

ASD INTERNAL AUDIT REPORT

2022-01

Procurement Card Purchases

Anchorage School District

September 2, 2022

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MUNICIPALITY OF ANCHORAGE
MAYOR DAVE BRONSON

OFFICE OF INTERNAL AUDIT

September 2, 2022

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2022-01, Procurement Card Purchases, Anchorage School District**. A summary of the report is presented below.

We have completed an audit of the Anchorage School District's Procurement Card Purchases. The objective of this audit was to determine whether cardholders adhered to the Anchorage School District's policies and procedures regarding Procurement Card use. Our audit included a review of purchases made from March 1, 2021, to February 28, 2022. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with the Procurement Card User Manual.

Overall, most employees complied with Anchorage School District policies and procedures regarding the use of Procurement Cards. However, conditional purchases were not always approved prior to the purchases being made and transactions were sometimes split to circumvent the \$2,500 single transaction limit. In addition, personal purchases using the Procurement Card were not always reimbursed. Moreover, our review of Procurement Card transactions revealed some prohibited purchases and we found five instances of donations being made with Procurement Cards to agencies not included on the Anchorage School District's Charitable Giving Campaign list or not approved by the appropriate Instructional Division Senior Director. Finally, Procurement Card purchases were not always approved within seven business days, as required by the Procurement Card User Manual, and Amazon Prime memberships were sometimes purchased by individual Procurement Card holders belonging to the same school and even the same offices.

There were seven findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



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ASD Internal Audit Report 2022-01
Procurement Card Purchases
Anchorage School District

Introduction. The Anchorage School District's (District) Finance Department (Finance), in collaboration with their Purchasing Department, implemented the Procurement Card (P-Card) Program in August 2012, to provide for the purchase and payment of goods and services, while reducing the need for petty cash funds, employee reimbursements and low-dollar purchase orders. The Finance Department administers the P-Card program. The Procurement Card User Manual (Manual), last updated in June 2021, provides guidelines for the appropriate use of P-Cards. Some of the changes made in the update allow for the purchase of chemical toilet contracts, furniture/fixtures/rugs, equipment (excluding technology that requires Information Technology Department (IT) support), and fuel for snow blowers/lawn mowers. The District uses US Bank for its credit card services. Finance Department staff run an interface from US Bank to Business Plus which assigns a number to each transaction and routes them to the appropriate staff queue for allocation and approval. Business Plus is the accounting software the District uses for posting and reporting financial transactions to include P-Card transactions. In addition, receipts are required to be scanned and attached to each transaction to aid in the review and approval process. For the period of March 1, 2021, to February 28, 2022, there were 46,547 transactions processed for a total of \$10,647,287. Additionally, 897 staff possessed P-Cards during the same period. (See Attachments for additional statistics.)

Objective and Scope. The objective of this audit was to determine whether cardholders adhered to the District's policies and procedures regarding P-Card use. Our audit included a review of purchases made from March 1, 2021, to February 28, 2022. Specifically, we reviewed purchases of judgmentally selected transactions to ensure compliance with the Manual.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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. The audit was requested by the Anchorage School Board Finance Committee.

Overall Evaluation. Overall, most employees complied with District policies and procedures regarding the use of P-Cards. However, conditional purchases were not always approved prior to the purchases being made and transactions were sometimes split to circumvent the \$2,500 single transaction limit. In addition, personal purchases using the P-Card were not always reimbursed. Moreover, our review of P-Card transactions revealed some prohibited purchases and we found five instances of donations being made with P-Cards to agencies not included on the District's Charitable Giving Campaign list or not approved by the appropriate Instructional Division Senior Director. Finally, P-Card purchases were not always approved within seven business days, as required by the Manual, and Amazon Prime memberships were sometimes purchased by individual P-Card holders belonging to the same school and even the same offices.

FINDINGS AND RECOMMENDATIONS

1. Conditional Purchase Process Not Always Followed.

- a. Finding.** Conditional purchases were not always approved prior to the purchases being made. As stated in the Manual, conditional purchases such as gift cards, rental agreements, software/licensing, technology that requires IT support, and personal service agreements require conditional approval from the P-Card Committee. For example, 8 of 63 (13%) P-Card purchases described as gift cards did not have conditional approval before the purchases were made. Some of the gift card purchases may have been denied if conditional approval been sought in advance. For instance, generic Fred Meyer gift cards can be used to purchase alcohol, which is a prohibited purchase. In other examples, four rental agreements, four software purchases, and one

personal service agreement did not receive conditional approvals. A similar condition was reported in ASD Internal Audit Report 2020-04(A).

b. **Recommendation.** The Chief Financial Officer should:

- 1) Remind staff that conditional purchases need pre-approval from the P-Card Committee.
- 2) Consider suspending privileges for P-Card holders who repeatedly do not secure pre-approval from the P-Card Committee for conditional purchases.

c. **Management Comments.** Management stated, "Management agrees with the findings and recommendations. The Administration will ensure that the annual P Card test, along with manual updates, will stress the procedures for receiving pre-approval for all conditional purchases. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders."

