

# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## Purchasing Cards

**November 5, 2015**

Report Number: 16-004  
Audit Plan Number: 16-006

*Municipal Auditing Department  
Chartered 1974*

[www.roanokeva.gov/auditing](http://www.roanokeva.gov/auditing)  
Phone 540.853.5235

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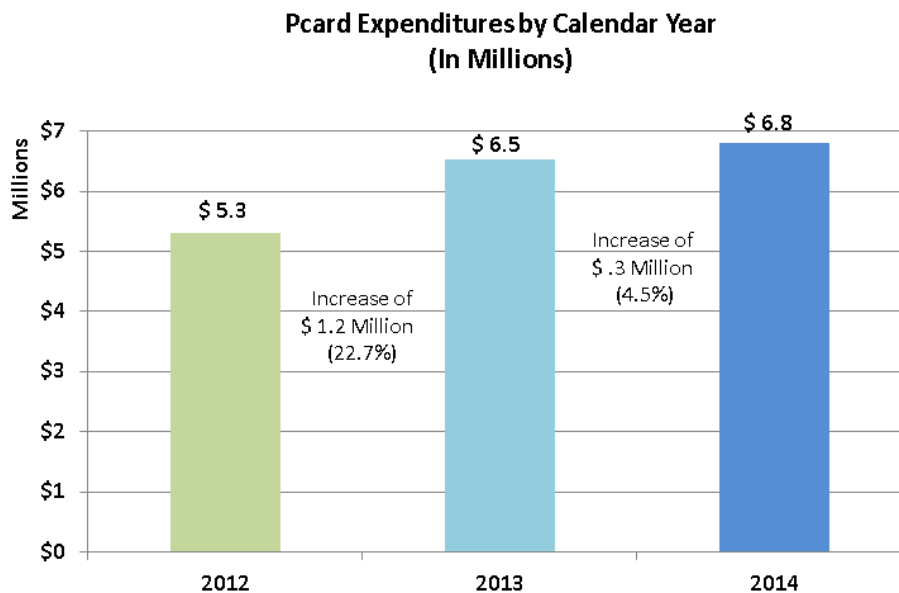
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## BACKGROUND

The City of Roanoke utilizes purchasing cards [PCards] for procurement of small dollar goods and services. The Purchasing Card program is designed to increase efficiency, decrease cycle time, and reduce paperwork. PCards are issued in employees' names under the MasterCard brand.

PCard expenditures totaled approximately \$18,641,220 from calendar years 2012 to 2014, as follows:

