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INTERNAL AUDIT DEPARTMENT

Report Number: 2023-008

**FINAL SUPPLEMENTAL LETTER REPORT – Survey of
Accounts Payable (AP) Payment Cards Usage and
Methodology**

December 8, 2023

**Latona Thomas, CPA, CIA, Director
Tenaye Francois-Arneson, CIA, CFE, Division Manager**

Table of Contents

Transmittal Memorandum	Page i
Background.....	Page 1
Survey Results	Page 3
<i>County P-Cards should be Consolidated</i>.....	Page 3
Lack of BOC Approval for Non-Travel P-Cards	Page 3
Lack of Management Oversight in P-Card Issuance and Cancellation.....	Page 4
Segregation of Duties Controls Need to be Implemented.....	Page 5
<u>Recommendation 1:</u>	Page 5
 Appendices	
Appendix I – Detailed Objectives, Scope, and Methodology	Page 6
Appendix II – Outcome Measures	Page 8
Appendix III – Auditee’s Response to the Draft Report	Page 9



COBB COUNTY INTERNAL AUDIT

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Director

December 8, 2023

MEMORANDUM

TO: Dr. Jackie McMorris, County Manager

FROM: Latona Thomas, CPA, CIA, Director 

SUBJECT: **FINAL SUPPLEMENTAL LETTER REPORT** – Survey of Accounts Payable (AP) Payment Cards Usage and Methodology

Attached for your review and comments is the subject final letter report. The overall objective of this limited scope survey was to identify the number of non-travel Payment cards (P-Cards¹) managed by the AP Division and perform analyses of the total spend by department and Merchant Category Code (MCC) in order to document the payment cards usage and methodology.

Impact on the Governance of Cobb County

The recommendation, when implemented, will improve, streamline, and strengthen the controls and achieve efficiency over Countywide P-card use and administration. The County and its stakeholders can be assured that the P-Cards are administered in accordance with the Board of Commissioners (BOC) approved purpose and in compliance with the Purchasing Department's P-Card Guidelines.

Executive Summary

The County has two parallel P-Card programs administered separately by the Finance (AP Division) and Procurement Services Departments. The use of P-Cards within the AP Division was implemented during the COVID-19 pandemic due to the difficulty faced by the County to efficiently pay for goods and services. Although the number of P-Cards managed by the AP Division has been significantly reduced as of September 2023, there is opportunity for improved effectiveness and efficiency by consolidating the two P-card functions under the Procurement Services Department's P-Card program.

Recommendation

We made one (1) recommendation to improve controls and gain efficiency in Countywide P-card use and administration.

¹ The term 'P-Cards' is used to represent the interchangeable use of procurement and payment cards.

Responses

The Chief Financial Officer provided a response to our draft report and concurred with the recommendation. The complete response to the draft report is included in Appendix III. The Finance Department initiated the referenced corrective action, with an expected completion date of December 2023. The Finance Division Manager and/or Chief Financial Officer are the positions responsible for implementation. We will perform a follow-up on corrective action in one year from the date of this report. A copy of this report will be distributed to those affected by the report recommendation, as reflected below. Please contact me at (770) 528-2559 if you have questions or Tenaye Francois-Arneson, Auditor-In-Charge, at 770-528-2642.

Cc: William Volckmann, Chief Financial Officer
Buddy Tesar, Deputy Chief Financial Officer
Stefani Balli, Finance Division Manager (Accounts Payable)
Jimmy Gisi, Deputy County Manager
Cobb County Audit Committee
Internal Audit Department File

Background

The Accounts Payable (AP) Division of the Finance Department (Finance) manages Payment Cards (P-Cards) on behalf of various County departments, in addition to the travel P-Cards. The AP Division began using P-Cards in fiscal year (FY) 2020 to ease procurement and payment issues that County departments encountered during the COVID-19 pandemic. The non-travel P-Cards, like the Travel P-cards, are issued by Bank of America (BOA) and administered via BOA's web-based credit card management system 'Works'¹. BOA's Works is a web-based electronic card payment management service that automates, streamlines, and integrates existing payment authorization and reconciliation process while providing management reports and spending controls. BOA's Works also provides for P-Card program management, reconciliation, and workflow approval in a single application.

Non-Travel P-Card Responsibilities

User Department

When a purchasing need has been identified, the User Department enters and finalizes a purchasing document in Advantage Financial², with the appropriate levels of approval by designated authorities. After being processed through the AP function, a payment document is created. Payment of non-travel related expenses may be requested to be paid with a P-Card by indicating the preferred payment method; however, the AP Division makes the final determination if the transaction will be paid via the P-Card.

Accounts Payable Division Manager

The AP Division Manager (Manager) administers all aspects of the payment cards on behalf of County agencies, departments, and/or Elected Official offices. The AP Manager makes payment for goods and services County department need, based on a request from departments to make payment to a vendor using the Payment Cards, for purchase of small dollar items. The AP Manager's access includes, but is not limited to coordinating with BOA to request initial or replacement P-Cards; receiving and physically safeguarding P-Cards; modifying monthly card limit amounts; making payments to vendors on behalf of County departments; reviewing transactions on the P-Cards via BOA Works; approving non-travel expense; reviewing monthly P-Card statements; and approving the subsequent payment to BOA via an electronic funds transfer (EFT).

The use of P-Cards within the AP Division was implemented prior to the approval and launch of the Countywide P-Card program administered by the Procurement Services Department in connection with its Procurement Modernization Initiative. The Purchasing Department issued P-Cards to County agencies and departments starting in fiscal year 2022 through a phased implementation.

¹ Bank of America's credit card management system where purchasing card clients have access to manage their cards, review purchases, and run a variety of reports.

² The County's financial system.

At its December 14, 2021 meeting, the Board of Commissioners (BOC) approved the implementation of a Countywide P-Card program by the Procurement Services Department. The County Manager approved the issuance of 146 P-Cards to County agencies and departments, through Bank of America, the credit card issuing bank.

Analysis of AP Division P-Card Issued by Fiscal Year

The table below shows all the non-travel P-Cards issued³, deactivated, and lost/stolen, to include the related expenditures by fiscal year. Refer to the 'Survey Results' beginning on Page 3.

P-Cards Managed by AP Division by the Date Issued		
Fiscal Year	# of P-Cards Opened	Total Non-Travel Expenditure
2020	28	\$ 149,599
2021	9	\$ 272,440
2022	3	\$ 307,518
2023	<u>1</u>	<u>\$ 136,006</u>
Total P-Cards/Spending	<u>41</u>	<u>\$ 865,563</u>
Total P-Card Deactivated/Lost/Stolen (Excludes Travel P-Cards)	<u>33</u>	
Active P-Cards as of September 18, 2023 (Excludes Travel P-Cards)	<u>8</u>	

Table 1 – Source: Bank of America's Works credit card management system.

During the original report⁴, we observed the existence of two travel P-Cards and additional P-cards administered by the AP Division. As such, we judgmentally elected to perform this survey of the non-travel related P-Card usage managed by AP Division of the Finance Department. The scope of our survey period covered non-travel P-Card transactions from the inception in FY2020 through May 31, 2023. Additional P-Card status update were performed on transactions for June – September 2023. Detailed information on our survey objectives, scope, and methodology is presented in Appendix I.

³ Excluding the Travel P-Cards issued, deactivated, lost/stolen, and/or active.

⁴ Report Number 2023-003, Review of Compliance with Travel Purchasing Card (P-Card) Expenditures, issued June 26, 2023.

Survey Results

Our objective of this limited scope survey was to identify the number of non-travel Payment Cards (P-Cards¹) managed by the AP Division of the Finance Department and perform analyses of the total spend by department and Merchant Category Code (MCC) in order to document the payment cards usage and methodology. We independently obtained various reports from the Bank of America's (BOA) 'Works' system; performed analyses of the non-travel related P-Cards issued by fiscal year since the inception; identified the number of non-travel P-Cards managed by the AP Division; verified the status of P-Cards issued and documented reason for deactivation, as applicable; assessed if the P-Cards were activated/used since issuance; analyzed the total P-Card expenditures by fiscal year for the survey period; and obtained the current status of available P-Cards within the AP Division as of September 18, 2023. We were unable to analyze the total spend by MCC codes because of the inconsistencies in the categorization. As such, there is an opportunity for improved efficiency and better controls by consolidating P-Cards into the Countywide P-Card program. The accompanying pages include the results of the procedures performed and corresponding recommendation.

County P-Cards should be Consolidated

The County has two parallel P-Card programs administered separately by the Finance (AP Division) and Procurement Services Departments. As mentioned in the Background section on Page 1, the BOC approved a countywide P-Card program to enable County agencies and departments to make small dollar purchases efficiently. The use of P-Cards within the AP Division was implemented during the COVID-19 pandemic due to the difficulty faced by the County to efficiently pay for goods and services. Although the number of P-Cards managed by the AP Division has been significantly reduced as of September 2023, there is opportunity for improved effectiveness and efficiency by consolidating the two P-card functions under the Procurement Services Department's P-Card program.

Consolidating the two P-Card programs under Procurement Services will strengthen and streamline existing controls and also eliminate various control weaknesses discussed in the following sections (i.e. lack of BOC approval, lack of management oversight, and segregation of duties). As such, the AP Division P-Card program needs to be consolidated within the Countywide P-Card program as administered by the Procurement Services.

Lack of BOC Approval for Non-Travel P-Cards

The AP Division P-Card program lacked BOC approval for non-travel related purchases. As stated previously, the AP Division implemented the use of P-Cards during the COVID-19 pandemic for purchase of non-travel related goods and services due to the difficulty faced by County departments to make small dollar purchases, to accommodate remote ordering and contactless payment environments. However, the use of these P-Cards was not discontinued at the conclusion of COVID-19 pandemic and return of normal business operations. Per our discussion with AP Division Manager, the Finance Department considered the expanded use of the P-Cards as part of its Payables program and did not seek BOC approval. Consolidating the AP Division program into the countywide program will eliminate the need for BOC approval, since that program is already approved.

Lack of Management Oversight in P-Card Issuance and Cancellation

The AP Division Manager requests for additional payment cards from Bank of America, as needed and works with the Bank of America to deactivate payment cards when they are no longer needed, or BOA identifies a Payment Card has been compromised. As reflected in Table 1 on Page 2, the AP Division Manager obtained the first 28 Payment Cards on behalf of various County agencies and departments in FY 2020. The AP Division Manager obtained additional P-Cards in subsequent fiscal years for a total of 41³ as of September 18, 2023. Each P-Card was requested by and issued to the AP Division Manager; however, the cards had the applicable agency or department name embossed for ease of identification. During FY2020 through September 2023, 33 P-Cards were deactivated or identified as lost/stolen. Deactivations were initiated either by BOA or the AP Division Manager. Two P-Cards were deactivated by BOA when identified as compromised, and the remaining 31 P-Cards were deactivated by the AP Division Manager when deemed no longer needed. A large number, twenty-seven (27) of the 31 P-Cards were deactivated after our survey was initiated in June 2023. As of September 18, 2023, eight (8) P-Cards remain active and under the administration of the AP Division. See Table 2 below for a breakdown of the initial number of cards assigned to respective agencies and departments, along with the current status of each.

