

Purchase Card Program, Audit 00-17

Risk Analysis Work Sheet

February 25, 2000

<u>Risk</u>	<u>Control</u>	<u>Control In Place</u>	<u>Assessment</u>
Inadequate written agreement with Bank could result in unanticipated risks and expose the City to significant financial liabilities.	Adequate review of Bank agreement by legal counsel.	Yes. Preliminary survey indicates adequate legal review and approval of Bank agreement.	Low
City policies and procedures, based in part on the agreement, could be deficient.	Establish and implement policies and procedures that provide clear guidelines for card use and transaction accountability. Adequate review of Bank agreement by legal counsel.	Yes. Policies and procedures for the PCP have been established and distributed to departments. Legal review of Bank agreement appears adequate.	Low
Lack of segregation of duties in card issuance process could lead to fraudulent use of purchase cards.	Card issuance process is segregated so that no one individual controls all phases of the process.	No. Segregation of duties in the card issuance process was not evident. PCP coordinator controls process from start to finish including receipt of purchase cards.	High
Inadequate card issuance control could result in the use of purchase cards by unauthorized individuals.	In place policies and procedures requiring that issuance of purchase cards be approved and documented by the appropriate department head and the Purchasing Department. Signed acknowledgment by cardholder of responsibilities associated with use of purchase card.	Yes. Issuance of purchase card requires approval by department head and the Purchasing Department. Employee required to sign acknowledgment of cardholder responsibility form.	Low to Medium

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Spending limitations can be exceeded at point of sale. Items excluded from approved list can be purchased with card.	System restriction are established to preclude card purchases that exceed policy amounts and excluded items.	Yes. The PCP system has amount and item restrictions established for each card holder. However, it was discovered during the preliminary survey process, a purchase was made that exceeded the authorized limits.	High
Departmental use, approval and reconciliation of card transactions is limited to one person, thereby increasing the likelihood of errors and irregularities going undetected.	Segregation of duties within departments so that no one person controls all phases of Purchase Card usage.	Yes. Reconciliation of card statements is performed by individual that is not a cardholder.	Medium to High
Monthly card statements are not reconciled.	Establishment of policy and procedures defining reconciliation requirements. Independent review of departmental reconciliations by nondepartment employee.	Yes. Reconciliation policies and procedures have been established. PCP coordinator reviews all departmental reconciliations on a monthly basis. However, PCP Coordinator does not use standard system reports in the reconciliation process.	Medium

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Purchase cards not deactivated in a timely manner could result in fraudulent use of the card.	In place policy and procedures detailing deactivation requirements. Periodic confirmation by the Purchasing Department of cardholders coupled with independent verification by applicable City department.	Yes. Policies and procedures are in place detailing card deactivation requirements. The Purchasing Department periodically requests confirmation of cardholders within a department and compares to cardholders on file.	Medium.