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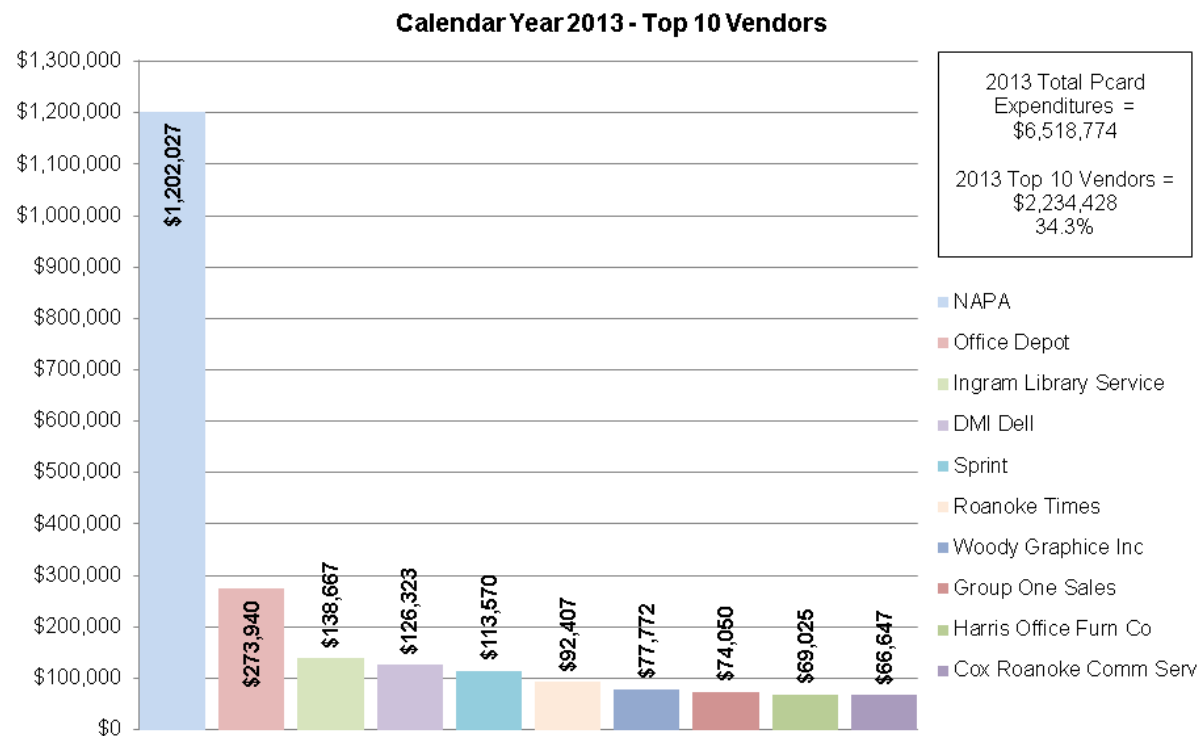
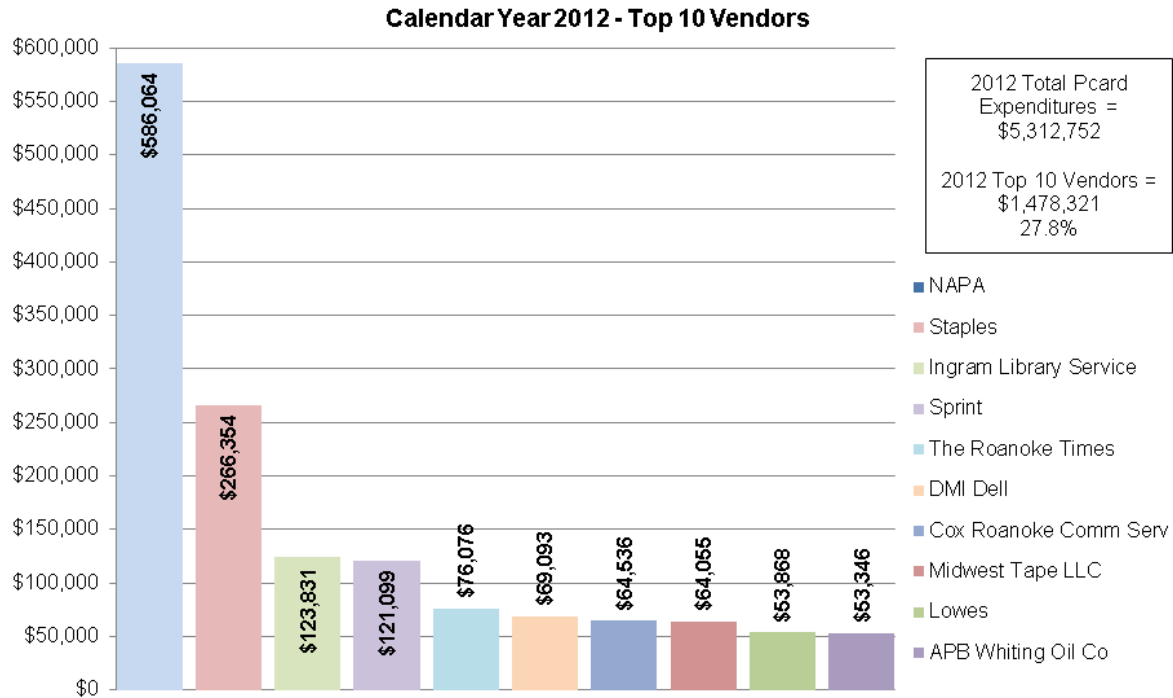


During the same period, the number of PCard transactions ranged from approximately 20,747 to 21,205, annually.

