

# **MUNICIPAL AUDITING REPORT**

# **CITY OF ROANOKE**

## **Purchasing Cards**

**December 4, 2013**

Report Number: 14009

Audit Plan Number: 14006

*Municipal Auditing Department  
Chartered 1974*

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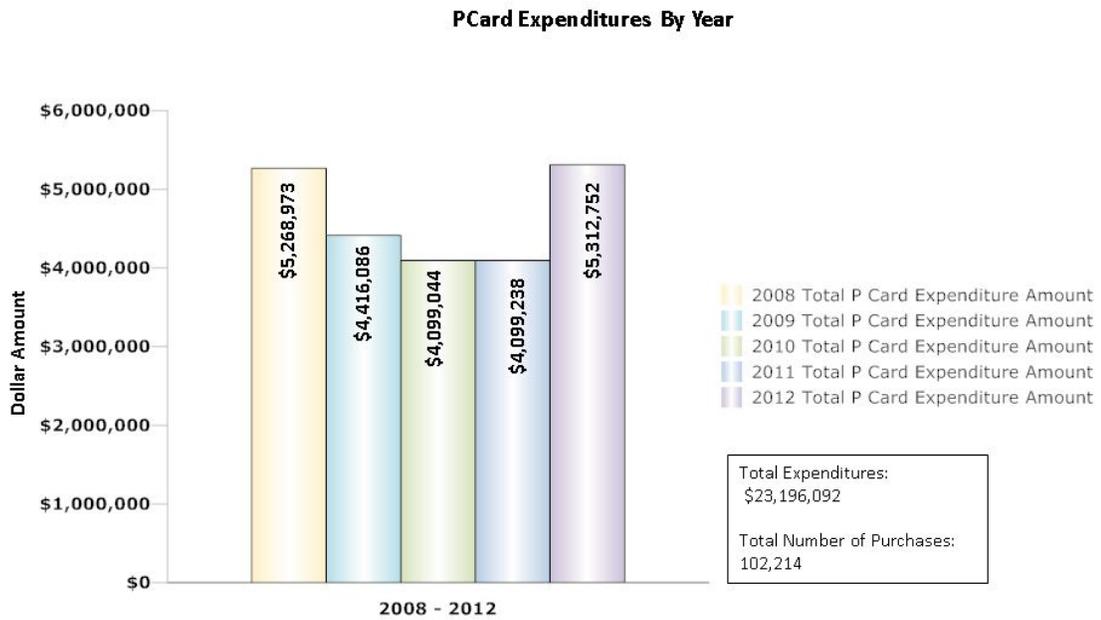
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### BACKGROUND

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 the employees name under the MasterCard brand.

The number of cards issued has varied since inception in 2001. During calendar year 2012, there were 537 cardholders with at least one Pcard transaction.

Over the past five [5] calendar years, the count of PCard transactions has ranged from approximately 19,000 to 24,000, annually. Expenditures were as follows:



Ten [10] vendors accounted for between 20% and 27% of total annual PCard expenditures, as follows:

2008	Amount
Corporate Express	\$ 348,498
Sprint Nextel	\$ 167,139
Webb's Oil	\$ 142,617
DMI Dell K-12/Govt	\$ 128,499
Foster Fuels	\$ 108,867
The Roanoke Times	\$ 82,630
Ingram Library Services	\$ 78,518
Lowe's	\$ 66,615
Chandler Concrete	\$ 61,592
WW Grainger	\$ 53,861
Total PCard Expenditures	\$ 1,238,836
% of Total PCard Expenditures	24%

2009	Amount
Corporate Express	\$ 180,962
Sprint Nextel	\$ 144,957
Staples	\$ 93,241
The Roanoke Times	\$ 82,693
Ingram Library Services	\$ 78,598
Foster Fuels	\$ 76,624
Midwest Tape LLC	\$ 62,680
Lowe's	\$ 60,139
Webb's Oil	\$ 56,599
Diamond Paper Company	\$ 54,751
Total PCard Expenditures	\$ 891,244
% of Total PCard Expenditures	20%

2010	Amount
Staples	\$ 268,617
Sprint Nextel	\$ 138,715
Ingram Library Services	\$ 87,840
DMI Dell K-12/Govt	\$ 76,117
The Roanoke Times	\$ 76,062
Lowe's	\$ 66,822
Cox Roanoke Comm Service	\$ 66,417
NAPA Autoparts	\$ 56,155
C.W. Williams & Co	\$ 44,861
Graybar Electric Company	\$ 43,443
Total PCard Expenditures	\$ 925,049
% of Total PCard Expenditures	23%

2011	Amount
Staples	\$ 276,042
Sprint Nextel	\$ 120,064
Ingram Library Services	\$ 108,193
The Roanoke Times	\$ 74,356
DMI Dell K-12/Govt	\$ 68,135
Midwest Tape LLC	\$ 61,929
Cox Roanoke Comm Services	\$ 59,632
Lowe's	\$ 52,895
NAPA Autoparts	\$ 52,049
General Sales of Virginia	\$ 46,102
Total PCard Expenditures	\$ 919,397
% of Total PCard Expenditures	22%

2012	Amount
NAPA Autoparts	\$ 585,744
Staples	\$ 259,643
Ingram Library Services	\$ 123,831
Sprint Nextel	\$ 121,099
DMI Dell K-12/Govt	\$ 69,093
Cox Roanoke Comm Services	\$ 64,536
Midwest Tape LLC	\$ 64,055
Office Depot	\$ 53,587
APB Whiting Oil	\$ 53,346
Lowe's	\$ 51,743
Total PCard Expenditures	\$ 1,446,677
% of Total PCard Expenditures	27%

Ten [10] departments accounted for between 49% and 58% of total annual PCard expenditures, as follows:

<b>2008</b>	<b>Amount</b>
Building Maintenance	\$ 472,317
Libraries	\$ 371,835
Fleet Management	\$ 332,665
Transportation - Streets and Landscaping	\$ 299,395
Sheriff - Jail	\$ 240,985
Fire - Operations	\$ 220,899
Parks	\$ 191,948
Civic Center Operations	\$ 162,785
Department of Technology	\$ 138,097
Social Services - Services	\$ 137,071
Total PCard Expenditures	\$ 2,567,997
% of Total PCard Expenditures	49%

