



Procurement Card Program

Improve communication and procedures

May 2009
A Report by the Office of the Auditor

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SUZANNE FLYNN

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MEMORANDUM

May 5, 2009

To: David Bragdon, Council President
Rod Park, Councilor, District 1
Carlotta Collette, Councilor, District 2
Carl Hosticka, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Rex Burkholder, Councilor, District 5
Robert Liberty, Councilor, District 6

From: Suzanne Flynn, Metro Auditor

Re: Audit of Procurement Card Program

The attached report covers our audit of the procurement card programs at Metro and MERC. This audit was included in the FY08-09 Audit Schedule.

Government use of procurement cards has become a recognized and efficient means of paying for purchases. Because it is convenient and potentially subject to misuse, it is important to have the program reviewed periodically to ensure the right procedures are in place and followed.

Auditors in my office reviewed a statistically valid sample of transactions over a two-year period. Based upon that review, we are reasonably assured that fraud and abuse did not occur during the period studied. We did find that procedures were not always followed and recommend some changes to the program at Metro. We recommend that Metro improve communication of the policies and better emphasize the responsibility of card users and approvers to use public resources carefully.

We have discussed our findings and recommendations with Michael Jordan, Chief Operating Officer, Scott Robinson, Deputy COO, and management from the Department of Finance and Administrative Services. My office will schedule a formal follow-up to this audit within 1-2 years. We would like to acknowledge and thank the management and staff who assisted us in completing this audit.

A handwritten signature in black ink, appearing to read 'Suzanne Flynn'.

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Summary

Procurement cards are an efficient and economical way for government agencies to purchase goods and supplies. Both Metro and MERC have procurement card programs. In the past two fiscal years, the total purchases made using procurement cards has increased 9% at Metro and 15% at MERC.

The purpose of this audit was to determine whether the procedures used by the procurement card programs were sufficient to prevent or detect misuse and abuse and whether procurement card transactions complied with Metro and MERC policies and procedures. Auditors reviewed 10% of all transactions in a two-year period to detect fraud and non-compliance with procurement card policies and rules.

Based upon our procedures, we were reasonably assured that fraud and abuse did not occur during the time period we studied. Our review did not find any significant weaknesses in MERC's procurement card program. However, we found that the Metro program's policies and review procedures could be improved to make the program less vulnerable to misuse. We found that in some cases, transactions lacked evidence of approval, receipts were unavailable, and information required by Metro policy was missing.

Metro's procurement card program grew without sufficient planning and design. Early in the program, Metro did not assign management or administrative staff. More recently, the procurement card administrator has completed significant program improvements.

The current procurement card policy at Metro focuses on the general process of using the card rather than focusing on accountability. Best practices recommend that management support a positive control environment, with agency and department management establishing the integrity and ethical values of the agency. Based upon the results of our sample, it is clear that for the most part, employees knew the procedures, however, it was unclear whether cardholders understood the reason for the procedures.

We also found that communication of the policy could be improved. Metro's current policy is stylistically difficult to read and locating the policy could be difficult. Furthermore, in some cases, the procedures were not effective in ensuring compliance. In the areas of review and approval, purchases over \$5,000 and food and meal purchases procedures were not always followed. Metro could also improve the program with better file management practices and using software tools available from the vendor of the program

Background

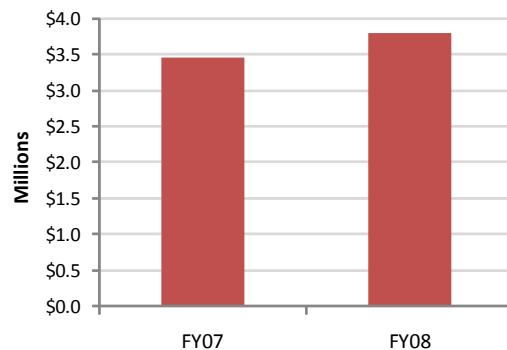
Procurement cards are an efficient and economical way for government agencies to purchase goods and supplies. Using procurement cards can save agencies time and money by replacing purchase orders and payment authorizations for many types of purchases. This improves efficiency by decreasing the number of people involved in the procurement process.

Two programs provide procurement cards to Metro employees for purchases related to their work. The Metro Procurement Card Program is administered by Bank of America. Metro participates in this program as part of a consortium of 38 government agencies that includes the City of Portland, TriMet, and Multnomah, Clackamas and Washington Counties. The Metropolitan Exposition Recreation Commission (MERC) has a separate Procurement Card Program administered by Wells Fargo Bank.

