



AUDIT REPORT

DALLAS COUNTY

ACCOUNTS PAYABLE PROCUREMENT CARD REVIEW

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County Auditor

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Accounts Payable Procurement Card Review

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Yoshika Smith
Second Assistant Auditor
Dallas, Texas

Attached is the County Auditor's final report entitled "**Accounts Payable Procurement Card Review**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Timothy J. Hicks

Timothy J. Hicks, CPA
County Auditor

EXECUTIVE SUMMARY

A review of Accounts Payable's processing of purchasing card transactions for fiscal years 2022 through partial 2024 (October - February) was performed. The review was completed based on the Purchasing Manual dated September 7, 2022.

Disclosure Statement: This audit was performed by Dallas County Internal Audit on the processes and records of Accounts Payable. Both Internal Audit and Accounts Payable are under the direction of the Dallas County Auditor, as such a conflict of interest exist. The following was identified:

Summary of Significant Observations:

- **Accounts Payable Procedures:** Management does not perform a review of purchasing card invoices entered in Fusion by the accounting technician.
- **Accounts Payable Procedures:** There is not a formal process to identify duplicate payments made to JP Morgan Chase for the same invoice.
- **Accounts Payable Procedures:** Accounts Payable does not maintain a listing of invoices for which supporting documentation was not received.
 - Accounts Payable only utilizes the outstanding Excel file provided by JP Morgan Chase.
- **Accounts Payable Required Documentation:** Supporting documentation is not consistently attached to the invoice in Oracle.

Repeat Observations from Previous Audits:

- Not previously reviewed.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County.
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

- Ensure compliance with statutory requirements.
- Evaluate internal controls.
- Verify purchases comply with card policies and procedures.
- Transactions are properly authorized and contain sufficient supporting documentation.
- Review controls over safeguarding of assets.

This audit covered the period of October 1, 2021 through February 29, 2024.

The audit procedures may have included interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used may have been reviewed and incorporated as part of the testing of transactions.

**DETAILS****Accounts Payable Procedures****Criteria**

Per Dallas County Code 86-711(l), "the Auditor's Office will review all transactions submitted in the form of detailed vouchers and receipts for reimbursements during the normal audit process."

Standard internal control procedures require invoices containing appropriate supporting documentation and approvals are attached in Oracle for a proper audit trail.

Review

Discussions with Accounts Payable management and risks identified in the internal control questionnaire (ICQ) revealed:

- Management does not perform a review of purchasing card invoices entered in Fusion by the Accounting Technician.
 - Five invoices totaling \$2,505 had the incorrect supporting documentation uploaded in Oracle. The documentation had the same purchasing card transaction log and receipt for an unrelated invoice.
- There was not a formal process to identify duplicate payments made to JP Morgan Chase for the same invoice.
 - Three duplicate payments totaling \$1,692 were processed by Accounts Payable in fiscal year 2022.
- Internal control procedures are limited to ensuring that the Purchasing director's or assistant director's approval signature is on the purchasing card transaction log when received in order to process the payment.
- Accounts Payable presumes that due diligence has been completed by the Purchasing Department because all transactions are matched to purchase orders.
- Accounts Payable does not maintain a listing of invoices for which supporting documentation was not received.
 - Accounts Payable only utilizes the outstanding Excel file provided by JP Morgan Chase.

Cause/Effect

This was due to a lack of written procedures and management oversight over the processing of purchasing card invoices.



This has resulted in duplicate payments and the payment of invoices without all of the required documentation.

Recommendation

Accounts Payable Procedures

Management should:

- Establish a policy that clearly communicates purchasing card (p-card) requirements.
- Establish procedures that include management review, approval, and reconciliation of transactions.

Management Action Plan

- The P-card policy and the purchase restrictions on the p-card changed due to the urgency of Covid-19. These changes were not formally updated in the purchasing manual.
- Within the last couple of years, there have been several times that the p-cards were placed on hold by the vendor due to non-payment since the proper backup had not been submitted to AP. Based on verbal discussions between the Purchasing Department and the Auditor's Office upper management, AP was advised to reconcile receipts to the statements for what had been received and approved to pay outstanding balances without the required backup. The intention was getting the vendor paid while continuing to work with the Purchasing Department to locate the supporting documentation.
- AP accepts the recommendations and will strongly enforce the policy going forward.

