CITY OF RICHMOND

Purchasing Cards

Office of the City Auditor (OCA)
An Independent Office of the Richmond City Council

Audit Report

"Promoting open and accountable City government through independent audit services."

Report# OCA 2025-11
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Finding 1: Internal controls over the use of purchasing cards (P-Cards), including small purchases, were lacking or ineffective, leading to significant questionable expenditures.

Executive Summary

The City of Richmond's Purchasing Card (P-Card) Program, administered by the Department of Procurement Services (DPS), was established in 2018 as part of a statewide cooperative agreement with Bank of America to streamline low-dollar, routine purchasing. As of June 2024, the program included 348 active cards across 38 departments. From July 2022 through May 2024, the City processed more than 43,000 transactions totaling more than $20.7 million.

The Office of the City Auditor (OCA) identified significant weaknesses in the City's internal control framework for the use of P-Cards, including small purchases. Our review revealed at least $5 million in questionable transactions across multiple City departments and vendors, which were referred to the Office of the Inspector General (OIG) for further review.

While this report provides limited detail on the specific transactions referred to the OIG, it outlines the internal control deficiencies that allowed such transactions to occur. It also offers comprehensive recommendations designed to strengthen controls and reduce the risk of future questionable expenditures. The OCA will continue to analyze and review P-Card transactions and make any necessary referrals to the OIG.

Overall Conclusion

The City's P-Card program and usage lacked effective internal controls to ensure the proper use of public funds. The City's transaction approval structure did not consistently function as an effective safeguard to ensure taxpayers' dollars were spent appropriately. In some cases, the approvers reviewed transactions made by their supervisors or by cardholders outside their departments, reducing effective oversight. In others, they were assigned to approve purchases across a high number of cardholders, limiting capacity for effective review. Additionally, a single DPS employee conducted final approvals for over 40,000 transactions during the audit period, further weakening the review process due to volume and workload. Cardholders also contributed to control breakdowns. Many submitted transactions with missing or insufficient documentation and made purchases that did not align with policy.

Unclear policies, inadequate training, and inconsistent enforcement contributed to the audit observations. The City's high $50,000 single-quote threshold reduced competition. Procurement policies lacked clarity, were inconsistently enforced, and did not always define allowable or prohibited expenses. Training for cardholders and approvers was infrequent and lacked role-based guidance. The extensive use of third-party payment platforms (e.g., Square, PayPal, Venmo) further limited vendor identification and increased the risk of unsupported and/or inappropriate spending.

While the City has taken initial corrective steps, including a full program reset, additional reforms are needed. These should include modernizing and enforcing policies, implementing risk-based oversight, improving system settings, and tailoring training by user role. The City should also expand its use of data analytics to identify outliers, require timely documentation, and define consequences for repeated noncompliance.

DPS and City Administration Actions

In response to the findings and risks identified in this audit, DPS and City Administration took immediate action. Personnel changes were made, and the Director of Procurement Services issued a citywide announcement initiating a full reset of the City's P-Card Program. During this reset, DPS has reduced P-Card use and is undertaking a comprehensive redesign to relaunch the program.

Per DPS, the following key actions were completed:

- Reduced the number of active P-Cards to 67 (over 70% reduction), effective May 9, 2025.
- Limited P-Card use to only mission-critical functions where no alternative payment option exists, after gaining Agency Director approval.
- Eliminated P-Cards for Department Directors.
- Prohibited travel-related, Amazon, and food purchases unless tied to public health or youth programs.
- Requiring frequently paid vendors to register and follow the requisition process.
- Contracted with the National Institute of Government Purchasing to develop P-Card best practices.
- Implemented a third-party AI auditing tool.
- Launched an Amazon punchout system in CORERP for immediate Citywide use.

During this period, DPS advised that they will focus on:

- Revising P-Card policies and procedures and developing updated training.
- Exploring opportunities to generate program-related revenue.
- Evaluating alternate P-Card providers.
- Coordinating with other departments to align broader City policies with program relaunch objectives.
- Seek to prohibit the use of third-party pay applications such as Venmo and PayPal with P-Cards.

Summary of Recommendations

The OCA issued 16 recommendations and management concurred with 15 recommendations and partially concurred with 1 recommendation. A detailed listing of recommendations and management responses is included in **Appendix C**. We will review the implementation status of the recommendations and the reported steps taken by DPS during our Quarterly Open Recommendation Follow-Up Review.

Summary of Opportunities for Improvements

The OCA defines questionable expenditures as any transaction that lacks sufficient documentation, appears unrelated to a legitimate government purpose, or does not comply with contracts, policies, laws, regulations, or ethical standards.

Questionable Expenditures

The OCA identified at least $5 million of questionable expenditures, which include both P-Card purchases and accounts payable payments across multiple City departments that were referred to the OIG for further review, and limited details are included in this report. These included potential conflicts of interest, procurement violations, altered invoices, and other irregularities.

In addition, the OCA identified approximately $232,009 in questionable transactions that were not referred to the OIG for review. These included:

- **Approximately $196,742 P-Card transactions lacked sufficient documentation or clear policy guidance to determine allowability**: Documentation uploaded to the system for approver and DPS review was inadequate to support whether the purchases served a legitimate business purpose. Additionally, in some cases, the applicable policy was unclear, making it difficult to assess the allowability of the expenditures.

- **At least $26,000 in overpayments on contracts**: In a sample reviewed, the City paid noncontracted rates and fees. Due to the audit findings, DPS requested the vendor to self-audit all payments, and the results are pending. In addition, there were over $50,000 in payments made to the vendor, where the documentation was so limited that the department, DPS, and the vendor could not provide details on the purchases.

- **Approximately $9,267 in policy violations:** Policies violated included the P-Card policy and Information Technology (IT) policies.

Policy and Procurement Risks

The OCA found that certain procurement practices and policies contributed to questionable expenditures. Specifically:

- The City's $50,000 single-quote threshold, significantly above limits used by peer governments, reduced competition for small purchases and contributed to questionable expenditures. Internal controls should be designed to align with the City's risk tolerance. The City's internal control structure is insufficient to support a small purchase single quote limit of this size.

- Departments used third-party payment platforms (e.g., Square, PayPal, Venmo) to pay vendors without requiring registration. This, along with insufficient documentation

uploaded into the system, made vendor traceability difficult. A significant number of questionable transactions were noted using these platforms.

- Existing policies lacked clarity, and enforcement was inconsistent. This made it difficult for employees to understand what purchases were allowable, leading to policy violations and inconsistent application across departments.

Inadequate Oversight and Transaction Review

Oversight of P-Card transactions by both departmental approvers and DPS was limited in effectiveness. In some cases, reviews focused solely on matching receipts to charges, without assessing the legitimacy or necessity of the purchases. Approvers were not always in a position to determine whether purchases were for legitimate government purposes. In addition, the OCA observed:

- Twelve (12) approvers were responsible for reviewing and approving purchases made by their supervisor or management, limiting any real accountability. Between July 1, 2022, and May 31, 2024, approximately $439,169 in transactions were signed off by these approvers.

- Five (5) approvers signed off on approximately $737,736 in transactions made by employees outside their departments, potentially limiting their ability to assess operational need or appropriateness.

- A total of 4,229 transactions, totaling over $2 million, were approved by DPS without prior cardholder or departmental signoff, limiting oversight and increasing the risk of undetected misuse. However, many were approved after the fact by the departments.

- A total of 1,866 transactions totaling approximately $841,744 were not reviewed and approved by cardholders and/or approvers within the DPS policy dispute window.

- Sixteen (16) approvers were responsible for reviewing up to 20 cardholders each, limiting their capacity for effective oversight.

- A single DPS employee approved more than 40,000 transactions during the audit period with minimal review, due to high volume and competing responsibilities, further weakening internal controls.

Card Program Configuration and Issuance Issues

Finally, the OCA identified multiple weaknesses related to P-Card issuance, system configuration, and program controls:

- One DPS employee had control over card issuance, configuration, and transaction approval, creating a significant risk due to a lack of segregation of duties.

- Adequate processes were not in place to ensure proper eligibility prior to P-Card issuance. Also, there was delayed card deactivation after employee separation or transfer, with some cards used months later.

- Forty (40) active cards had minimal or no activity and credit limits that exceeded operational need.

- System configurations allowed auto-approvals, unrestricted merchant codes, and high spending limits applied uniformly across users.

- Cardholders shared cards in at least two instances, contrary to policy and best practices that promote individual accountability.

Background

Program Overview

The City's Purchasing Card (P-Card) Program, implemented in November 2018, is administered by the Department of Procurement Services (DPS). The P-Card is a VISA corporate charge card that allows departments to purchase supplies, materials, and services, including those related to business travel. The City participates in the Commonwealth of Virginia's P-Card program with Bank of America (BOA) through a cooperative agreement. Currently, two employees within DPS are responsible for administering the program. However, during the audit period, only one employee was assigned to this responsibility.

As of June 20, 2024, there were 348[1] active cards assigned to 38 departments and entities, as shown in **Appendix D**.

The volume and dollar amount of P-Card transactions have steadily increased over the past five years, as noted below in **Figure 1.**

Figure 1
Number and Dollar Amount of P-Card Transactions[2]
FY 2020 - FY 2024

Fiscal Year	No. Transactions	Amount Paid
2020	8,459	$3,156,647
2021	10,826	$5,090,029
2022	16,328	$8,224,521
2023	22,034	$10,679,048
2024	23,352	$11,264,553

Source: Prepared by the OCA using BOA data.

Between July 1, 2022, and May 31, 2024, there were 43,250 P-Card transactions totaling $20,768,866.55. These purchases included goods and services such as food, supplies, lodging, airfare, and rental cars. **Tables 1 and 2** below highlight the top five departments and top 10 vendors with the highest dollar amount of P-Card expenditures during this review period.

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[1]Seventeen of the active cards were suspended but not deactivated.
[2] Number and dollar amount of transactions exclude the BOA payments and payment adjustments.

Table 1
Top Five Departments with the Highest P-Card Expenditures
July 1, 2022, to May 31, 2024

Department	P-Card Expenditures[3]	% of Total Paid
Parks & Recreation	$6,956,082	33%
Public Utilities	$2,434,673	12%
Fire and Emergency Services	$1,189,870	6%
Public Works	$929,707	4%
Animal Care & Control	$853,253	4%

Source: Prepared by the OCA using BOA data.

Table 2
Top 10 Vendors with the Highest P-Card Expenditures
July 1, 2022, to May 31, 2024

Vendor	Spend[4]
Amazon	$1,365,407
Enterprise Rent-A-Car	$436,457
Lowes	$343,819
4IMPRINT, INC	$294,068
Uline Ship Supplies	$278,167
Guernsey Office Products	$258,891
BW Wilson Paper Company	$252,356
Sam's Club	$246,838
BTS PattersonVet	$223,297
American Airlines	$169,563

Source: Prepared by the OCA using BOA data.

P-Card Program Roles and Responsibilities

The City's P-Card program is a coordinated effort between individual user departments and DPS. Cards are issued to designated individuals (cardholders) within City departments following the submission of a completed application to DPS and successful completion of mandatory training and proficiency test. Each card is intended for use solely by the assigned cardholder and may not be loaned to or shared with other employees. Each cardholder is assigned an approver who is responsible for reviewing and approving transactions made by the cardholder.

Table 3 below summarizes the roles and responsibilities of the user departments and DPS.

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[3] Expenditure amounts are rounded.
[4] Expenditures are rounded.

Table 3
P-Card Program Roles and Responsibilities

User departments' cardholders and approvers serve as the first and second line of defense against P-Card fraud and misuse.	
Cardholder	Adhere to the P-Card and City of Richmond policies and procedures. Make allowable purchases for legitimate business-related expenses. Upload itemized receipts into Works.[5] Sign off on posted transactions and allocate expenditures to the appropriate account codes in Works. Report and dispute erroneous charges.
Approver	Adhere to the P-Card and City of Richmond policies and procedures. Review and approve the P-Card transactions in Works. Ensure transactions are for legitimate business-related expenses. Recover P-Card from exiting employees and advise Procurement Services.

Procurement Services is responsible for coordinating and managing the P-Card program, including establishing policies and procedures, monitoring to ensure program compliance, completing a final review and approval of transactions in Works, and initiating the payments to Bank of America.	
P-Card Administrator	Issue, replace, modify, and cancel P-Cards. Review and approve P-Card transactions in Works. Monitor and enforce policy compliance and notify Departments of violations. Train cardholders and approvers. Upload P-Card transactions into CORERP[6] to initiate payments to Bank of America.

Source: Prepared by the OCA using P-Card Policy.

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[5] Works is the Bank of America's management system for P-Card transactions. Each cardholder and department approvers are required to use this software to review purchase history, upload receipts, approve transactions, and reconcile expenditures.
[6] CORERP is formally known as RAPIDS.