Metro's Procurement Card Program is located within Finance and Administrative Services and is part of Procurement Services. MERC's Procurement Card Program is located in the Accounting Department of MERC's Business Office.

Metro receives an annual rebate based on the value of transactions made by Metro and other members of the procurement card consortium. Between February 2004 and February 2008, these rebates totaled \$89,465. Metro also received a signing bonus of \$1,616 upon joining the consortium. From FY07 to FY08, total procurement card purchases made in Metro's Program has grown 9% (adjusted for inflation).

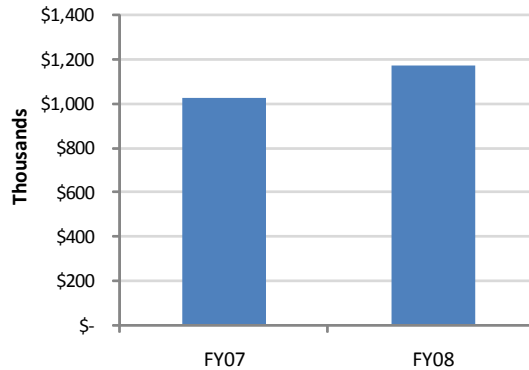
Exhibit 1
Total procurement card purchases - Metro (adjusted for inflation)



Source: Auditor's Office analysis of transactions

MERC's program has been in operation since June 2006. Purchases through this program grew by 15% (adjusted for inflation) in FY08.

Exhibit 2
Total procurement card
purchases - MERC
(adjusted for inflation)



Source: Auditor's Office analysis of transactions

The vendors with which Metro and MERC conducted the most business in terms of the dollar value of transactions are listed in Exhibit 3.

Exhibit 3
Top 10 vendors

Vendor	Total	Program	Products & Services
Computer Technology Link	\$226,839	Metro	Network, desktop and laptop computers
Don Thomas Petroleum	\$194,967	Metro	Fuel
City of Portland	\$179,309	Metro & MERC	Water, permits (fire & land use review)
Tri-phase Electric Supply	\$145,342	MERC	Lighting & electrical equipment
Dell Computers	\$138,663	Metro & MERC	Desktop & laptop computers
Step Forward Activities	\$138,292	Metro	Plastic sheeting, cage liners, hazardous waste containment bags
Home Depot	\$135,924	Metro & MERC	Building supplies
United Rentals	\$133,003	Metro & MERC	Construction equipment
Coastwide Lab Corp.	\$126,522	Metro & MERC	Janitorial supplies

Source: Auditor's Office analysis of transactions

Scope and methodology

This audit examined the operation of the procurement card programs at both Metro and MERC for the period from May 18, 2006 through August 17, 2008. This time period was chosen because information about transactions was easily accessible. The objectives of the audit were to determine whether the internal controls used by the programs were reasonable and sufficient to detect misuse and abuse and if procurement card transactions complied with Metro procurement card rules, policies and procedures.

To determine whether the internal controls were reasonable and sufficient to detect misuse and abuse, we reviewed literature on best practices in procurement card programs. We interviewed the procurement card program administrators, cardholders, employees who approve procurement card purchases and employees who enter transaction data into the financial data system. Employees of other consortium member agencies were interviewed to learn how their procurement card programs were managed. We analyzed program documents to gain an understanding of how the programs operate. We also reviewed the Bank of America WORKS Program, a computer system that provides online access to transaction data.

To determine whether transactions complied with Metro procurement card rules, policies and procedures, we reviewed procurement card transactions from both Metro and MERC. We tested a statistically representative random sample of 35,929 transactions made by Metro employees and 13,429 transactions made by MERC employees. The sampling procedure was designed to determine the percentage of transactions that complied with Metro and MERC policies within a 98% probability that the percentage of non-complying transactions in the sample would be within 2% of the true value of non-complying transactions. For each transaction, we looked to see whether:

- the receipt could be found
- the receipt was adequate
- the purchase was appropriate
- the transaction appeared to be a split transaction to avoid purchasing limits
- the purchase was approved
- the purchase was made by the cardholder
- the receipt had required documentation if it was food or a meal
- the receipt and amount shown in the financial data system matched

We reviewed all procurement card transactions over \$5,000 made during the same period for compliance with Metro's policies for competitive bidding. We also noted any small, easily stolen items to determine that these items were still on hand.