Number of Cards Issued by BOA	Account Name or Account Nickname	Number of Cards Deactivated	Active As of September 18, 2023
1	Libraries	1	
1	Tax Commissioner	1	
1	Information Services	1	
1	Medical Examiner	1	
1	Board of Commissioners	1	
1	DOT Admin	1	
1	Senior Services	1	
1	Parks Admin	1	
1	Property Management	1	
1	Water Department	1	
1	Finance – Risk		1
1	Public Services*	1	
1	Elections	1	
1	All Courts	1	
1	Human Resources	1	
1	Internal Audit*	1	
1	Finance Flower Fund		1
1	Purchasing Dept	1	
1	Community Dev.	1	
1	Finance Admin		1
1	Fleet Management	1	
1	Tax Assessor	1	
1	County Attorney	1	
2	Communications	2	
7	DPS ADMIN, FIRE, EMA *	5	2
3	County Manager's Office*	2	1
3	Sheriff's Dept	1	2
3	COVTRIAL DA	3	
<u>41</u>		<u>33</u>	<u>8</u>

Table 2 – Source: Bank of America's Works credit card management system.

Note: The account names with an asterisk (*) had P-Cards issued but the cards were never used or activated (i.e., DPS (2) - Fire and Police; County Manager's Office (2); Public Services; and Internal Audit).

Segregation of Duties Controls Need to be Implemented

The current AP Division P-Card environment does not include adequate segregation of duties or compensating controls to ensure duties separated among different employees. The AP Division Manager is responsible for all aspects of the P-Cards managed by the AP Division, including obtaining credit cards from BOA; managing and adjusting credit limits; making payments/purchases using the P-Cards; determining which MCC codes will be allowed for P-Cards; and approving monthly payments to BOA. Within BOA Works, the AP Division Manager can view all posted transactions; receive monthly bank statements from BOA; and reconcile monthly bank statement with P-Card receipts or assign a designee to perform the reconciliation. Although purchases are initiated by the County agencies and departments, all other duties related to the P-Cards is handled by the AP Division Manager without compensating controls to address the segregation of duties issues. Consolidating the AP Division program into the countywide program will eliminate the need for additional segregation of duties and/or other compensating controls.

Recommendation

The Chief Financial Officer or designee should:

Recommendation 1: Work with the Procurement Services Director to consolidate the Accounts Payable Division P-Card program into the countywide P-Card program that is administered by the Procurement Services P-Card Coordinator. Implementation of this recommendation will address the control weaknesses documented in the report and eliminate the need for additional controls.

Auditee Response: CONCUR

Finance concurs with the recommendation of Internal Audit. Finance Division Manager has taken the necessary steps to complete this recommendation over the past five months. Finance currently holds less than five cards, which is a significant reduction from the peak. Finance plans to eliminate all remaining cards as quickly as possible, but do not have the ability to close three cards due the department's operating needs and approval memos [Sheriff's Office Extradition (2) and Finance DPS Internal Affairs (1)]. These cards cannot be closed until December 31, 2023 until the respective departments have completed their intended operational needs or make other arrangements. Finance maintains the position that these cards must be closed on or before December 31, 2023, thereby closing all non-travel related PCards.

Detailed Objectives, Scope, and Methodology

We conducted the audit in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. Our overall objective of this limited scope³ survey was to identify the number of non-travel procurement/payment cards (P-Cards¹) managed by the AP Division of the Finance Department and perform analyses of the total spend by department and Merchant Category Code (MCC) in order to document the payment cards usage and methodology. Our procedures covered non-travel P-Card transactions from the inception in FY2020 through May 31, 2023. Additional analyses were performed on transactions for June – September 2023.

To accomplish the overall objective, we performed the following sub-objectives:

- I. Obtained the list of payment cards from the Bank of America's Works system and performed the following:
 - A. Exported the list into Excel for ease of analysis.
 - a. Summed the overall total number of P-Cards, inclusive and exclusive of the identified Travel Payment cards and document the date of issuance.
 - b. Summed the number of P-Cards by department (BOA Account Name), including the number cards by BOA Works status as of May 31, 2023: Active, Closed, Closed-Inactive, Lost/Stolen, Deactivated, etc. Agreed the results to procedure step I.A. a. above. We also obtained updated status of Payment Cards as of September 18, 2023 and captured any changes made to the Payment Cards since May 31, 2023.
 - c. Summed the total number of P-Cards by Account holder (BOA Accountholder).
 - d. Summed and grouped the total number of P-Cards by BOA Works 'Spend Control Profile'.
 - e. For 'Closed', 'Closed-Inactive', and 'Deactivated' P-Cards, documented the date of issuance and the date the cards were closed, inactivated, or deactivated.
 - f. For 'Lost/Stolen' cards, documented the date lost/stolen. Requested documentation/evidence to support how the lost/stolen card was identified, steps taken to locate, notification(s) to Finance management, replacement card request, corrective actions to prevent the loss, and noted any approval/acknowledgement throughout the process.
 - g. Documented each P-Cards' last used date.
 - B. Summarized results and analyses.
- II. Obtained expenditures for the period from the P-Cards issuance to May 31, 2023 from the Bank of America's Works system and performed the following:
 - A. Summed the total expenditures by fiscal year for each P-Card.

- B. Summed the total expenditures by fiscal year, P-Card number, and department (BOA Account Name). Agree the results to procedure step II.A. above.
 - C. Summed the total expenditures by year for all the P-Cards.
 - D. Summarized results and analyses.
- III. Obtained the number of P-Cards administered by the Procurement Services Department, including the number of P-Cards assigned to each department. Cross-referenced to the number of cards identified in procedure step I. A. b. above.

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. This benefit will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Improved Monitoring of P-card Use – Actual; Recommendations when implemented will provide assurance of the P-cards used by AP Division will be in compliance with Purchasing Department’s P-Card Guidelines and benefit from independent monitoring and approval controls. (See Pages 3 - 5).
- Operational Efficiency – Actual; Recommendation when implemented will facilitate streamlining of the County’s P-card program administration by eliminating parallel P-card programs managed by Purchasing Departments and AP Division of the Finance Department. (See Pages 3 - 5).

Methodology Used to Measure the Reported Benefit:

During the survey period, FY2020 through May 31, 2023, we independently obtained payment card data from Bank of America and performed analyses of the payment card issuance/deactivation and use. Based on these reports, the total non-travel P-Card spend is \$865,564. See Table 1 on Page 2. On September 18, 2023, we obtained status of Payment Cards administered by the AP Division of the Finance Department in order to assess the number of active Payment Cards and noted 27 Payment Cards were deactivated following initiation of the survey.

Auditee's Response to the Draft Report

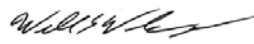
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DATE: November 14, 2023
TO: Latona Thomas, CPA, Director, Internal Audit
FROM: Finance 
SUBJECT: AP Payment Cards Audit

A recommendation was made and our response to the recommendation is below.

The Chief Financial Officer or designee should:

Recommendation: Work with the Procurement Services Director to consolidate the Accounts Payable Division P-Card program into the countywide P-Card program that is administered by the Procurement Services P-Card Coordinator. Implementation of this recommendation will address the control weaknesses documented in the report and eliminate the need for additional controls.

Response: CONCUR

Finance concurs with the recommendation of Internal Audit. Finance Division Manager, Stefani Balli has taken the necessary steps to complete this recommendation over the past five months. Finance currently holds less than five cards, which is a significant reduction from the peak. Finance plans to eliminate all remaining cards as quickly as possible, but do not have the ability to close three cards due the department's operating needs and approval memos [Sheriff's Office Extradition (2) and Finance DPS Internal Affairs (1)]. These cards cannot be closed until December 31, 2023 until the respective departments have completed their intended operational needs or make other arrangements. Finance maintains the position that these cards must be closed on or before December 31, 2023, thereby closing all non-travel related Pcards.