



INTERNAL AUDIT REPORT FOR

# Procurement Cards

Gwinnett County Government  
Audit Plan Year 2024

July 22, 2024

**GWINNETT COUNTY**  
**INTERNAL AUDIT DIVISION**

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## Background & Scope

Gwinnett County (the County) administration departments, elected officials, and judicially appointed officials may incur expenditures that are necessary for business operations and in the best interest of the County. All purchases must adhere to the County's Business Expenditure Policy (the Policy) effective September 19, 2017, and Purchasing Procedures effective February 26, 2019. The Policy and Procedures contain guidelines to ensure all expenditures are authorized, necessary and prudent. They apply to all agencies and departments. Procurement cards (P-cards) are the preferred method of payment for business expenses under \$5,000 because they reduce the County's overall processing costs. Agency heads and department directors must authorize P-cards for employees. Individuals who initiate P-card transactions and those with budgetary authority are responsible for ensuring transactions comply with minimum guidelines. Each Department Director designates a liaison who oversees card processes within their departments. The Purchasing Division maintains procedures for issuing P-cards to authorized users and deactivating them for transfers and terminations. They also provide guidance and training for departmental liaisons. Bank of America issues or voids Visa cards based on instructions entered by the Purchasing Division into the business application, WORKS. The application is also used to record and summarize card transactions including payments. P-card purchases, excluding travel and training purchases, totaled approximately \$18 million for the audit period January 1<sup>st</sup>, 2023, through February 29<sup>th</sup>, 2024. The County's Policy and related control activities are designed to reasonably ensure compliance with the following key guidelines for P-card transactions:

- Employees incur business expenditures for valid business purposes only. They must also be necessary and reasonable. Under no circumstances are personal purchases allowed with cards.
- Supervisors or delegates approve all incurred transactions for payment based on proper documentation such as itemized receipts or invoices.
- Financial Services pays P-card liabilities with proper approvals and documentation.
- P-cards may not be used to purchase furniture, computer hardware, software, and related items without prior approval from Support Services or Information Technology Services (ITS).
- All purchases must comply with applicable regulatory laws.

The purpose of this audit was to assess compliance with key guidelines and evaluate the adequacy and effectiveness of management's control activities that are designed to provide reasonable assurance of achieving the objectives. Internal Audit (IA) conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Standards). The Standards require that we plan and perform the audit to identify and evaluate sufficient information to support engagement results. We interviewed employees, observed certain control activities, and reviewed business documents on a sample basis for the audit period. We believe the evidence provided a reasonable basis for our assessment. See **Exhibit A** for a summary of our audit procedures.

IA excluded travel and training expenditures from the scope of this audit. We will review these transactions in a separate audit during the year.

# Assessment

IA selected a large sample of card transactions incurred by agencies and departments during the audit period and reviewed documentation for evidence of compliance. Error rates by compliance area excluding authorization and business documentation were typically 10% or below with immaterial monetary values relative to total spend, which was favorable. Documentation generally corroborated business validity and reasonableness with some transactions needing clarification. Overall, sample results did not reflect prevalent or systemic non-compliance. Management, however, should take steps to achieve greater compliance for supervisory approvals and supporting documentation. Specific recommendations for improvement follow.

## Recommendations

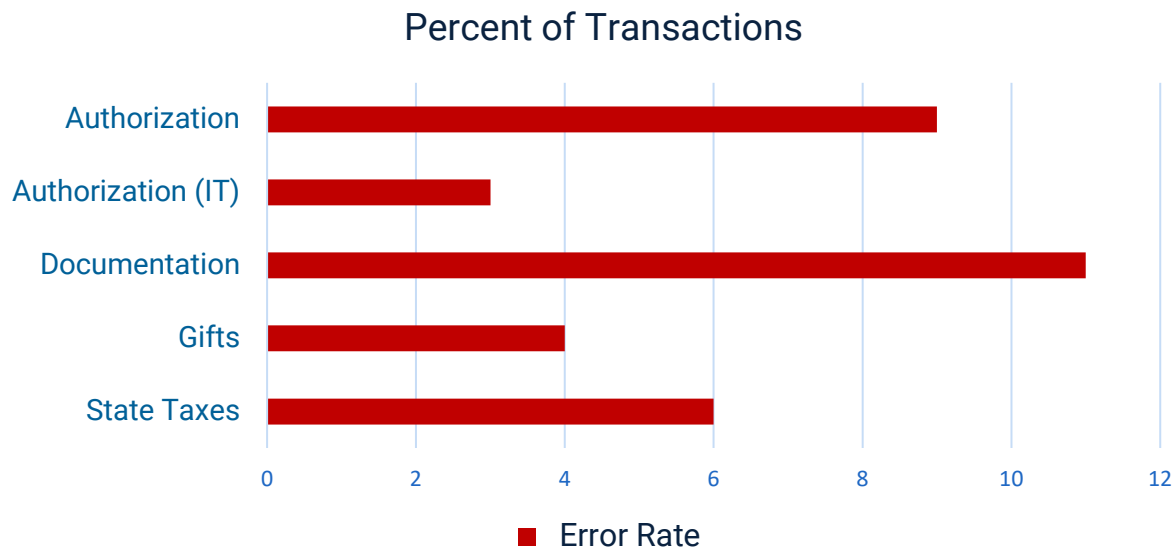
### 1. Improve compliance with key P-card program guidelines.