This audit was included in the FY09 audit schedule. 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.

Results

Auditors planned and conducted procedures to detect fraud and non-compliance in procurement card transactions. We reviewed 10% of all transactions over a two-year period. Our sampling procedure was designed to determine the percentage of transactions that complied with Metro's policies at a 98% confidence level. Based upon the sample, we are reasonably assured that fraud and abuse did not occur during the period we studied. We were also able to account for all of the small, easily stolen items in the sample.

Our review did not find any significant weaknesses in MERC's procurement card program. However, we found that policies and procedures for Metro's program could be improved to make the program less vulnerable to misuse. Our review found that:

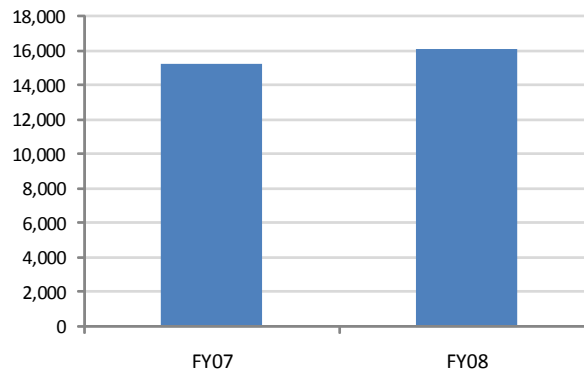
- 11% of Metro transactions had no evidence of approval.
- 8% of the procurement card transactions over \$5,000 did not comply with Metro's policy requiring competitive bids.
- No receipts were found for 12% of the transactions over \$5,000.
- Receipts for 10% of the transactions were not available in the records of the procurement card program.
- Information required by Metro policy was missing from 23% of the transactions for food and meals.

Program grew without sufficient planning

Metro's procurement card program grew without sufficient planning and design. The City of Portland successfully ran a pilot procurement card program in 1996. In the following year, a purchasing card consortium was created to allow smaller local governments to participate; among those governments was Metro. The consortium's participation in the purchasing card program was enabled through an addendum to the City of Portland's contract with Bank of America. The current contract between Bank of America and Metro (the consortium) is from 2003.

From 1997 until 2003, Metro's use of procurement cards grew; however, the program was not staffed and received little management. According to accounts of that time, there was no one person assigned specifically to manage the procurement card program and staffing of the program was sporadic. In 2003, Metro hired a procurement card program administrator to manage the day-to-day operations of the program. Since then, the number of cardholders has grown and expenditures have increased. There were 15,299 transactions in FY07 and 16,099 in FY08.

Exhibit 4
Number of procurement
card transactions
FY07 and FY08



Source: Auditor's Office analysis of transactions

Prior to hiring the procurement card administrator, there was no documentation of a goal and purpose for the procurement card program and no written policies or procedures. Since the administrator's arrival at Metro, an administrator's manual and significant program improvements have been completed. Among them was the introduction of a formalized cardholder training program, establishment and management of a database of current cardholders, and the creation of program forms for card status changes. Increased direction from management on program objectives could assist in making additional organizational improvements.

**Policy focuses
on process, not
accountability**

The current procurement card policy focuses on card administrative responsibilities and the general process of using the procurement card rather than accountability. Best practices recommend that management support a positive control environment, with agency and department management establishing the integrity and ethical values of the agency. This means that cardholder handbooks and training should not only address the processes and procedures of the procurement card program, but also address ethical responsibilities and careful stewardship of public funds.

Based on the results from our testing sample, it was clear that for the most part, employees knew the procedures and processes. However, based on our conversations with cardholders, it was unclear if those cardholders understood the justification behind some of those procedures and processes. For example, when discussing the coding and reconciliation process with employees, they voiced frustration at the requirement to assemble the supporting documentation in a specific manner.

According to best practices, identifying appropriate oversight officials and clearly delineating their responsibilities is important for effective procurement card program management. Responsibilities should be plainly outlined and the importance of those duties emphasized. During our review of a sample of 2,911 transactions, auditors found no evidence of review on 11% of the transactions, which is an indication that approving officials may not understand the importance of that responsibility.

When we reviewed the current policy, we determined the first two pages of the policy focused on what can and cannot be done, and not why these things can and cannot be done. For example, elaborating on why only authorized cardholders can use their Metro procurement card may instill in a cardholder an elevated sense of responsibility. Missing from the procurement card policy was sufficient emphasis on employee accountability and fiduciary responsibility. Both the current policy and the current training program focused almost entirely on the administrative and procedural aspects of procurement card use and transaction review and approval.

Auditors found approvers understood the administrative aspects of the approving duty, but were unclear as to whether the importance of that responsibility was understood by all reviewers. Sufficient training in appropriate use of the card should be provided to the reviewers, and they must be willing to take responsibility for performing the reviews. Integrating transaction review performance into the annual evaluation process may further clarify reviewer responsibility.

The policy currently states the “P-CARD saves time and reduces costs by simplifying the purchasing process.” However, the use of the procurement card actually simplifies the payment process. It may not be clear that the purchasing process should not deviate from Metro’s standard procurement rules. Auditors found four procurement card transactions over \$5,000 without required bid documentation, contrary to procurement card policy.

Because employees who were assigned procurement cards were not trained procurement professionals, the explanations within the policy needed to be more detailed. Procurement rules are complicated and the reasoning behind them requires further explanation and clarification so that employees understand why the rules need to be followed. This could clarify that the steps employees must follow are more than “busywork,” rather, an important part of being accountable for public funds.

Controls should be strengthened

Weaknesses in Metro’s procurement card program’s internal controls leave Metro vulnerable for fraud, waste and abuse. Best practices state that administrative duties should be well separated to provide checks and balances. The procurement card administrator’s duties were not well separated. The Administrator had the ability to create and open new procurement cards, increase or decrease spending limits, amend Merchant Category Codes and close card accounts. When one employee’s duties are insufficiently separated, increased supervision can be used to compensate. During our review of operations, we found no indication that regular reviews were conducted in order to monitor the work of the procurement card administrator, which increases program risk.

One advantage of Metro’s participation in the Bank of America procurement card program was the software the bank provided to participating organizations. Bank of America’s WORKS program has a combination of at least two reporting functions that could be used on

a regular basis to monitor system activities of the procurement card administrator. The "Card Profile Audit Log" is a report that shows changes to card profiles, like new cards created, changes to cards, deleted profiles, and changes to existing profiles for various settings. The "User Audit Log" report illustrates changes to user accounts such as new users, deleted users, and changes to names, e-mail addresses, roles, physical addresses, and scoped permissions. Thorough and regular review of the administrator's actions within the system using the Bank of America's WORKS platform may be a beneficial compensating control.

According to best practices, selectivity and the application of clear criteria for card assignment protects the agency and reduces risk. Because procurement cards simplify the payment process, procurement cards also make abusing and misusing agency funds easier. Metro's criteria for allowing employees to obtain procurement cards were not sufficiently detailed. Metro's current written standards for authorizing employees to become cardholders states "...authorized employees whose jobs include purchasing duties. Procurement cards are issued to an employee when a substantial business need is demonstrated." This criterion is very broad and lacks clarity.

Additionally, policies and procedures for physical card security, consequences of card misuse and employee separation could be improved. Auditors were notified of cards that are kept in cardholder's desks, in unlocked drawers or on shelves. Making cards secure will reduce the risk of theft.

Best practices also suggest management clearly outline the consequences and penalties for procurement card abuse prior to issuance and ensure quick action will be taken to deal with procurement card abusers. Metro's policy explains that there will be ramifications for card misuse and abuse, but a more explicit explanation of consequences may be even more effective.

When an employee separates from Metro, the procurement card administrator receives notification via the automated accounting system. The administrator described a procedure that was followed once notification is received. However, this procedure was not documented in the policies and procedures. According to the administrator, the cardholder notes the effective termination date, and the card administrator collects the employee's card. The administrator then deactivates the card within the Bank of America WORKS system and destroys the card. In the instance of an employee transferring to another division at Metro, according to the administrator, the employee must provide the information detailing the new spending profile, what funds and departments will be connected to the card and who will conduct the card reconciliation. Establishing and communicating clear, written policies and procedures relating to procurement card cancellation and card return will limit opportunities for lost or stolen cards.

**Communication
of policy could be
improved**

Agencies should develop policies that provide clear guidance to cardholders on the appropriate uses of procurement cards. Metro's procurement card policy is not communicated well to cardholders and transaction approvers. The policy is difficult to read, hard to locate on the agency's internal web site, and is sometimes difficult to interpret.

Metro's procurement card policy is two and a half pages and is stylistically difficult to read. The style alternates between bold and normal font, between all capital letters and lowercase lettering, and uses inconsistent numbering and bulleting. Additionally, information related to prohibited purchases of IT equipment is listed as another document, a P-card "alert" and is not part of the Procurement Card policy.

Auditors found Metro's procurement card policy difficult to locate. Unless an employee uses the "Search the Site" feature, these steps must be followed:

1. From the main intranet page, select procurement services on the left side menu.
2. On the procurement services page, the policy seeker must select the link called "purchasing thresholds at Metro" also on the left side menu.
3. Once at the "Purchasing Thresholds at Metro" page, a table appears allowing the policy-seeker to choose from items they may need to purchase including "product" "service" and "public improvement project." (Exhibit 5)
4. The policy-seeker must select the first box in the products column, titled "less than \$1000" which will then lead to a page that describes policies related to purchases of less than \$1000. At the bottom of the page under the heading, "related links" is the link to the purchasing card program policies.
5. Selecting that link then leads the policy seeker to the procurement card policy page. There is no indication on any of the preceding pages where to find the procurement card policy.

Auditors question whether an employee seeking the procurement card policy would be able to follow intuitively the steps listed above; specifically would they know to navigate to the "purchasing thresholds" page and select the "less than \$1000" field. Metro has recently clarified access to procurement card policies.

Exhibit 5
Purchasing threshold
tables from internal
website

Product	Service	Public Improvement Project
less than \$1,000	less than \$500	less than \$50,000
\$1,000 to \$4,999	\$500 to \$4,999	\$50,000 and above
\$5,000 to \$24,999	\$5,000 to \$99,999	very large projects (over \$500,000)
\$25,000 to \$100,000	\$100,000 and above	
\$100,000 and above		

We also found that written procedures sometimes were unclear and could be misinterpreted. In particular, we noted the transaction review and approval process and guidance for meal and food purchases.

In the absence of a clear agency-wide policy for food and meal purchases, some individual employees and departments developed their own standards to decide when food and meal purchases were appropriate, based on their individual circumstances. For example, employees in the Planning Department developed their own criteria for deciding what type of food can be purchased for meetings, depending on the composition of the group, the time of day and the duration of the meeting.

Metro’s policy for food and meals, Executive Order 31, was enacted seventeen years ago and may be outdated. For example, it refers to approval by the Executive Officer, a position that has since been eliminated and replaced by the positions Chief Operating Officer and Metro Council President.

Procedures not always effective in ensuring compliance

Auditors found that the procedures used by the procurement card program did not effectively ensure compliance with Metro policies. In particular, we saw some transactions for purchases over \$5,000 and for meals and food without appropriate documentation. In a few cases, we found personal checks written by cardholders to reimburse Metro for personal expenses that were not deposited. We also found inefficiencies in the Program’s file management procedures and its use of available management tools.

Review and approval

There are inconsistencies in the way the approval process operates. It is important for the person who approves transactions to know that each purchase was legitimate. The best way to know that is to look at the receipts for the transactions. If an approver approves transactions in the

electronic system without seeing the related receipts, there is a possibility that inappropriate transactions and transactions without required documentation will not be detected. A stronger control would be for the approver in the electronic system to also review the receipts. Often, the person who signed the summary sheets was different from the person who completed the Peoplesoft approval. Further, 11% of the summary sheets reviewed had no evidence of approval.

Metro procedures required review of all transactions by an approver. An approver had the responsibility of reviewing transactions to see if they were appropriate, signing a summary sheet, and indicating approval of the transactions within the automated financial system. However, there did not appear to be a consensus among approvers as to how approval should be conducted. Auditors heard a number of different ways in which transactions could be reviewed.

Competitive bids For purchases over \$5,000, Metro's policy required purchasers to send specifications for the purchase to at least three vendors. Competitive bid rules are intended to ensure that public funds purchase services and products at the best value. These bid rules also act as a control against abuse and misuse of government funds, reducing the risk of favoritism. During our review, we found four transactions over \$5,000 were made without required documentation for competitive bids, and there were no receipts in procurement card files for six transactions over \$5,000.

