



November 18, 2014

Honorable Mayor and Members of the Audit Committee:

An audit of itemized receipts was selected based on results from the 2015 Non-Payroll Checks Audit in which multiple instances of insufficient documentation such as non-itemized receipts and missing receipts were found. Also, the audit presented us with the opportunity to review implementation of audit recommendations from the 2008 Purchasing Card Audit in which a high number of non-itemized receipts were previously found.

The scope of review included all receipt documentation for purchasing card transactions with a post date of October 1, 2013 to September 30, 2014. At the time of the audit, 14,533 transactions occurred within the scope, and a statistical sample of 374 transactions were reviewed.

Audit objective: Are city employees providing sufficient documentation to account for business purchases according to the City's purchasing card program policies and procedures?

Audit Results: The City of College Station's current policy for cardholder purchases maintains that an "itemized sales receipt should be retained and must be scanned and attached to the transaction in Paymentnet showing the cardholder purchases." In fiscal year 2014, 336 purchases were submitted with sufficient documentation, and 22 purchases were submitted with insufficient documentation. Table 1 summarizes the results below:

Table 1: Statistical sample results

Results Category	Dollar Amount	Occurrences	Percentage of occurrences
Sufficient Documentation	57,278.49	336	89.84%
Insufficient Documentation	610.63	22	5.88%
Missing Documentation	1,786.68	16	4.28%
Grand Total	\$ 59,675.80	374	100.00%

Based on the results, we found the majority of purchasing card purchases were accompanied by an itemized receipt, and most employees are adhering to current purchasing card policies.

However, there were 22 instances of insufficient documentation submission totaling \$610.63. The amount of missing documentation totaled \$1,786.68.

Since the results on the previous page are based on a statistical sample, we can project our findings onto all 14,533 transactions within fiscal year 2014 using the percentage of occurrences from the sample of 374. The results are summarized in Table 2 below:

Table 2: Results for all transactions within fiscal year 2014

Results Category	Percentage of occurrences	Margin of error	Relevant population is between	Relevant populations dollar amount is between
Sufficient Documentation	89.84%	±3.02	86.82% - 92.86%	\$2,074,369 - \$2,218,681
Insufficient Documentation	5.88%	±2.35	3.53% - 8.23%	\$84,341 - \$196,637
Missing Documentation	4.28%	±2.02	2.26% - 6.30%	\$53,998 - \$150,524

The population of 14,533 transactions amounted to \$2,389,275 of expenditures. We are 95% confident that between 86.82% and 92.86% of transactions have sufficient documentation; therefore, we are 95% confident that between \$2,074,369 and \$2,218,681 of fiscal year 2014 purchasing card transactions have sufficient documentation.

Relevant to insufficient documentation, we are 95% confident that between \$84,341 and \$196,637 of fiscal year 2014 purchasing card transactions are at risk; therefore, there is a higher risk that these transactions could be for illegitimate business purposes.

Relevant to missing documentation, we are 95% confident that between \$53,998 and \$150,524 of fiscal year 2014 purchasing card transactions have missing documentation; therefore, there is a higher risk that these transactions could be for illegitimate business purposes.

Audit Recommendation:

As stated before, current policy dictates that an itemized receipt is required as evidence of a legitimate business purchase. Without an itemized receipt, it is difficult to differentiate between purchasing types. For example, an alcoholic beverage (for which city policy prohibits) could be disguised within a meal transaction if only a non-itemized receipt is submitted. Therefore, we recommend Finance consider stricter enforcement of the policy by requiring employees to reimburse the City when sufficient documentation is not provided. In cases of non-payroll checks, reimbursements of expenditures should be withheld when the same circumstances arise.

The risk of implementing such a policy is that it could affect employee morale. An employee may feel they were unjustly dealt with if they indeed made a legitimate purchase on behalf of

the City, yet they are unable to claim the expense as legitimate because of stricter controls. In this case, city management must weigh the risk of illegitimate business purchases against policy affects on employee morale.

Management Response:

Staff concurs with the recommendation that stricter enforcement of the purchasing card itemized receipt process be considered. Staff will review the policy to determine whether the employee should reimburse the City for transactions made on the purchasing card and/or withhold non-payroll check reimbursements when there is insufficient itemized documentation provided. The risks identified in the report will be considered as decisions regarding the p card reimbursement policy are made.