

August 7, 2003

Internal Audit Report 2003-8
Municipal Procurement Card Program
Purchasing Department

Introduction. On January 10, 2002, Municipality of Anchorage Policy and Procedure (P&P) 48-16, MOA Procurement Cards, was established to provide delegation of authority to designated individuals for the purchase and payment of low-dollar goods, services, business and travel-related expenses. The Internal Auditor is required to perform quarterly reviews of selected Agency Heads, Senior Executive Managers and the Mayor for compliance with P&P 48-16.

Objective and Scope. The objective of this audit was to determine if the procurement card purchases made by selected Agency Heads, Senior Executive Managers and the Mayor during the first quarter of 2003 complied with P&P 48-16 and if public funds were used appropriately. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during June 2003 and is required by P&P 48-16, Section 7f(4).

Overall Evaluation. Most Municipal Agency Heads, Senior Executive Managers, and the Mayor complied with P&P 48-16 regarding the Procurement Card Program. However, some Senior Executive Managers did not always follow procurement card procedures and made questionable purchases with their procurement cards, such as flowers, meals, and computer hardware.

FINDING AND RECOMMENDATION

1. **Procurement Card Procedures Not Always Followed.**

- a. **Finding.** Most Agency Heads, Senior Executive Managers, and the Mayor complied with P&P 48-16. However, our judgmental review of procurement card transactions found instances where procurement card procedures were not followed when making purchases. Examples include the purchase of flowers and Anchorage Economic Development Corporation luncheons. The same type of purchases was identified in our February 2003 audit report of the Municipal Procurement Card Program. Although these purchases appear to be for official business, use of a procurement card for some of these purchases may not have been appropriate. P&P 48-16, Section 8, states that procurement cards may not be used for non-business purchases. Section 8 further states that computer hardware or software cannot be purchased unless an IT approval number has been assigned.
- b. **Recommendation.** The Municipal Manager should remind all Municipal employees of the proper use of procurement cards as specified in P&P 48-16.
- c. **Management Comments.** Management concurred and stated, “Working together, the Municipal Manager and the Chief Fiscal Officer will personally instruct all department heads on the proper use of the procurement card as specified in P&P 48-16. Additionally, department heads will be directed to cascade this instruction to all employees in their respective departments. These actions will be completed by September 30, 2003. Further, the Municipal Manager and the CFO commit to conducting, at least annually, reviews of the results of the quarterly reviews conducted by Internal Audit with all department heads to ensure continued and sustained compliance with established policy.”

- 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 7, 2003.

Audit Staff:
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