IA selected a sample of 300 card transactions and reviewed related documentation to assess compliance with key guidelines. The Policy requires supervisors or delegates to approve card transactions based on appropriate documentation to support business purpose. ITS must also pre-approve all IT hardware and software purchases for maintenance and warranty considerations. They also want to ensure purchases are consistent with existing systems and software landscape. Employees self-approved 15 expenditures totaling approximately \$40,000. An additional 12 expenditures totaling approximately \$14,000 lacked any evidence of supervisory approvals. Most expenditures were classified as supplies. There were 10 IT hardware or software purchases that lacked evidence of ITS concurrence. The Policy is clear about approval requirements. Supervisory approvals are an important control for detecting abuse. ITS oversight of technology purchases ensures compatibility. Approval compliance rates should be higher given the importance of the control.

The Policy requires P-card purchases to be supported with proper documentation. Employees attached invoices or receipts as support for card transactions in their expense reports. However, several supporting documents contained little or no information to justify the expenditures or distinguish between personal or business. Also, the Policy does not prescribe standards for the content and extent of documentation to support business purpose. We understand the need for ease of usage, but employees should include sufficient documentation to justify expenditures.

The Policy specifically identifies unallowable expenditures, and our sample included two categories - gifts and state sales taxes. Though liaisons should work with employees to avoid unallowable purchases altogether, error rates were moderate, and costs associated with them were immaterial. *Table A* contains non-compliance rates for our sample by key Policy guidelines.

Table A



### RECOMMENDATION

Cardholders should adhere to all P-card program guidelines. This includes obtaining ITS pre-approvals for IT network purchases. Overall, approvers should better enforce standards for unallowable expenditures and supporting documentation. Authorized approvers should be supervisors or delegates with sufficient authority to challenge expenditures. No one should self-approve expenditures. Supervisors must verify cardholder purchases are allowable, appropriate, and exclude personal items. They should ensure supporting documentation is sufficient. Agency heads and department directors could improve oversight by validating WORKS approval workflows for proper assignments and completeness. We also recommend liaisons independently review expenditure reports on a sample basis during the year and use results to highlight improvement opportunities.

### Management Response

*Not Applicable. IA discussed results with applicable elected officials and department directors or their designees to improve compliance given extent of audit coverage. See audit report distribution list.*

## 2. Update Policy and Procedures for changes in business environment.

The Policy identifies gifts, flowers, and tickets for any employee or their family members as unallowable expenses. See Appendix B – Unallowable Expense Examples, page 17 for details. Though monetarily insignificant, our sample included 12 employee gifts, mostly for retirement. They included a golf bag stand, headphones, fire pit, picture frames, and a watch. Several cardholders and supervisors thought retirement gifts were not restricted by the Policy. Management should better define allowable or unallowable gifts including other similar expenditures if activity becomes significant. Also, the County is converting their financial systems from SAP to Oracle by first quarter 2025. This conversion will impact among others P-card processes, and the Policy will most likely require modifications to better reflect these changes.

## RECOMMENDATION

The Policy was last updated in 2017. Financial Services should review current business practices and P-card spending activities to ensure Policy guidelines address current P-card program objectives. This should include consideration of any process changes associated with the Oracle conversion. The Policy should be updated for any significant changes.

**Subsequent Event:** IA learned that Financial Services purportedly began a Policy review in October 2022. Any policy updates and procedural changes will accompany those resulting from the system conversion in 2025.

### Management Response (DoFS)

*Financial Services began a review of the policy in late 2022 and has circulated a revised policy for management's review. The policy will be reviewed again to incorporate process changes that evolve throughout the Oracle system implementation.*

## Other Considerations

IA observed opportunities to improve certain business activities based on practices that may, in our opinion, produce good outcomes. The advisory comments are for consideration only, and management is not required to provide written responses or corrective action plans. The advisory comments are as follows:

- Some agencies and departments make cardholders obtain pre-approval before initiating purchases. All P-card workflows should include pre-approval requirements for IT hardware, software, and purchases inherently prone to abuse.
- Purchases more than \$100,000 are generally subject to competitive sealed bid procedures and contractual agreements that are approved by the Board of Commissioners. This is to ensure the County receives the best value. Cardholders cumulatively spent more than this threshold with 15 vendors during the audit period. The Purchasing Division and management should evaluate whether the County receives the best value for these informal purchases and whether they should follow sealed bid procedures.
- There were approximately 700 active cardholders during the audit period. Approximately 39% incurred on average less than one transaction per month during the audit period. Agencies and departments should close inactive cards to reduce the risk of abuse.
- Sometimes vendors charge cardholders for their transaction fees. Cardholders should seek other vendor alternatives to save costs.



## Exhibit A: Summary of Audit Procedures

IA performed the following procedures to assess compliance with key guidelines and evaluate the adequacy and effectiveness of control activities:

- Reviewed policies and procedures for key compliance requirements.
- Completed walkthroughs with liaisons to confirm understanding of key P-card program processes.
- Reconciled WORKS data to the SAP general ledger for completeness.
- Selected sample of 300 P-card transactions for the period and reviewed supporting documentation for supervisory approvals, itemized receipts, and business purpose. See **Exhibit B** for Sampling Approach. Also, confirmed charges were allowable per policy and excluded split transactions (**Recommendations 1 and 2**).
- Confirmed rebate receipts for selected sample from Q4 2023.
- Reconciled Bank of America monthly invoices to the general ledger clearing account and WORKS transactions for accuracy.
- Analyzed total spending by P-card vendor to identify vendors receiving over \$100,000 during audit period. Compared vendors to list of current contracts.
- Traced sample of 45 P-card activations and cancellations to approved request forms. For activations, ensured cardholders completed required training and signed user agreements. Confirmed cancellations were timely.
- Obtained evidence the P-card Administrator and departmental directors reviewed active P-card users and authorization limits on an annual basis.
- Reviewed P-card purchases that exceeded the authorization limit of \$5,000 per purchase and vouched to supporting documentation.

# Exhibit B: Sampling Approach

We used sampling procedures to select P-card expenditures for review. Our sampling objectives were to select representative samples of the population with the smallest sample sizes necessary for evaluating compliance and control effectiveness. Based on our risk assessment and engagement objectives, we used a nonstatistical sampling approach. We judgmentally selected samples based on their dollar value to cover at least 2.5% of the total dollar value of expenditures for the period. We also ensured sample selections sufficiently covered agencies and departments. We believe the sample sizes and selection methods provided sufficient evidence for our evaluation.

Total P-card Expenditures for Audit Period			Test Samples	
Agencies/Departments	Count	Amount	Count	Amount
BOARD OF COMMISSIONERS	347	\$ 48,086	9	\$ 4,019
CHILD ADVOCACY & JUVENILE SERVICES	186	43,581	5	8,505
CLERK OF COURT	439	249,324	12	12,712
CLERK OF RECORDERS COURT	124	21,327	5	5,761
COMMUNICATIONS	709	231,912	12	20,874
COMMUNITY SERVICES	6,005	1,862,620	38	30,877
CORRECTIONS	919	336,894	7	7,190
COUNTY ADMINISTRATION	783	263,526	10	9,812
DISTRICT ATTORNEY	759	520,460	6	19,426
FINANCIAL SERVICES	447	164,385	5	13,867
FIRE & EMERGENCY SERVICES	2,182	1,128,852	17	36,531
GENERAL DEPARTMENT USAGE	577	328,923	5	20,975
HUMAN RESOURCES	594	222,067	5	29,722
INFORMATION TECHNOLOGY	317	90,468	5	7,507
JUDICIARY	1,199	277,307	6	6,158
JUVENILE COURT	296	48,238	5	7,430
LAW	165	28,865	5	7,915
NON-DEPARTMENT	69	10,445	5	8,321
PLANNING & DEVELOPMENT	1,015	252,557	5	5,658
POLICE SERVICES	2,767	999,443	17	22,984
PROBATE COURT	184	43,384	5	6,389
RECORDERS COURT	144	10,763	5	2,547
SHERIFF	3,420	2,856,350	19	18,914
SOLICITOR GENERAL	447	156,588	5	11,626
SUBSIDIES	267	136,522	5	22,295
SUPPORT SERVICES	4,728	3,146,600	32	59,513
TAX COMMISSIONER	593	123,280	5	7,518
TRANSPORTATION	1,367	718,962	10	10,565
VOTER REGISTRATIONS AND ELECTIONS	208	65,470	5	10,537
WATER RESOURCES	6,868	3,913,318	25	27,503
<b>Totals</b>	<b>38,125</b>	<b>\$ 18,300,517</b>	<b>300</b>	<b>\$ 463,649</b>