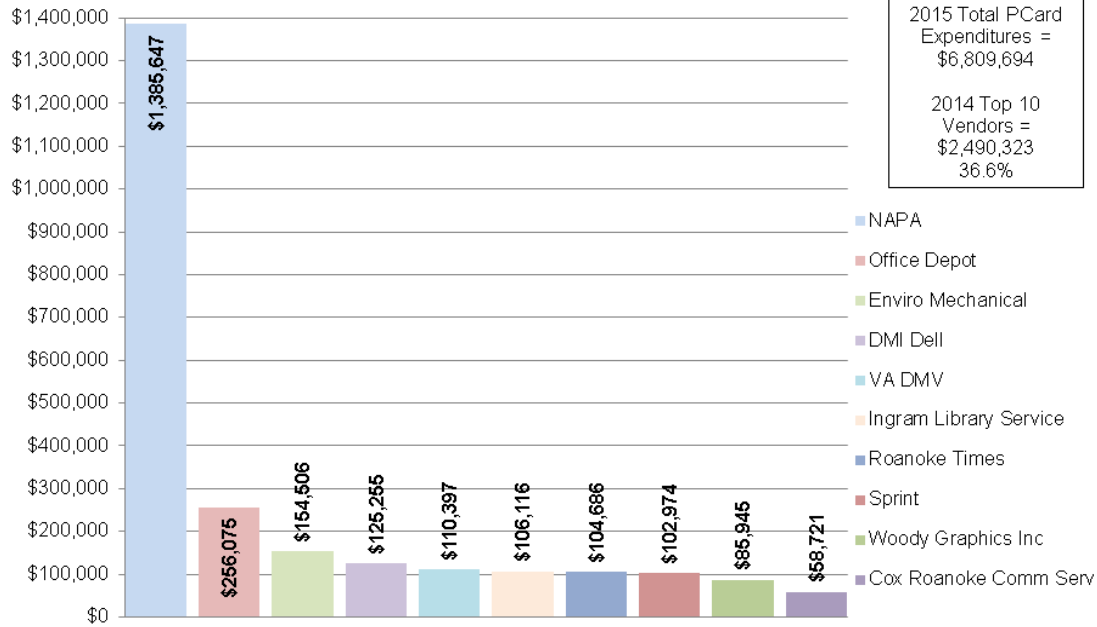
The number of cards issued has varied since the program's inception in 2001. As of June 30, 2015, there were approximately 679 active purchasing cards. Cardholders receive monthly purchasing card statements to which they must attach supporting documentation and forward to management for approval. Once approved, both the statements and documentation are provided to the Department of Finance for payment processing. In addition, either an assigned departmental purchasing card representative or the cardholder is responsible for coding purchases in the Fifth Third banking portal to the appropriate budgetary line items.

**Vendors**

Ten [10] vendors accounted for between 27.8% and 36.6% of total annual PCard expenditures, as follows:



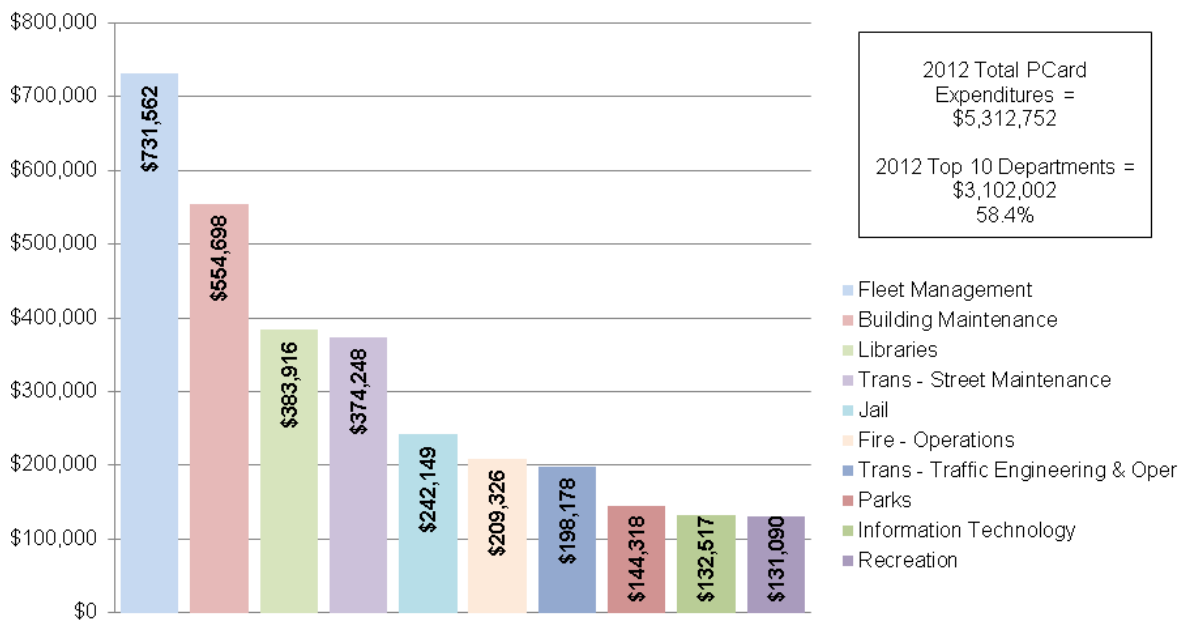
**Calendar Year 2014 - Top 10 Vendors**



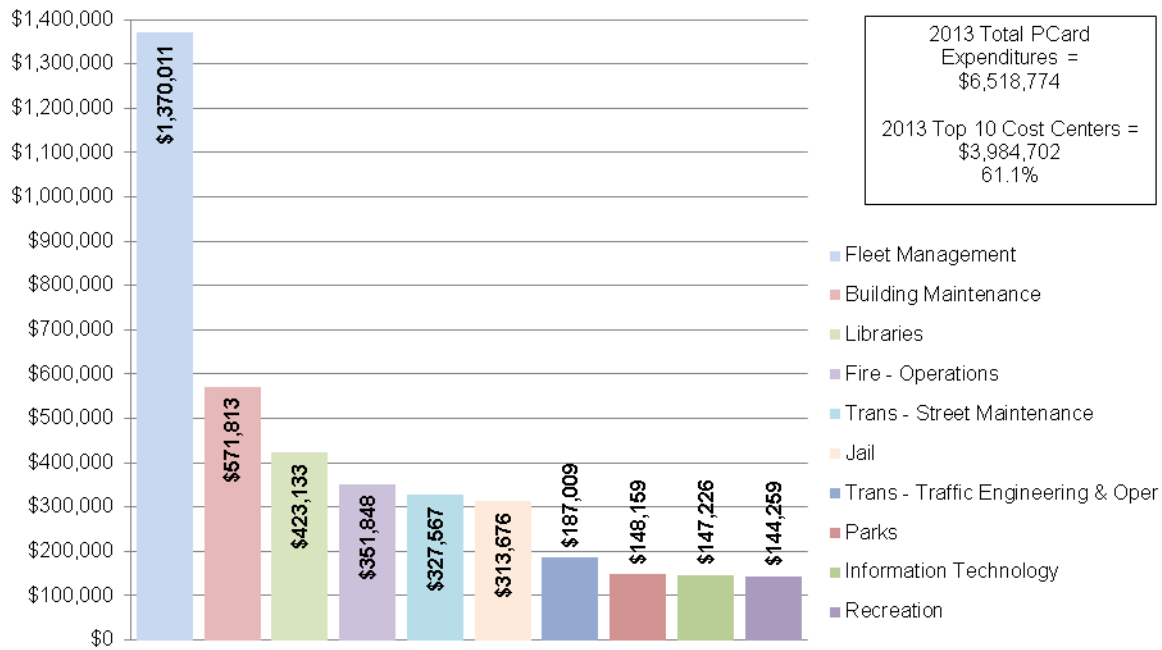
**Cost Centers**

Ten [10] cost centers accounted for between 58.6% and 61.1% of total annual PCard expenditures, as follows:

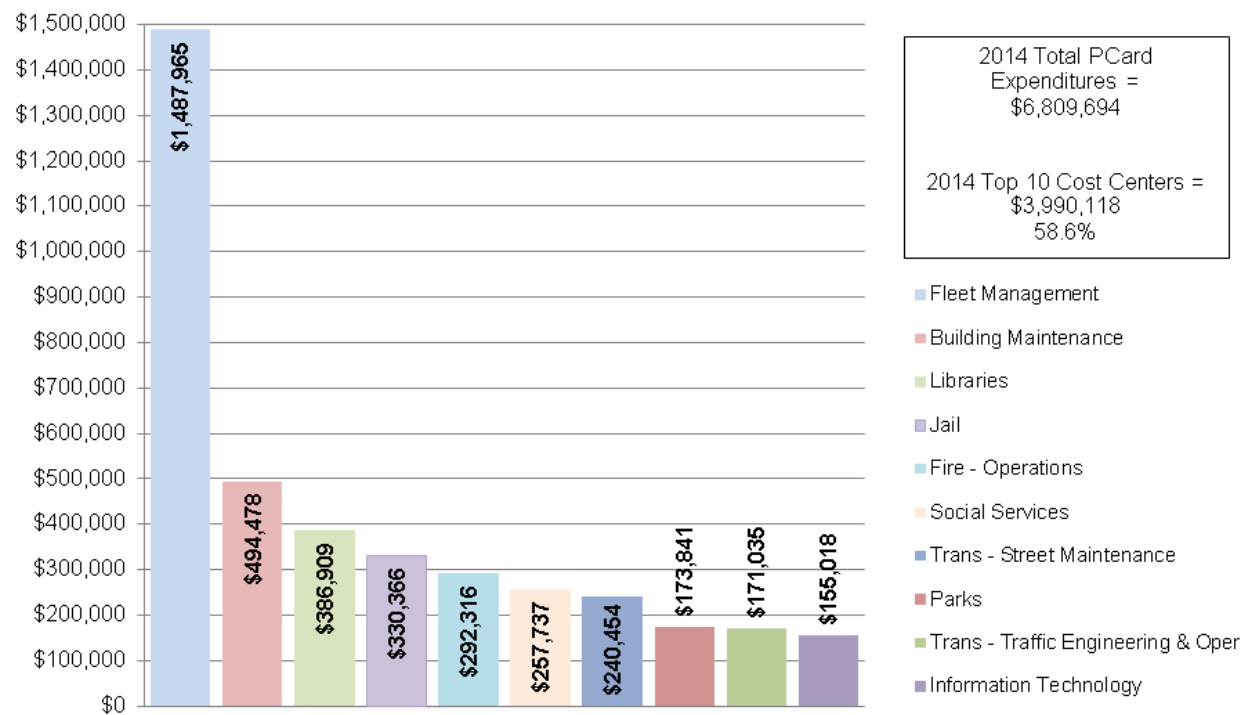
**Calendar Year 2012 - Top 10 Cost Centers**



**Calendar Year 2013 - Top 10 Cost Centers**

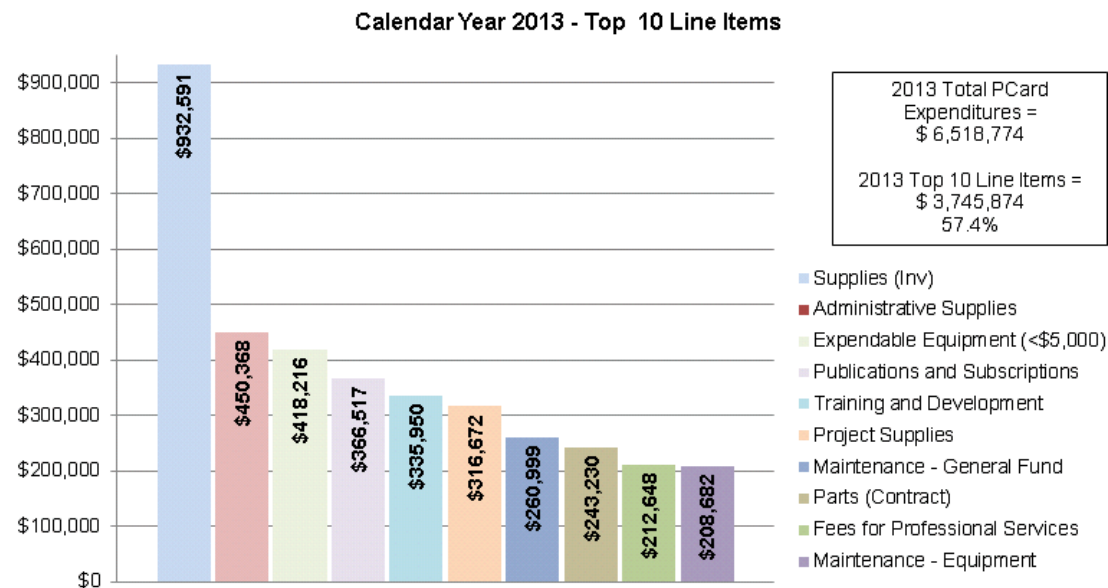
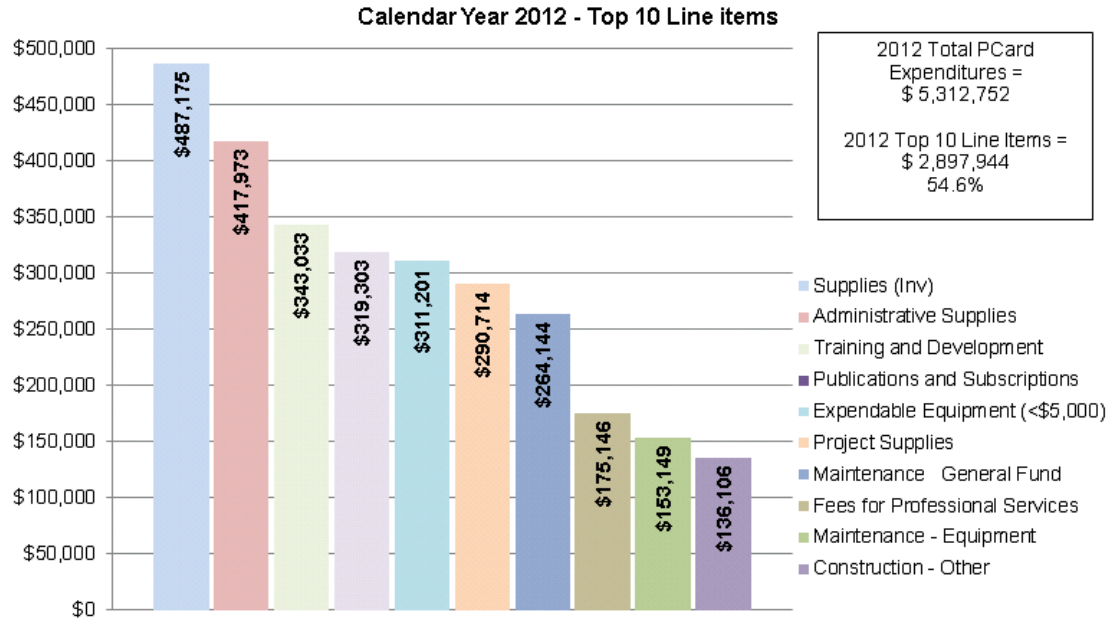