P-Card Purchase, Approval, and Payment Process

P-Card purchases are initiated through each department's internal pre-approval request procedures. Each department is responsible for developing and implementing its own request and approval process. Once pre-approval is obtained, the cardholder makes the purchase, uploads the receipt, allocates the transaction to the appropriate accounting codes, and signs off on the transaction in Works. The assigned approver then conducts a post-purchase review and approves (signs off on) the transaction in Works. Finally, the P-Card Administrator performs a final review, approves the transaction batch, and uploads the approved transactions into CORERP to initiate payment to Bank of America.[7] This process is illustrated below in **Figure 2**.

Figure 2
P-Card Purchase, Approval, and Payment Process
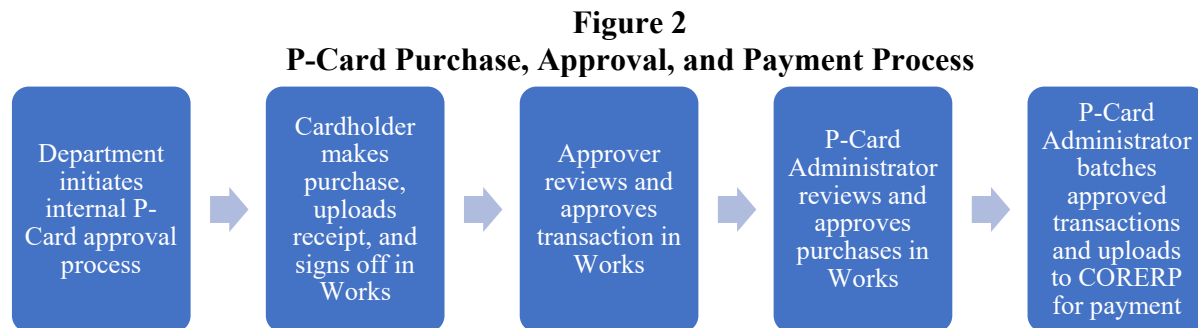
Source: Prepared by the OCA using the City's P-Card Policy.

Annual Rebate

The City receives an annual rebate based on total transaction volume from July to June, as well as timely payments. Since the inception of the P-Card program in November 2018, the City has received $703,326 in rebates. **Table 4** below presents the annual rebate trend.

Table 4
Annual Rebates
Fiscal Years 2020 - 2024

Fiscal Year	Rebate Amount[8]
2019	$12,915
2020	$56,039
2021	$89,529
2022	$144,037
2023	$195,228
2024	$205,578
Total	**$703,326**

Source: Created by the OCA using the State's rebate letters.

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[7] Some of the Department of Social Services (DSS) P-Card transactions are for client-specific purchases, such as clothing, which are reimbursable by the State. These transactions are processed through DSS's internal client management system and uploaded to CORERP for reimbursement. To prevent duplicate payments, these transactions are manually excluded from the P-Card Administrator's payment batches.

[8] Rebate amounts are rounded to the nearest dollar.

P-Card Benefits and Risks

P-Cards can streamline the procure-to-pay cycle and improve efficiency by simplifying approval workflow, reducing paperwork, enabling quick purchases, and facilitating faster payments to vendors. However, without strong internal controls and proper oversight, P-Cards carry a high risk of misuse, including unauthorized purchases, fraud, waste, and abuse.

Finding 1 and Recommendations

Finding 1: Internal controls over the use of purchasing cards (P-Cards), including small purchases, were lacking or ineffective, leading to significant questionable expenditures.

Designing and implementing a proper internal control system over government purchasing is essential to ensure compliance with procurement laws, promote fair and transparent competition, prevent and detect fraud, and enhance accountability.

At the City, procurement of goods and services is overseen by the Department of Procurement Services (DPS). The City Code notes they are responsible for "supervising the purchase of all goods, services, insurance, and construction needed by the City…"[9] Specifically, DPS is responsible for the internal control system over small purchases and controls over the usage of P-Cards. Internal controls designed by DPS include (1) policies and procedures, (2) "approvers" at the departmental and DPS levels who are required to review transactions, and (3) recurring training.

The expenditure of public funds demands the highest standards of ethical conduct and public trust. To support this, City Code Section 21-276[10] and DPS's Conflict of Interest and Procurement Transaction Policy (Policy 23) prohibit public employees from participating in procurement transactions where a conflict of interest exists.[11] It also prohibits employees responsible for procurement transactions from making or using false or fraudulent statements, documentation, and representations.

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[9] Division 15.- Department of Procurement Services. Sec. 2-594. – Functions (1).
DIVISION 15. - DEPARTMENT OF PROCUREMENT SERVICES | Code of Ordinances | Richmond, VA | Municode Library
[10] Richmond City Code § 21-276, Proscribed participation by public employees in procurement transaction.
ARTICLE VIII. - ETHICS IN PUBLIC CONTRACTING | Code of Ordinances | Richmond, VA | Municode Library
[11] DPS's Conflict of Interest & Procurement Transactions (Policy 23) indicates that a conflict of interest occurs when a public employee has a financial interest in a procurement transaction that might compromise the individual's role, reliability, or impartiality. The policy further indicates that a conflict may exist even if nothing improper occurs, and it can create an appearance of impropriety that undermines confidence in the conflicted individual or user agency.

Further, DPS's P-Card Policy (Policy 15), which was effective during the audit period, indicated:[12]

> "COR employees are expected to operate with the highest degree of integrity and conduct themselves ethically at all times. Cardholders of this program are expected to be good stewards of taxpayers' money and make only appropriate and authorized purchases with their assigned P-Cards."

The OCA found that the City lacked a well-functioning internal control system over P-Card and small purchase transactions. This was compounded by a high single-quote threshold of $50,000, which limits vendor competition and exposes the City to significant risks. Specifically, the OCA found the following:

1A. Ineffective controls and a high single-quote limit contributed to significant questionable expenditures in City departments.

The OCA conducted a risk-based review of selected transactions by examining invoices, quotes, and supporting documentation to assess their appropriateness. Transactions were selected from multiple City departments. The review aimed to identify indicators of procurement risk, policy noncompliance, and internal control deficiencies.

Our review revealed at least $5 million of questionable transactions, which include both P-Card purchases and accounts payable payments across multiple City departments and vendors, which were referred to the Office of the Inspector General (OIG) for further review.[13] These included potential conflicts of interest, procurement violations impacting competition, altered invoices, and other irregularities. In many cases, the OCA could not confirm whether the goods or services had been received.

A major contributing factor for many questionable transactions reviewed in the audit was the lack of effective segregation of duties. Although system roles and approval assignments appeared appropriate on paper, the OCA found that, in practice, an employee often exercised full control over the purchasing process, from initiating the request and soliciting quotes to receiving goods or services and facilitating payment.

Although this report includes limited details about the referred transactions, it describes serious internal control breakdowns that must be addressed. Strengthening oversight, documentation standards, and procurement practices is essential to minimizing the risk of future questionable expenditures.

1A.1. The City's $50,000 single-quote limit exceeds peers and exposes taxpayer funds to significant risk.

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[12] This statement is not included in the current P-Card policy. However, it is generally covered in the Administrative Regulations 1.1 -Codes of Ethics. https://rva.gov/sites/default/files/2019-12/AdminRegs1-01.pdf

[13] The OCA reviewed a sample of invoices the City paid to vendors as part of this audit. Where significant concerns were identified and referred to the OIG, the OCA questioned all payments made to those vendors due to the heightened risk of broader procurement irregularities.

The DPS Small Purchase Procedures (Policy 14) delegates purchasing authority for small-dollar procurements to City departments to promote efficiency and improve procurement timelines. Under this policy, departments may procure goods, non-professional services, and non-transportation-related construction up to $50,000 and professional services up to $80,000 with only one quote.[14] Competition is not required.

When analyzing the questionable expenditures, the OCA found that many transactions occurred just below the single quote threshold. In fiscal year (FY) 2024, after the City increased the single quote limit from $10,000 to $50,000, the OCA observed a pattern in which questionable transaction amounts increased.

The OCA benchmarked the City's small purchase single quote limits against other Virginia localities and with the Commonwealth of Virginia. We found that limits elsewhere typically ranged from $5,000 to $10,000. Therefore, the City's threshold of $50,000 is five to 10 times higher than those of peer governments and the Commonwealth of Virginia.

Internal controls should be designed to align with the City's risk tolerance.[15] Based on our analysis of these transactions and other findings in this report, the City's internal control structure is insufficient to support a small purchase single quote limit of this size.

1B. Lack of clear policies and inconsistent enforcement of existing policies contributed to questionable use of City funds.

The use of public funds should be guided by the public purpose doctrine, an established principle emphasizing that expenditures must clearly and primarily serve a governmental or public interest. Accordingly, if an expenditure includes a private benefit, that benefit must be strictly incidental or secondary to the overarching public purpose.

According to the Government Finance Officers Association (GFOA), governments must maintain appropriate controls, consistent with purchasing policies, to effectively oversee the purchasing card program. This includes developing a P-Card procedures manual explicitly addressing fraud prevention, waste, and abuse.[16] [17]

To assess compliance with DPS's P-Card policies and procedures, the OCA reviewed a risk-based, judgmental sample of 439 transactions and found the following:

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[14] The small purchase threshold was increased from $100,000 to $200,000 and the single transaction threshold was increased from $10,000 to $50,000 in October 2023.

[15] U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014. See Sections 6.01, 8.01, and 10.01, which emphasize defining objectives and risk tolerances, considering fraud risk, and designing control activities to address identified risks. https://www.gao.gov/assets/gao-14-704g.pdf

[16] Government Finance Officers Association (GFOA), *Purchasing Cards*, https://www.gfoa.org/materials/purchasing-cards

[17] Government Finance Officers Association (GFOA), *Whistleblowing*, https://www.gfoa.org/materials/whistleblowing

1B.1. Lack of a clear policy regarding allowable spending contributed to approximately $78,785 in questionable food purchases.

As noted above, the use of public funds should be guided by the public purpose doctrine. Accordingly, the City of Richmond Administrative Regulation 1.6 states that employees are ambassadors of the City and must adhere to the highest standards of conduct and services, including recognizing that the resources belong to the people and employing a thorough and accurate decision process.[18]

Governments often make purchases that are not essential to daily operations but may support morale, outreach, or engagement when appropriately justified. However, the OCA found that the City does not have a clear spending policy. A well-defined spending policy generally informs employees:

- Items that are strictly prohibited.
- Items that may be permitted with adequate justification, approval, and documentation.
- Items that are generally allowed.

Such a policy promotes consistency across departments, mitigates the risk of misuse, and supports transparent, accountable decision-making.

The OCA reviewed spending policies from the surrounding localities and noted that they generally outline allowable and unallowable purchases, especially as it relates to food. Below is a summary of Henrico and Chesterfield Counties' policies.

- Henrico County's policy outlines the requirements for appropriate business purposes when using public funds. It prohibits using County funds for purchases primarily benefiting individual employees, such as gift cards, personal gifts, party supplies, flowers, and food or beverages, except under specific, business-related conditions like County-wide recognition events or formal training sessions. It also disallows spending on personal office décor, non-business dues or subscriptions, clothing without a County logo, and charitable contributions unless budgeted. P-Card purchases must include a clear business justification with supporting documentation.

- Chesterfield County's policy establishes strict guidelines for food purchases using County funds, requiring an itemized receipt, a legitimate business purpose, and reasonable costs. Food is generally not allowed for regular staff meetings, retirements, farewell receptions, birthday or holiday celebrations, or personal recognition events. However, it may be permitted for non-routine meetings, formal training sessions, and official business meals when reasonable, clearly justified, and documented. Reward lunches and business meals

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[18] City of Richmond (COR), Administrative Regulations, Office of the Mayor: Business Conduct, Section B – Guiding Principles, https://www.rva.gov/sites/default/files/2019-12/AdminRegs1-06.pdf

are only allowable if non-monetary recognition is appropriate or if the meal is integral to the business purpose, with tips reimbursed up to 20%.

DPS' P-Card policy notes that employees are required to fill out a meal form and gain pre-approval prior to using the P-Card for a business meal. In addition, the policy effective during our review period stated that the meal cannot exceed the per diem for the area. However, the policy did not define what a business meal is or what general types of food purchases are allowed and not allowed.

The OCA identified 116 food-related purchases totaling approximately $78,785. In the absence of a clear policy, departments made food-related purchases for staff events, routine meetings, holiday events, employee gatherings, and citywide events. These transactions were not always supported by agendas or written business justifications, making it difficult to assess their alignment with public purpose requirements. Notable examples of these purchases are detailed below.

Department of Public Utilities: The OCA's sample included 30 transactions totaling approximately $19,648 that were related to food purchases, the majority of which were purchased by one cardholder at the Wastewater Treatment Plant. Some of these food purchases were for large quantities of both raw and prepared food, including ribs, turkey wings, ham, shrimp, and salmon, from grocery stores and restaurants. We found that many of these purchases were missing the required business meal forms and pre-approvals, as outlined in DPS policy. In some cases, the amount of food bought seemed excessive for the number of attendees. For instance:

- Per the provided meal form and receipt, approximately $1,423 was spent on a catered lunch for 14 employees who attended a training session for a new system. Although only 14 employees attended the training, the cardholder ordered food for 40 people, averaging approximately $102 per person. The total cost includes labor, such as a chef and servers. This amount for one meal is higher than the federal meal allowance of $64 for an entire day.

- Per the provided meal form and receipt, approximately $738 was spent on drinks, desserts, popsicles, and supplies for an appreciation event attended by 11 employees, averaging approximately $67 per person. This amount for one meal is higher than the federal meal allowance of $64 for an entire day.

The OCA interviewed both the cardholder and the designated approver as follows:

- Per the cardholder, in FY 2023, DPU senior management approved providing meals to all staff working during the Thanksgiving, Christmas, and New Year's holidays. In addition, the department held multiple employee appreciation events throughout the year where food was purchased and sometimes prepared on site by the cardholder and others. In some cases, the cardholder provided emails indicating senior management approval; however, required meal forms were not consistently completed, and documentation of the process was insufficient to verify compliance. The cardholder

indicated they do not get pre-approvals for purchases as they are a supervisor and have the flexibility to purchase needed items.

- The approver indicated the cardholder was not a direct report, making effective oversight more difficult. The approver indicated their review process focused on matching receipts and confirming the presence of an attendance list. However, the OCA noted that the majority of the reviewed food-related purchases were approved without the required meal forms.

Parks and Recreation: Multiple cardholders purchased food (i.e., cupcakes, breakfast sandwiches, ice cream, flavored drinks, juices, snacks for staff) totaling at least $8,363. These transactions contained no evidence of a meal form, pre-approvals, and inadequate and/or incorrect supporting documentation to validate the business needs.

Registrar's Office: One cardholder purchased food (i.e., bacon, breakfast sausage, oatmeal, etc.) and supplies for the office kitchen totaling approximately $417. The transaction documentation contained no evidence of pre-approvals or meal forms.

Due to the absence of a clear City policy and instances of incomplete supporting documentation, the OCA could not determine whether the reviewed food purchases aligned with legitimate business purposes. A clearly defined spending policy would help City staff understand the circumstances under which public funds may be used for food-related expenses, promote consistent application across departments, and reduce the risk of unsupported or inappropriate expenditures.

1B.2. The City did not properly monitor payments made through third-party payment platforms which increased the risk of unverified or unallowable spending.

Third-party payment processors such as Square, PayPal, and Venmo are commonly used to facilitate fast and efficient transactions between buyers and sellers. While these platforms offer potential benefits, including quicker payments, reduced reliance on paper checks, and decreased administrative burden, they also introduce significant risks when not subject to proper oversight and controls.

Between July 1, 2022, to May 31, 2024, City departments used these platforms extensively. Approximately $2.4 million in P-Card payments were processed through Square, PayPal, and Venmo, as shown in **Table 5**.

Table 5
P-Card Payments Issued Through Venmo, PayPal, and Square
July 1, 2022, to May 31, 2024

Processor Name	FY 2023	FY 2024	Grand Total
Square	$882,001.60	$782,991.01	$1,664,992.61
PayPal	$320,852.74	$350,762.30	$671,615.04
Venmo	$7,338.50	$12,060.53	$19,399.03

Source: Created by the OCA using BOA Works data.

In interviews with cardholders, the OCA was informed that they were not aware that vendors needed to be registered to do business with the City. Although noted in a DPS policy, the DPS Director indicated this requirement is not applicable to P-Card purchases. However, vendor registration is a good practice as it enables DPS to verify that vendors are legitimate, licensed, and in compliance with applicable laws. It also helps ensure vendors are not debarred, do not present conflicts of interest, and are not duplicated. Vendor registration prior to doing business with the City promotes transparency, strengthens internal controls, and reduces the risk of fraud, waste, or abuse. The OCA notes that every vendor may not need to be registered, especially if infrequently used. However, the City needs guidance on when vendors paid through third-party platforms must be registered in the City's vendor database.

To assess the risks associated with third-party processor use, the OCA reviewed a sample of 138 transactions totaling approximately $199,802.[19] The review revealed the following:

- 68 transactions (approximately $66,111) were inadequately supported. Documentation lacked critical details such as item descriptions, quantities, unit prices, vendor names, contact information, and purchase dates. For example:

  o Some vendors appeared as "My Business," which is a default setting in Square.

  o A payment of $1,000 was sent to an individual via PayPal. The PayPal confirmation only included the recipient's name and payment amount.

  o A payment request in the amount of approximately $3,857 was remitted to a cardholder via PayPal. The request only identified the individual requesting the funds and the dollar amount of the request. The document did not identify why funds were being requested, for which event/service, or for what timeframe.

  o Square receipt in the amount of approximately $6,353 was remitted to a cardholder. The receipt did not contain what goods/services were provided or when.

  o Also, in several instances, vendors' invoices lacked a telephone number and mailing address, making it impossible to determine if the purchase was legitimate.

In addition, a significant amount questionable expenditures described in **Finding 1A**, were made through one of these third-party platforms, further amplifying the risks these tools pose when not subject to proper oversight. At least one of the vendors involved was not registered as a supplier with the City.

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[19] This total does not include food-related purchases described in finding 1B.1 made using third-party platforms.

Without adequate documentation and vendor vetting, it is difficult to confirm whether purchases made through these processors were for legitimate business purposes. Moreover, allowing cardholders to bypass the vendor registration process increases the City's exposure to fraud, weakens audit trails, and decreases accountability.

1B.3. Due to incomplete documentation, the allowability of certain purchases could not be determined, and approximately $9,267 in purchases were found to be unallowable.

P-Card Policy 15 outlines mandatory documentation requirements and identifies specific prohibited purchase categories. According to Policy 15, cardholders must upload receipts and invoices that include:

- Vendor/merchant name and address,
- Date of purchase or goods received,
- Description of each item purchased,
- Unit cost of each item, and
- Total amount charged to the card.

Receipts are required to be itemized and not presented as lump sums. In addition, the policy specifies that certain purchases require supplemental documentation:

- Business meals require a meal form documenting the manager's pre-approval, purpose, and attendees.

- Travel expenses require a travel form indicating date, purpose, and location.

- Technology purchases require a Department of Information Technology (DIT) approval form prior to procurement.

Failure to provide required documentation within established timeframes constitutes a violation of the P-Card policy.

The OCA reviewed documentation in Bank of America Works for the sampled transactions and could not determine the allowability or business need for 75 transactions totaling approximately $51,846 that were non-food-related and not paid through a third-party platform as findings in those areas are noted above. The following deficiencies were noted in the supporting documentation uploaded to the system:

- Receipts or invoices were missing.
- Incorrect receipts or unrelated documentation were attached.
- Lump-sum receipts were provided instead of itemized receipts.
- Travel forms were missing.

Although some of these transactions may be allowable, the absence of proper documentation prevents approvers, including those in the DPS, from conducting an adequate review.

Unallowable Purchases

P-Card Policy 15, which was effective during the audit scope, outlines specific categories of unallowable purchases, as listed below in **Table 6.**

<div align="center">

Table 6
Unallowable P-Card Purchases

</div>

Description	
Personal Entertainment (Movie Theater, Bowling, Golf)	Money Wiring (Western Union, MoneyGram)
Billiards & Pool Establishments	Holiday Cards
Cash	iTunes/Apple Apps
Gas for Personal Vehicles	Jewelry & Repair Shops
Decorations/Decorative items (personal)	Massage Parlors
Drinking Places – Bars, Taverns, Night Clubs	Pawn Shop
Brewery and ABC Stores	Tobacco Products
Duty Free Stores	Payment to City of Richmond agencies (should be made via Internal Transfer)
City of Richmond expenses (parking, utilities)	Travel Related Insurance
Gift Cards	Controlled Substances

Source: Created by the OCA from P-Card Policy 15

Out of the 439 tested transactions, the OCA identified 25 unallowable purchases totaling approximately $9,267. Examples of unallowable activity include:

- Fourteen (14) purchases of IT equipment were made without prior approval from the Department of Information Technology (DIT), as required.

- Five (5) purchases for clothing, equipment, and supplies for a non-City employee hired by a City department.

- Three (3) bereavement floral purchases exceeding the $150 limit (including delivery).

- One (1) floral purchase not related to a bereavement.

- One (1) instance where an employee was reimbursed for a purchase.

- One (1) personal clothing purchase, which was later refunded to the City.

Strengthening cardholder and approver training could help to ensure unallowable transactions do not occur.

1B.4. The City did not consistently check whether invoices matched contract pricing, failed to establish contracts that could have reduced costs, and did not monitor whether P-Card payments exceeded contract limits.

Entering into contracts allows organizations to leverage purchasing power, obtain better pricing, and streamline procurement processes. DPS delegates purchasing authority for small purchases, up to $200,000, to individual departments. Under the Small Purchase Policy (Policy 14):

- Departments must solicit one quote for purchases up to $50,000.

- Departments must solicit three quotes for purchases between $50,001 and $200,000.

- Purchases exceeding $200,000 must be formally solicited by DPS unless exempt from competition.

The Director of Procurement Services, as the City's chief purchasing officer, is responsible for executing contracts and establishing the policies, procedures, and systems that govern procurement. DPS maintains an online listing of active contracts, including cooperative agreements, which departments are expected to consult when sourcing goods and services. Departments with recurring needs are encouraged to work with DPS to establish contracts.

The OCA found:

- At least 44 vendors with total P-Card purchases exceeding $50,000 during the audit period. Of these, 35 vendors had no contract with the City. [20]

- In interviews with cardholders and approvers, several departments confirmed they had recurring needs for the goods and services provided by these vendors, suggesting a contract would have been appropriate.

- Nine (9) vendors had 10 existing contracts with the City. Contract pricing was not consistently obtained for one of the contracts.

A review of 51 invoices for those nine vendors revealed:

- **Contract pricing was not consistently obtained for one contract, resulting in at least $26,000 in overpayments**: The City paid this contractor 236 invoices totaling approximately $441,702 via P-Card during the audit scope. Cardholders did not consistently verify contract rates and paid for fees that were explicitly waived under the contract terms. One approver stated they were unaware of the vendor's contract until

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[20] The $50,000 threshold was used as this is the ending of the single quote limit and competition would be required beyond that amount.

attending a DPS training session, highlighting the need for improved awareness and communication.

    o   In addition to the above, some payment documentation lacked sufficient detail to determine whether purchases were billed in accordance with contract terms. For example, we identified 71 transactions totaling approximately $50,041 from the Parks and Recreation department, where the documentation only showed the date when the card was processed and the amount. The department, DPS, and the vendor could not provide specific details on these purchases.

    o   The OCA informed DPS of the overpayments identified, and DPS asked the vendor to perform a self-audit of its billing to correct the issues in totality. As of the date of the report, this review is still ongoing.

- **We could not conclude if the contract prices were billed for four contractors**: The fee schedules were for discounted pricing and not fixed rates, and/or items could not be readily tied to the contract. In total, these contractors were paid 637 invoices totaling approximately $418,526 via P-Card during the audit scope.

- **The OCA also noted a system limitation**: P-Card purchases cannot currently be linked to corresponding contracts in the City's financial system. As a result, payments made via P-Card do not reduce the available balance on contracts, creating a risk that contract limits may be exceeded without required approvals or change orders. The OCA identified at least one instance during the audit in which this occurred.

These observations reflect a lack of contract awareness and enforcement across departments. The inconsistent use of available contracts and limited verification of contract pricing contributed to overbilled costs. Additionally, the lack of integration between P-Card transactions, and the City's contract tracking system increases the risk of exceeding contract limits without proper approvals.

1B.5. The Department of Procurement Services did not communicate potential split transactions to the City departments.

A split transaction occurs when a purchase is deliberately divided into multiple smaller transactions to bypass established single transaction limits, approval thresholds, and/or procurement requirements. DPS strictly prohibits this practice under both the P-Card Policy (Policy 15) and Split Purchase Policy (Policy 53).

According to Policy 15, the P-Card Team is responsible for regularly reviewing transactions to identify potential split purchases. The P-Card Administrator generated a Single Transaction Report in the Bank of America Works system and prepared monthly compliance reports for DPS management. However, those findings were not shared with the applicable departments, limiting their ability to address and correct policy violations.

While the P-Card Administrator had been monitoring for potential violations using the Works system, DPS did not communicate identified split transactions to the applicable departments. This lack of follow-up limits accountability and weakens the deterrent effect of enforcement. DPS should resume and enhance its monitoring efforts, if not already underway, and expand detection to include potential split transactions across multiple cards and vendors, as such patterns may be strong indicators of fraud or circumvention of procurement controls.

1C. Approvers did not effectively review P-Card transactions.

In a P-Card program, approvers are one of the most critical internal controls. An approver is an individual with designated authority and responsibility to review and authorize transactions, decisions, or activities to ensure they are appropriate, accurate, and compliant with established policies and objectives.

Best practices for P-Card programs emphasize that an employee's direct supervisor or manager should serve as the approver. Supervisors are best positioned to recognize questionable purchases, as they are familiar with the employee's duties and operational needs. In addition, it is recommended that the number of cardholders assigned to an approver be limited to ensure each transaction receives adequate scrutiny. Approvers responsible for too many cardholders may lack the capacity to conduct a meaningful review.[21]

The City's P-Card program consists of a three-tier review and approval process, consisting of the cardholder, approver, and the DPS P-Card Administrator.

- **Cardholder**: Responsible for making business-related purchases in compliance with City policy, uploading itemized receipts, and signing off on transactions in Works (the City's P-Card management system).

- **Approver**: Responsible for verifying that purchases are legitimate business-related expenses; identifying split transactions, duplicates, and questionable costs; and approving cardholder transactions in Works.

- **P-Card Administrator (DPS)**: Conducts the final review and approval of transaction and receipt documentation to ensure compliance with program requirements.

The OCA identified multiple deficiencies in the design and execution of the approval process as described below. These limitations in the approval structure played a significant role in the questionable expenditures detailed in **Findings 1A and 1B**.

1C.1. Approvers signed off on transactions without adequate documentation or knowledge of business needs and focused mainly on administrative checks rather than assessing whether purchases were appropriate or necessary.

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[21] Washington State Auditor's Office, *Best Practices for Credit Card Programs*, April 2024, https://sao.wa.gov/sites/default/files/2024-04/Credit%20Card%20Best%20Practices%20April_2024_Final.pdf.

The OCA interviewed multiple approvers and found their review of P-Card transactions was generally limited to verifying that charges were coded to the correct budget line item, and that supporting documentation matched the transaction description and amount recorded in Works. Some approvers stated they were not in a position to determine whether purchases were for legitimate government purposes.

For example, the OCA interviewed an approver who was also responsible for recording the receipt of goods and services in the City's financial system for a cardholder. While the approver reviewed transactions to confirm that sales tax was not charged, receipt amounts matched system entries, and accounting codes were accurate, they relied entirely on the cardholder to confirm that purchases were necessary, properly approved, and received. Further, this approver was responsible for all P-Card transactions and receipt recording for 17 cardholders across multiple operational sites, authorizing 1,449 transactions totaling approximately $1.2 million between July 2022 and July 2024. Given the volume and geographic distribution of activity, the approver likely lacked sufficient visibility into the operational legitimacy of each transaction, limiting their ability to provide effective oversight.

In another example, the approver for several food-related purchases noted in **Finding 1B.1** admitted they were not familiar with what had been purchased, as the cardholder was another supervisor.

These interviews, along with the problematic transactions identified throughout the audit, confirm that many transactions were not subject to a meaningful or informed review. The OCA's review of approvals also found the following:

- **DPS approved transactions before the cardholder and approver**: The OCA identified 4,229 transactions totaling approximately $2,025,251 that were approved by DPS before review by the cardholder and/or approver. This undermines the program's control design and is discussed further in **Finding 1C.4**.

- **Insufficient documentation to support review:** The OCA reviewed 439 P-Card transactions and found that 143 transactions totaling approximately $117,957 were inadequately supported. Examples of missing or incomplete documentation included (1) receipts and itemized invoices; (2) descriptions of goods and services; and (3) meal forms, travel forms, and DIT approval forms. Without proper documentation, approvers could not verify the legitimacy of purchases, which calls into question the effectiveness of the approval process as a meaningful control.

The OCA's observations demonstrate that the approval process, as currently implemented, does not function as an effective internal control. Without proper review and documentation, the City remains at risk for improper spending, policy violations, and undetected misuse of public funds.

1C.2. Some approvers were responsible for reviewing transactions submitted by their supervisors or staff in other departments, reducing effective oversight.

To be effective, approvers must have sufficient knowledge, authority, and independence to evaluate the appropriateness of a transaction. The OCA assessed the City's approval hierarchy to determine whether individuals designated as approvers were independent within the reporting structure and knowledgeable about the operational need for the purchases. The OCA found:

- **Lack of independence due to reporting structure**: Twelve (12) approvers were assigned the responsibility of reviewing and approving transactions made by employees at a higher level than themselves. These individuals may find it difficult to question a supervisor's transactions or may fear retaliation for doing so. Between July 1, 2022, and May 31, 2024, transactions totaling approximately $439,169 were signed off by these approvers.

- **Insufficient operational knowledge of purchases**: Five (5) approvers reviewed and approved transactions totaling approximately $737,736 for cardholders outside of their department. This raises concerns about whether these approvers had sufficient knowledge of the operational need or the legitimacy of the purchases.

The OCA emphasizes that department-level approvers serve as a critical internal control in the P-Card program. This role must not be treated as a procedural formality but should be structured and empowered to function as a meaningful safeguard over taxpayer funds.

1C.3. Approvers were assigned too many cardholders, which limited their ability to thoroughly review transactions.

Pursuant to the best practices, the number of cardholders assigned to a single approver should be limited[22] to ensure each transaction receives sufficient review. Approvers responsible for too many cardholders may lack the capacity to conduct thorough oversight.[23]

The OCA analyzed the P-Card transactions posted between July 1, 2022, and May 31, 2024, and noted that 16 of the approvers reviewed and approved transactions for 11 to 20 cardholders totaling approximately $8.8 million, as depicted below in **Table 7**.

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[22] Span of control is also echoed in:
- GAO-04-87G, *Auditing and Investigating the Internal Control of Government Purchase Card Programs*, https://www.gao.gov/assets/gao-04-87g.pdf, pages 21-22 and,
- Office of Management and Budget, "Circular No. A-123, Appendix B Revised," https://www.whitehouse.gov/wp-content/uploads/2019/08/Issuance-of-Revised-Appendix-B-to-OMB-Circular-A-123.pdf, pages 27,61

[23] Office of Washington State Auditor, *Best Practices for Credit Card Programs*, https://sao.wa.gov/sites/default/files/2024-04/Credit%20Card%20Best%20Practices%20April_2024_Final.pdf

Table 7
Approvers Assigned More Than 10 Cardholders and Associated Transaction Volume
July 1, 2022, and May 31, 2024

Approver	No. of Assigned Cardholders	No. of Approved Transactions	Dollar Amount of Approved Transactions
1	19	1,577	$851,223
2	17	1,449	$1,189,199
3	20	1,245	$471,692
4	17	1,240	$876,577
5	13	1,215	$1,156,148
6	17	1,138	$656,631
7	18	1,088	$444,244
8	20	1,062	$645,719
9	13	938	$544,906
10	11	918	$324,961
11	13	849	$451,117
12	17	785	$294,569
13	11	579	$227,570
14	14	526	$641,655
15	12	89	$34,187
16	13	64	$18,613
Totals		**14,762**	**$8,829,011**

Source: Created by OCA using BOA Works Data

Given the number of assigned cardholders, the approvers may not have had the capacity to adequately review each cardholder's activity.

1C.4. The Department of Procurement Services conducted an ineffective final review of P-Card transactions due to high volume, competing responsibilities, and limited supporting documentation from departments.

Final approvers serve as a key internal control within the City's P-Card process. As the last point of review before public funds are spent, they are responsible for verifying that transactions are legitimate, properly documented, and aligned with operational needs.

Between July 1, 2022, and May 31, 2024, a total of 43,250 P-Card transactions were posted in the Bank of America Works system. Of these, 40,010 were reviewed and approved by a single P-Card Administrator in DPS. In addition to this review function, the Administrator was also responsible for conducting P-Card training and managing the daily operations of the P-Card program.

The OCA found that, due to the high volume of transactions and responsibilities assigned to the Administrator, the review process was limited in scope. The Administrator's review generally

focused on verifying that a receipt was attached and that an authorized individual had approved the transaction in the system. The Administrator did not have sufficient capacity to perform deeper reviews using available system reports, to identify patterns or trends, or to apply a risk-based oversight approach. Timeliness pressures further limited the ability to conduct substantive review, as all transactions needed to be approved before payment deadlines.

In several instances, as noted earlier in this report, cardholders and department-level approvers failed to review transactions in a timely manner. When this occurred, the P-Card Administrator was required to approve those transactions in bulk to ensure payment was processed. This practice reduced the objectivity of the final approval process.

The OCA also identified transactions that lacked supporting documentation or contained insufficient information to determine compliance with City policy. These issues further demonstrate weaknesses in the final review process.

Assigning one employee sole responsibility for final approval across the entire P-Card program creates a significant internal control vulnerability. This concern is especially serious when combined with the broader issues identified regarding departmental approver oversight. Without a more robust, data-informed, and risk-focused review process, improper or unsupported spending may continue to occur without detection.

1C.5. P-Card transactions were not reviewed in a timely manner, increasing the risk that improper or unauthorized purchases would go undetected.

Cardholders are responsible for reviewing and verifying their transactions against supporting documentation and promptly disputing any unauthorized charges. The approver must then review and certify that purchases are appropriate and compliant with regulations. Reconciliations help prevent and/or identify fraud, waste, and abuse and support accountability and transparency in government spending.

During the audit period, the City's P-Card policy was revised multiple times and contained conflicting information regarding required timeframes for transaction review, approval, and dispute resolution in the Works system.[24] As a result, the OCA found it unclear when signoffs were required, and which deadlines applied. This ambiguity likely impacted cardholders and approvers as well. Inquiries with the DPS clarified that all transactions should be approved within five business days after the billing cycle ends.

The OCA analyzed 43,250 P-Card transactions posted in Works between July 1, 2022, and May 31, 2024, to evaluate whether transactions were reviewed and approved in a timely manner, in accordance with DPS requirements, the Bank of America contract, and internal policies. The analysis identified the following issues related to untimely approvals and incomplete reconciliations:[25]

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[24] Required timeframes were clarified in the most recent policy update that was posted in March 2025.

[25] A single transaction among the bullets in this section can and will be captured in multiple categories.

- **Approvers missed the five-day approval requirement:** 11,711 transactions totaling approximately $5,315,443 were not approved within five business days after the billing cycle ended in accordance with the Department of Procurement Services'(DPS) requirement. The approver signed off on the transactions between 6 and 607 business days[26] after the billing cycle ended.

- **DPS was forced to sweep unapproved transactions**: There were 4,229 transactions, totaling approximately $2,025,250, that were swept and approved by DPS without the cardholder's and/or approver's signoffs. The sweep feature is used to facilitate the payment process for transactions that are not reviewed and signed off by the cardholder and/or approver, or the mandatory supporting documentation was not uploaded in the BOA Works System.

- **Missed the Bank of America statement due date**: 8,567 transactions totaling approximately $3,050,040 were not approved by the Bank of America billing statement due date.[27]

- **Approvals exceeded the 60-day dispute window:** 1,866 of the transactions totaling approximately $841,744 were not reviewed and approved by the cardholders and/or approvers within 60 days of posting, as required by DPS policy. The OCA also noted that DPS did not approve 878 transactions totaling approximately $393,801 within 60 days of posting.

- **Unreviewed transactions remained in the system:** 183 of the transactions totaling approximately $64,317 were not reviewed and approved by the cardholder and/or approver as of the report run date of May 6, 2025.[28]

Untimely or incomplete reconciliation of P-Card transactions significantly increases the risk of unauthorized, fraudulent, or erroneous charges going undetected. For example, under the Bank of America contract, disputed charges must be reported within 60 days of the billing cycle close period. Failure to meet this deadline may forfeit the City's ability to recover funds for improper charges.

Late cardholder and approver signoffs also delay DPS's ability to complete final approvals and submit timely payments to Bank of America. While no known penalties have occurred, late payments could reduce the City's annual rebate, which is contingent on prompt payment as part of the bank's incentive structure.

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[26] Excludes weekends and City holidays.
[27] Count and dollar value includes both the approver and DPS review and signoff.
[28] Bank of America Billing Statement for July 1, 2022 – May 31, 2024, was re-run on May 6, 2025, to ensure that most current data was used for analysis since additional cardholder and manager approval have occurred since the initial testing.

The P-Card policy in effect during the audit period included escalating consequences for policy violations. Enforcing these consequences is essential for driving meaningful change, fostering compliance, and reinforcing accountability. Consistent follow-through strengthens the City's internal control environment and deters repeat offenses.

1D. The P-Card program had weak controls over who received a card, how accounts were set up and closed, and how the system was managed.

The OCA identified multiple control deficiencies that undermined the integrity of the P-Card program. This included concentration of duties, delays in card deactivation, underused or unjustified cards with high credit limits, shared card use, and inadequately configured system settings such as auto-approvals and inadequate merchant code restrictions. The following summarizes the control gaps identified:

1D.1. Lack of segregation of duties gave one employee full control of the P-Card process without oversight.

The DPS P-Card Administrator was responsible for nearly every aspect of the P-Card program, including:

- Approving P-Card applications,
- Ordering, receiving, and safeguarding cards until distributed to the cardholders,
- Issuing new and replacement cards to cardholders,
- Setting up and modifying card profiles, including spend limits,
- Suspending and terminating cards,
- Approving transactions, including completing all three review levels in some instances,
- Uploading approved transactions to the City's financial system for payment,
- Monitoring and reporting P-Card violations, and
- Training cardholders and approvers.

This level of access and responsibility concentrates critical control functions in a single role and presents significant potential risks, such as unauthorized transactions and undetected errors.

According to the GAO, key duties and responsibilities should be divided among different personnel to reduce the risk of errors or misuse. The same individual should not control authorization, processing, and reconciliation tasks. Where segregation is not feasible, compensating controls should be implemented to mitigate the risk.[29]

To enhance accountability, the following key responsibilities should be assigned to separate roles as shown in **Table 8** below.

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[29] U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014. See Principle 10 (p. 47) on designing control activities to achieve objectives and respond to risk. https://www.gao.gov/assets/gao-14-704g.pdf

Table 8: Key Functions That Should be Segregated to Strengthen Internal Controls

Tasks	Description	Should be Separated From
Card Issuance and Setup	Approving new cardholder requests, issuing cards, and setting limits	Approving or reconciling transactions
Transaction Approval	Reviewing and approving P-card transactions	Card administration and reconciliation duties
Transaction Reconciliation	Matching receipts, validating charges	Card issuance and approvals
Policy Enforcement and Oversight	Monitoring compliance, reviewing exceptions, and conducting audits	Any transaction processing role
System Administration	Managing user access and roles in Works	Transactional responsibilities, especially approvals

Source: Prepared by the OCA based on the GAO framework of segregation of duties.

In addition, the OCA found that five additional DPS employees were assigned the P-Card Administrator role in the Bank of America Works system, despite not performing related duties. This role grants full administrative access, including the ability to approve, modify, and reconcile transactions. Such access should only be granted to individuals with a clear operational need. Access permissions must be aligned with job responsibilities to ensure proper accountability, data security, and internal control.

1D.2. Adequate controls were not in place to verify that P-Card applicants are active employees at the time of the request.

P-Card Policy 15 states that cards are to be issued only to active full-time City employees or affiliated entities (e.g., Courts). To evaluate how this requirement is implemented, the OCA inquired about the process used to confirm applicant eligibility at the time of request.

The P-Card Administrator reported using a customized employee status report generated by DIT to verify City employment status. However, this report does not currently include a verification process for employees of affiliated entities. In addition, the report includes individuals beyond active employees, such as former employees and family members enrolled in the City's health

plan, without clearly distinguishing among these groups. As a result, the report is not a reliable tool for confirming applicant eligibility at the time of card issuance.

As of June 20, 2024, there were 348 active P-Cards, including nine issued to employees of the Courts, as shown in **Appendix D**. Without a clear and reliable method to verify employment status, particularly for affiliated entities, there is an increased risk that P-Cards may be issued to ineligible individuals.

1D.3. P-Cards were not timely deactivated after separations or transfers, creating risk of improper use.

In accordance with the DPS P-Card Policy (Policy 15), cards are issued only to full-time City employees or affiliated entities (e.g., Courts). When an employee leaves the City or transfers to another department, the cardholder, proxy,[30] or approver is required to notify the P-Card Administrator within one business day. The card must be returned to DPS for cancellation, as P-Cards do not follow employees to new departments. If the new department wishes the employee to retain purchasing authority, a new application must be submitted.

While the policy does not specify a required deactivation timeframe, the P-Card Administrator stated that cards are generally deactivated within one business day of receiving notice. For comparison, the State of Virginia's P-Card policy requires card deactivation no later than the cardholder's last working day.[31] As noted above, the cardholders and approvers are responsible for timely notifying the P-Card Administration of employee separations and department transfers. In addition, the P-Card Administrator receives an email notification from the DIT Help Desk when system access is removed for employees.

To evaluate compliance, the OCA compared the City's active and inactive P-Cardholder lists with Human Resources' (HR) Employee Change and Termination reports. We assessed whether cards were deactivated in a timely manner following separation or transfer, and whether charges were made after the employees' departure dates.

> **Cardholder Separations**
>
> Between July 1, 2022, and September 30, 2024, at least 37 cardholders separated from City employment. Of these:
>
> - Seventeen (17) cards were deactivated between 2 and 177 business days after separation.

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[30] A proxy is one or more employees in each department who are responsible for reviewing the transactions of individual cardholders to make sure they are legitimate business-related expenses within the approved P-Card policies and procedures.

[31] Virginia Department of Accounts – Commonwealth Accounting Policies and Procedures (CAPP) Manual, Cash Disbursements Accounting, CAPP Manual 20355 - Purchasing Charge Card, page 16
https://www.doa.virginia.gov/reference/CAPP/CAPP_Topics_Cardinal/20355.pdf

o In five of these cases, the P-Card Administrator received timely notice but still delayed cancellation by 2 to 154 business days.

- Three (3) cards were used after the separation date, with charges totaling approximately $2,175. Of this amount, approximately $1,933 was confirmed as legitimate business expenses. For the remaining amount, the OCA could not determine legitimacy due to missing documentation.

Observations regarding these three cards include:

- A cardholder who separated on September 30, 2023, had a $50 charge nearly nine months later (July 2, 2024). The charge was attributed to a membership renewal, but no documentation supported this claim. The charge was disputed, but the bank ruled in favor of the vendor.

- A cardholder separated on September 14, 2023, and the P-Card Administrator was notified a week later. However, the card was not suspended until December 20, 2023. A transaction totaling approximately $192 occurred after separation, but no receipt was uploaded, making it impossible to verify the expense.

- A cardholder separated on July 18, 2023, had their card suspended six days after departure. Seven purchases totaling approximately $1,933 were made before the card was suspended. Departmental staff acknowledged using the card without realizing this violated policy. These charges were deemed legitimate business expenses.

Cardholder Transfers

The P-Card Administrator stated that when notified of a transfer, the card is suspended and must be reauthorized through a new application. However, in practice, this procedure was inconsistently followed.

At least twelve (12) employees transferred between departments during the period reviewed.[32] The OCA found:

- Three (3) cards were suspended/closed by the P-Card Administrator, of which two were not timely.

- Four (4) retained their P-Cards due to City restructuring and a new application was not required.

- Two (2) retained their P-Cards and submitted a new application.

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[32] The audit scope was expanded to coincide with the date that the Human Resources Change Report was run, which was August 23, 2024.

- Three (3) retained their P-Cards based on internal agreements between the old and new department leadership. Two of the cardholders did not submit a new application.

If P-Cards are not promptly deactivated following separations or transfers, former employees or unauthorized individuals may continue to use the cards. Cards should not merely be suspended, but fully canceled when no longer needed.

Notification Gaps

DPS relies on departments to initiate separation notifications, with DIT's system alerts serving as a secondary control. If departments do not notify DPS or DIT in a timely manner, card deactivation will be delayed.

The OCA compared HR separation records with DPS notifications and identified inconsistencies. This suggests that departments are not consistently fulfilling their responsibility to notify DPS and DIT of employee separations. These communication gaps increase the risk that P-Cards remain active after departure, potentially allowing unauthorized use. A more coordinated, department-led notification process is needed to ensure timely deactivation.

The OCA concluded that delays in P-Card deactivation resulted from inconsistent departmental notifications, coordination challenges, and gaps in the offboarding process. While DPS and DIT have supporting roles, departments are ultimately responsible for initiating timely communication of employee separations and transfers.

To address these risks, DPS should work with HR, DIT, and other departments to establish a formalized cross-departmental process that ensures timely and consistent notification of status changes.

1D.4. **Some P-Cards were rarely used or not used at all, and many had credit limits that were higher than needed for day-to-day operations**.

Per best practices, the following actions should be taken to address the risk of fraud, waste, and abuse, and implement strong internal controls for card programs:[33]

- **Ensure cardholders have a business need**: Cards should only be issued to employees who need to use them regularly.

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[33] These best practices are echoed by:
- GAO-04-87G, *Auditing and Investigating the Internal Control of Government Purchase Card Programs*, https://www.gao.gov/assets/gao-04-87g.pdf, pages 21-22 and,
- Office of Washington State Auditor, *Best practices for Credit Cards Programs*, https://sao.wa.gov/sites/default/files/2024-04/Credit%20Card%20Best%20Practices%20April_2024_Final.pdf

- **Establish appropriate credit limits**: Credit limits should align with the cardholder's spending needs.

- **Maintain the right number of cards**: The number of cards issued needs to be balanced with the ability to effectively monitor and administer the program.

- **Review infrequently used cards at least annually:** Cardholders with minimal or no spending may not need their cards. Active, unused cards unnecessarily expose an organization to potential fraud. Close accounts where possible and retain written justifications for those left open.

- **Review credit limits at least annually:** Credit limits should be evaluated using monthly spending trends to determine if they align with business needs and identify ones that can be lowered. The overall card exposure should not exceed your business needs.

As of June 20, 2024,[34] the City had 348 active P-Cards with a total credit limit of $7.25 million across 38 departments and affiliated entities (i.e., courts).[35] As noted in **Appendix D**, seven departments have more than 10 P-Cards, making up approximately 66% of the total active cards.

Card Usage Analysis

The OCA identified at least 40 active cards that had limited or no expenditures during our audit scope. Seven cardholders had no purchases, and 33 had low expenditures.

Of the seven cards with no purchases, the OCA noted the following:
- Three of the cards, which were opened in September 2023, December 2023, and March 2024, had not been activated by the cardholders.[36] The combined monthly credit limit for these cards was $30,000.

- The remaining four cards were activated between July 2019 and February 2022 with a combined monthly credit limit of $40,000. Three of the cardholders have spent less than $500 each since activating their cards; one of which has not been used since January 2021. The remaining card has not been used yet.

As noted in best practices, cards should be issued based on need, and credit limits should reflect actual usage. The cards above do not align with those principles and may no longer be necessary.

Upon discussing the above observations and inquiring about the card usage monitoring employed by DPS, the P-Card Administrator informed the OCA that they conduct an

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[34] The OCA ran the Bank of America Card Status report on June 20, 2024, to conduct testing.

[35] The total includes 17 suspended cards with $0 credit limit and one card that is the general account number for the entire City of Richmond P-Card Program with a credit limit of $3 million.

[36] As of the Bank of America Card Status report run date of September 23, 2024.

annual review using Bank of America's Card Status report to identify cards with no activity in the past 12 months. The Administrator indicated that cardholders are contacted to determine whether the cards should remain active, and that such reviews were conducted in 2023 and 2024.

However, when the OCA requested documentation supporting these reviews, only one email communication was provided. The Administrator clarified that the reviews did not include cards with low usage or those that had never been activated. While reviewing unused cards aligns with best practices, this oversight process should be expanded to include spending thresholds and credit limits.

Credit Limit Utilization Analysis

The OCA compared cardholders' monthly credit limits[37] to actual expenditures and found:

- Average credit limit utilization was 42%.
- Average utilization in the five highest months was 48%.

Although card limits can be modified by department request and approved by DPS, these figures suggest that many cards have more credit than needed, and additional review is warranted. The P-Card Administrator confirmed that standard limits are set at $10,000, though departments may request higher or lower limits.

According to the GAO, purchase cards should be issued in controlled, limited quantities to employees with legitimate needs.[38] Credit limits should be based on expected purchasing activity, and evaluations should involve both program staff and operational leadership. Limiting card issuance and credit exposure strengthens control over the program and reduces unnecessary risk.

The OCA concludes the City maintains a number of P-Cards that are unused or infrequently used, and that several carry credit limits disproportionate to actual spending needs. Current oversight practices do not include a comprehensive, documented review of usage trends or credit exposure.

1D.5. Some P-Cards were shared between employees, making it harder to hold individuals accountable and increasing the chance of misuse.

P-Cards are assigned to individual employees to ensure accountability and compliance with internal controls. In accordance with DPS' P-Card Policy (Policy 15), cards may not be shared

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[37] The OCA understands that DPS generally sets a standard monthly credit limit of $10,000 for cardholders. These limits are subject to change based on individual requests and departmental needs. For the purpose of this analysis, the OCA applied a conservative approach: when a lower limit was documented, that amount was used; when a higher limit was identified, it was capped at $10,000 to align with the standard threshold.

[38] U.S. Government Accountability Office (GAO), *Auditing and Investigating the Internal Control of Government Purchase Card Programs* (GAO-04-87G), November 2003. See pages 21–22. https://www.gao.gov/assets/gao-04-87g.pdf

with anyone other than the vendor or merchant during a transaction. [39] The policy further states the cardholder is solely responsible for safeguarding the card and for all purchases made using it.

During the audit period, the OCA identified two P-Cards within DPS that were shared among multiple employees, despite being assigned to a single cardholder. Specifically:

- One card, with a credit limit of $400,000, was reportedly used by two DPS employees to make large purchases on behalf of City departments.

- A second card, with a $10,000 credit limit, was also shared among multiple DPS employees. A manual log was maintained to track sign-in and sign-out activity. However, the OCA's review of the log revealed that transactions were missing and that the log was insufficient to establish clear accountability for card usage. Upon discussion of these findings with DPS, both cards were suspended.

1D.6. Some P-Cards were set up to automatically approve purchases, allowed spending in high-risk categories, and had identical limits for daily, single transaction, and monthly spending, reducing effective oversight.

Effective P-Card program administration relies on the proper configuration of system controls, including merchant category code (MCC) restrictions, transaction approval workflows, and spending limits. The City's current configuration did not consistently reflect best practices.

Merchant Category Code Controls

All merchants accepting credit cards are assigned an MCC that identifies the type of goods or services they provide. Bank of America groups MCCs into five categories:

- Cash
- Travel & Entertainment
- General Purchase
- Vehicle/Fleet
- Unusual

Each P-Card account specifies which MCC categories are permitted or restricted. Examples of "Unusual" category merchants include racetracks and liquor stores, wire transfers and money orders. The "Cash" category includes gift cards.

Under the Statewide Charge Card Program Services Contract, managed by the Virginia Department of Accounts, the contractor is required to provide card control restrictions,

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[39] The P-Card Policy has undergone several revisions. One of the policy versions contains conflicting information and indicates that cards can be shared if authorized in writing by the department head in one section, then notes it cannot be shared in another section. This could have resulted in some confusion for the cardholders. However, the conflicting language was removed from the latest version with an effective date of November 25, 2024.

including MCC blocks. Bank of America also offers a "permit & notify" setting that allows transactions while triggering an alert for audit purposes. This feature is recommended for categories that warrant review but not full restriction.

The City of Richmond's P-Card Policy (Policy 15) prohibits purchases such as:

- Cash equivalents
- Money wiring
- Alcohol-related establishments (e.g., nightclubs, breweries, ABC stores)

However, the OCA found that P-Card configurations did not consistently align with these restrictions:

- One hundred fifty-four (154) of 348 active cards (44%) permitted the "Cash" MCC category.

- Three hundred thirty(330) active cards permitted the "Unusual" MCC category, which includes wire transfer and money order vendors.

Auto-Approval of Transactions at the Department Approvers' Level

The OCA found that 21 transactions totaling approximately $11,000 were auto approved at the department approvers' level. In these cases, the P-Card system was configured to bypass the approver entirely, allowing transactions to be finalized without managerial review. The P-Card Administrator confirmed these cardholders were set up without an assigned approver in the system.

Approvers are a critical line of defense against unallowable transactions. Each cardholder should have an assigned approver with the knowledge, authority, and independence to assess purchase appropriateness.

Improperly Configured Spending Limits

The OCA analyzed the Bank of America Card Status data as of June 20, 2024, and noted that 236 P-Cards had identical settings for single, daily, and monthly limits. This uniform structure eliminates layered controls. Staggered thresholds are a critical risk-management feature, helping to flag unusually large or frequent transactions. Without tiered limits, opportunities for real-time oversight are reduced.

Unsupported or Improper Spending Limit Modifications

The OCA also found several instances where spending limit increases were not supported by appropriate documentation or lacked independent review:

- Four (4) high-level staff requested limit increases for their own cards without independent approval.

- Three (3) cardholders received limit increases that bypassed documented request and approval procedures.

- One (1) cardholder's limit increase was not supported by any documentation on file with DPS.

The City's P-Card program lacked consistent configuration of key controls related to MCC restrictions, transaction approvals, and spending limits, which could lead to reduced oversight and accountability.

1E. Additional observations were made regarding P-Card purchases and policy.

In addition to the findings described above, the OCA identified several observations regarding P-card purchases and policy as noted below.

- **Policy Enhancement Needed:**

  The City's current P-Card policies and procedures need further refinement to ensure effective program management and alignment with best practices. The GFOA recommends that P-Card policies include a clearly defined scope of allowable and prohibited purchases, controls to prevent fraud, and consequences for non-compliance.

- **Training Gaps:**

  Current P-Card training does not sufficiently cover the end-to-end responsibilities of cardholders, approvers, and other users. The training should be enhanced to emphasize allowable and prohibited purchases, include role-based guidance, and be updated regularly to reflect policy changes and emerging risks. Additionally, the City should reinstate periodic refresher training as a mandatory component of the program to reinforce compliance and accountability.

- **Risk of Duplicate Payments:**

  The OCA identified a risk that duplicate payments could be made through both the P-Card system and Accounts Payable. One example included a transaction for $4,309 that was inadvertently paid through both methods. This duplication was identified and corrected by the department prior to the audit.

  Additionally, the OCA identified six instances of potentially duplicate travel-related expenditures totaling approximately $406. These involved employees who received travel per diem while also incurring food and beverage charges on P-Cards. For example, a former cardholder used a City P-Card to purchase a group meal totaling approximately

$256 during conference travel, despite receiving a meal per diem. Based on the total cost and number of attendees, the per-person cost exceeded the allowable per diem for that location and meal type. When the OCA followed up with two of the individuals listed as attending, one indicated they had purchased their own meal, and the other reported not participating in the group meal. These issues underscore the risk of duplicate reimbursements, unsupported expenses, and inconsistent adherence to travel policies, which may result in inappropriate spending.

- **Airfare Reimbursement Oversight:**

  A former City employee attended a summit and used a City P-Card to purchase airfare totaling $2,163.78. The conference host later reimbursed the individual directly for the airfare, but the individual did not initially reimburse the City. Upon inquiry by the OCA, the former employee indicated the non-reimbursement was an oversight and submitted full repayment to the City.

- **Purchasing a Business Suit for an Employee**

  The OCA identified a P-Card transaction, totaling approximately $480, in which a business suit was purchased for an employee. The OCA inquired with the cardholder's designated approver regarding the appropriateness of this expense. According to the department, the purchase was business-related and intended for the employee to wear during a court appearance. The approver stated that the purchase was considered allowable within the department; however, they were unable to provide documentation of prior approval or policy supporting the purchase. The approver further noted that the employee would retain the suit for use in future court proceedings. This purchase highlights the need for clearer policy guidance, particularly for those that may have a personal or ongoing benefit.

- **Toll (E-Z Pass) Violation Administrative Fees**

  The OCA identified nine toll violation fee transactions during the audit period, totaling $400. These fees were associated with approved out-of-state travel for official government purposes. Individual violation fees ranged from $25 to $50, representing a total surcharge of approximately 258% over the base toll amount.

Recommendations

Recommendation 1	High Priority

We recommend that the Director of Procurement Services, in coordination with the Chief Administrative Officer, structure the relaunch of the City's P-Card Program to incorporate audit findings and reestablish strong foundational controls. At a minimum, the relaunch should:

- Update policies to define roles and responsibilities for governance, monitoring, and enforcement across departments and comprehensively defines allowable and unallowable purchases.

- Develop a comprehensive training program on new policies, procedures, and requirements and train all individuals involved in the P-Card program prior to program restart and periodically, at least once a year, thereafter. This training should include all applicable procurement laws and regulations.

- Establish clear criteria for card reactivation, including mandatory training and policy acknowledgments.

- Require departments to reapply for P-Cards with justification based on operational need.

- Reinforce new policy restrictions (e.g., no director-level cards, limited food and travel use, registered vendor requirements).

- Communicate program changes citywide, including expectations, timelines, and escalation procedures.

Recommendation 2	High Priority

We recommend that the Chief Administrative Officer, in coordination with the Director of Procurement Services and the Director of Human Resources, develop and implement a spending policy to clarify the appropriate use of public funds for non-essential purchases. At a minimum, the policy should:

- Define categories of expenditures, including those that are strictly prohibited, generally allowable, and allowable with written justification.

- Establish thresholds and documentation requirements for common items such as food, employee recognition events, gifts, and non-essential supplies.

- Require written justification and pre-approval for purchases that exceed defined dollar thresholds or fall outside core operational needs.

Recommendation 3	High Priority

We recommend that the Director of Procurement Services restructure roles and responsibilities within P-Card Administration to reduce excessive concentration of duties and strengthen system access controls. At a minimum, DPS should:

- Reassign key program responsibilities so that card issuance, transaction approval, reconciliation, and monitoring are handled by separate individuals or teams.

- Limit the P-Card Administrator's ability to approve transactions and upload to the financial system.

- Remove administrative access in Works from employees who do not perform P-Card administrator duties.

Create compensating controls (e.g., secondary review or audit trail logs) for any areas where full segregation is not feasible.

Recommendation 4	High Priority

We recommend that the Director of Procurement Services strengthen approver oversight across all City departments. At a minimum, DPS should:

- Require that departments submit documentation asserting that approvers are positioned to assess the operational necessity of cardholder purchases and deny approval when deemed inappropriate.

- Prohibit approvers from reviewing transactions initiated by individuals in a supervisory or higher-level reporting relationship.

- Require periodic review of P-Card system approval hierarchy to identify and correct approval assignments that reduce effective oversight.

- Assist departments in establishing clear procedures that ensure requisition, purchasing, receiving, and payment authorization responsibilities are appropriately segregated in practice and not just in system configuration.

- Develop and implement a formal policy that restricts the number of cardholders assigned to a single approver, taking into account transaction volume, purchase complexity, and the approver's oversight capacity.

- Require departments to monitor approver workloads on a recurring basis and adjust assignments as needed to ensure transaction reviews remain effective. Also, ensure that each department has a backup approver trained.

- Require training for departmental and procurement-level approvers on invoice fraud indicators, quote manipulation tactics, invoice alterations, and procedures for independently verifying the receipt of goods and services.

Recommendation 5	High Priority

We recommend that the Director of Procurement Services conduct a comprehensive review and reconfiguration of system controls for all active P-Cards. At a minimum, DPS should:

- Restrict MCC categories to only those necessary for the cardholder's operational duties and use "permit and notify" settings for sensitive categories.

- Ensure all cardholders have an assigned approver in the P-Card system and eliminate auto-approval settings.

- Implement tiered spending thresholds (e.g., single, daily, monthly) to facilitate detection of unusual activity.

Recommendation 6	High Priority

We recommend that the Director of Procurement Services establish clear guidance on whether and when vendors paid through third-party platforms (e.g., Square, PayPal, Venmo)can be used.

Recommendation 7	High Priority

We recommend that the Director of Procurement Services reevaluate the City's procurement thresholds, including the single-quote threshold, to ensure alignment with peer governments, the City's internal control environment, and its risk tolerance.

Recommendation 8	High Priority

We recommend that the Director of Procurement Services take steps to strengthen enforcement of existing P-Card policy requirements. At a minimum, DPS should:

- Require complete and itemized documentation for all P-Card transactions, including receipts, stated business purpose, and all applicable pre-approval forms (e.g., meal, travel, DIT).

- Identify and track cardholders and approvers who repeatedly fail to provide adequate documentation and implement corrective actions as warranted.

- Enforce progressive disciplinary measures, including suspension of P-Card privileges for repeat noncompliance.

Recommendation 9	High Priority

We recommend that the Director of Procurement Services improve timeliness of cardholder and approver reviews by consistently enforcing approval deadlines and escalating policy violations. At a minimum, DPS should:

- Continue monitoring approval timeliness, send monthly reminders to departments with overdue items, and escalate repeated violations through formal notices and disciplinary actions, including card suspensions.

- Minimize use of the sweep function by encouraging timely review and require departments to investigate and resolve any swept transactions not reviewed by cardholders or approvers.

Recommendation 10	High Priority

We recommend that the Director of Procurement Services enhance monitoring of citywide purchasing activity by developing a data-driven and risk-based approach. At a minimum, DPS should:

- Conduct periodic reviews focused on high-risk indicators of policy violations, including potential split purchases, transactions just below competitive thresholds, excessive purchases from non-contracted vendors, and duplicate vendors with common addresses or ownership ties.

- Analyze purchases to identify opportunities to establish contracts to leverage the City's purchasing power.

- Ensure review findings are communicated to relevant departments for investigation and corrective action, and track whether issues are recurring by cardholder or vendor.

Recommendation 11	High Priority

We recommend that the Director of Procurement Services conduct periodic, data-driven reviews of credit limits and card utilization. At a minimum, DPS should:

- Set standard usage thresholds (e.g., cards used for less than $5,000 over 12 months) to identify underused cards for potential deactivation.

- Require written justification for retaining low-usage cards or maintaining elevated credit limits.

- Adjust card limits based on actual spending patterns and operational needs.

- Incorporate credit limit analysis into the annual program review and retain documentation of any decisions made.

- Require independent documentation and justification for all credit limit increases and prohibit self-authorization.

Recommendation 12	High Priority

We recommend that the Chief Administrative Officer, in coordination with Director of Procurement Services and the Director of Human Resources, take steps to strengthen the enforcement of existing conflict of interest policies and enhance employee accountability. At a minimum, the City should:

- Require at least annual conflict of interest disclosures from all employees with purchasing, approval, or vendor selection authority, and establish a process for reviewing and acting on disclosed relationships.

- Develop a centralized conflict of interest tracking system to log disclosures, related exceptions, and review determinations, ensuring consistent handling across departments and visibility to DPS.

- Develop annual conflict of interest and ethics training for all cardholders, approvers, and employees with purchasing authority using real examples to reinforce expectations and risk awareness.

- Establish and communicate clear enforcement protocols for policy violations, including temporary suspension of purchasing privileges, formal referrals to HR or the Inspector General, and required retraining or disciplinary actions as warranted.

Recommendation 13	High Priority

We recommend that the Director of Procurement Services strengthen controls to ensure that departments utilize existing contracts and confirm pricing. At a minimum, DPS should:

- Incorporate contract awareness content into mandatory P-Card and procurement training programs for cardholders and approvers.

- Require cardholders and approvers to verify the existence of applicable contracts before initiating purchases when practical.

- Explore functionality enhancements that link P-Card transactions to active contracts to ensure contract balances are updated in real time.

- Periodically review P-Card transaction data to identify where contracts are warranted.

Recommendation 14	High Priority

We recommend that the Director of Procurement Services resume and expand monitoring for split purchases and ensure enforcement. At a minimum, DPS should:

- Resume monthly generation and review of the Single Transaction Report from the Works system.

- Expand monitoring to identify cross-card and cross-vendor split transactions, which may indicate policy circumvention.

- Require all identified split transactions to be communicated to departments, documented, and formally investigated.

- Develop and enforce disciplinary measures for policy violations and track repeat offenders across departments.

Recommendation 15	Medium Priority

We recommend that the Director of Procurement Services, in coordination with the Director of Human Resources, establish a formal cardholder lifecycle management process. At a minimum, the City should:

- Establish a timely notification protocol between HR and DPS for employee separations and departmental transfers.

- Once a timely notification protocol between HR and DPS is established, require that P-Cards be deactivated or canceled in at least one working day from notification or a similar reasonable timeframe.

- Require written justification for card retention during departmental transfers and mandate new applications for role changes.

- Periodically reconcile the cardholder list with HR records to ensure only current, authorized employees possess active cards.

- Develop procedures to ensure that all outstanding transactions are reconciled and approved prior to the cardholder and/or approver separating employment when advanced notice is provided. Process should at a minimum include:

- o A timeframe for when the cardholder can no longer use the card to stop any new transactions.

- o A timeframe in which all outstanding transactions need to be reviewed, supporting documentation uploaded, business justification and account codes added, and signed off by the cardholder and approver. It should be mandated that this occurs prior to separation and payment of the final paycheck.

- o Monitoring procedures to ensure compliance.

- Develop procedures to ensure that transactions are timely reconciled and approved when an advance separation notice is not provided (i.e., termination), including at a minimum:

- o Department designates a representative to reconcile the outstanding transactions, including uploading supporting documentation and adding business justification and account codes.

- o Establishing a timeframe for which approver or designee must review and approve the outstanding transactions.

- Investigate all post-separation transactions and implement follow-up procedures when documentation is missing.

Recommendation 16	Medium Priority

We recommend that the Director of Procurement Services attempt to recoup any recoverable funds identified throughout this audit, by the vendor and DPS.

Appendix A - Compliance Statement, Objectives, Scope, and Methodology, Management Responsibility, and Conclusion on Internal Controls

Compliance Statement

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.

Objectives

Evaluate internal controls within the P-Card program and test expenditures for compliance with policies and procedures.

Scope

P-Card expenditures and related internal controls for the 23-month period ending May 31, 2024, as well as the current environment, unless noted otherwise. We also reviewed small purchases and accounts payable payments where appropriate.

Methodology

The OCA performed the following procedures to complete this audit:

- Reviewed policies and procedures and interviewed department and DPS employees to gain an understanding of the internal controls and procedures in place for the P-Card program and small purchases.

- Analyzed the P-Card expenditures posted in July 2022 through May 2024, selected a risk-based target sample of transactions, and tested to determine if they were legitimate business-related expenses, in compliance with the P-Card Policy and applicable City policies, and adequately supported.

- Compared the P-Card expenditures posted in July 2022 through May 2024 to the accounts payable payments to determine if duplicate payments occurred.

- Analyzed the P-Card expenditures posted in July 2022 through May 2024 to identify frequently used vendors ($50,000 or greater) and compared them to the City's contract

listing to determine if the vendors had contracts with the City. Judgmentally selected a sample of invoices for vendors with contracts and determined if the billings were in accordance with the contract terms.

- Assessed if P-Cards were timely deactivated when cardholders left City employment or transferred between departments, and if charges that occurred after these changes were appropriate.

- Analyzed the P-Card expenditures posted in July 2022 through May 2024 to assess the timeliness of the transaction approvals.

- Analyzed the P-Card approval hierarchies to determine if the number of cardholders assigned to a single approver was in line with best practices.

- Assessed the Bank of America Works system access controls.

- Compared the listing of active cardholders to the HR report to ensure that cardholders were active City employees.

- Assessed card usage and credit limits to determine if in line with best practices.

- Conducted other tests as deemed necessary.

Management Responsibility

City management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Conclusion on Internal Controls

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the OCA concluded that internal controls were insufficient as documented throughout this report. See the Executive Summary for our overall conclusion.

Appendix B - Definition of Audit Recommendations Priorities

The Office of the City Auditor (OCA) assigns priority ratings for the recommendations based on the importance and impact of each recommendation to the City, as outlined in the table below. The OCA is responsible for assigning priority ratings for recommendations, and the City Administration is responsible for establishing target dates for implementing the recommendations.

PRIORITY LEVEL	PRIORITY LEVEL DEFINITION
HIGH	The recommendation addresses critical issues that are occurring that pose significant risks to the organization, including significant internal control weaknesses, non-compliance with laws and regulations, financial losses, fraud, and costly or detrimental operational inefficiencies.
MEDIUM	The recommendation addresses moderate issues that could escalate into larger problems if left unaddressed. While they may not pose an immediate risk, they could lead to significant financial losses or costly operational inefficiencies over time. There is potential to strengthen or improve internal controls.
LOW	The recommendation improves overall efficiency, accuracy, or performance in City operations.

MANAGEMENT RESPONSES
OCA 2025-11
Department of Procurement Services (DPS)
Purchasing Card

RECOMMENDATION #1

We recommend that the Director of Procurement Services, in coordination with the Chief Administrative Officer, structure the relaunch of the City's P-Card Program to incorporate audit findings and reestablish strong foundational controls. At a minimum, the relaunch should:

- Update policies to define roles and responsibilities for governance, monitoring, and enforcement across departments and comprehensively defines allowable and unallowable purchases.
- Develop a comprehensive training program on new policies, procedures, and requirements and train all individuals involved in the P-Card program prior to program restart and periodically, at least once a year, thereafter. This training should include all applicable procurement laws and regulations.
- Establish clear criteria for card reactivation, including mandatory training and policy acknowledgments.
- Require departments to reapply for P-Cards with justification based on operational need.
- Reinforce new policy restrictions (e.g., no director-level cards, limited food and travel use, registered vendor requirements).
- Communicate program changes citywide, including expectations, timelines, and escalation procedures.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. DPS has initiated a reset of the P-Card program. DPS will maintain the responsibility for the P-Card policy. The CAO will maintain responsibility for development and update of the Travel and Discretionary Spending Policy. The P-Card Policy will define and enable well controlled spending subject to other administrative policies. DPS has engaged the National Institute of Government Purchasing to incorporate best practices into the P-Card Policy. The P-Card policy will be updated to define roles and responsibilities for governance, monitoring, and enforcement across departments.
2. Concur. Comprehensive training program will be developed to include updated P-Card Policy guidelines and will be required of all program participants at card/account issuance and at least annually thereafter. DPS is coordinating with HR to employ NeoGov as a City-wide P-Card training and tracking program. NeoGov will provide tracking, and accessibility for all City P-Card holders and approver and incorporate all governing regulations.
3. Concur. A clear criterion for card reactivation, including mandatory training and policy acknowledgments will be implemented. Agencies will be required to apply for any additional cards after program is relaunched and training and Use Agreements will be required. Application will be updated to include justification/business need for the card.
4. Concur. Policy will require departments to reapply for P-Cards with justification based on operational need. DPS will develop a reactivation checklist to include a cardholder agreement, proof of training completion, and justification forms signed by department heads.
5. Concur. Policy restrictions will be enforced through the P-Card, Travel and Discretionary Spend Policies. No City Directors will be issued P-Cards. An evaluation will be made for leadership above the Director Level. The Procurement Director will maintain a P-Card for emergency spend needs and requirements.
6. Concur. DPS will communicate program changes citywide, including expectations, timelines, and escalation procedures.

Target Date or Date Implemented	Target Date 11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator/ NIGP

RECOMMENDATION #2

We recommend that the Chief Administrative Officer, in coordination with the Director of Procurement Services and the Director of Human Resources, develop and implement a spending policy to clarify the appropriate use of public funds for non-essential purchases. At a minimum, the policy should:

- Define categories of expenditures, including those that are strictly prohibited, generally allowable, and allowable with written justification.
- Establish thresholds and documentation requirements for common items such as food, employee recognition events, gifts, and non-essential supplies.
- Require written justification and pre-approval for purchases that exceed defined dollar thresholds or fall outside core operational needs.

Concur (Yes/No)	**Yes**

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. P-Card Policy will reference the newly developed Discretionary Spend policy for allowable and unallowable purchases.
2. Concur. Transactions will be reviewed/audited according to the new Discretionary Spend policy.
3. Concur. In use. DPS has begun the implementation of a Critical P-Card Purchase Request form.

Target Date or Date Implemented	9/1/2025
Title of Responsible Employee	CAO/Policy Advisor

RECOMMENDATION #3

We recommend that the Director of Procurement Services restructure roles and responsibilities within P-Card Administration to reduce excessive concentration of duties and strengthen system access controls. At a minimum, DPS should:

- Reassign key program responsibilities so that card issuance, transaction approval, reconciliation, and monitoring are handled by separate individuals or teams.
- Limit the P-Card Administrator's ability to approve transactions and upload to the financial system.
- Remove administrative access in Works from employees who do not perform P-Card administrator duties.
- Create compensating controls (e.g., secondary review or audit trail logs) for any areas where full segregation is not feasible.

Concur (Yes/No)	**Yes**

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1-4. Concur. DPS is evaluating responsibilities and hiring additional personnel to support the needs of the program and ensure delegation and separation of duties aligns with program needs.

3rd Bullet completed, 6/12/25

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator

RECOMMENDATION #4

We recommend that the Director of Procurement Services strengthen approver oversight across all City departments. At a minimum, DPS should:

- Require that departments submit documentation asserting that approvers are positioned to assess the operational necessity of cardholder purchases and deny approval when deemed inappropriate. Completed 6/12/2025
- Prohibit approvers from reviewing transactions initiated by individuals in a supervisory or higher-level reporting relationship. Completed 5/9/2025
- Require periodic review of P-Card system approval hierarchy to identify and correct approval assignments that reduce effective oversight.
- Assist departments in establishing clear procedures that ensure requisition, purchasing, receiving, and payment authorization responsibilities are appropriately segregated in practice and not just in system configuration.
- Develop and implement a formal policy that restricts the number of cardholders assigned to a single approver, taking into account transaction volume, purchase complexity, and the approver's oversight capacity.
- Require departments to monitor approver workloads on a recurring basis and adjust assignments as needed to ensure transaction reviews remain effective. Also, ensure that each department has a backup approver trained.
- Require training for departmental and procurement-level approvers on invoice fraud indicators, quote manipulation tactics, invoice alterations, and procedures for independently verifying the receipt of goods and services.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. P-Card Use Agreement will be updated to include assertion that Approvers are positioned to assess the operational necessity of purchases and deny approval when necessary. Completed 6/12/2025
2. Concur. Approvers will not be allowed to review transactions initiated by individuals in a supervisory or higher-level reporting relationship. Completed 5/9/2025
3. Concur. P-Card Team will review approval hierarchy quarterly to identify and correct approval assignments.
4. Concur. P-Card policy will be updated to reflect that requisition, purchasing, receiving, and payment authorization responsibilities are appropriately segregated in practice and not just in system configuration.
5. Concur. P-Card policy will require Department Head/Directors will be trained and responsible to monitor approver workloads on a recurring basis and adjust assignments as needed to ensure transaction reviews remain effective.
6. Concur. P-Card policy will require departments to monitor approver workloads on a recurring basis and adjust assignments as needed to ensure transaction reviews remain effective. P-Card policy will require Directors must designate at least one trained departmental backup approver.
7. Concur. Request training materials and assistance from Internal Audit for fraud indicators and explore the inclusion of fraud training requirement within NeoGov. DPS is in the process of recruiting a compliance officer position.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator, Department Heads/ Directors, Internal Audit/ Director of DPS & Deputy Director – DPS Operations

RECOMMENDATION #5

We recommend that the Director of Procurement Services conduct a comprehensive review and reconfiguration of system controls for all active P-Cards. At a minimum, DPS should:

- Restrict MCC categories to only those necessary for the cardholder's operational duties and use "permit and notify" settings for sensitive categories.
- Ensure all cardholders have an assigned approver in the P-Card system and eliminate auto-approval settings.
- Implement tiered spending thresholds (e.g., single, daily, monthly) to facilitate detection of unusual activity.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. New MCC restrictions created with Bank of America on 5/7/2025 & assigned to most remaining P-Cards on 5/18 – 5/19/2025: No Food, No Travel, No Food/Travel. MCC Restrictions will be evaluated at least annually by P-Card Team.
2. Concur. All cardholders must have an assigned Approver in Works – no auto-approval settings.
3. Concur. All Cards will have set single- and monthly- spending limits.

Target Date or Date Implemented	Completed 5/19/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator

RECOMMENDATION #6

We recommend the Director of Procurement Services establish clear guidance on whether and when vendors are paid through third-party platforms (e.g., Square, PayPal, Venmo).

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. PayPal and Venmo will be prohibited payment options. Square will be investigated as a payment method option. DPS supplier, Card Integrity, is capturing & reporting on third-party payment platforms for P-Card Team/Agency to investigate.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator

RECOMMENDATION #7
We recommend that the Director of Procurement Services update procurement policies and procedures to strengthen procurement controls and oversight. At a minimum, the updates should reevaluate the City's procurement thresholds, including the single-quote threshold, to ensure alignment with peer governments, the City's internal control environment, and its risk tolerance.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)
NOTE: This does not fall under the P-Card program. The three-quote process falls under the Small Purchase policy. 1. Concur. DPS is evaluating the three-quote process conducted by agencies and departments to determine if this process should be centralized within DPS.

Target Date or Date Implemented	1/1/2026
Title of Responsible Employee	Director of DPS, Deputy Director of DPS

RECOMMENDATION #8
We recommend that the Director of Procurement Services take steps to strengthen enforcement of existing P-Card policy requirements. At a minimum, DPS should: • Require complete and itemized documentation for all P-Card transactions, including receipts, stated business purpose, and all applicable pre-approval forms (e.g., meal, travel, DIT). • Identify and track cardholders and approvers who repeatedly fail to provide adequate documentation and implement corrective actions as warranted. • Enforce progressive disciplinary measures, including suspension of P-Card privileges for repeat noncompliance.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)
1. Concur. Already required for all P-Card transactions, including receipts, stated business purpose, and all applicable pre-approval forms (e.g., meal, travel, DIT). Will reemphasize in updated Policy & required training. 2. Concur. Will identify and track cardholders and approvers who repeatedly fail to provide adequate documentation and implement corrective actions as warranted. 3. Concur. Will enforce progressive disciplinary measures, including suspension or cancellation of P-Card privileges for repeat noncompliance, or referral to HR and/or the OIG who may consider other disciplinary actions.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator / NIGP

RECOMMENDATION #9
We recommend that the Director of Procurement Services improve timeliness of cardholder and approver reviews by consistently enforcing approval deadlines and escalating policy violations. At a minimum, DPS should: • Continue monitoring approval timeliness, send monthly reminders to departments with overdue items, and escalate repeated violations through formal notices and disciplinary actions, including card suspensions.   • Minimize use of the sweep function by encouraging timely review and require departments to investigate and resolve any swept transactions not reviewed by cardholders or approvers.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)
1. Concur. P-Card Team will continue to monitor approval timeliness, send monthly reminders to departments with overdue items, and escalate repeated violations through formal notices and disciplinary actions, including card suspensions.   2. Concur. P-Card Team will minimize the use of the sweep function by encouraging timely review and require departments to investigate and resolve any swept transactions not reviewed by cardholders or approvers. Minimizing the use of sweep could affect payments submitted ultimately having negative effect on rebate.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator

RECOMMENDATION #10
We recommend that the Director of Procurement Services enhance monitoring of citywide purchasing activity by developing a data-driven and risk-based approach. At a minimum, DPS should: • Conduct periodic reviews focused on high-risk indicators of policy violations, including potential split purchases, transactions just below competitive thresholds, excessive purchases from non-contracted vendors, and duplicate vendors with common addresses or ownership ties.   • Analyze purchases to identify opportunities to establish contracts to take leverage the City's purchasing power.   • Ensure review findings are communicated to relevant departments for investigation and corrective action, and track whether issues are recurring by cardholder or vendor.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. Currently capturing on monthly Card Integrity reports:
     a. Potential Violations
         i. Split Purchases
         ii. Potential Contracting Opportunities (both vendor and commodity level)
 2. Concur. DPS will analyze purchases to identify opportunities to establish contracts to leverage the City's purchasing power. Will add to monthly reports:
     a. Transactions just below competitive thresholds
     b. Excessive purchases from non-contracted vendors
 3. Concur. DPS will develop/send monthly P-Card Reports to Directors/Approvers for their agency or department.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/P-Card Administrator/ Card Integrity

RECOMMENDATION #11

We recommend that the Director of Procurement Services conduct periodic, data-driven reviews of credit limits and card utilization. At a minimum, DPS should:

- Set standard usage thresholds (e.g., cards used for less than $5,000 over 12 months) to identify underused cards for potential deactivation.
- Require written justification for retaining low-usage cards or maintaining elevated credit limits.
- Adjust card limits based on actual spending patterns and operational needs.
- Incorporate credit limit analysis into the annual program review and retain documentation of any decisions made.
- Require independent documentation and justification for all credit limit increases and prohibit self-authorization.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. P-Card Team will monitor unused or low-usage cards for potential deactivation and require written justification for retaining low-usage cards or elevated spending limits.
2. Concur. DPS will establish a process for retaining or eliminating low usage cards. Card Integrity reporting on Unused or Low Usage Cards (012 - Cardholder Limit Review).
3. Concur. DPS will adjust spending limits based on actual spending patterns and operational needs.
4. Concur. The credit limit analysis will be incorporated into annual program review.
5. Concur. Credit limit increases must be approved by Director or Approver.

Target Date or Date Implemented	Review Quarterly / 11/1/25
Title of Responsible Employee	P-Card Administrator

RECOMMENDATION #12

We recommend that the Chief Administrative Officer, in coordination with Director of Procurement Services and the Director of Human Resources, take steps to strengthen the enforcement of existing conflict of interest policies and enhance employee accountability. At a minimum, the City should:

- Require at least annual conflict of interest disclosures from all employees with purchasing, approval, or vendor selection authority, and establish a process for reviewing and acting on disclosed relationships.
- Develop a centralized conflict of interest tracking system to log disclosures, related exceptions, and review determinations, ensuring consistent handling across departments and visibility to DPS.
- Develop annual conflict of interest and ethics training for all cardholders, approvers, and employees with purchasing authority using real examples to reinforce expectations and risk awareness.
- Establish and communicate clear enforcement protocols for policy violations, including temporary suspension of purchasing privileges, formal referrals to HR or the Inspector General, and required retraining or disciplinary actions as warranted.

Concur (Yes/No)	Yes

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1-3 Concur. HR will work with existing city systems to automate and track conflict of interest filings for all employees with purchasing, approval, or vendor selection authority, and establish a process for reviewing and acting on disclosed relationships.

4.Concur. DPS will establish and communicate clear enforcement protocols for policy violations, including temporary suspension of purchasing privileges, formal referrals to HR or the Inspector General, and required retraining or disciplinary actions as warranted.

Target Date or Date Implemented	12/1/2025
Title of Responsible Employee	DPS, CAO and HR, P-Card Supervisor/ P-Card Administrator

RECOMMENDATION #13

We recommend that the Director of Procurement Services strengthen controls to ensure that departments utilize existing contracts and confirm pricing. At a minimum, DPS should:

- Incorporate contract awareness content into mandatory P-Card and procurement training programs for cardholders and approvers.
- Require cardholders and approvers to verify the existence of applicable contracts before initiating purchases when practical.
- Explore functionality enhancements that link P-Card transactions to active contracts to ensure contract balances are updated in real time.
- Periodically review P-Card transaction data to identify where contracts are warranted.

Concur (Yes/No)	**Yes**

ACTION STEPS
(Please describe the steps you will take or have taken to address the recommendation)

1. Concur. Contract Awareness content will be incorporated into mandatory P-Card training.
2. Concur. Policy 15 to include verifying existence of applicable contracts before initiating the P-Card purchase.
3. Concur. DPS is researching functionality enhancements with card provider to capture P-Card spend against active contracts.
4. Concur. DPS will periodically review P-Card transaction data to identify where contracts may be warranted. Card Integrity currently reporting on P-Card transactions to active contracts.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator / Card Integrity / NIGP

RECOMMENDATION #14	

We recommend that the Director of Procurement Services resume and expand monitoring for split purchases and ensure enforcement. At a minimum, DPS should:

- Resume monthly generation and review of the Single Transaction Report from the Works system.

- Expand monitoring to identify cross-card and cross-vendor split transactions, which may indicate policy circumvention.

- Require all identified split transactions to be communicated to departments, documented, and formally investigated.

- Develop and enforce disciplinary measures for policy violations and track repeat offenders across departments.

Concur (Yes/No)	**Yes**

ACTION STEPS	
(Please describe the steps you will take or have taken to address the recommendation)	

1. Concur. DPS will review the Split Transaction Audit Report in Works each month to identify potential cross-card and cross-vendor split transactions.
2. Concur. DPS with Card Integrity is currently monitoring and reporting any cross-card and cross-vendor split transactions.
3. Concur. DPS will ensure all identified split transactions will be communicated to departments, documented, and investigated.
4. Concur. DPS will develop and enforce disciplinary actions for policy violations and track repeat offenders across departments.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator / Card Integrity

RECOMMENDATION #15	

We recommend that the Director of Procurement Services, in coordination with the Director of Human Resources, establish a formal cardholder lifecycle management process. At a minimum, the City should:

- Establish a timely notification protocol between HR and DPS for employee separations and departmental transfers.
- Once a timely notification protocol between HR and DPS is established, require that P-Cards be deactivated or canceled in at least one working day from notification or a similar reasonable timeframe.
- Require written justification for card retention during departmental transfers and mandate new applications for role changes.
- Periodically reconcile the cardholder list with HR records to ensure only current, authorized employees possess active cards.
- Develop procedures to ensure that all outstanding transactions are reconciled and approved prior to the cardholder and/or approver separating employment when advanced notice is provided. Process should at a minimum include:
  - A timeframe for when the cardholder can no longer use the card to stop any new transactions.
  - A timeframe in which all outstanding transactions need to be reviewed, supporting documentation uploaded, business justification and account codes added, and signed off by

the cardholder and approver. It should be mandated that this occurs prior to separation and payment of the final paycheck.
- o Monitoring procedures to ensure compliance.
- Develop procedures to ensure that transactions are timely reconciled and approved when an advance separation notice is not provided (i.e., termination), including at a minimum:
  - o Department designates a representative to reconcile the outstanding transactions, including uploading supporting documentation and adding business justification and account codes.
  - o Establishing a timeframe for which approver or designee must review and approve the outstanding transactions.
- Investigate all post-separation transactions and implement follow-up procedures when documentation is missing.

Concur (Yes/No)	Partially
ACTION STEPS *(Please describe the steps you will take or have taken to address the recommendation)*	

1. Concur. DPS receives emails to the shared P-Card Inbox from DITServiceDesk when an employee separates from COR. DPS will need to coordinate with HR further.
2. Concur. DPS will develop procedures and guidelines for both known and unknown separations in regard to card usage cutoff dates, reconciliation, and establishing a proxy after separation.
3. Partially Concur. Inter departmental personnel changes will require cancel and reapplication of new card, pending new department head concurrence.
4. Concur. DPS will require HR concurrence.
5. Partially Concur DPS will review applicability of recommendations.
6. Partially Concur DPS will review applicability of recommendations.
7. Concur. DPS will investigate all post-separation transactions and implement follow-up procedures when documentation is missing.

Target Date or Date Implemented	11/1/2025
Title of Responsible Employee	P-Card Supervisor/ P-Card Administrator / HR

RECOMMENDATION #16

We recommend that the Director of Procurement Services attempt to recoup any recoverable funds identified throughout this audit, by the vendor and DPS.

Concur (Yes/No)	Yes
ACTION STEPS *(Please describe the steps you will take or have taken to address the recommendation)*	

1. Concur. DPS is currently working with the Office of the Inspector General to provide any information needed.

Target Date or Date Implemented	Ongoing
Title of Responsible Employee	DPS & P-Card Team

Appendix D - Number of Active Cards by Department

As of June 20, 2024

Department	No. of Active Cards	Department	No. of Active Cards
Parks & Recreation	66	Citizen Services & Response	4
Public Utilities	57	Community Wealth Building	4
Social Services	32	Commonwealth Attorney	4
Richmond Public Library	22	Registrar Office	3
Emergency Communication	21	Sheriff's Office	3
Fire & Emergency Services	19	City Assessor	3
Planning & Development Review	14	Information Technology	3
Judiciary	9	City Attorney	2
Economic Development	8	Animal Control & Care	2
Justice Services	8	Office of Strategic Communication & Civic Engagement	2
Mayor's Office	6	Human Services	2
Procurement Services	6	Council Chief of Staff	2
Police	7	City Clerk's Office	1
Chief Administrative Office	5	Office of Inspector General	1
Office of Sustainability	5	Richmond Retirement System	1
Housing & Community Development	5	City Treasurer	1
Minority Business Development	5	Budget	1
Finance	5	Office of City Auditor	1
Public Works	4		
Human Resources	4		

Source: Prepared by the OCA using data from Bank of America Works.

Office of the City Auditor (OCA)

The OCA is an independent office organized under the Richmond City Council. We aim to serve as a trusted partner in strengthening transparency and accountability in local government through independent, impactful audits that enhance public trust and improve City operations.

Our audits evaluate the effectiveness, efficiency, and compliance of City programs and services. We offer recommendations to improve performance, safeguard public resources, and promote sound governance.

City Auditor

Riad Ali, CPA, CIGA

Audit Conducted by:

Yolanda McCoy, CIA, CFE, CGAP, Deputy City Auditor
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