



*City of Arts & Innovation*

# Finance Committee Memorandum

**TO: FINANCE COMMITTEE MEMBERS** **DATE: MARCH 8, 2017**

**FROM: FINANCE DEPARTMENT** **WARDS: ALL**

**SUBJECT: UPDATE ON THE PURCHASING CARD (P-CARD) PROGRAM INCLUDING  
DETAILS ON FISCAL YEAR 2016/2017 USAGE AND THE P-CARD PROGRAM'S  
INTERNAL CONTROLS**

## **ISSUE:**

Receive an update of the FY 2016-17 Purchasing Card Program Year-to-Date Usage Report and the Program's Internal Controls.

## **RECOMMENDATIONS:**

That the Finance Committee receive and file this report.

## **BACKGROUND:**

The City P-Card program, administered by the Finance Department's Purchasing Services Division, is an expedited and cost-effective method for end-users to procure a variety of low-value/high-volume goods and services through the use of a "credit" card. The P-Card program is designed to augment other existing methods of purchasing that are available, such as requisitions, purchase orders and requests for payment/direct payments.

On September 14, 2016, Finance Committee received a detailed briefing of the City's P-Card Program including the program objectives, administrative policy, program participants and responsibilities, the process to obtain a P-Card, spending limits, restrictive purchases, the rebate program and the spending report for fiscal year 2015/16.

## **DISCUSSION:**

This update includes two aspects of the P-Card program that were requested by the Committee at their December 2016 meeting: 1) the Internal Controls of the P-Card Program and, 2) an example of the detailed reports produced out of the Bank of America Works Program Card System.

## Internal Controls Related to the P-Card Program

The City's P-Card Program has four levels of internal controls in place to protect the P-Cards integrity, security and to ensure that proper purchases are being made through the P-card program. They are: 1) System Assigned Spending Controls; 2) P-Card User's Manager Approval; 3) Finance Department Accounting Review; and, 4) City Internal Audit Division Monthly Reviews.

The first level of internal controls is based on system assigned spending control profiles. All P-cards are assigned to a predefined set of vendors which restricts the types of merchants where a P-Card can be used. Examples of the types of merchants that are generally excluded are liquor stores, pawn shops, amusement parks, massage parlors, etc. Per policy guidelines there are also products that are prohibited from being purchased on a P-card such as alcohol, computers (except for the Innovation and Technology Department), firearms, hazardous materials, postage, licensed software, personal items, and onsite professional services.

The P-Card System are also used to set pre-defined spending limits for both single transactions and monthly spending, as approved by their department and within the City's purchasing guidelines.

The second level of internal controls is manager approval. During each statement period the cardholder or department appointed account reconciler must review and sign-off on all transactions posted in the P-Card system. The transactions are then automatically forwarded to the department manager or designee for electronic sign off. At the end of each statement period the cardholder must sign and forward their hardcopy bank statement with attached purchase receipts to the department manager for signature. P-Card statements with attached receipts are kept in a central location so that they are easily accessible to internal auditors. If there is a questionable purchase, the manager or internal auditor will take action to resolve the issue with the employee, Department Head and possibly Human Resources.

The third level of internal controls is the Finance Department's accounting review. Twice at the end of each statement period, the Finance Accounting Division runs a monthly report of cardholder transactions and notifies the cardholder, approver, and Department Head or designee of any unapproved past due transactions. The Accounting Division then runs a monthly file upload to the Financial System which posts the detailed P-Card transactions to the department's general ledger accounts.

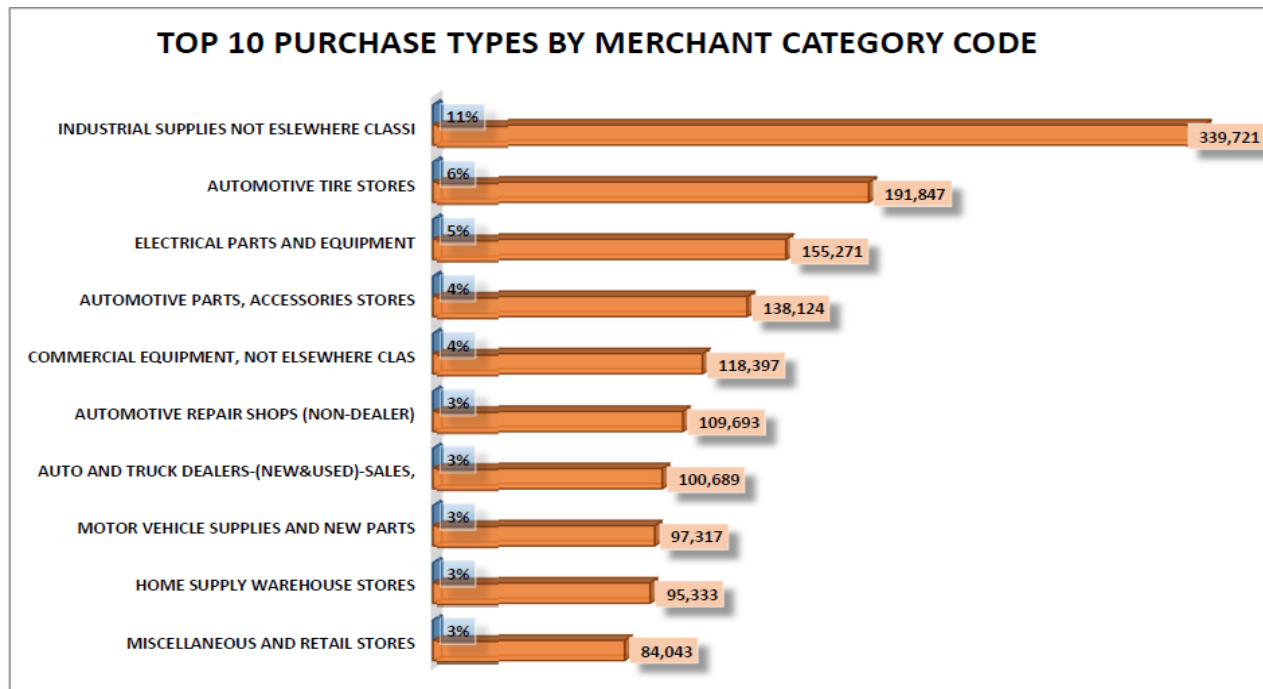
The forth level of internal controls is through the Internal Audit Division. Internal Audit obtains and analyzes the P-Card documentation to ensure all activities of the program are consistent with program guidelines and applicable City policies. Internal Audit has meetings with P-Card representatives from the City departments whose transactions are selected for review. Internal Audit then develops a memo summarizing the review process and any observations noted. The memo includes any recommended corrective actions.

