioned the transactions, the office contacted both vendors to request a refund. IA noted that both vendors provided a credit for each of the duplicate charges.
- One office and one department made p-card purchases that included sales tax totaling \$51.62.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

- One office made p-card purchases without a contract or approval from Purchasing.
 - Smiths Detection for \$15,500
 - Seam Group LLC for \$10,600

- Two offices had invoices for contract payments made with the p-card that did not give enough information for IA to determine if they agreed to the terms of the contract. See details below:
 - Optech for \$13,017.76, and \$19,463.60;
 - Capital Electric for \$12,196.80;
 - Warwick Plumbing for \$8,891.00 and \$4,757.50; and
 - Forrest Sewer Pump Services for \$150.00 and \$750.00.

In addition, these offices do not have a process in place to determine if the invoice being paid with the p-card matches the terms of the contract. This is a concern that IA previously noted in the June 2020 and September 2020 Contracts – Post-Award Process Audit.

The Business Manual for Schools and Central Offices states that:

- P-card purchases require an original receipt showing an itemized list, including prices, of all items purchased;
- Public monies may not be used to purchase gifts of any kind for School Board employees;
- VBCPS is generally exempt from paying sales tax on tangible personal property; and
- Resources should not be spent on products or services that are not being utilized.

The Office of Purchasing Services Cardholder Agreement, which is signed by the cardholder and Budget Manager, states that purchases above \$10,000 can only be made from an established contract, or if an exception has been approved by the Director of Purchasing Services. In addition, the *VBCPS Procurement Card End-of-Billing Cycle Procedures for Site Administrators & Work Reference* explains that the total on the Billing Statement Report should match the cardholder transaction log, and all receipts should match the items listed on the transaction log.

These discrepancies were caused by inadequate review by the p-card user, cardholder, Site Administrator, and/or the Signature Authority. Paying invoices without the proper review can cause incorrect amounts to be paid. In addition, purchases that lack detailed receipts/invoices are not able to prove the nature of the expense to support that the purchase is appropriate, or that the terms of the contract have been followed. Purchasing from existing contracts or with Purchasing's approval provides assurance that items are being purchased at the best possible price. Unnecessary spending limits resources that would be available for other purchases.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Recommendations:

We recommend that Purchasing reinforce with cardholders, p-card users, Site Administrators, and Signature Authorities the following:

- An itemization receipt or detailed invoice is required for all p-card purchases;
- P-card payments over \$10,000 must be made from a current contract or approved by Purchasing;
- P-card payments made from contracts should match the terms of the contract;
- Caution should be exercised when using the p-card for auto-renewing services or products, and certain purchases are exempt from sales and use tax; and
- A thorough review comparing the monthly billing statement report from Works to the itemized receipt/invoice should be performed by the Site Administrator and Signature Authority prior to approval.

Management's Response:

The CFO concurs. Purchasing will communicate this information by January 31, 2023, to cardholders, p-card users, Site Administrators, and Signature Authorities.

Finding No. 4: Merchant Classification Codes

VBCPS has restricted cardholders from making purchases from certain types of vendors, commonly referred to as Merchant Classification Codes (MCC). The restricted codes are assigned in Works based on two groupings: those who are authorized to make travel purchases, and those who are not. IA noted that these groups are not set up consistently. The group of cardholders that have travel privileges has fewer non-travel related restrictions than the group for those who don't have travel privileges. Examples of these include Money Transfers; Jewelry Stores, Watches, Clocks; Insurance – Sales & Underwriting; Beauty Shops and Barber Shops; Hospitals; and Legal Services, Attorneys. Applying restrictions consistently would provide the most effective control to limit purchases from certain MCC codes. The setup of the MCC code restrictions has not been recently reviewed by Purchasing to determine if there are any changes that should be made. Consistent MCC code restrictions would uniformly limit the cardholder's ability to purchase items from restricted vendors.

Recommendations:

We recommend that Purchasing review the MCC code restrictions and update as needed.

Management's Response:

The CFO concurs. Purchasing will periodically review and update the MCC code restrictions, the initial review of the codes will be completed by January 31, 2023.

