



# Audit Department

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Angela M. Darragh, CPA, CFE, CISA, Director

July 11, 2014

Mr. Don Burnette  
Clark County Manager  
500 South Grand Central Parkway, 6<sup>th</sup> Floor  
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently performed a follow-up audit of the Finance Department Purchasing Card audit dated January 28, 2013. The audit objective was to determine whether adequate corrective action was taken on the findings included in the original audit report. Our audit period was the period from March 1, 2013 through December 31, 2013. Our last day of fieldwork was May 9, 2014.

Our audit procedures consisted of interviewing personnel to determine the status of findings. We also obtained and reviewed supporting documentation for selected Purchase Card transactions and performed detail testing to assess the adequacy of the corrective actions taken. We verified that receipts identified the purpose and description of the purchase; that Travel Request and Authorization Forms were provided; and that gift card purchases had written justifications as to why a gift card was required to obtain goods that could not be obtained through the normal purchasing process, and that gift card purchase receipts were validated.

We found that the Finance Department took adequate corrective action on all five findings reported in the original audit; however, there are still issues with departmental compliance with the policies and procedures. Though the Finance Department expanded their policies and procedures to require that all Purchasing Card receipts indicate a stated purpose and description, we found two out of 15 (13%) receipts tested that did not meet this requirement. The Finance Department also expanded policies and procedures to require an approved Travel Request and Authorization Form; however, we found five out of 10 transactions (50%) that did not include the required form. We recommend that the Finance Department explore a training session for Purchasing Card users to emphasize the need to comply with all areas of the policies and procedures. For gift card purchases, we found no exceptions. We believe the communications from the Finance Department to departments using purchase cards related to cardholders making multiple merchant trips and compliance with Fiscal Directive Number 4 adequately addressed these findings, which were included in the original audit report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay to management. It is the Department/Division management's responsibility to decide if any appropriate action should be taken in response to reported audit findings. It is also their responsibility to assume the risk by not correcting a reported condition because of cost or other consideration.

We appreciate the cooperation and assistance provided by the Finance Department and the Comptroller's staff during the course of this follow up audit.

Sincerely,



Angela M. Darragh, CPA  
Audit Director

# MEMORANDUM

## DEPARTMENT OF FINANCE

YOLANDA T. KING  
Chief Financial Officer

JESSICA COLVIN  
Comptroller

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TO: ANGELA DARRAGH, AUDIT DIRECTOR  
TRACY WINIARCZYK, INTERNAL AUDITOR

CC: ADLEEN STIDHUM, ACTING PURCHASING MANAGER  
ADRIANE GARCIA, PURCHASING ANALYST II  
DAMON HARRIS, SENIOR FINANCIAL ANALYST  
JESSICA COLVIN, COMPTROLLER  
TOM WILSON, MANAGER OF ACCOUNTING SERVICES  
MELINDA ADKINS, OFFICE SERVICES MANAGER

FROM: YOLANDA T. KING, CHIEF FINICIAL OFFICER

SUBJECT: PURCHASING CARD (P-CARD) AUDIT RESPONSE

DATE: JULY 8, 2014

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In response to the findings and recommendations of the recent Purchasing Card Program audit, please note the corrective action responses by Finance management:

**Audit Finding:** P-Card Receipts Need a Stated Purpose and Description of Service

**Management Response:** The Purchasing Card Procedures along with the P-Card Liaison Procedures contain explicit direction to provide a stated purpose and description of services along with the itemized receipts associated with p-card purchases. The P-Card Liaisons have been instructed to remind their respective cardholders to provide such information and to ensure they're incorporating the requirement into their monthly review/submittal process.

**Management Due Date:** The P-Card Liaisons were sent an e-mail notification detailing the above management response on June 23, 2014 by the Purchase Card Administrator.

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**Audit Finding:** Travel Authorization Form Missing from Receipt

**Management Response:** The Purchasing Card Procedures contain explicit direction to provide an approved TRA form along with any receipts associated with travel expenses incurred on a p-card (as does the County's Travel Policy). The P-Card Liaisons have been instructed to remind their respective cardholders to provide an approved TRA and to ensure they're incorporating the requirement into their monthly review/submittal process.

**Management Due Date:** The P-Card Liaisons were sent an e-mail notification detailing the above management response on June 23, 2014 by the Purchase Card Administrator.

**FINANCE DEPARTMENT  
PURCHASING CARD FOLLOW UP  
Findings, Recommendations, and Corrective Actions Status  
As of 7/10/14**



**AUDIT DEPARTMENT**  
Angela Darragh, CPA, CFE, CISA, CHC  
Director

**Original Report Issuance Date: January 28, 2013**

Finding	Recommendation(s)	Corrective Actions Status
<b>1 - P-Card Receipts Need a Stated Purpose and Description of Purchase (Medium) <span style="float: right;">IMPLEMENTED</span></b>		
<p>According to P-Card policy, the department liaison is responsible for reviewing transactions of individual cardholders to make sure the transactions are legitimate business expenses. However, we found that the description of the purchase was not always clear on the receipt, making it difficult to ensure the purchase was appropriate. Additionally, many of the P-Card transactions are for the purchase of food, with no indication as to when the event took place, number of attendees, or the name of the event. An event name or stated purpose of the food purchase written on the receipt would assist the department liaison in their review.</p>	<p>Add the following requirements to the policy and procedures to assist cardholders in adequately documenting the nature of the transaction: Perishable items for a luncheon, meeting, or program: list the purpose or name of the meeting, the date, and name of attendees; General items purchased: provide a specific description and purpose of items purchased such as "supplies for project XYZ" or "backpack for George Smith."; Repairs: list what was repaired; Conferences or training: list person(s) attending conference or training, dates of training, and training or conference name; Rentals: list description of the item(s) being rented and purpose.</p>	<p>The Finance Department expanded their policies and procedures to require that all Purchasing Card receipts indicate a stated purpose and description, however we found two out of 15 (13%) receipts tested that did not meet this requirement.</p> <p>We recommend that the Finance Department explore a training session for Purchasing Card users to emphasize the need to comply with all areas of the policies and procedures.</p> <p><b>RESPONSE:</b> The Purchasing Card Procedures along with the P-Card Liaison Procedures contain explicit direction to provide a stated purpose and description of services along with the itemized receipts associated with p-card purchases. The P-Card Liaisons have been instructed to remind their respective cardholders to provide such information and to ensure they're incorporating the requirement into their monthly review/submittal process.</p> <p><b>Management Due Date:</b> The P-Card Liaisons were sent an e-mail notification detailing the above management response on June 23, 2014 by the Purchase Card Administrator.</p>

Finding	Recommendation(s)	Corrective Actions Status
<b>2- Travel Authorization Form Missing From Receipt (Medium) <span style="float: right;">IMPLEMENTED</span></b>		
<p>County travel policy requires that for any travel outside of Clark County, a travel request authorization form must be completed. During our detailed testing we found four of eight (50%) P-Card transactions for travel that did not have a completed travel request authorization attached to the receipt. P-Card use for travel expenditures could bypass established travel policy and thus weaken travel controls. Further, the current P-Card policy does not indicate that the cards can be used for travel.</p>	<p>Revise the purchase card policy to state whether P-Cards can be used for business travel.</p> <p>Communicate with all departments that compliance with the County Travel Policy is still required for P-Card transactions, and require that approved travel request authorization forms be submitted with the receipt.</p>	<p>The Finance Department expanded policies and procedures to require an approved Travel Request and Authorization Form; however, we found five out of 10 transactions (50%) that did not include the required form.</p> <p>We recommend that the Finance Department explore a training session for Purchasing Card users to emphasize the need to comply with all areas of the policies and procedures.</p> <p><b>RESPONSE:</b> The Purchasing Card Procedures contain explicit direction to provide an approved TRA form along with any receipts associated with travel expenses incurred on a p-card (as does the County's Travel Policy). The P-Card Liaisons have been instructed to remind their respective cardholders to provide an approved TRA and to ensure they're incorporating the requirement into their monthly review/submittal process.</p> <p>Management Due Date: The P-Card Liaisons were sent an e-mail notification detailing the above management response on June 23, 2014 by the Purchase Card Administrator.</p>

Finding	Recommendation(s)	Corrective Actions Status
<b>3 - No Stated Policy for the Purchase of Gift Cards Using P-Cards (High)</b>		
<p>Currently, Social Services, District Court Truancy Diversion Unit, and Family Services use a P-Card to buy gift cards. We believe the use of the P-Card to purchase gift cards bypasses established County purchasing controls when used internally by the department. Further, gift cards represent a cash advance and increase the risk that funds could be misappropriated.</p> <p>The actual purchase of the gift cards for Family Services is done online, but for Social Services and District Court, the gift cards are purchased in person by a cardholder. This increases the risk of P-Card abuse since additional gift cards could be purchased and kept for personal use. The mitigating control would be appropriate review of the purchase. The Program Administrator should ensure the appropriate review is performed by departments, including an accurate record of who was given each gift card. The current policy and procedure manual does not address the use of P-Cards to purchase gift cards.</p> <p>In a review of 14 transactions, we found nine transactions in which we could not determine what was purchased with the gift cards, since no receipts were attached to the accounts payable file. Current policy states that original itemized documentation of purchases must be sent to the department liaison. The policy is not clear if the receipts should be for the purchase of the gift card or for items purchased with the gift card.</p>	<p>Include additional language in the policy and procedures manual to address (1) if purchase cards can be use to buy gift cards and (2) if so, procedures that need to be followed to ensure adequate controls are in place to safeguard against abuse.</p>	<p style="text-align: center;"><b>IMPLEMENTED</b></p> <p>For gift card purchases, we found no exceptions. The Finance Department updated their Policies and Procedures to address these areas for gift card purchases.</p>

Finding	Recommendation(s)	Corrective Actions Status
<b>4 -Cardholders Making Multiple Merchant Trips (Medium)</b>		
<p>One of Clark County’s benefits from the purchase card program is to maintain a cost-effective method for purchasing low dollar goods and/or services. During our detailed testing we found 25 transactions out of a sample of 144 (17.36%) in which the cardholder made two or more trips to the same merchant location at different times on the same day. The purchase card may be reducing processing costs but these savings could be offset by an increase in fuel costs and inefficient use of employee time as a result of multiple trips.</p>	<p>Instruct all cardholders that multiple trips should be avoided whenever possible.</p> <p>Require department liaisons and managers reviewing and signing the cardholder transaction reports to review receipts and make inquiries to the cardholder of the necessity of multiple trips.</p> <p>Instruct all department liaisons and managers to look for and assist cardholders to reduce the number of trips.</p>	<p>Communications from the Finance Department to departments using purchase cards related to cardholders making multiple merchant trips adequately addressed this finding.</p>
<b>5 - Fiscal Directive Number 4 Non-Compliance (Medium)</b>		
<p>Fiscal Directive Number 4 states that prior approval from the County Manager’s office is required for the purchase of any food and beverage. We found five out of 16 departments (31%) that did not have the required approval prior to the purchase of food items using the P-Card. Directive compliance is required; however, there is no independent process in place to verify department compliance.</p>	<p>Obtain copies of food purchase approval memos when food purchases are made using P-Cards.</p>	<p>Communications from the Finance Department to departments using purchase cards related to compliance with Fiscal Directive Number 4 adequately addressed this finding.</p>