



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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24-05 City of Colorado Springs Procurement Card Monitoring - 2023

February 2024

Purpose

The purpose of this audit was to review compliance with City Procurement Card (P-card) policies and procedures 2023 purchasing activity.

Highlights

Based on our review, we concluded that cardholders generally complied with City Procurement Card (P-card) policies and procedures. Incidents of non-compliance were not considered significant. Procurement P-card administrators and cardholder's management were notified of all exceptions identified.

However, we have two recommendations to strengthen controls, as detailed on page two that will aid in the administration of the P-card program.

During 2023, we performed P-card transaction reviews for every cost center and department of the City of Colorado Springs. We tested for compliance with procedures that required all statements to be properly supported and approved by the cardholder, as well as, the appropriate manager. We also verified that transactions were allowable purchases under City policy.

In June 2023, the city enrolled its P-card program in the Colorado Commercial Card program. The key benefits of this program includes reduced financial risks and increased liability coverage, enhanced program monitoring and compliance tools, and increased rebate revenues. Training for all P-card holders for new processes and procedures due to this program began in October 2023. In 2024 we will review the effectiveness of this program.

In 2023, 35,156 transactions were processed using a City P-card with a total spend of \$11,791,273. The City received a P-card vendor rebate of \$350,219. In 2022, 34,928 transactions were processed, which totaled \$12,038,157. In 2023, the average purchase amount was \$335 and in 2022, it was \$345.

City Finance reviewed the Office of the City Auditor P-card transactions. No exceptions were noted.

We appreciate the cooperation of City personnel during this review.

Management Response

Management was in agreement with our recommendations.

Recommendations

1. Set a timeline for the sworn departments to utilize the on-line reconciliation and approval process of P-card transactions.
2. P-card administration should create a process to follow up on users who are not following policy.

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Observation 1

The Colorado Springs Police and Fire Departments were not utilizing the on-line paperless reconciliation and approval procedures for their monthly P-card statements. The on-line process is a strong internal control to help streamline the electronic tracking of approvals, improve record keeping, and oversight by managers.

On-line reconciliation and approvals of P-card transactions maintains strong controls over inappropriate purchases and improves transparency.

Management Response

Colorado Springs Police Department (CSPD) response: CSPD expects to achieve full implementation by the end of Q3 2024.

Colorado Springs Fire Department (CSFD) response: CSFD will have the process implement by end of Q3 2024.

Recommendation

Colorado Springs Police and Fire Departments should adopt the paperless online processing of P-card reconciliations and approvals.

Observation 2

Top three P-card violations:

1. 11%, or 306 of 2883 transactions reviewed, the card holder was not reconciling and approving their monthly P-card statement within the 15th day of the following month.
2. 12%, or 358 of 2883 transactions reviewed, the supervisor/approver was not approving their employee's P-card transactions in a timely manner.
3. 5%, or 139 of 2883 transactions reviewed, the P-card holder did not supply a detailed receipt for purchases or credits.

If an employee does not enter their transaction with their signoff, the supervisor/approver would not be aware of the transaction.

Management Response

We have implemented an internal review process that documents PCard Administration Team timelines and the review process followed for any employee identified in an Audit memo. This includes an initial follow-up with each violator identified in the monitoring memos, follow-up with the violator's approver (or approver's supervisor, as appropriate), and a review of 100% of the violator's transaction history for the previous 6 months. Cardholders and/or approvers are given a week from the time of the PCard Administration Team's review to correct deficiencies. Violators are informed in writing that failure to correct deficiencies within a reasonable period of time will result in additional training or suspension of their account.

Recommendation

P-card Administration should create a process to follow up on users who are not following policy. Process could include a remedial training program and consequences for repeat offenders.