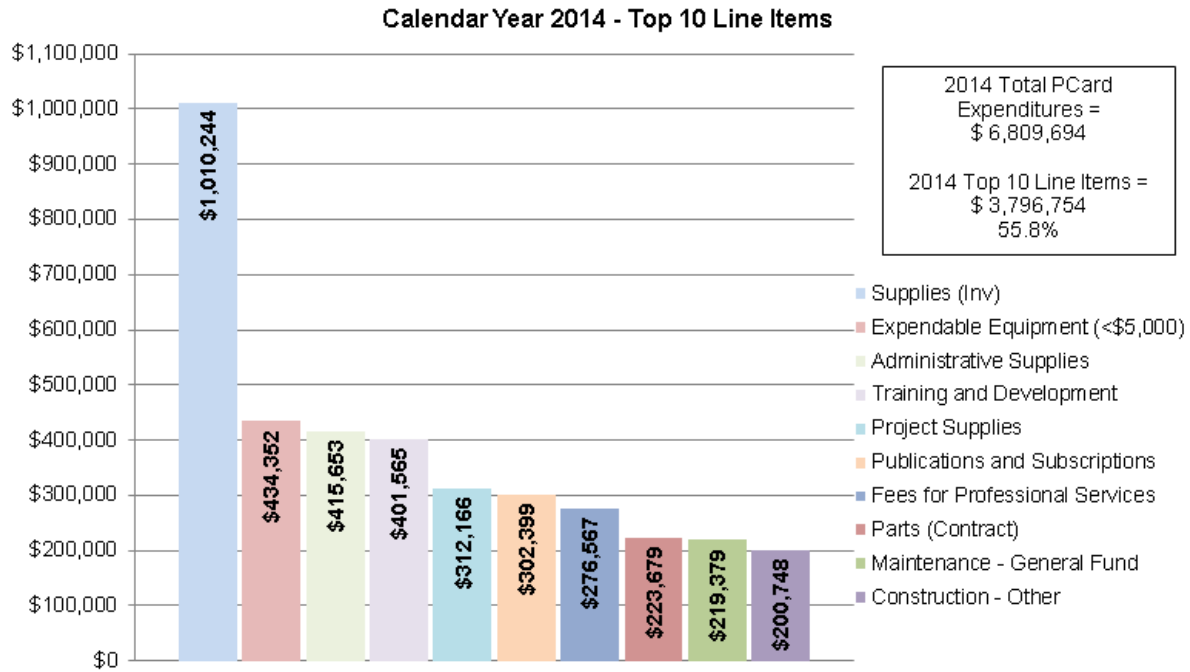
**Calendar Year 2014 - Top 10 Cost Centers**



