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**CITY OF SAN ANTONIO**  
**OFFICE OF THE CITY AUDITOR**



Audit of Finance Department

P-Card Program

Project No. AU21-015

October 6, 2021

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Finance Department, specifically management of the P-Card Program. The audit objectives, conclusions, and recommendations follow:

### **Determine if the P-Card program is managed in compliance with policies and procedures.**

The P-Card program is managed in compliance with policies and procedures. P-Card expenditures are authorized, approved, and properly supported. Finance is also properly controlling access to the Wells Fargo CCER system. Finally, Finance is making the monthly required P-Card payment to Wells Fargo in an accurate and timely manner.

However, we identified the following areas in need of improvement:

- Departments with generic P-Cards are not in compliance with the P-Card User Guide.
- Finance's monthly monitoring procedure for declined transactions, unapproved statements, and transactions with sales tax charges is not consistently being performed. Additionally, Finance does not require departments to submit a response addressing identified issues.
- Finance does not have an effective policy in place to monitor cardholder credit limits. Additionally, Finance does not have a process to review average monthly purchases by cardholders versus their monthly credit limit.
- The P-Card is being used for recurring monthly charges.

We recommend the Deputy CFO:

- Ensure departments with generic P-Cards comply with the P-Card User Guide.
- Resume and consistently apply the policy requiring the monthly distribution of reports that identify declined transactions, unapproved statements, and sales tax charges. This policy should also be strengthened to require departments to submit a response addressing identified issues.
- Strengthen and consistently apply the policy that requires a periodic review of cardholder credit limits for reasonableness. This policy should include a review of average monthly purchases by cardholders versus their monthly credit limit.
- Implement a policy which prohibits the use of the P-Card for recurring monthly charges.

Finance Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 8.

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## Background

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The City of San Antonio has implemented a P-Card Program that is administered by the Finance Department in partnership with Wells Fargo Bank. The purpose of the program is to provide a more efficient and cost-effective method of purchasing non-biddable and small dollar items through the use of a City issued credit card. This ultimately reduces the use of unnecessary purchase orders and petty cash accounts. The City uses the Wells Fargo Commercial Card Expense Reporting (CCER) system to manage the P-Card Program.

The P-Card Administrator within the Finance Department is responsible for the Citywide administration of the P-Card Program including P-Card issuance, credit settings, user training, Wells Fargo CCER access privileges, and monthly reporting and monitoring. Every department has an assigned Site Administrator that is responsible for the day-to-day management of P-card usage. Site Administrators supervise P-Card program Cardholders, Reconcilers, and Approvers.

Cardholders are responsible for using the P-card to execute purchase transactions on behalf of the City in accordance with policies and procedures. Reconcilers are responsible for reviewing and collecting all support for P-Card transactions to ensure they are executed in compliance with policies and procedures and are classified properly. Approvers oversee both Cardholders and Reconcilers and perform a final review of all transactions to make sure they have a valid business purpose, are properly supported, and are accurately captured in CCER. They also perform the final approval of all transactions and the monthly P-Card statements in CCER.

All P-Card Program participants must attend a training session and pass a test before they are issued P-Cards or are granted access to the Wells Fargo CCER system. The training course covers P-Card Program policies and procedures along with the duties of the respective program roles. At the time this audit was conducted, there were 372 cardholders within 33 City departments.

The Compliance and Resolution Division within the Finance Department performs quarterly user access reviews using the Wells Fargo CCER system and performs departmental expenditure reviews of P-Card transactions to assist with compliance with the P-Card program. Compliance and Resolution was unable to complete these reviews during fiscal year (FY) 2020 as staff members were deployed to help other departments due to the COVID-19 pandemic. Compliance and Resolution has resumed its quarterly user access reviews for FY 2021. However, normal procedures for departmental expenditure reviews will not resume until FY 2022.

For FY 2020, the City executed 22,417 P-Card transactions totaling \$5.9 million.

## Audit Scope and Methodology

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The audit scope was the administration of the P-Card program including all processes and expenditures for FY 2020. The audit scope for Compliance and Resolution Division reviews was FY 2019.

We interviewed staff and management regarding the use of P-cards including departmental purchase and monthly approval processes. Additionally, we reviewed the process for issuing P-cards; granting, delimiting, and modifying access to Wells Fargo CCER; and training requirements. We also gained an understanding of the monthly monitoring process for sales tax charges, declined transactions, and unapproved statements in Wells Fargo CCER. Additionally, we reviewed the reconciliation and payment process for the monthly P-Card payment to Wells Fargo. Finally, we reviewed Compliance and Resolution's monitoring processes for departmental expenditures and access to Wells Fargo CCER.

We obtained a random sample of 50 P-Card transactions from FY 2020 and reviewed them for proper authorization, support, and approval. We obtained the listing of generic P-Cards that have been issued to the San Antonio Fire Department (SAFD) and Neighborhood and Housing Services Department (NHSD) and reviewed their policies and procedures to determine if they were current, adequately covered the use of the generic P-Cards, and for user compliance. We reviewed monthly Citywide billing statements from Wells Fargo for each quarter in FY 2020 to determine if they were paid accurately and timely. We also reviewed a month from each quarter in FY 2020 to determine if Finance was distributing monthly sales tax charges, unapproved statements, and declined transactions reports. Additionally, we obtained the schedule of departmental expenditure reviews performed by Compliance and Resolution for FY 2019 and reviewed the corresponding reports to determine if all scheduled reviews had been completed. We also obtained a random sample of 50 P-Card participants to determine if they had appropriate access in Wells Fargo CCER. Finally, using the same sample of P-Card participants, we determined if they had received the required annual P-Card training. We also reviewed the P-Card training tracking spreadsheet to determine if Finance was monitoring training requirements of all users in Wells Fargo CCER.

We assessed internal controls relevant to the audit objective. We determined that significant internal control components are departmental signed and approved P-Card transaction logs, the review of the Wells Fargo Citywide monthly statement, the departmental expenditure reviews and quarterly system access monitoring performed by Compliance and Resolution, the monthly distribution of the monitoring reports (sales tax charges, unapproved statements, and declined transactions), the P-Card maintenance form which is required for new user setup and existing user changes, and annual training requirements,

We relied on computer-processed data from Wells Fargo CCER and SAP to validate P-card expenditures and the monthly Citywide P-Card payment to Wells Fargo. Our reliance was based on performing direct tests on the data rather than evaluating the systems' general and application controls. Our direct testing included tracing P-Card expenditures into SAP and tracing the monthly Citywide P-Card payment into SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

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.

## Audit Results and Recommendations

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### A. Generic P-Cards

Departments with generic P-Cards are not in compliance with the P-Card User Guide. They either do not have current policies and procedures or are not following their existing policies. Additionally, some users of generic P-Cards have not received the required annual P-Card training. The P-Card User Guide requires departments with generic cards to have separate policies and procedures approved by Finance. Additionally, it requires all P-Card program participants to receive annual training.

Finance has issued three generic emergency P-Cards to the Neighborhood and Housing Services Department (NHSD) for emergency relocation assistance and twelve generic emergency P-Cards to the San Antonio Fire Department (SAFD) for their Emergency Operation Center's various activations and deployments. These cards are not assigned to individuals and are to be used for emergencies as defined in their policies and procedures.

We reviewed the policies and procedures for both departments governing the use of these cards and determined they were either out-of-date or were not currently followed. SAFD has policies and procedures for the use of these cards that have not been updated since 2009. NHSD has policies that state the three generic emergency P-Cards should each be assigned to an individual. However, one card out of the three is being shared by seven individuals. Additionally, their policies state that the card is only to be activated and used for the dates requested, but instead the card is left open for use whenever needed.

We also reviewed the training requirements for both departments. NHSD staff members with access to the generic P-Cards had received the required training. However, we determined 19 out of 52 SAFD staff members with access to the generic cards had not received training since 2019 with some going back as far as 2016 for their most recent training date. Additionally, two out of these 52 staff members had no record of training.

Not following the requirements in the P-Card User Guide can lead to a lack of accountability and potential misuse or abuse of generic P-Cards.

### Recommendations

The Deputy CFO should ensure departments with generic P-Cards comply with the P-Card User Guide.

## **B. Monitoring**

**B.1** Finance's monthly monitoring procedure for declined transactions, unapproved statements, and transactions with sales tax charges is not consistently being performed. Additionally, Finance does not require departments to submit a response addressing identified issues.

We reviewed a month from each quarter in FY 2020 and determined Finance is distributing (by email) reports to departments that identify declined transactions, unapproved statements, and transactions with sales tax charges. However, we noted the reports were not always distributed monthly and each email contained two to three monthly periods at a time. The P-Card monitoring process requires these reports to be distributed monthly. Additionally, Finance does not require departments to submit a response addressing issues identified in the reports.

The inconsistent distribution of the monthly reports and not requiring a departmental response could lead to departments not timely identifying or addressing irregularities in the P-Card process leading to potential misuse or abuse of the P-Card.

**B.2** Finance does not have an effective policy in place to monitor cardholder credit limits. Additionally, Finance does not have a process to review average monthly purchases by cardholder versus their monthly credit limit.

We performed an independent analysis of cardholder credit limits for FY 2020 and compared the average monthly expenditures of cardholders with a credit limit of \$5,000 or greater to their assigned credit limit in Wells Fargo CCER. We determined 197 cardholders had a difference of \$3,000 or higher between their average monthly expenditures and their assigned credit limit. While expenditures did decrease by \$1.1 million from FY 2019 to FY 2020 due to the COVID-19 pandemic, we believe this is a reasonable basis to develop a process to review cardholder credit limits on a periodic basis.

Credit limits should be established based on departmental and individual need. Excessive credit limits increases the risk of improper usage.

## **Recommendation**

**B.1** The Deputy CFO should resume and consistently apply the policy requiring the monthly distribution of reports that identify declined transactions, unapproved statements, and sales tax charges. This policy should also be strengthened to require departments to submit a response addressing identified issues.

**B.2** The Deputy CFO should strengthen and consistently apply the policy that requires a periodic review of cardholder credit limits for reasonableness. This

policy should include a review of average monthly purchases by cardholders versus their monthly credit limit.

### **C. Recurring Monthly Charges**

The P-Card is being used for recurring monthly charges.

During our review of the FY 2020 P-Card transactions, we identified recurring monthly charges that were being paid with the P-Card. These included items like subscriptions to news services, alarm service charges, storage units, and marketing service charges. The purpose of the P-Card is to provide a more efficient way to pay for non-biddable and small dollar items; but this does not include recurring monthly charges.

Using a P-card for recurring monthly charges introduces potential for the City to enter into long-term purchase and contractual arrangements which may require the vendor to store P-card information. These types of recurring purchases should be accomplished via other means and should be vetted through the City's existing procurement process.

### **Recommendation**

The Deputy CFO should implement a policy which prohibits the use of the P-Card for recurring monthly charges.

## **Appendix A – Staff Acknowledgement**

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Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager  
Douglas Francis, CIA, Auditor in Charge  
Javier Castillo, IT Auditor

# Appendix B – Management Response



**CITY OF SAN ANTONIO**  
SAN ANTONIO TEXAS 78283-3968

September 28, 2021

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management’s Corrective Action Plan for Audit of Finance Department P-Card Program

The Finance Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	<b>Generic Cards</b> The Deputy CFO should ensure departments with generic P-Cards comply with the P-Card User Guide.	4	Accept	Melanie S. Keeton, Assistant Finance Director	October 31, 2021

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b>Action plan:</b></p> <p>There are currently only two departments that have been issued and authorized to use generic procurement cards: the Emergency Operations Center (EOC) within the Fire Department and the Neighborhood and Housing Services Department (NHSD). A Procurement Card policy was required to be created by the two Departments and approved by the Finance Department prior to issuance and use of the cards.</p> <p>In Fiscal Year 2009, the Finance Department and the EOC created the generic P-card program to allow flexibility and the ability to rapidly respond to emergency events such as hurricanes, TIFMAS brush fire deployments and EOC activations. This allows the ability to assign cards to specific events for tracking and accounting purposes as well as have multiple generic cards on hand that can be issued to quickly acquire purchases to support the events.</p> <p>Using the EOC policy as a template, the NHSD was issued generic P-Cards in Fiscal Year 2018 for their Emergency Relocation Assistance program. This allows for immediate response by NHSD without having to ensure a specific individual is available. NHSD created a policy that met their resource and operational needs. This policy, approved by Central Finance, mitigated risk of having generic cards while ensuring controls were in place to ensure purchases were in line with the P-Card User Guide.</p> <p>All purchases are approved and reviewed for reasonableness and allowability prior to processing for payment.</p> <p>Finance is coordinating with the EOC and NHSD to update their policies, retrain staff and leadership to increase compliance. To strengthen controls, these policies will be required to be updated, where needed, resubmitted for review and approval by Central Finance annually.</p>				

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
B.1	<p><b>Monitoring – Monthly Reports</b>  The Deputy CFO should resume and consistently apply the policy requiring the monthly distribution of reports that identify declined transactions, unapproved statements, and sales tax charges. This policy should also be strengthened to require departments to submit a response addressing identified issues.</p>	5	Accept	Melanie S. Keeton, Assistant Finance Director	October 31, 2021
<p><b>Action plan:</b></p> <p>The distribution of these reports was temporarily put on hold due to the redeployment of staff to administer the Coronavirus Relief Fund accounting and related reports.</p> <p>Distribution of monthly reports will resume in October 2021 for Procurement Card activity during the month of September. Reports of the previous month's statement activity will be sent by the last business day of each month with explanations due by the 15<sup>th</sup> of the following month. The monthly report files will contain required fields to notate what action was taken on each line item. Training will be conducted with the Department Fiscal Administrators (and site administrators, where applicable) to communicate the reporting requirements and deadlines.</p>					
B.2	<p><b>Monitoring – Credit Limits</b>  The Deputy CFO should strengthen and consistently apply the policy that requires a periodic review of cardholder credit limits for reasonableness. This policy should include a review of average monthly purchases by cardholders versus their monthly credit limit.</p>	5	Accept	Melanie S. Keeton, Assistant Finance Director	December 15, 2021
<p><b>Action plan:</b></p> <p>Semi-annually, the Finance Department will conduct an analysis comparing the cardholder's average monthly spend to their approved monthly transaction limits. Any cardholder accounts that utilize on average less than 50% of their monthly limit will result in an automatic reduction of their authorized credit limit. If a cardholder account has no activity for six consecutive months, the account will be inactivated.</p>					

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
C	<p><b>Recurring Monthly Charges</b> The Deputy CFO should implement a policy which prohibits the use of the P-Card for recurring monthly charges.</p>	6	Accept	<p>Melanie S. Keeton, Assistant Finance Director;</p> <p>Nobert Dziuk, Assistant Director</p>	December 2021
<p><b>Action plan:</b></p> <p>The City's P-Card program was created to assist departments and Central Finance with the ease of processing non-biddable small items expeditiously without having to submit a request to Procurement or process payment through Accounts Payable. Accounts Payable Administrative Directive AD 8.3 Attachment F provides an authorized list of items approved for P-Card usage. Finance will modify the Administrative Directive to exclude the use of automated recurring charges on P-Cards.</p> <p>However, we understand that a department may have a valid business need for specific monthly services or subscriptions which may require a card number be on file to take advantage of their services. In these cases, departments will be required to request a written exception to this requirement as well as justifying the necessity for the recurring service.</p>					

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,

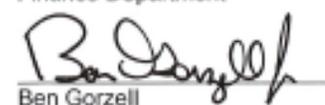

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Troy Elliott  
Deputy CFO  
Finance Department

09/28/2021

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Date


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Ben Gorzell  
CFO  
City Manager's Office

09/28/2021

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Date

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