



December 4, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Purchasing Cards, Internal Audit Report 25-505

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of purchasing cards. Based on the audit, controls to ensure transactions are valid, allowable, authorized, and in compliance with policies and procedures are generally adequate; however, one recommendation has been made to update policies and practices to better ensure compliance and avoid errors.

Recommendation

Direct staff to implement one recommendation provided in Purchasing Cards, Internal Audit Report No. 25-505.

Background

The Purchasing Card Program (Program) was created to simplify the process for low-dollar procurements, allowing for immediate purchases directly from suppliers. A department manager within the Contracts Administration and Materials Management (CMM) Department is responsible for management and administration of the Program, which is provided through an agreement with Bank of America. Bank of America provides the Orange County Transportation Authority (OCTA) access to the Works system that reflects details of cardholder assignments and purchases and allows for electronic approval of transactions. The Purchasing Card User Guide Policies and Procedures Manual (Procedures) provides guidelines for card issuance, security, use, and monitoring.

Discussion

Testing identified a few instances in which an employee used a personal PayPal account for a business purchase and, later, inadvertently charged a personal expense to their OCTA purchasing card. All errors were corrected by the cardholders when identified at the end of the month. Testing also identified a few instances in which business supplies were delivered to an employee's home address and several instances in which purchases violated Procedures. In addition, testing identified multiple purchasing card packages for one employee that lacked approval from their manager. Internal Audit recommended management update Procedures to prohibit cardholders from using personal PayPal accounts for business purchases and require all items purchased to be delivered to an OCTA business address. Management should also follow up with the cardholders who purchased items in violation of Procedures. Finally, Accounts Payable staff should be reminded that Procedures require verification of approval on purchasing card packages. Management agreed and stated that recommended updates to Procedures will be made, follow-up with cardholders with violations will be performed, and accounts payable staff will enforce requirements for approval of purchasing card packages.

Summary

Internal Audit has completed an audit of purchasing cards, and has offered one recommendation, which management has agreed to implement.

Attachment

- A. Purchasing Cards, Internal Audit Report No. 25-505

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