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

2. **Some Transactions Split to Circumvent Dollar Limits.**

- a. **Finding.** Transactions were sometimes split to circumvent the \$2,500 single transaction limit. Specifically, our review revealed 36 instances where purchases appeared to be split to circumvent dollar transaction limits. For example, at one high school a \$4,460 purchase for flag football uniforms was split into two charges of \$2,500 and \$1,960, both made on the same day. At a different high school, a \$5,000 purchase for football pads had two charges of \$2,500 each, made about seven minutes apart. At that same high school, a \$2,546 purchase for graduation coins had two charges of \$2,500 and \$46,

with a hand-written notation on the invoice stating, “due to total amount charges split on pcard”. According to the Manual, “Purchases must not be split to avoid P-card limits. (Limits may be raised, as needed, on a case-by-case basis.)” Cardholder limits are set in place to control spending levels and prevent unauthorized spending. Requests to temporarily increase spending limits can be submitted to the P-Card Committee, but there was no evidence that requests were made for these purchases while reviewing transaction backup in Business Plus.

b. **Recommendation.** The Chief Financial Officer should:

- 1) Remind P-Card holders that split purchases are prohibited.
- 2) Consider suspending privileges for P-Card holders who do not abide by their transaction limits.

c. **Management Comments.** Management stated, “Management agrees with the findings and recommendations. The Administration stressed the importance of avoiding split purchases during the Senior Leader conference at the beginning of the year, and will continue to monitor and take corrective actions and training for personnel who allow this to occur. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders.”

d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

3. **Personal Purchases Not Always Reimbursed.**

- a. **Finding.** Personal purchases using the P-Card were not always reimbursed. Specifically, we identified 23 of 96 personal transactions totaling \$941 that had not been reimbursed. However, during the audit reimbursements were obtained for 20 of

the 23 personal transactions. The three remaining purchases had not been reimbursed as of July 19, 2022. In addition, it appeared that some of these personal purchases took a long time to be reimbursed. For example, one employee made several personal purchases at Walmart for items such as sliced almonds, milk, and other personal groceries totaling \$153 in November and December 2021. These charges were not reimbursed until March 22, 2022, after we inquired about the status of the reimbursement. Although personal purchases are prohibited, there is no guidance on who is responsible to ensure that the transactions are reimbursed to the District.

To help control the use of the P-Cards for personal purchases, in July 2021 the District changed the P-Card design to display artwork from ASD students on the face of the card so that it could be easily identifiable as belonging to the District. However, personal purchases increased from 87 incidences between January 1, 2020, thru December 31, 2020, to 96 incidences between March 1, 2021, thru February 28, 2022. In some cases, the P-Card may have accidentally been used for a personal purchase if the card number was one of several card numbers to select when making an online purchase.

b. Recommendation. The Chief Financial Officer should:

- 1) Remind P-Card holders that personal purchases are prohibited.
- 2) Determine who is responsible for ensuring that personal purchases are reimbursed to the District.
- 3) Consider suspending privileges for P-Card holders who repeatedly make personal purchases and do not reimburse the District.

c. Management Comments. Management stated, "Management agrees with the findings and recommendations. The Administration contacts employees and the supervisors

when these actions occur, and ensures the employee reimburses the district as soon as practicable. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

4. **P-Cards Sometimes Used for Prohibited Purchases.**

- a. **Finding.** Our review of P-Card transactions revealed some prohibited purchases. Specifically, we found three charges totaling \$3,957 for contracted transportation purchased by two different schools. According to the Manual, purchases for transportation services using a P-Card are prohibited.
- b. **Recommendation.** The Chief Financial Officer should:
- 1) Remind P-Card holders of all the prohibited purchase including examples for clarification.
 - 2) Consider suspending privileges for P-Card holders who repeatedly make prohibited purchases.
- c. **Management Comments.** Management stated, “Management agrees with the findings and recommendations. The Administration will remind P Card users, and district leadership, that contracted transportation needs to be paid through the Purchase Request (PR) and Purchase Order (PO) process. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

5. **Donations Made to Unapproved Organizations**

- a. **Finding.** We found five instances of donations being made with P-Cards to agencies not included on the District's Charitable Giving Campaign list or not approved by the appropriate Instructional Division Senior Director. The agencies on the list meet District and Federal guidelines and have been approved by the Anchorage School Board. For example, a \$265 donation was made to Alaska Children's Trust and a \$420 donation was made to the MidwayUSA Foundation. Prior written approval for these donations was not obtained. According to Administrative Regulation (AR) 1321(a), *Fundraising Programs*, "The charitable organization must be on the approved ASD Charitable Giving Campaign list or specifically approved by the appropriate Instructional Division Senior Director." There was no evidence that these five donations were approved by the appropriate Instructional Division Senior Director.
- b. **Recommendation.** The Chief Financial Officer should remind cardholders to adhere to District AR 1321(a) for charitable donations.
- c. **Management Comments.** Management stated, "Management agrees with the findings and recommendations. The Administration will remind P Card users, and district leadership, that all donations to include student fund-raiser donations must receive prior approval if they are not on the ASD Charitable Giving Campaign list. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Purchases Not Always Approved Within Time Requirement.**

- a. **Finding.** Procurement Card purchases were not always approved within seven business days, as required by the Manual. Our testing of 767 judgmentally selected transactions revealed that it took an average of about eight business days to approve 244 (32%) transactions totaling \$45,831.

The short time span for approving transactions keeps the timeframe between purchases posted with US Bank and interfaced with Business Plus to a minimum. This is intended to keep the District's reporting activity as current as possible. This is especially important if there were fraudulent or unauthorized charges, given there is a narrow window of time available to file a dispute.

- b. **Recommendation.** The Chief Financial Officer should consider:

- 1) Suspending P-Card privileges for P-Card holders who do not allocate and approve their transactions as specified in the Manual.
- 2) Targeted training to schools and departments that were consistently late in allocating and approving their transactions.

- c. **Management Comments.** Management stated, "Management agrees with the findings and recommendations. The Administration will remind P Card users, and district leadership, that P Cards must be approved within times specified in the P Card manual. Additional training and reminders will be developed in order to stress the importance of this and other findings in this audit. P Cards have been suspended in the past, along with a requirement to retake the annual P Card test, and this practice will continue for repeat offenders."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendations.

7. **Amazon Prime Membership Purchases Not Centralized.**

- a. **Finding.** Amazon Prime memberships were sometimes purchased by individual P-Card holders belonging to the same school and even the same offices. Between March 1, 2021, and February 28, 2022, 91 Amazon Prime accounts were purchased by District employees totaling \$7,591. This included 74 individual Amazon Prime accounts in addition to 17 Amazon Business Prime accounts which allow multiple users on one account. Although some of these accounts were refunded, better coordination could have prevented the initial purchases. When reviewing the Amazon Business Prime accounts, the total number of users allowed for all purchased Amazon Business Prime accounts was 160 users. For example, one of the Amazon Business Prime accounts was purchased for \$649 and allowed up to 100 users. Separate Amazon Prime memberships represent a waste of District resources and pose a risk of unofficial use of membership benefits. For example, many of the personal purchases identified in Finding 3 of this report were purchased from Amazon. Finally, it should be noted that Amazon offers free business membership which includes free shipping for orders totaling \$25 or more.
- b. **Recommendation.** The Chief Financial Officer should explore means for centralizing Amazon Prime membership purchases.
- c. **Management Comments.** Management stated, “Management agrees with the findings and recommendations. This specific finding was briefed to all district leadership at the beginning of this school year’s leadership conference. Additional reminders of this, along with other findings in this audit, will be provided through ‘On The Radar’ in future submissions.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on July 19, 2022.

Audit Staff:
Meredith Basdaras

Attachment A

P-Card Charges for Top 20 Departments & Schools

March 1, 2021, through February 28, 2022

<u>Department/School</u>	<u>Total Charges</u>
Maintenance Department/CP&C	\$1,904,812
ASD Education Center ¹	\$1,737,076
Family Partnership Charter	\$ 594,173
West High School	\$ 448,648
ASD Transportation Center	\$ 363,754
Dimond High School	\$ 330,745
Frontier Charter	\$ 271,011
King Technical High School	\$ 266,425
South High School	\$ 251,900
Service High School	\$ 236,335
Betty Davis East High School	\$ 219,911
Student Nutrition Center	\$ 209,761
Bartlett High School	\$ 194,862
Eagle River High School	\$ 191,287
Information Technology	\$ 190,209
Chugiak High School	\$ 151,380
Purchasing Department	\$ 122,095
Winterberry Charter School	\$ 85,388
Clark Middle School	\$ 77,441
Mears Middle School	\$ 76,922

Source: Auditor analysis of unaudited Business Plus data.

¹Includes multiple departments, as well as District travel.

Attachment B

P-Card Charges for Top 20 Merchants

March 1, 2021, through February 28, 2022

<u>Merchant Name</u>	<u>Merchant Description</u>	<u>Total Charges</u>
Amazon.com, LLC	Online Retailer	\$1,637,726
Staples Contract and Corp	Office Suppliers Retailer	\$ 384,026
Costco Wholesale	Wholesale Retailer	\$ 355,720
Alaska Airlines, Inc	Air Travel	\$ 189,850
RWC International, Ltd	Truck Sales and Parts	\$ 185,055
HASCO, Inc	HVAC and Systems Supplies	\$ 161,037
Lowes Home Improvement, Inc	Lumber, Appliances	\$ 121,379
BSN Sports, LLC	Sports Apparel	\$ 118,027
Walmart Stores, Inc	Food and Merchandise	\$ 104,603
Barnes & Noble Booksellers, Inc	Book Retailer	\$ 102,703
HVAC USA	HVAC and Systems Supplies	\$ 99,717
Ferguson Enterprises, Inc	Plumbing	\$ 88,369
Stusser Electric Co	Electrical Wholesale Distributor	\$ 85,035
Graybar Electric Co, Inc	Electrical Wholesale Distributor	\$ 82,573
Office Depot, Inc	Office Suppliers Retailer	\$ 80,249
Lighthouse Learning	Digital Learning Online Resource	\$ 79,627
Fred Meyer Stores, Inc	Food and Merchandise	\$ 77,261
Batteries Plus of Alaska	Batteries, Lightbulbs	\$ 75,259
Project Lead the Way, Inc	Online Learning	\$ 73,850
WCP Solutions	Wholesale Supplies and Services	\$ 70,611

Source: Auditor analysis of unaudited Business Plus data.

Attachment C

Top 20 Food Vendors

March 1, 2021, through February 28, 2022

<u>Merchant Name</u>	<u>Total Charges</u>
Costco Wholesale	\$59,182
Great Alaska Pizza Company	\$15,057
Peppercini's Deli House	\$11,924
Qdoba Mexican Grill	\$10,772
Moose's Tooth Pub and Pizzeria	\$ 8,688
Wild Fork Catering	\$ 8,548
Walmart Stores, Inc	\$ 6,621
Sweet Caribou	\$ 5,973
Fred Meyer Stores, Inc	\$ 5,548
Bear Tooth Theater Pub and Grill	\$ 4,795
Krispy Kreme	\$ 4,578
McDonald's	\$ 4,084
Uncle Joe's Pizzeria	\$ 4,081
Subway of Alaska, Inc	\$ 4,031
Embassy Suites Anchorage	\$ 3,841
Kaladi Brothers Coffee	\$ 3,508
Carrs Gottstein Foods	\$ 3,389
Dino's Donuts, Inc	\$ 3,139
Urban Greens	\$ 3,097
Guidos, Inc	\$ 3,022

Source: Auditor analysis of unaudited Business Plus data.

Attachment D

Top 20 School/Department Food and Meal Charges

March 1, 2021, through February 28, 2022

<u>School/Department</u>	<u>Total Charges</u>
Deputy Superintendent	\$24,839
West High School	\$16,787
Dimond High School	\$14,042
Superintendent	\$13,321
South High School	\$10,706
Chief Financial Office	\$10,074
Secondary Education	\$10,007
Chief Operating Office	\$ 8,387
Betty Davis East High School	\$ 7,701
Bartlett High School	\$ 6,935
Williwaw Elementary	\$ 6,890
Chugiak High School	\$ 6,361
Family Partnership Charter	\$ 5,276
Elementary School Education	\$ 5,266
Adult Community Transition Program	\$ 5,193
Service High School	\$ 4,539
Special Education	\$ 4,318
King Technical High School	\$ 4,231
McLaughlin School	\$ 4,169
Mirror Lake Middle School	\$ 4,039

Source: Auditor analysis of unaudited Business Plus data.