Finding No.5: Musical Instrument Repair

IA noted p-card charges for musical instrument repairs that are being initiated by the Department of Teaching and Learning (Teaching and Learning) which are being charged

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

to the Office of Maintenance Services (Maintenance). The purchase of \$11,184.62 was made by a Teaching and Learning employee using a p-card issued to him by Maintenance. The invoice for this purchase was not reviewed by another Teaching and Learning staff member, nor did the cardholder provide the detail of what was purchased to Maintenance. Maintenance approved the monthly billing statement report without the detail of what was purchased. After IA asked about this transaction, Maintenance obtained the detailed invoice from the cardholder showing the musical instrument repairs. IA was unable to determine if the amount being charged for labor on the invoice matched the terms of the contract because it did not show time for each repair, only the total labor charged. Best practices recommend that the invoice is reviewed by an employee that is familiar with the transaction. Teaching and Learning oversees the instrument repair process; however, the expenses are being charged to Maintenance. Costs should be reviewed and approved to ensure they are reasonable and are recorded in the correct category.

Recommendations:

We recommend that Purchasing work with Maintenance to facilitate the discussion with Teaching and Learning, Budget, and OBS to determine where this expense should be charged, and to determine if the p-card that is issued to an employee outside of their department is necessary. In addition, we recommend that Teaching and Learning obtain a detailed invoice showing what was purchased and confirm that the invoice matches the terms of the contract prior to making payment, and Maintenance requires that this documentation be provided to support the purchase prior to approving the charge. Finally, we recommend that the musical instrument repair invoice be approved by someone in Teaching and Learning who is familiar with the musical instrument repair process prior to it being sent to Maintenance for their review and approval.

Management's Response:

The CFO concurs. Purchasing will work with Maintenance by January 31, 2023, to facilitate a discussion between Teaching and Learning, Budget, and Business Services related to the above recommendations related to payments for musical instrument repairs.

Finding No.6: Segregation of Duties

IA noted in discussion at several locations that the Site Administrators are using a procurement card issued to other staff members to make purchases. Examples of the types of purchases that are being made are Amazon, Sam's Club, and Office Max. The *VBCPS Purchasing Card Program Policy and Procedures Manual* states that Site Administrators cannot be cardholders and may not use the procurement card for purchases because they are the person reconciling transactions. In addition, a memo reinforcing these requirements was distributed in February 2021 to all Principals and Directors. The Site Administrators stated that they are placing orders because the staff members with cards don't have time, or other staff with time available do not have the capability. Allowing the person reconciling procurement card transactions to make procurement card purchases does not segregate duties which creates an opportunity for fraud to occur.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Recommendations:

We recommend that Purchasing remind Site Administrators, Budget Managers, and Signature Authorities about these requirements, and the importance of segregation of duties. In addition, we recommend locations re-assign tasks so that the Site Administrator does not use the p-card.

Management's Response:

The CFO concurs. Purchasing will provide communication to Site Administrators, Budget Managers, and Signature Authorities about these requirements, and the importance of segregation of duties. This will include suggesting that locations re-assign tasks so that the Site Administrator does not use the p-card. This will be completed by January 31, 2023.

ITEMS NOTED AND MANAGEMENT'S RESPONSES

Items Noted No. 1: Cardholder Agreements

IA noted that the cardholder receives the p-card before agreeing to the terms in the Purchasing Cardholder Agreement. The Purchasing Cardholder Agreement creates accountability; best practice would be for the cardholder to read and sign the agreement in advance of obtaining a p-card. Receiving the cardholder agreement prior to the p-card reinforces the responsibility of having the card and the consequences of improper use.

Recommendations:

We recommend that Purchasing consider restructuring the timing of when and how the Purchasing Cardholder Agreement is being distributed.

Management's Response:

The CFO concurs. Purchasing has implemented this recommendation and has restructured the process and is now waiting until the Cardholder Agreement has been signed before issuing the p-card.

Items Noted No. 2: Electronic Approval

IA noted during site visits and in discussion with Site Administrators that many departments are using an electronic approval process for monthly p-card documentation, including transaction logs and monthly reports. There has not been any written guidance issued to Budget Managers, Site Administrators, or Signature Authorities to provide guidance for this electronic process; as a result, there is not a consistent way that sites are electronically approving documents. Remote work dictated by COVID-19 created an environment where electronic approval was necessary, and many offices continued using an electronic approval upon returning to an in-person working environment, but the *VBCPS Purchasing Card Program Policy and Procedures Manual* does not address electronic approval. Policies and procedures provide guidance to create consistency across the division.

Recommendations:

We recommend that Purchasing and OBS work together to develop and implement policies and procedures related to the electronic approval of p-card logs and reports.

Management's Response:

The CFO concurs. Purchasing Services and OBS will work together to develop and implement policies and procedures related to the electronic approval of p-card logs and reports by January 31, 2023.