**Line Items**

Ten [10] expenditure line items accounted for between 54.6% and 57.5% of total annual Purchasing Card expenditures, as follows:





**End of Background**



## OBJECTIVE 1

**To determine if purchases were made within the parameters established by the Purchasing Card program.**

Scope:

July 1, 2014 through June 30, 2015

Methodology:

Using the database of purchasing card transactions downloaded from the bank and maintained by the Municipal Auditing Department, we filtered out all purchases under \$25 as well as purchases classified as business meals, local mileage, and training and development expenditures. We also excluded expenditures charged to the City Council unit due to 100% of those transactions being tested in the annual audit of City Council Expenditures. We undertook a statistically valid random sample of the remaining 12,714 transactions using the following criteria:

- Confidence Rate - 95%
- Precision Rate - 5%
- Error Rate – 1

The confidence [or reliability] provides a 95% probability that the selected sample will closely approximate the tested attributes for the entire population. The precision rate provides the probability that the sample will contain the true value of the population's attributes within 5% with an expected error rate of one.

	<b>Number of Transactions</b>	<b>Dollar Amount of Transactions</b>
July 1, 2014 – June 30, 2015	12,714	\$ 6,211,360
Tested	95	\$ 52,151
Percent Tested	.75%	.84%

Results:

As shown below, very few exceptions were noted.

<b>Attribute Tested</b>	<b># Tested</b>	<b>\$ Tested</b>	<b># Exceptions</b>	<b>\$ Exceptions</b>
Legitimate business purpose	95	\$ 52,151	0	\$ 0
Comply with Technology Policy	95	\$ 52,151	0	\$ 0
Itemized receipt on file	95	\$ 52,151	0	\$ 0
Posted to correct object code	95	\$ 52,151	8	\$ 2,353
No sales tax paid	95	\$ 52,151	1	\$ 40
Purchase was approved	95	\$ 52,151	0	\$ 0

Extrapolating our sample results to the 12,714 purchases included in our universe, we would expect:

- Purchases were for legitimate business purposes.
- Technology purchases were routed through the Department of Technology as required by policy.
- A detailed receipt was obtained and filed for substantially all purchases.
- A significant number of purchases were posted to incorrect object codes, potentially affecting managements' understanding of how department funds were utilized.
- The amount of sales tax erroneously paid on purchases was immaterial.
- Purchases were properly approved.

**End of Objective 1**

## OBJECTIVE 2

**To verify the existence of assets valued at more than \$250 purchased with a PCard.**

Scope:

July 1, 2014 through June 30, 2015

Methodology:

Using the database of purchasing card transactions downloaded from the bank and maintained by the Municipal Auditing Department, we identified all purchases of equipment and durable goods costing \$250 or more, excluding purchases made with capital project funds. We randomly selected a sample of 5% of the 646 purchases identified. Based on the item descriptions of the sampled purchases, nine (9) were characteristic of items that might be taken or lost, and that could be easily verified by observation.

Results:

Item	Department	Cost	Verified
Recruitment Tent	Police	\$ 1,937	Yes
Grease Guns [3]	Stormwater Management	\$ 1,350	Note (1)
Computer	Police	\$ 1,096	Yes
IPad	Parks and Recreation	\$ 782	Yes
Conference Table	Police	\$ 662	Yes
Office Chairs [4]	Jail	\$ 560	Yes
IPad	Human Services	\$ 542	Yes
Refrigerator	Domestic Court Services	\$ 409	Yes
Wardrobe Storage Closet	Juvenile Court Services	\$ 283	Yes

Note (1): The vendor did not accurately record the serial numbers of the grease guns delivered to the city, preventing us from being able to verify the grease guns on hand were those purchased in our sample.

### End of Objective 2


### ACKNOWLEDGEMENTS

We want to thank the employees of the Department of Finance, the Purchasing Department, and the various City Departments with whom we worked for their cooperation and assistance during the audit.



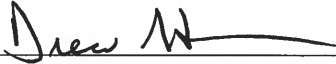
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Ann Clark, CPA  
Senior Auditor



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Dawn Mullins, CPA  
Assistant Municipal Auditor



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Drew Harmon, CPA, CIA  
Municipal Auditor