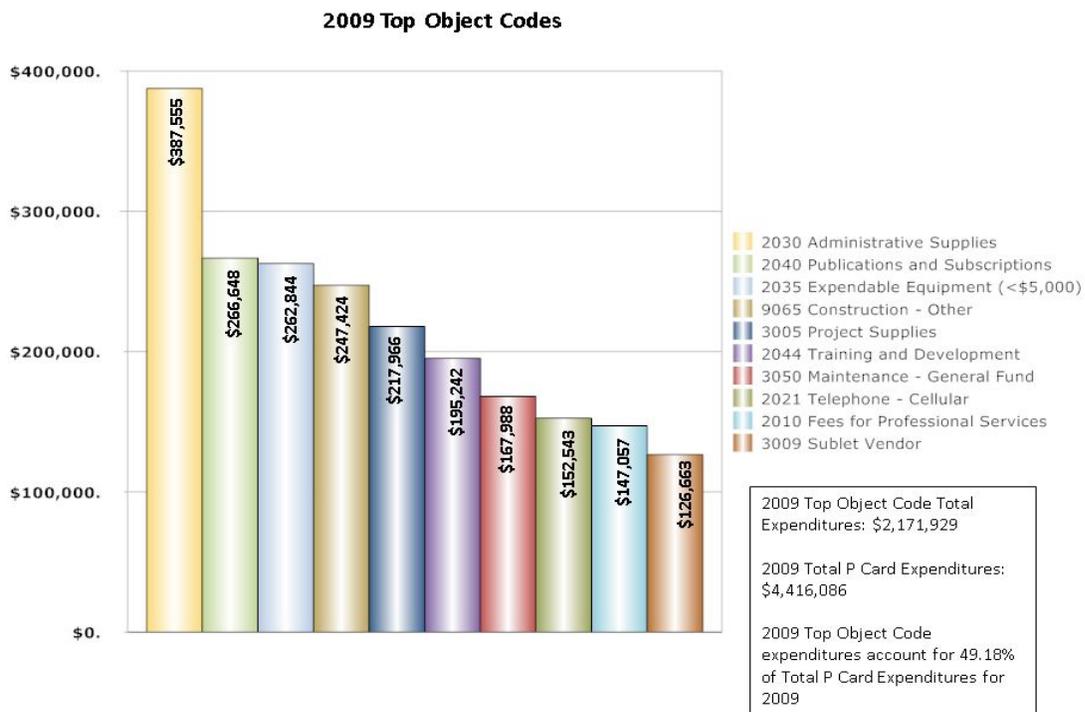
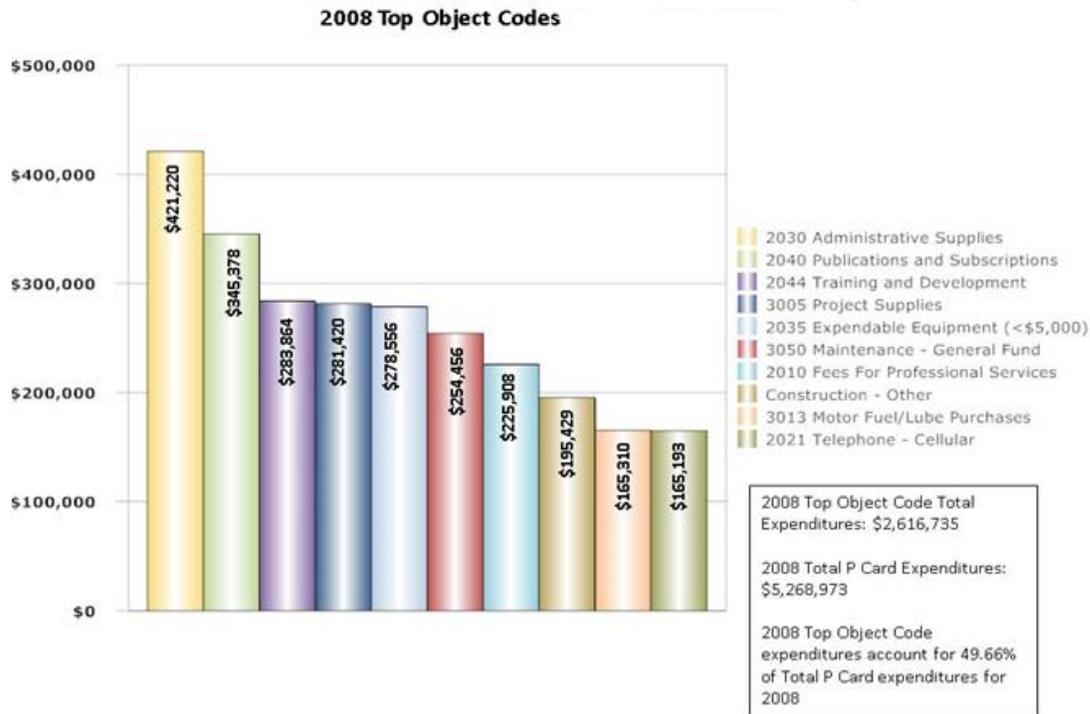
<b>2009</b>	<b>Amount</b>
Building Maintenance	\$ 358,752
Libraries	\$ 357,552
Transportation - Streets and Landscaping	\$ 354,051
Fleet Management	\$ 311,930
Sheriff - Jail	\$ 206,076
Parks	\$ 173,109
Department of Technology	\$ 146,944
Municipal North Renovation	\$ 142,129
Fire - Operations	\$ 134,101
Transportation - Traffic Engineering & Operations	\$ 126,965
Total PCard Expenditures	\$ 2,311,609
% of Total PCard Expenditures	52%

<b>2010</b>	<b>Amount</b>
Building Maintenance	\$ 477,445
Libraries	\$ 298,222
Fleet	\$ 288,137
Transportation - Streets and Landscaping	\$ 277,203
Fire - Operations	\$ 163,628
Sheriff - Jail	\$ 162,614
Social Services - Services	\$ 126,356
Transportation - Traffic Engineering & Operations	\$ 98,735
Department of Technology	\$ 97,081
Parks	\$ 74,150
Total PCard Expenditures	\$ 2,063,571
% of Total PCard Expenditures	50%

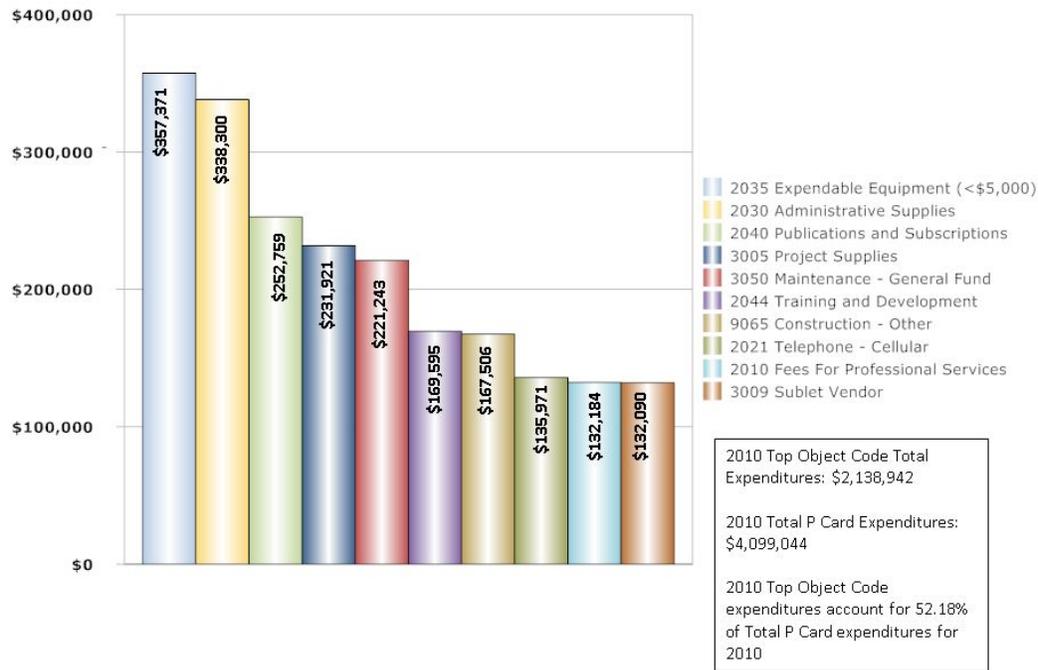
<b>2011</b>	<b>Amount</b>
Building Maintenance	\$ 469,301
Libraries	\$ 348,436
Transportation - Streets and Landscaping	\$ 249,934
Sheriff - Jail	\$ 238,407
Fire - Operations	\$ 184,532
Fleet Management	\$ 180,807
Transportation - Traffic Engineering & Operations	\$ 125,343
Social Services - Services	\$ 104,505
Recreation	\$ 102,211
Department of Technology	\$ 97,793
Total PCard Expenditures	\$ 2,101,269
% of Total PCard Expenditures	51%

<b>2012</b>	<b>Amount</b>
Fleet Management	\$ 731,562
Building Maintenance	\$ 554,698
Libraries	\$ 383,916
Transportation - Streets and Landscaping	\$ 374,248
Sheriff - Jail	\$ 242,149
Fire - Operations	\$ 209,326
Transportation - Traffic Engineering & Operations	\$ 198,178
Parks	\$ 144,318
Department of Technology	\$ 132,517
Recreation	\$ 131,090
Total PCard Expenditures	\$ 3,102,002
% of Total PCard Expenditures	58%

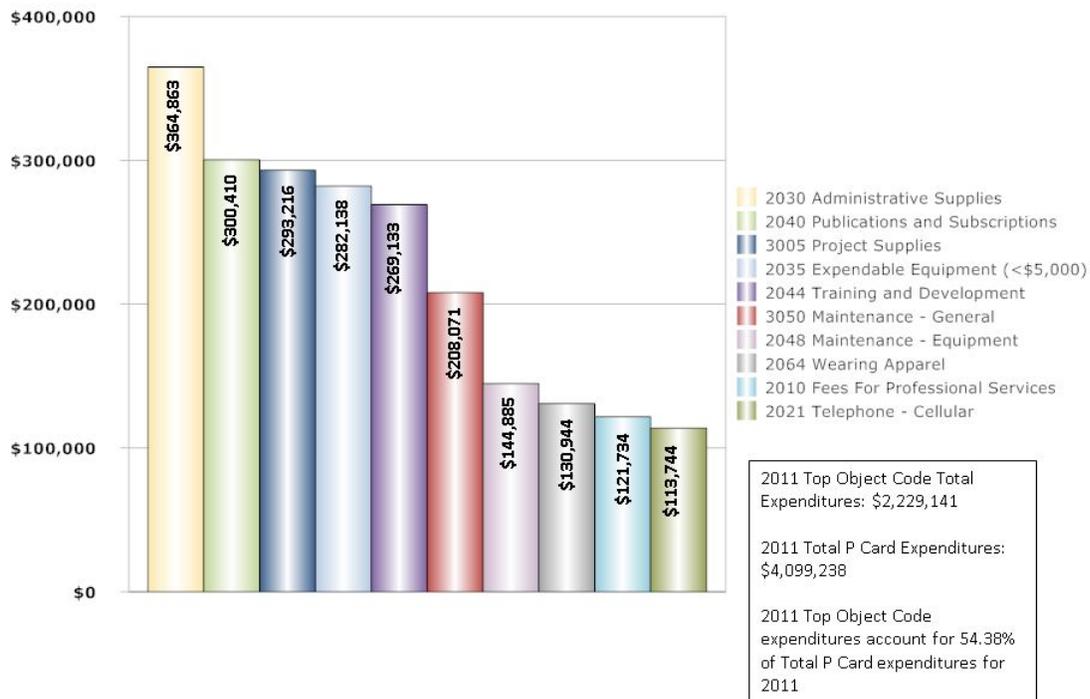
Ten [10] expenditure line items accounted for between 49% and 54% of total annual PCard expenditures, as follows:



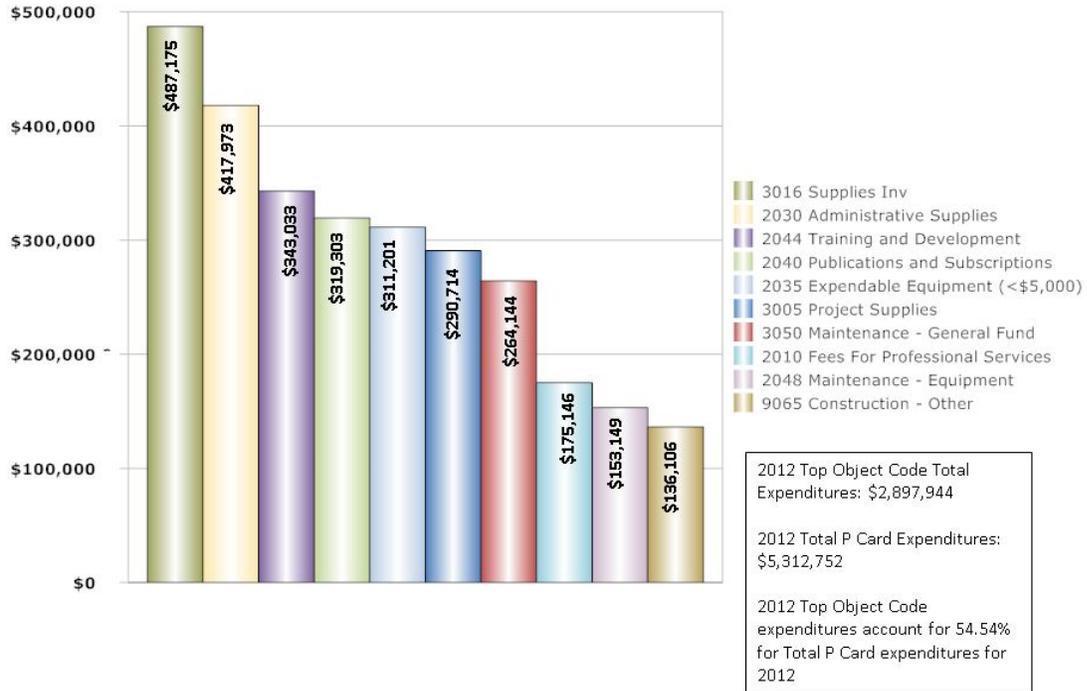
2010 Top Object Codes



2011 Top Object Codes



**2012 Top Object Codes**



## SCOPE

We tested Purchasing Card transactions between January 1, 2012, and December 31, 2012.

### OBJECTIVE 1

**To determine if purchases were appropriate, had sufficient documentation, and were recorded in the appropriate expenditure classification.**

#### Methodology:

Using the copy of the PCard database maintained by the Municipal Auditing Department, data was filtered to transactions over \$24.99, excluding business meals, local mileage, and training and development expenditures. This resulted in a total transaction count of 12,935 for calendar year 2012. Using Access Control Language (ACL), a statistically random sample of 95 transactions was created 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>
January 1, 2012 - December 31, 2012	12,935	\$ 4,930,102
Tested	95	\$ 32,076
Percent Tested	.73%	.65%

Results:

As shown below, very few exceptions were noted.

<b>Attribute Tested</b>	<b>Number of Transactions Tested</b>	<b>Dollar Amount of Transactions Tested</b>	<b>Number of Exceptions</b>	<b>Dollar Amount of Exceptions</b>
Appeared appropriate and were for a valid business need	95	\$ 32,076	0	\$ -
Included a detailed receipt	95	\$ 32,076	1	\$ 225
Approved by the Department of Technology prior to the purchase if involving information technology goods or services	6	\$ 1,573	0	\$ -
Expenditure posted to correct line item	95	\$ 32,076	2	\$ 547
Verified tangible assets were received	6	\$ 522	0	\$ -

When an extrapolation of all PCard transaction for 2012 is performed, the following results would be expected:

- All PCard Transactions are appropriate and made for a valid business need
- Detail receipts are obtained 99% of the time
- All Technology related transactions are properly approved by the Department of Technology
- Expenditures are posted to the correct line item 98% of the time
- All tangible assets are received

Conclusion:

Based on the results of our testing, we conclude that purchases made with the City's purchasing cards during calendar year 2012 were appropriate and properly reported in the City's financial system.

## OBJECTIVE 2

**To document departmental processes in place that help ensure purchases are appropriate and assets are safeguarded once received.**

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 on the Fifth Third banking portal to the appropriate budgetary line items.

### Methodology:

From the randomly generated sample of 95 transactions, we selected 19 cost centers with the highest volume of transactions. We interviewed departmental personnel to gain an understanding of processes in place for approving and reviewing purchases.

### Results:

Departments adequately documented purchases through established internal practices and internal processes were in place to ensure the timely review and approval of statements. Procedures were in place for submitting required information to the Department of Finance. Although not required, fourteen [14] departments maintained copies of supporting documentation.

**OBJECTIVE 3**

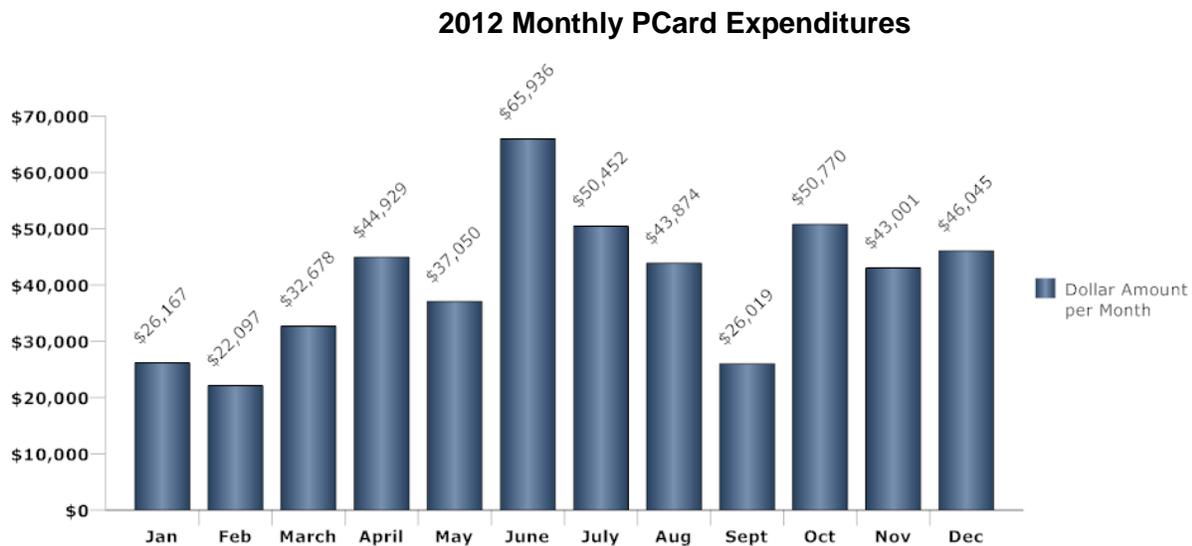
**To analyze management and executive purchasing card transactions.**

Methodology:

We identified individuals in positions with a pay grade of 16 or above, including unclassified employees. City Council members were excluded as their PCard purchases are tested as part of the annual City Council Expenditures audit. We analyzed purchase data for notable patterns, as well as unusual vendors or dollar amounts.

Results:

There were 114 management/executive cardholders. Calendar year 2012 purchases totaled \$ 489,018:



Approximately 24.3%, or \$ 118,996, of expenditures were for training and development.

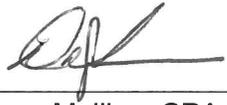
Conclusion:

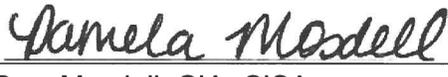
Purchases appeared appropriate and lacked unusual patterns, vendors, or amounts.

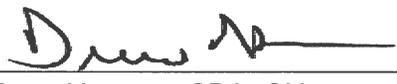
**ACKNOWLEDGEMENTS**

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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