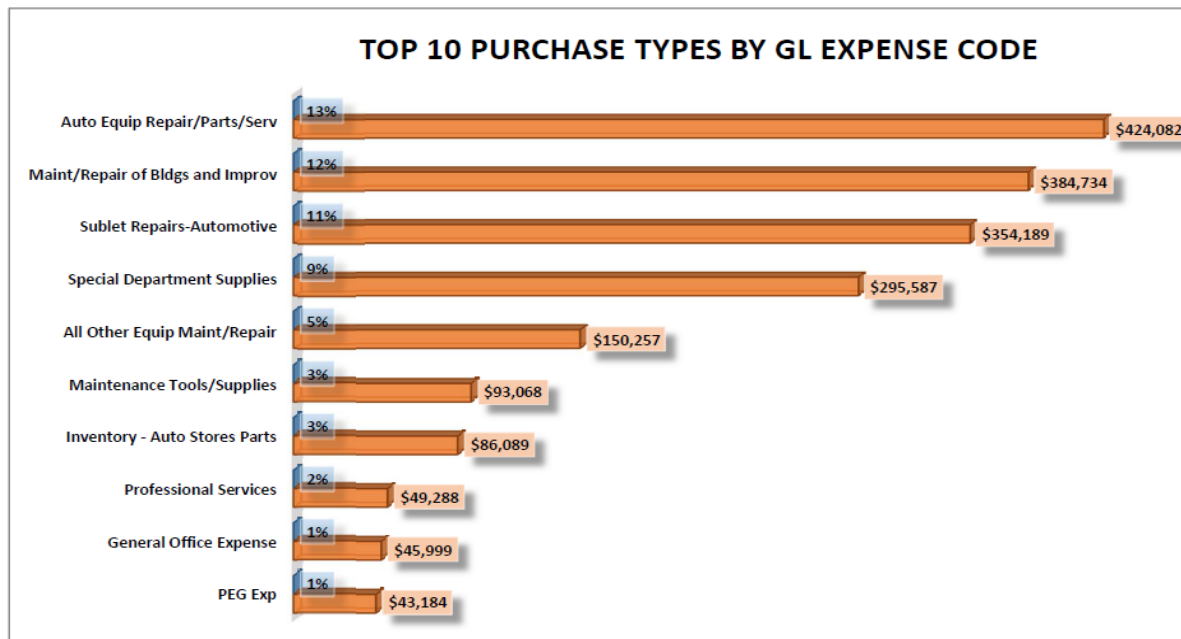
## FY2016-2017 Purchasing Card Spending Graphics

Following are several tables, showing P-Card activity by Department, Merchant Code and GL Expense Code as of January 31, 2017:

### P-Card Activity by Department Table

Department	Total Spend	% of Total Amount	Number of P-Cards
General Services	\$826,268.25	26%	36
Public Utilities	\$657,138.52	21%	96
Police	\$380,382.96	12%	8
Parks & Recreation	\$324,425.07	10%	65
Public Works	\$311,913.03	10%	32
Finance	\$274,660.32	9%	2
Fire	\$147,187.51	5%	74
City Manager	\$67,854.38	2%	7
Museum	\$51,836.79	2%	3
Community Development	\$49,076.29	2%	7
IT	\$31,029.58	1%	2
Library	\$29,014.58	1%	3
Human Resources	\$15,491.09	0.5%	3
City Clerk	\$6,948.16	0.2%	1
Mayor	\$6,860.05	0.2%	2
Office of the City Attorney	\$870.48	0.0%	1
<b>Totals</b>	<b>\$3,180,957.06</b>	<b>100%</b>	<b>342</b>





### Purchasing Card Spending Reports

The Finance Department manages the P-Card Program through the online Bank of America Works System. With this system, staff is able to access and create a variety of transaction reports that may be generated or scheduled to manage the program on a daily, weekly, monthly or annual basis. A sample report is attached as an Appendix. This report shows P-Card transactions by Card Number, Purchase Date, Vendor Name, Amount and MCC Code Description, sub-totaled by Department. These reports are used not only to administer the P-Card Program but are also used by Department's and the Internal Audit Division as critical parts of the Internal Control process.

### FISCAL IMPACT:

There is no fiscal impact associated with this update.

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 availability of funds: Scott G. Miller, PhD., Chief Financial Officer/Treasurer  
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### Attachments:

1. 2016/17 P-Card Spending Report by Card and Vendor Code
2. Presentation