



January 24, 2018

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer
Janet Sutter, Executive Director
Internal Audit

Subject: Purchasing Cards, Internal Audit Report No. 18-503

Overview

The Internal Audit Department has completed an audit of purchasing cards. Based on the audit, controls to ensure transactions are valid, authorized, and in compliance with policies and procedures are generally adequate; however, three recommendations were made to improve compliance with the policies and procedures.

Recommendation

Direct staff to implement three recommendations provided in Purchasing Cards, Internal Audit Report No. 18-503.

Background

A purchasing card administrator within the Contracts Administration and Materials Management Department is responsible for administration and oversight of the Orange County Transportation Authority (OCTA) Purchasing Card Program. OCTA purchasing cards are issued by Bank of America, and transactions are available for review and approval through an internet-based system known as WORKS. For the year ended June 30, 2017, a total of 4,192 transactions were processed, totaling \$855,000.

Discussion

The audit identified five purchases that exceeded the single transaction limit of \$2,500. To improve oversight, the Internal Audit Department (Internal Audit) recommended that the purchasing card administrator enhance monitoring controls by analyzing monthly transaction activity for any transactions that

exceed the stated threshold. Management agreed and indicated that enhanced procedures will be implemented.

Numerous instances were identified where purchasing cards were used to purchase food items and the accompanying receipt was not signed by an executive, as required by procedures. Internal Audit recommended that management implement controls to ensure compliance with procedures or consider revising procedures to exempt certain employees who purchase food items on a regular basis. Management agreed and plans to modify procedures.

Four of the twenty-four designated approving officials are not department managers or directors, as required by procedures. Internal Audit recommended management replace these approving officials or revise procedures to reflect intended practices. Management agreed and plans to modify procedures.

Summary

Internal Audit has completed an audit of purchasing cards and offered three recommendations for improvement.

Attachment

A. Purchasing Cards, Internal Audit Report No. 18-503

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