Food and meal purchases The procedures used by the procurement card program were ineffective in preventing approval of transactions for food and meals that did not have required documentation. Metro's policy requires that all business meal expense claims include amount, date, location, business purpose of the meal and names of guests and their affiliations. However, 23% of the transactions for meals did not provide this information or, in some cases, any information at all. In addition, the policy states that meals and refreshments served at meetings attended only by Metro employees is an expenditure that is not allowable unless approved by the Executive Officer, a position that was eliminated in 2003. We found six percent of the meals and refreshments in the sample were provided for Metro staff only.

Metro's policy for food purchases was unclear about the conditions under which food purchases are appropriate. In the absence of enforcement, some cardholders may not perceive a need to provide required information about the meetings, attendees or the business purpose served. Inappropriate food purchases, especially those that can be perceived as extravagant or unnecessary, have the potential to undermine public confidence in Metro and damage its reputation.

Personal reimbursement checks The procedures used by the program were inadequate to identify and process personal checks submitted by staff. Procurement card policy allowed cardholders to write personal checks to reimburse Metro for

inadvertent use of a procurement card for personal expenses. If an employee used their procurement card for a personal expense, the cardholder was instructed to complete a Personal Use Reimbursement form and attach a personal check. In our review of program files, we found two instances where personal checks were submitted for reimbursement and then filed without being processed and deposited.

This problem occurred because the procurement card program administrator only reviewed about 1/3 of the transaction packets she received. According to the procurement card program administrator, she did not review some transactions because she felt that she did not have the authority to compel compliance with program rules. The lack of procedures to ensure that all personal checks for reimbursement of personal expenditures are processed prevented Metro from obtaining reimbursement for funds expended for personal use.

File management

The procurement card program kept summary reports of all transactions made for each month by cardholder. This summary was attached to receipts and other supporting documents. These hard copy documents were then scanned, creating Portable File Format (PDF) files of the transactions. We found that scanned PDF files were missing for 30% of procurement card transactions. The process of scanning the hard copy files was delayed due to insufficient staff resources devoted to the task.

In addition to the hard copy files maintained by the procurement card program and the electronic (PDF) files, some departments and individual employees maintained copies of their procurement card transactions. This may be an inefficient duplication of effort.

Use of available tools

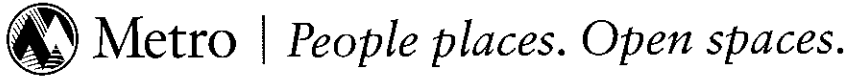
The Bank of America's WORKS program can be used by management as a compensating control for the lack of separation of the duties of the procurement card program administrator. In addition, it can be used by the procurement card program administrator to review and manage transactions. For example, the procurement card program administrator could use the program to identify possible split transactions, and generate reports summarizing spending by vendor and individual cardholder activity. Metro should utilize this valuable resource since it is available.

RECOMMENDATIONS

Recommendations

- 1. To increase the focus on accountability, Metro's Program should modify procurement card training to emphasize the reasons for transaction documentation and the fiduciary responsibilities of cardholders and approvers.**
- 2. To strengthen controls, Metro's Program should:**
 - a. revise its criteria for issuing procurement cards to be more detailed and restrictive.
 - b. develop and communicate clear responsibilities for approvers.
 - c. revise its procedures to ensure appropriate routing of reimbursement checks for personal expenses charged to procurement cards.
 - d. develop procedures to screen for transactions over \$5,000 without receipts and required competitive bid documentation.
 - e. use the Bank of America WORKS program to monitor procurement card transactions.
- 3. To improve the quality of communication, Metro's Program should:**
 - a. review its policies for clarity, readability and accessibility.
 - b. develop and communicate a clear policy for food purchases.

MANAGEMENT RESPONSE



Date: May 1, 2009
To: Suzanne Flynn, Metro Auditor
From: Michael Jordan, Chief Operating Officer
Scott Robinson, Deputy Chief Operating Officer
Margo Norton, Director, Finance and Administrative Services
Cc: Darin Matthews, Procurement Officer, FAS
Annie Meyer, P-Card Administrator, FAS
Re: **Management Response to Procurement Card Audit Recommendations**

The following represents our response to the audit report which will be issued by your office on May 5, 2009. As a public agency we realize the importance of ensuring that public funds are expended appropriately and that proper controls are in place. We are pleased that you found no evidence of fraud or abuse during the time period studied and that small, essentially mobile items are accounted for. Management fully agrees with the audit recommendations and is poised to make the necessary improvements to our program. In fact, many improvements are already underway.

We believe that the use of p-cards by public agencies is an effective and efficient way of handling many types of transactions. For Metro this includes such things as travel, lodging and conference registrations; small equipment and equipment rentals; building and other regulatory permits; office supplies and computer equipment acquired under master contract agreements; and meeting-related expenses. While our program has grown in recent years and policies have been strengthened, we also feel that there is room for improvement. It is our intent to develop and manage a p-card program that is a model for other organizations.

Response to Recommendations in the Auditor's Report

The following summarizes management's response to the specific recommendations noted in the audit report.

Recommendation #1

To increase the focus on accountability, Metro's Program should modify procurement card training to emphasize the reasons for transaction documentation and the fiduciary responsibilities of cardholders and approvers.

Response: Management agrees that our training program can be improved, and we will revamp the p-card training in the next ninety days. Procurement Services staff has begun work already to revise existing training materials. The new training will emphasize the responsibilities of card users and the importance of program compliance. Materials will include travel and meal policy language and an

introduction by the Director of Finance and Administrative Services (FAS), which will emphasize accountability.

Recommendation #2

To strengthen controls Metro's Program should:

- a. **revise its criteria for issuing procurement cards to be more detailed and restrictive.**

Response: We agree that the criteria used for p-card issuance can be improved. The policies in this area and related forms will be revised in the next ninety days to include more specific criteria, including but not limited to: frequency of use, type of purchases, travel requirements, role and function of cardholder, and business purpose for card use. The goal of the policy will be to ensure Metro employees who are issued p-cards have an appropriate and ongoing need to use them.

- b. **develop and communicate clear responsibilities for approvers.**

Response: The policy for p-card approvers will be revised and will detail more clearly the roles and responsibilities of all approvers of p-card transactions. Accountability will be emphasized in addition to the procedures for signature approval of p-card logs and electronic approval of transactions. Each approver will be required to sign an agreement that the approver understands the responsibilities and agrees to fulfill them.

- c. **revise its procedures to ensure appropriate routing of personal checks for personal expenses to be charged to procurement cards.**

Response: This issue was addressed immediately by FAS without waiting for the audit to be issued. Existing cash handling policies require checks to be deposited the same day received. The same standard must be applied in the limited instances when personal funds are required to reimburse an inadvertent personal charge to a p-card. Users have been reminded that personal funds must be deposited at the first available opportunity, and the deposit receipt is then included with the p-card log to verify payment.

- d. **develop procedures to screen for transactions over \$5,000 without receipts and required competitive bid documentation.**

Response: The Procurement Officer will implement a monthly review of p-card transactions over \$5,000 to verify compliance with Metro policies. A quote form will be added to the p-card section of the web site to document compliance with competitive bidding rules. These procedures will be discussed with department procurement staff and also provided to all cardholders with a transaction limit over \$5,000. The procedures will be fully implemented by July 1, 2009, for the start of the new fiscal year.

- e. **use the Bank of America WORKS program to monitor procurement card transactions.**

Response: The Procurement Officer will use the audit reports in the WORKS system as a compensating control. Reports will be reviewed after each reporting cycle, signed and maintained in a separate file for the same period as the original records are maintained.

Recommendation #3

To improve the quality of communication Metro's Program should:

- a. review its policies for clarity, readability and accessibility.**

Response: The procurement policy will be revised in the next ninety days. Procurement Services staff, in conjunction with departmental procurement staff, will make sure the policy is clear and easy to understand. Additionally, the policy will be posted prominently on the agency's intranet page with a direct link for p-card information on the Procurement Services main page.

- b. develop and communicate a clear policy for food purchases.**

Response: Management agrees that Executive Order 31 (Non-travel Expense Policy) is outdated. Since Metro staff makes frequent food and meal purchases with p-cards, we believe it appropriate to include this as one of our program improvements. The Director of FAS will work with appropriate management and finance staff to propose an updated policy to the Senior Leadership Team which will ultimately recommend it to the Chief Operating Officer.

Once a new policy has been approved, it will be clearly communicated to all areas of the organization. This includes management, program staff and elected officials. The new policy will also be easily accessible on the agency intranet page and included in all p-card trainings.



METRO

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