Auditor's Response

- None

Accounts Payable Required Documentation

Criteria

Per Dallas County Code 86-711(I), "the Auditor's Office will review all transactions submitted in the form of detailed vouchers and receipts for reimbursements during the normal audit process. Itemized receipts are required for food with daily cap at per diem rates. Receipts for lodging and air transportation are required as part of the reimbursement document. Acknowledgment of county-paid air transportation is also required."



Per the Procurement and Travel Card Policy Section 19.4 (purchasing manual), "a Commissioners Court briefing is required before the travel action(s) are arranged."

Per the Procurement and Travel Card Policy Section 19.18 (purchasing manual), the County Auditor's Office receives and reviews the expense report and supporting documentation, establishes and notifies Purchasing Cardholders of cut-off dates for approvals, and prepares documentation and payments to bank.

Standard internal control procedures require invoices containing appropriate supporting documentation such as purchasing card transaction logs, bank statements, itemized receipts and authorized approval signatures are attached in Oracle for a proper audit trail.

Review

A sample review of purchasing card invoices processed by Account Payable during fiscal years 2022 through partial 2024 (October through February) revealed:

Travel Review

- 15 out of 25 (60%) invoices totaling \$16,926 have a receipt attached that is not itemized or is partially itemized.
- Six out of 25 (24%) invoices totaling \$8,045 did not have the purchasing card transaction log and bank statement attached.
- Four out of 25 (16%) travel expense invoices totaling \$5,144 were processed without prior approval by Commissioners Court.
 - Court briefing occurred after travel.
- Two out of 25 (8%) invoices totaling \$1,009 did not have the court briefing for travel attached to supporting documentation.

Purchases Over \$5,000 Review

- Four out of eight (50%) purchasing card invoices totaling \$42,539 did not have the purchasing card transaction log, bank statement, and itemized receipt attached in Oracle.

Dues and Subscriptions Review

- 10 out of 25 (40%) purchasing card invoices totaling \$2,045 did not have the purchasing card transaction log, bank statement, and/or itemized receipt attached in Oracle.
- One out of 25 (4%) purchasing card invoice totaling \$21 was processed without the Purchasing Department authorized signature on the purchasing card transaction log.

**Purchases Between \$501 and \$5,000 Review**

- Eight out of 25 (32%) purchasing card invoices totaling \$5,626 did not have the purchasing card transaction log, bank statement, and/or itemized receipt attached in Oracle.
- One invoice totaling \$620 was processed without the Purchasing Department authorized signature on the purchasing card transaction log.

Gift Cards

- 17 out of 20 (85%) purchasing card invoices related to gift cards totaling \$64,791 were processed without the required documentation attached to the invoice in Oracle.
 - 17 invoices did not have an itemized receipt attached.
 - 16 invoices did not have the bank statement attached.
 - Two invoices did not have the purchasing card transaction logs attached.

Cause/Effect

This was due to processing procedures and Dallas County code not being consistently followed and a lack of a secondary review by management.

This has resulted in payments being processed for purchasing card purchases made without the required documentation or required signatures.

Recommendation

Accounts Payable Required Documentation

Management should:

- Ensure all purchasing card invoices are audited and verified for compliance with Dallas County code and Purchasing Manual policies.
- Ensure transaction logs, bank statements and itemized receipts received from the Purchasing Department are attached in Fusion.
- Ensure transaction logs contain the appropriate required signatures and an explanation for the purchase before processing the payment.
- Ensure Commissioners Court briefings are included in the supporting documentation where applicable.



Management Action Plan

- The P-card policy and the purchase restrictions on the p-card changed due to the urgency of Covid-19. These changes were not formally updated in the purchasing manual.
- Within the last couple of years, there have been several times that the p-cards were placed on hold by the vendor due to non-payment since the proper backup had not been submitted to AP. Based on verbal discussions between the Purchasing Department and the Auditor's Office upper management, AP was advised to reconcile receipts to the statements for what had been received and approved to pay outstanding balances without the required backup. The intention was getting the vendor paid while continuing to work with the Purchasing Department to locate the supporting documentation.
- AP accepts the recommendations and will strongly enforce the policy going forward.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator