AUDIT REPORT

DALLAS COUNTY

PURCHASING PROCUREMENT CARD REVIEW

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County Auditor

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Purchasing 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

Michael Frosch
Purchasing Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**Purchasing 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

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EXECUTIVE SUMMARY

A review of the Purchasing Department's Purchasing card program for fiscal years 2022 through partial 2024 (October - February). The review was completed based on the purchasing manual dated September 7, 2022. The following was identified:

- The purchasing card credit limit for County departments is $500 for a single transaction and a $5,000 monthly.
- The Commissioners Court has a purchasing card credit limit of $3,000 for a single transaction and a $10,000 monthly.
- The Purchasing Department has three purchasing cards with credit limits of $1,000, $20,000, and $50,000 for a single transaction and $10,000, $40,000, and $100,000 respectively for the monthly transaction limit.

Summary of Significant Observations:

- **Purchasing Department Procurement Card Policies and Procedures:** The Purchasing Department currently permits departments to use purchasing cards for travel-related purchases. This has resulted in inappropriate use of purchasing cards.
    - The Dallas County travel policy is not being followed by the Purchasing Department or other County departments.

- **Purchasing Department Procurement Card Policies and Procedures:** Merchant category codes (MCC) that are normally turned off (restricted) are sporadically turned on by the Purchasing Department to authorize purchases that would otherwise be declined. This has resulted in inappropriate use of procurement cards.
    - Merchant category codes (MCC) are not automatically turned off. The Purchasing Department has to contact the bank by phone to turn off the MCC codes after the cardholders have made the purchases.

- **Gift Card Purchases:** Gift card purchases totaling $109,271 were made using the purchasing cards. There is a risk of purchasing cards being misused and a possibility of County funds being misappropriated.

- **Purchasing Card Activity:** The Purchasing Department makes purchases with their assigned cards for both departments that have and use p-cards and departments

without assigned p-cards. This has resulted in the purchasing cards being used to make purchases higher than the $500 single transaction limit per the purchasing manual.

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

Purchasing Department Procurement Card Policies and Procedures

Criteria

Per Dallas County Code 94-51(b), "the purchasing manual shall be dated for the applicable fiscal year, renewed, or approved by the Commissioners Court prior to the start of each fiscal year, and have any changes from the prior year noted at the beginning of the document."

Per Dallas County Code 94-32, "it is the policy of the county that county purchasing be conducted strictly on the basis of economic and business merit to best promote the interest of the citizens of the county."

Per Section 19.4 of the Procurement and Travel Card Policy (purchasing manual), Dallas County provides a procurement card specifically designed for the purchase of travel services. The purpose of the travel card is to allow authorized employees to purchase commodities and services (that are restricted under the purchasing card) when traveling on official County business.

Government Finance Officers Association (GFOA) best practices indicate aligning the purchasing card policy as a component within the entire purchasing policy and in compliance with state and local law.

Standard internal control procedures require that established merchant category codes (MCC) identified by Dallas County should be adhered to at all times when utilizing procurement cards for purchases.

Review

A review of the Dallas County Purchasing Department manual revealed:

- The complete purchasing manual has not been submitted to the Commissioners Court for renewal and approval since September 2016.
- The separate policies related to travel cards and purchasing cards were submitted for Commissioners Court approval in February 2018.
    - This language was incorporated into the current purchasing manual.

Inquiry of Purchasing Department management and risks identified in the internal control questionnaire (ICQ) revealed:

- The Purchasing Department currently permits departments to use purchasing cards for travel related purchases.
    - The Dallas County travel policy is not being followed by the Purchasing Department or other County departments.
- Merchant category codes (MCC) that are normally turned off (restricted) are sporadically turned on by the Purchasing Department to authorize purchases that would otherwise be declined.
    - Merchant category codes (MCC) are not automatically turned off, the Purchasing Department has to contact JP Morgan bank by phone to turn off the MCC codes after the cardholders have made the purchases.

Cause/Effect

This was due to inconsistent adherence to the policies and procedures outlined in the Dallas County Code and the adopted Dallas County Purchasing Manual.

This has resulted in inappropriate use of purchasing cards.

Recommendation

Purchasing Department Procurement Card Policies and Procedures

Management should:

- Review and update the purchasing card (p-card) policy and procedures to clarify current process, including but not limited to the type of cards issued.
- Establish a policy that clearly communicates purchasing card (p-card) requirements and procedures that include oversight, approval, and reconciliation of transactions.
- Submit the purchasing manual to Commissioners Court for renewal and approval prior to the beginning of the fiscal year.
- Evaluate all merchant category codes (MCC) for appropriateness.

Management Action Plan

- Purchasing will review and update the purchasing card policy and procedures to clarify current processes and submit to the Commissioners Court for authorization to implement and publish each fiscal year.
- The Dallas County P-Card Program includes an adopted merchant category codes (MCC) group commonly used by most government agencies utilizing a similar P-card Program. MCC codes define the goods and services permissible for purchase by the government entity. Occasionally, a common permissible good or service is associated

by the merchant or bank with an MCC code outside of the designated MCC group. In such cases, the MCC code can only be added by an authorized Purchasing Department staff.

- If the cardholder experiences a decline due to an MCC, the requesting department must follow a standardized MCC addition request process and submit the request to the authorized Purchasing personnel for consideration. Once the MCC request has been determined to be associated with a permissible good or service, the MCC is temporarily added to the specific card profile. Once the purchase has been made, the MCC is removed from the card profile. In some cases, the County employee is waiting within the retail establishment for the needed goods. In such cases when the card declines at the point of sale, the cardholder can place a call to Purchasing. No purchases are allowed for items which are not permissible for a public purpose.

Auditor's Response

- None

Termination of Purchasing Card Privileges

Criteria

Per the Procurement and Travel Card Policy, section 19.14, *Termination of Purchasing Card Privileges* (purchasing manual), the purchasing card specialist is required to close a purchase card account if a purchasing cardholder: (a) transfers to a different department, (b) moves to a new job in which a purchasing card is not required, (c) terminates employment or (d) the purchasing card is not used during a period of three (3) consecutive months.

Per the Procurement and Travel Card Policy, section 19.12, *Purchasing Cardholder Separation* (purchasing manual) states the purchasing cardholder discontinue making purchases using the purchasing card no later than 15 days before separating from County employment.

Per the Procurement and Travel Card Policy, section 19.15, *Department Cardholder Responsibilities* (purchasing manual), cardholders are to return the purchasing card to the purchasing specialist prior to termination of employment with Dallas County or upon transferring between departments.

Per the Procurement and Travel Card Policy, section 19.16, *Department Reviewer/Approver Responsibilities* include requesting that the purchasing card program specialist cancel the purchasing card for terminated employees, employees transferring to other departments, and

employees otherwise losing purchasing card privileges. Reviewer/approvers are also to collect and forward canceled purchasing cards to the purchasing card program specialist.

Review

A review of purchase card activity for active and deactivated purchasing cards and inquiry of department personnel revealed:

- The Purchasing Department did not have a timeframe by which issued purchasing cards were picked up by the card holders before they were cancelled/deactivated.
    - Five active purchasing cards issued to employees in the Facilities Department in 2022 have not been picked up as of June 05, 2024.
- Five purchasing cards were deactivated between 13 to 40 days after the cardholder's employment ended with Dallas County or the employee transferred to another department.
- Five purchases were made 15 days before the end of the cardholder's employment with Dallas County.
- One cardholder has not used the purchasing card since May 2023.
- The single and monthly transaction limits from the JP Morgan reports does not match the Purchasing Department's list for four cardholders.

Cause/Effect

These occurred due to inconsistent monitoring of purchasing card activity and delayed deactivation of purchasing cards.

This has resulted in potential risk of misuse of the purchasing cards to make unauthorized purchases. This activity may go undetected or verified by department head/elected official if account remains active after an employee is no longer with the department and/or County.

Recommendation

Termination of Purchasing Card Privileges

Management should:

- Review and update the purchasing manual to reflect current practices.
- Develop procedures for purchasing cards that have not been picked up after a reasonable time frame.
- Emphasize to cardholders and purchasing card coordinators about the importance of timely communicating with the Purchasing Department when purchasing cards need to be deactivated.

Management Action Plan

- Purchasing agrees to work with the County Auditor and Human Resources Department in an effort to include the purchasing cardholder's flag in the offboarding process which is currently a manual process. The newly purchased Oracle Human Capital solution will have the ability to notify specific internal departments when terminations occur.
- Any cards which are not picked up by the applicant, remain secure within a locked safe within the Purchasing Department. Additionally, the cards are purposely left with a $0 credit limit until the cardholder takes possession of the p-card thus eliminating the risk to Dallas County.
- The p-card is a procurement tool intended to purchase small dollar goods and services that meet the intent of the p-card program. The cardholder is under no obligation to use their card. A cardholder may use the p-card as long as the cardholder is employed by the County or unless such privileges withdrawn by the department executive.
- No unauthorized purchases were made by any employee who transferred or terminated employment with the organization.
- Purchasing will retrain the departments on the procedures which currently require the departments to notify the Purchasing Department upon employee termination, promotion, or lateral from a department.

Auditor's Response

- None

Restricted Commodities

Criteria

Per the Purchasing Manual section 19.6 and section 19.19, the Purchasing Card shall not be used for the items shown in the Purchasing Card Restrictions, of the Purchasing and Travel Card Policy. Businesses categories and commodities listed under the purchasing card restrictions include the following: decorations, rental agencies (equipment, furniture, etc.), personal items, cylinder gasses, professional and consultant services, telephone services and hazardous chemicals or materials.

Review

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

- Five purchasing card invoices totaling $1,162 were related to items listed under the restricted commodities category on the purchasing manual.
    - Decorations, rental equipment, personal items, cylinder gasses, and hazardous chemicals or materials.

Invoice Number	Vendor	Description of Item(s)	*Total Amount
42122	Benchmark Expo Service	Rental Podium plus Delivery and Pickup	$645
71722	U-haul	unable to determine	$66
81422	Fashion Nova	unable to determine	$45
81922	U-haul	Propane	$61
110823	Balloons Everyday	Balloon Arch for Event	$345

*Amounts rounded

- Two (25%) non-compliant p-card purchases totaling $28,379 were made on restricted businesses or commodities listed in the Purchasing Manual.
    - The p-card purchases included a receipt that was not itemized.

Vendor	Invoice No.	*Amount	Description	Purchasing Manual Restriction
T-Mobile	100623-2	$12,930.37	Service charges for Courtesy Patrol	Telephone services
www.coveware.com	103123-2	$15,448.29	Professional services for cybersecurity incident	Professional and consultant/contracted service providers

*Amounts rounded

Cause/Effect

This occurred due to non-adherence to the policies outlined in the Dallas County Purchasing Manual and noncompliance with the Dallas County code.

This has resulted in employees circumventing controls set on purchasing card spending.

Recommendation

Restricted Commodities

- Management should enforce the business and commodity restrictions listed in the purchasing manual for all cardholders.

Management Action Plan

- Purchasing agrees to modify the current procurement card policy to update the restricted commodities list to match acceptable purchases, and provisions are included to provide language to cover items such as those described above. A restricted list is a general list and should not be interpreted as an all-inclusive list. Occasionally, a general restricted good or services may be needed to serve a legitimate business need, e.g. propane fuel or rental of a podium. Such items could be purchased through a purchase order but in some cases, the merchant will not accept a purchase order or Automated Clearing House payment (ACH). Therefore, a p-card is the appropriate and only available (other than cash) method of payment. The p-card method of payment also provides the County a mechanism to dispute payment if the good or service does not meet the County's requirements or deliverables.
- Purchasing partially disagrees with this audit finding, as all the items listed do not fall into the definitions provided by the audit team. The definitions can be modified for clarity. The purchases, and rationale, are listed below:
    - Benchmark Expo Services, rental podium ($645), was needed to support an outreach event for District 3, with invoices being received on October 19, 2021, for an event which was held on October 21, 2021. The small business owner would not accept a check for payment and was working to assist Dallas County on short notice, during a pandemic. This purchase serves a public purpose. Rental equipment is typically associated with construction equipment (ie: tractor, dump truck, etc.)
    - From Balloons Everyday, the balloon arch ($345) was needed to support the Ryan White's World AIDS Awareness Day for Dallas County Health and Human Services Department. By incorporating this display, the goal was to capture attention and increase public visibility, thereby raising awareness about HIV/AIDS. This is not considered a decoration, as this was used during an outreach event to increase interest by enhancing event visibility for this critical health event.
    - U-Haul, propane refills ($127), was needed to support operations for Dallas County Elections warehouse operations, and U-Haul does not accept checks as a form of payment. Refilling County owned propane cylinders is significantly less expensive than purchasing new cylinders. Forklifts are currently propane powered and the contracted supplier could not meet the demands and urgency during the election timeframe.

- For T-Mobile ($12,930.37), purchased on October 5, 2023, Accounts Payables Manager requested immediate payment to support the Sheriff Courtesy Patrol units as the service was in collections and at risk of being discontinued. This purchase was requested by Accounts Payable section and serves a public purpose. A purchase order was in place at the time of the request to utilize the procurement card. In this case, the procurement card was essentially the only payment tool that could be used to satisfy the past due amount and provide immediate resolution to prevent service disruption to public safety personnel.

- Coveware ($15,448.29) services were needed due to urgent cybersecurity related incident. The Commissioner's Court was briefed, in executive session, on the need for this purchase. Additionally, the vendor selected was recommended to Dallas County by the engaged expert security consultant, approved by the Commissioners Court. Additionally, the vendor would only accept a credit card as their form of payment. Furthermore, the vendor was engaged urgently, and the purchasing card facilitated the immediate purchase and provided the County with protection if the engaged vendor did not perform the work contracted. The credit card provides the County with a dispute mechanism which is not available when paying with other payment methods (checks, ach). This purchase serves a public purpose.

Auditor's Response

- The definition provided comes from the Purchasing Manual. The Purchasing Department management has indicated their intent to modify the current procurement card policy to update the restricted commodities list to match acceptable purchases and include provisions to provide language to cover items such as those identified in the audit.

Purchasing Card Activity

Criteria

Per Purchasing Manual section 19.3 of the Procurement and Travel Card Policy, "the total value of a transaction (including freight) shall not exceed the County's single purchase limit, currently $500. This limit must be strictly adhered to. A cardholder shall not make component, separate, sequential and/or split purchase of goods and/or services that in a normal purchase practice would be purchased in one purchase. In no event may the purchase limit of a single transaction exceed $500.00 including freight. If extenuating circumstances occur, the purchasing director or purchasing card program specialist must be consulted immediately for

guidance. Extenuating circumstances include but are not limited to emergency/life safety matters."

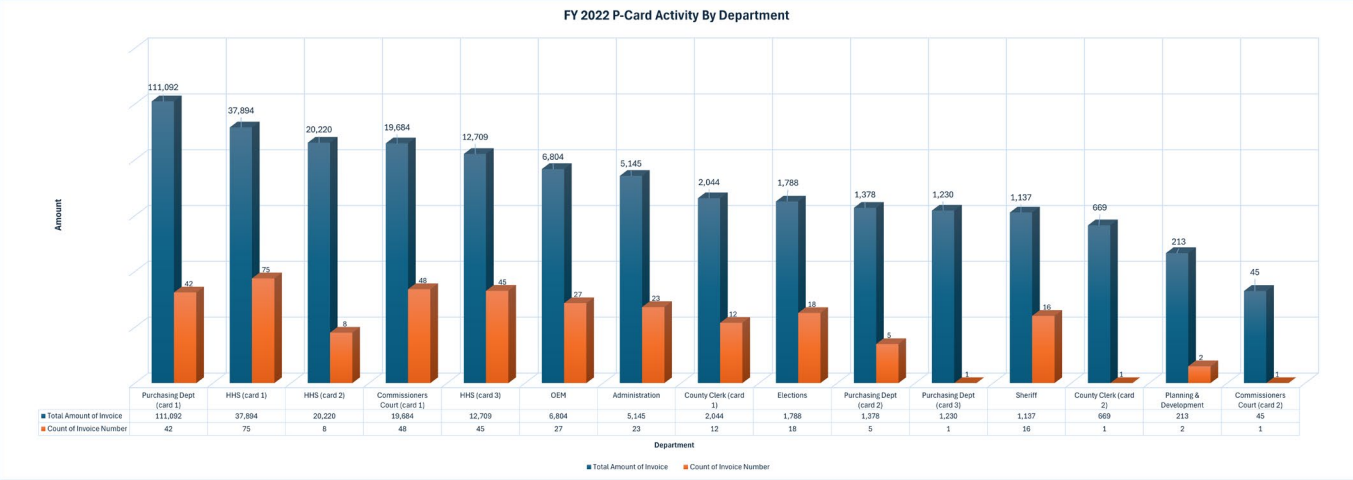
Per Purchasing Manual section 19.7 of the Procurement and Travel Card Policy, "Purchasing procedures permit a purchase of goods or services if their value is $500.00 or less. It is the policy to seek competition when possible, use existing contracts and seek the lowest prices within the parameter of quality and delivery. Accordingly, whenever making a purchasing card purchase, the purchasing cardholder will check sources of supply as reasonable to the situation to assure the best price and delivery. The Purchasing Department has established price contracts and vendor lists to identify suppliers.

Review

A review of procurement cards activity for fiscal years 2022 through partial 2024 (October to February) revealed:

- The Purchasing Department makes purchases with their assigned cards for both departments that have and use purchasing cards and departments without assigned purchasing cards.

FY2022 procurement card usage totaled $222,053.

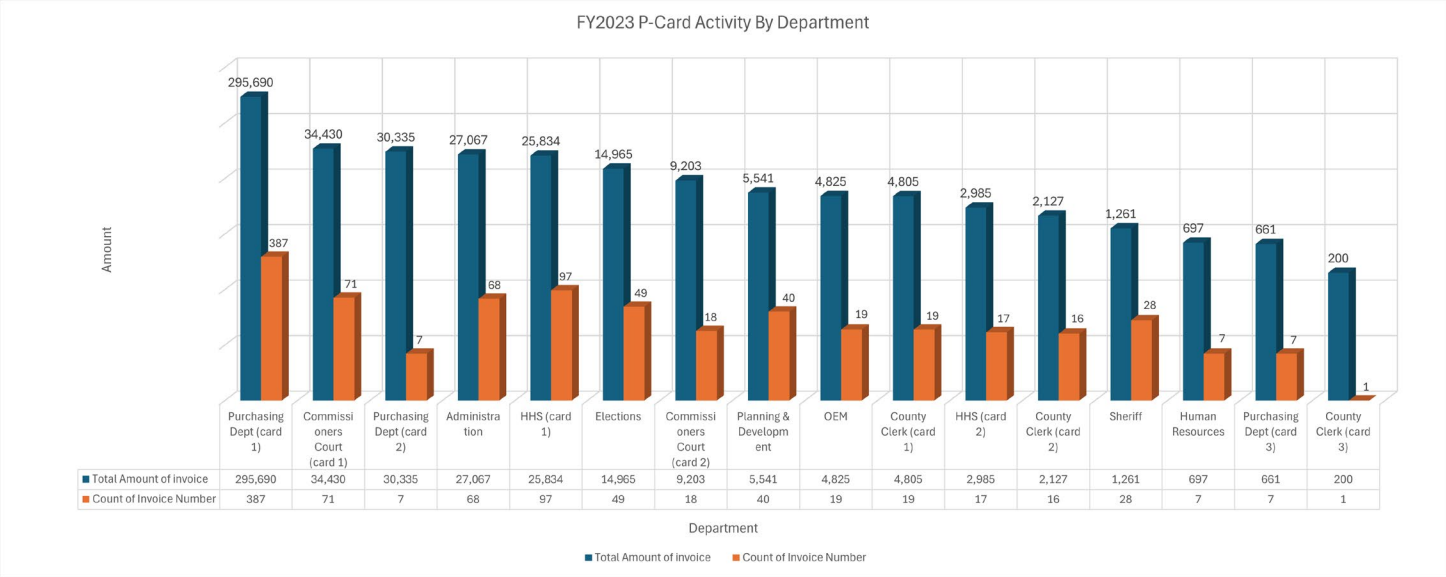


- There were 76 purchases totaling $188,857 in which the dollar amount for a single transaction was greater than $500.

- 32 single transactions were for $1,000 or greater. This included one single transaction for $65,057.

Department	Qty of Invoices greater than $500	Amount
Commissioners Court	19	$14,742
County Clerk	1	$669
HHS (card 2)	6	$20,000
Administration	5	$3,299
HHS (card 3)	8	$7,748
Purchasing Dept (card 1)	18	$107,022
Purchasing Dept (card 3)	1	$1,230
HHS (card 1)	11	$28,365
Purchasing Dept (card 2)	1	$1,230
OEM	6	$4,554

FY2023 procurement card usage totaled $460,625.

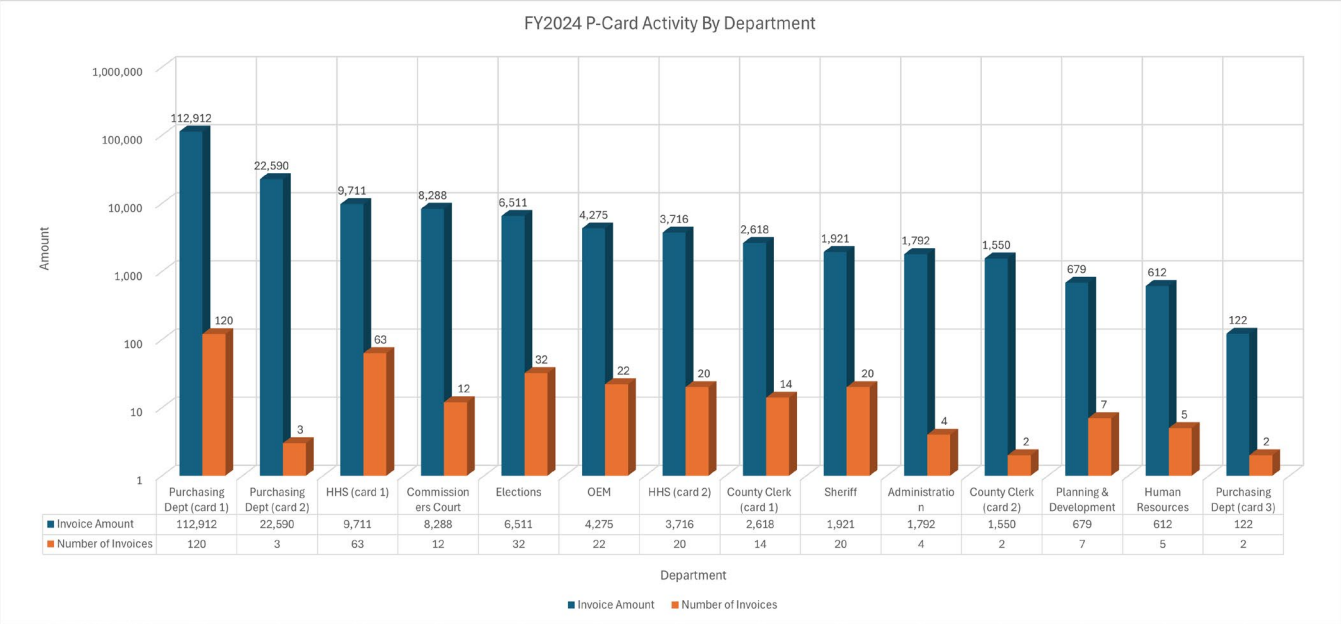


	Purchasing Dept (card 1)	Commissioners Court (card 1)	Purchasing Dept (card 2)	Administration	HHS (card 1)	Elections	Commissioners Court (card 2)	Planning & Development	OEM	County Clerk (card 1)	HHS (card 2)	County Clerk (card 2)	Sheriff	Human Resources	Purchasing Dept (card 3)	County Clerk (card 3)
Total Amount of invoice	295,690	34,430	30,335	27,067	25,834	14,965	9,203	5,541	4,825	4,805	2,985	2,127	1,261	697	661	200
Count of Invoice Number	387	71	7	68	97	49	18	40	19	19	17	16	28	7	7	1

- There were 199 purchases totaling $315,186 in which the dollar amount for a single transaction was greater than $500.
    - 54 single transactions were for $1,000 or greater. This included two individual transactions in which the single purchase amount exceeds $5,000.

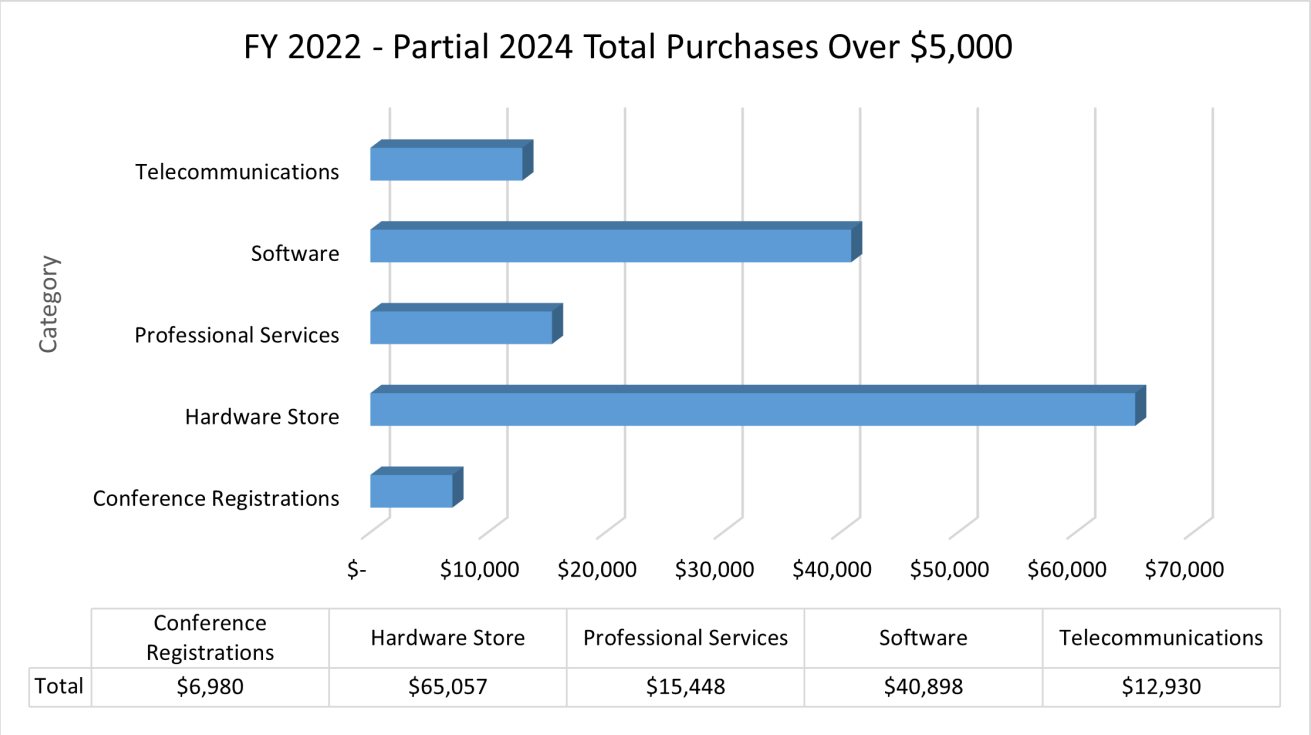
Department	Qty of Invoices greater than $500	Amount
Commissioners Court (card 1)	24	$25,143
County Clerk	2	$1,505
Administration	18	$18,346
Elections	7	$10,171
Purchasing Dept (card 1)	125	$228,605
Purchasing Dept (card 2)	1	$8,040
HHS	13	$14,070
OEM	3	$2,738
Commissioners Court (card 2)	6	$6,568

FY2024 (October thru February) procurement card usage totaled $177,297.



- There were 69 invoices totaling $143,894 in which the dollar amount for a single transaction was greater than $500.
    - 40 single transactions were for $1,000 or greater. This included four individual transactions in which the single purchase amount exceeds $5,000.

Department	Qty of Invoices greater than $500	Amount
Commissioners Court	10	$8,050
County Clerk (card 1)	1	$900
Administration	2	$1,374
Elections	2	$1,492
Purchasing (card 1)	49	$106,936
Purchasing (card 2)	2	$22,440
HHS	1	$900
OEM	1	$702
County Clerk (card 2)	1	$1,100



	Conference Registrations	Hardware Store	Professional Services	Software	Telecommunications
Total	$6,980	$65,057	$15,448	$40,898	$12,930

Cause/Effect

This was due to County department purchasing cardholders and the Purchasing Department not complying with the purchasing manual policies and procedures.

This has resulted in the purchasing cards being used to make single purchases which exceed the $500 single transaction limit.

Recommendation

Purchasing Card Activity

The Purchasing Department should:

- Review and update the purchasing manual to reflect current practices.
- Require departments to adhere to the single transaction purchase limit outlined in the purchasing manual.
- Ensure compliance with purchasing and p-card policies.

Management Action Plan

- Purchasing agrees to modify the current procurement card policy to reflect the current practice which is in line with best practices. Dallas County has a total of 21 active purchasing cards in place as of September 19, 2024, with three of the cards serving as a procurement tool in the Purchasing Department.
- With over 7,000 employees, Dallas County has minimal card usage for an organization with an average annual budget of over $1.7B. The vast majority of the purchases identified as being over the $500 transaction limits, were within the Purchasing Department/Administration (67.5% - FY 22; 91% - FY23; 96.45% - FY 24). Procurement cards are being utilized to make purchases which are needed to support Dallas County operations. Additionally, the procurement card, within the Purchasing Department, has also been utilized as a payment mechanism, when requested by Accounts Payable leadership. These payment requests have historically been greater than $500 but were for a public purpose.
- The procurement card policy will be updated to reflect best practices for a large public agency.

Auditor's Response

- None

Split Purchases

Criteria

Per Purchasing Manual section 19.3 as it relates to transaction limits, the total value of a transaction (including freight) shall not exceed the County's single purchase limit, currently $500. This limit must be strictly adhered to. A cardholder shall not make component, separate, sequential and/or split purchase of goods and/or services that in a normal purchase practice would be acquired in one purchase. In no event may the purchase limit of a single transaction exceed $500 including freight.

Review

A review of purchasing card (p-card) activity during fiscal years 2022 through partial 2024 identified:

- Seven split transactions totaling $3,349 were processed to circumvent the cardholder's maximum transaction allowance of $500 and to avoid the purchases being declined.

Cause/Effect

This occurrence is due to non-adherence to the policies outlined in the Dallas County Purchasing Manual and inconsistent monitoring of purchasing card activity.

This has resulted in employees circumventing controls set on purchasing card spending.

Recommendation
Split Purchases

Management should:

- Routinely review p-card activity for split purchases.
- Terminate p-card privileges for cardholders not adhering to policies related to split purchases.
- Provide additional training to program specialist, p-card coordinators and cardholders.

Management Action Plan

- Purchasing will review the purchasing policy and make recommended adjustments to the policy to reflect the need to make purchases for a large governmental agency. In reviewing the seven purchases, three of the seven transactions were needed to support the Elections Department (survey platform), which is used for surveys during elections for polling locations and for election night returns. The vendor does not take purchase orders. All three transactions were on three separate dates and 3-4 weeks apart.
- The other four transactions were made to support the Sheriff's Department and Elections for a public purpose. All purchases were made for a public purpose and each monthly reconciliation log is approved by the department designee prior to processing.
- The single purchase transaction limit will be reviewed. Recommendations will be made to the Commissioners Court on more appropriate limits to support the business needs of an organization the size of Dallas County. Texas Local Government Code Chapter 262.023 requires competitive solicitations for an expenditure exceeding $50,000.
- Additionally, the percentage of overall spend for the purchasing card program for the reported three fiscal years is very minimal at 0.0162% of the $1.37B budget for FY22; 0.025% of the $1.84B budget for FY23, and 0.010% of the $1.7B budget for FY 24.

Auditor's Response
- None

Personal Purchases

Criteria
Per the Dallas County Purchasing Manual, Section 19 Procurement and Travel Card Policy*:*

- *Authorized Purchasing Card Use (3)- N*o other person is authorized to use the purchasing card other than the cardholder whose name is embossed on the card.

- *Purchasing Cardholder Responsibilities (15)*- The purchase card is to be used for County business only; personal charges shall not be made on the purchasing card as this constitutes private use of public funds. Any personal charges on the card will result in disciplinary action, up to and including termination of employment. Cardholders are to keep the purchasing card in their possession and not allow anyone else to use the purchasing card issued in their name.

Review

A limited review of the purchasing card (p-card) transaction logs for fiscal years 2022 through partial 2024 (October to February) revealed:

- Three purchases made using a purchasing card were personal transactions totaling $51.
    - The purchasing cards used were associated to two employees from two separate departments.
    - Two purchases totaling $23 were made by another person other than the authorized cardholder.

Status: The employees reimbursed Dallas County for the personal purchases.

Cause/Effect

This is due to the lack of management review of the transaction logs and approving purchasing for payment by Accounts Payable.

This has resulted in the private use of public funds and Dallas County being held responsible for making payments to the merchant.

Recommendation

Personal Purchases

Management should:

- Monitor and enforce purchasing card policies, procedures and procurement regulations.
- Remind personnel of the termination of purchasing card privileges.

Management Action Plan

- Purchasing agrees with the findings. The three purchases, for a total amount of $51 dollars, were made in error and the employee(s) notified the Purchasing Department and provided payment to reimburse the County for the purchases made in error. The

employees were counseled on the importance of maintaining diligence when utilizing the purchasing card for business purposes only.
- Purchasing will provide additional training to program specialist, purchasing card coordinators and cardholders.

Auditor's Response
- None

Travel Expense Purchases made by Purchasing Department

Criteria

Per Dallas County Code 86-711(b), "Even though travel funds have been appropriated in the fiscal budget, prior approval of the Commissioners Court must be obtained for conference and out-of-county business travel including travel paid from DDA, but not paid from legislative travel." All requests for travel including DDA funds must receive prior approval by the Commissioners Court before the date of travel. A travel request form, as provided by the Office of Budget and Evaluation, must indicate a business justification for the requested travel.

Per Dallas County Code 86-711(l), 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. Acknowledgement of County-paid air transportation is also required.

Per Dallas County Code 71-51, The policy shall govern and make more open the County's major operations decision-making processes and provide the public with precedent setting access to records, policies, contracts, and other information.

Per the Procurement and Travel Card Policy section 19.4 (purchasing manual), Dallas County provides the procurement card specifically designed for the purchase of travel services (hereinafter "travel card"). The purpose of the travel card is to allow authorized employees to purchase commodities and services (that are restricted under the purchasing card) when traveling on official County business. Any purchase of travel services made using the travel card must be in accordance with the County's Purchasing Manual, the County Accounting Procedures Manual, Travel Guidelines, and policies procedures. A Commissioners Court briefing is required before the travel action(s) are arranged.

Standard internal control procedures require all supporting documentation is attached, complete, accurate, and approved before submitting to Accounts Payable for processing.

Review

A sample review of 25 travel expenses made with purchasing cards totaling $29,884 by the Purchasing Department for fiscal years 2022 through partial 2024 (October through February) revealed:

- Four (16%) invoices totaling $5,144 were briefed to Commissioners Court after travel.
- Two (8%) invoices totaling $1,009 did not have the court briefing for travel attached to supporting documentation.
- One (1%) invoice related to travel totaling $930 did not have the employee's name listed on the briefing submitted to Commissioners Court for approval.
- All 25 (100%) purchasing card invoices totaling $29,884 did not have any supporting documentation or briefing indicating the travel expense was an emergency.
- 20 (80%) travel invoices totaling $ 22,124 with a purchasing card transaction log attached did not list a business justification for the requested travel.
- 14 (56%) invoices totaling $15,941 have a receipt attached that is not itemized or is partially itemized.
- Two (8%) invoices totaling $1,303 did not include the purchasing card transaction log.

Cause/Effect
This occurred due to non-adherence to the policies outlined in the Dallas County Code.

This has resulted in employees and departments circumventing the travel policy outlined in the Dallas County Code.

Recommendation
Travel Expense Purchases made by Purchasing Department

Management should:

- Review and update the Purchasing Manual to reflect current practices.
- Retrain purchasing cardholders on Dallas County travel policies.
- Ensure all supporting documentation including transaction logs, bank statements, itemized receipts, and Commissioners Court briefings have been provided by departments before forwarding to Accounts Payable.
- Provide additional training to departments on the supporting documentation needed by Purchasing Department and County Auditor's Office.

Management Action Plan

- The Purchasing Department has utilized the purchasing cards to book travel arrangements when requested by client departments. Travel arrangements and policies within the County, will be reviewed to bring them up to date with a large governmental

agency needs. As with local consumer travel, the vast majority of hotels no longer accept checks for travel. Additionally, a number of the requests to utilize the purchasing card for travel arrangements, were due to actual checks being processed, mailed, and not received by the hotel prior to the traveler's imminent travel.

- The Purchasing Department has been requested to book travel (hotel/airfare) for conferences which have a limited number of hotel rooms available at a conference rate, which is lower than market and is a benefit to the County. Along with conference hotels, airfare was booked, in some cases, prior to the final Commissioners Court approval. The rates are more favorable when travel is booked in advance, therefore benefiting the County with lower rates. If the Commissioners Court did not approve the travel, the ability to cancel is available to the organization.
- Purchasing will recommend changes to the County Code and the Purchasing Manual related to purchasing card usage for travel. Travel arrangements should be in line with best practices and should not place undue burden on the employee who are asked to travel on behalf of the County. The current polices are outdated and will be brought forward for Commissioners Court to review within 90 days.

Auditor's Response

- None

Gift Card Purchases

Criteria

Per the Purchasing Manual, sections 19.6 and 19.19, the Purchasing Card shall not be used for the items shown in the Purchasing Card Restrictions of the Purchasing and Travel Card Policy. Commodities listed under the purchasing card restrictions include gift cards.

Per the Purchasing Manual, section 6 L.(c), emergency purchases of $10,000 must have the Commissioners Court authorization unless such purchases are for materials/services that have been competitively bid under a sealed bid or annual contract.

Per the Purchasing Manual, section 19.14 *Termination of Purchasing Card Privileges*, the county purchasing agent may cancel a purchasing card at any time and without cause. The purchasing card program specialist is required to close an account if a purchasing cardholder splits a purchase to circumvent the limitations of the purchasing card.

Review

A review of Purchasing Card invoices processed during fiscal years 2022 through partial 2024 (October to February) revealed:

- 20 gift card purchases totaling $109,271 were made using purchasing cards.

Fiscal Year	Vendor	Department Purchase for	Number of Transactions	Total Amount of Purchase
2022	Walmart	HHS	14	$48,125
2022	Uber	District Attorney	1	$1,931
2023	Uber	District Attorney	1	$6,695
2023	Walmart	HHS	4	$52,520
Total Amount of Gift Card Purchases with P-Card				**$109,271**

A review of the internal controls and supporting invoice documentation for the gift card purchases revealed:

- 12 (60%) invoices totaling $44,000 were coded to the general fund account instead of the funding source briefed in the Commissioners' court order.

Status: A journal entry was processed to reimburse the general fund for all the grant expenditures.

- 12 (60%) invoices for gift card purchases were briefed to Commissioners Court after the purchasing card was used.
    - Court briefing indicates the of purchasing cards was used to make emergency purchase of gift cards.

Cause/Effect
This occurred due to non-adherence to the policies outlined in the Dallas County Purchasing Manual and noncompliance with the Dallas County code.

Gift cards carry inherent risk due to their portability and ease of conversion. Without sufficient internal controls, the County may experience financial loss due to misplacement, theft or other inappropriate use/conversion of gift cards.

Recommendation
Gift Card Purchases

Management should:

- Ensure procurement cardholders are only purchasing items as authorized in the Dallas County Purchasing Manual.

- Emphasize in the purchasing card training the restricted items that are not allowed to be purchased.
- Ensure all supporting documentation is attached to the invoices prior to sending to Accounts Payable to process payment.

Management Action Plan

- The Dallas County Purchasing Manual will be updated to include language to address the purchase of gift cards when court ordered. Gift cards cannot be purchased with any other payment method (check/ACH), as they are considered cash by the retailer and require immediate payment.
- Gift cards were utilized for various programs approved by the Commissioners Court, with the initial purchases being utilized during the pandemic (Court Order 2021-0903 – DCHHS Vaccine Incentive Distribution Plan approved on September 7, 2021). Walmart gift cards were utilized to incentivize vaccination at Dallas County vaccination locations.
- The Uber gift card purchases were made, with the approval of Commissioners Court on June 7, 2022 and re-briefed to Commissioners Court for additional dollars on May 16, 2023. These purchases were made on behalf of the District Attorney's Office. Per the briefing, the Uber gift cards are utilized by youthful offenders to help with short-term transportation gaps for individuals assigned to the AIM Drug Court. Amounts were grant-funded and used as directed by the grantee.
- Additionally, Purchasing is not responsible for accounting, as the client departments enter their funding source within the financial system (Oracle) through a requisition. The requisition has approval hierarchy, with a final approval from the department designee prior to submittal to Purchasing for review.

Auditor's Response

- None

Dues and Subscriptions

Criteria

Per Texas Comptroller of Public Accounts Publication 96-122, "the Federal and Texas government entities are automatically exempt from applicable sales tax."

Per Texas Administrative Code Title 34, Part 1, Chapter 3(0), Rule 3.322(e)(5), tax exempt organizations include any county, city, special district or other political subdivision of the State of Texas, and any college or university created or authorized by the State of Texas.

Per Dallas County Code Sec. 74-652, "payments for authorized dues and subscriptions will be submitted directly to the auditor on a request for payment form no. 255. The auditor will certify that the criteria for authorization is met and approve payment. If the criteria for authorization is not met, the request will be placed on the Commissioners Court briefing agenda for final consideration by the Commissioners Court."

Per the Procurement and Travel Card Policy, section 19 (purchasing manual), Dallas County provides the purchasing card in order to provide immediate access to goods and/or services, which can dramatically shorten the process time necessary in the traditional requisition process. The purchasing card should not be used to circumvent any state or county laws, rules, regulations, policies or procedures.

Per Purchasing Manual section 19.3, the purchasing cardholder shall inform the vendor that the purchase of goods and services are tax-exempt.

Per Purchasing Manual section 19.6 and section 19.19, the purchasing card shall not be used for the items shown in the Purchasing Card Restrictions of the Purchasing and Travel Card Policy. Businesses and commodities listed under the purchasing card restrictions include the following: organization memberships, charitable and social services, associations civic, social, fraternal, and purchases outside the USA.

Per Purchasing Manual section 19.15, cardholders are responsible for completing the purchasing card transaction log and expense report itemizing commodities and services.

Per Purchasing Manual section 19.9.1, the careful matching of complete support documents to the Purchasing Card Log and then to the statement is vital to the successful use of the purchasing card. After this review, the purchasing cardholder shall sign the expense report and present the expense report to their department reviewer for approval and signature.

Standard internal control procedures related to purchasing cards require all receipts be itemized to ensure proper review and verification of appropriate and compliant purchases.

Review

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

- Dues and subscriptions were purchased using p-cards.
    - Recurring charges for subscriptions totaling $9,415 were made to various vendors.

- Memberships dues totaling $12,577 were made to various associations and/or organizations.

A sample review of 25 p-card purchases categorized as dues and subscriptions totaling $7,240 was performed for fiscal years 2022 through partial 2024. The following was identified:

- Four (16%) p-card purchases totaling $428 in which $29 in taxes were paid for exempt items and a credit was not given.
- Two p-card purchases were made to a foreign vendor (outside of the United States) for a total of $751. This included an international transaction fee of $5.

A review of the internal controls and invoice supporting documentation for dues and subscriptions revealed:

- 16 (64%) p-card purchases did not include a reasonable explanation for the purchase on the p-card transaction log.
- One (4%) p-card purchase in which the transaction log did not contain a Purchasing Department signature approving the cardholder's purchase.

Cause/Effect

This occurred due to non-adherence to the policies outlined in the Dallas County Purchasing Manual and noncompliance with the Dallas County code.

This has resulted in the processing of noncompliant p-card purchases and p-cards being used for recurring payments. In addition, the County has paid sales tax on purchases which were not credited back to the original purchasing card.

Recommendation

Dues and Subscriptions

Management should:

- Ensure all p-card purchase receipts are thoroughly reviewed to verify that sales tax has not been paid by cardholders. If taxes were paid, ensure a refund to the original p-card is requested by the cardholder and credits applied by the vendor are present in the subsequent bank statement.
- Enforce business and commodity restrictions listed in the purchasing manual for all cardholders.

- Require secondary review of all purchasing card documentation by the Purchasing Department for completeness before documentation is sent to Accounts Payable for payment.
- Ensure a valid explanation for use of the purchasing card is provided for each purchase to verify purchasing cards are not being used to circumvent applicable state or county laws, regulations, and policies.
- Ensure all transaction logs contain the necessary cardholder and Purchasing Department authorized signatures approving the cardholder's purchases.

Management Action Plan

- The Dallas County Purchasing Manual will be updated to include language to address the specific use and include best practices for items only available online.
- Additionally, Purchasing will consult with the County Auditor to discuss the current Dallas County Code Sec. 74-652 related to dues and subscriptions. The current code specifically addresses subscriptions for professional associations, organization or publications, but does not include language to address select items purchased in this report such as online survey tools, online address verification websites, and other online County needed service which are only available via a purchasing credit card.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator