



# Georgia Department of Audits and Accounts

## Performance Audit Operations

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### Why we did this review

The objective of this audit was to assess the internal controls associated with the Purchasing Card Program to ensure questionable transactions are either prevented or detected. An ineffective internal control environment could potentially allow fraudulent or improper transactions to occur.

### Who we are

The Performance Audit Operations Division was established in 1971 to conduct in-depth reviews of state programs. The purpose of these reviews is to determine if programs are meeting their goals and objectives; provide measurements of program results and effectiveness; identify other means of meeting goals; evaluate the efficiency of resource allocation; and assess compliance with laws and regulations.

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## State Purchasing Card Program

The state's Purchasing Card Program lacks the internal controls necessary to safeguard the Program from fraudulent and improper purchases.

### What we found

Our review found that: (1) DOAS has not established comprehensive guidelines regarding agencies' use of purchasing cards (p-cards) and (2) that agencies have not implemented adequate internal controls to identify and prevent the misuse of p-cards by their employees. During our audit, we identified a number of employees who appear to have used the state purchasing card for personal gain. Such misuse includes purchasing Visa debit cards to pay personal loans, purchasing gifts for themselves and co-workers, paying personal car insurance premiums, and paying debt collection agencies. As a result of our audit and subsequent investigation, four individuals from two state colleges have been referred to the state's Attorney General for prosecution.

Overall, we found the following specific deficiencies in the Purchasing Card Program:

- ✘ inadequate policies and procedures governing the use of p-cards;
- ✘ inadequate training provided to users of p-cards;
- ✘ inadequate training of p-card approving officials;
- ✘ p-cards issued to persons with little or no need for the cards;
- ✘ p-cards not issued to/used by specific individuals;
- ✘ p-card approving officials have an excessive number of p-cards to review;
- ✘ inappropriate persons designated as p-card approving officials;

- ✘ poor record-keeping of property purchased with p-cards;
- ✘ lack of documentation/inadequate documentation of purchases; and,
- ✘ inadequate supervisory review of purchases.

To improve the level of internal controls over the state's Purchasing Card Program, action needs to be taken by both DOAS and state agencies. DOAS should develop a comprehensive procedures manual describing the specific actions agencies should take to safeguard the use of p-cards from fraudulent and improper purchases. In turn, each agency should designate an agency official responsible for ensuring that the DOAS guidelines are complied with.

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## Audit Purpose

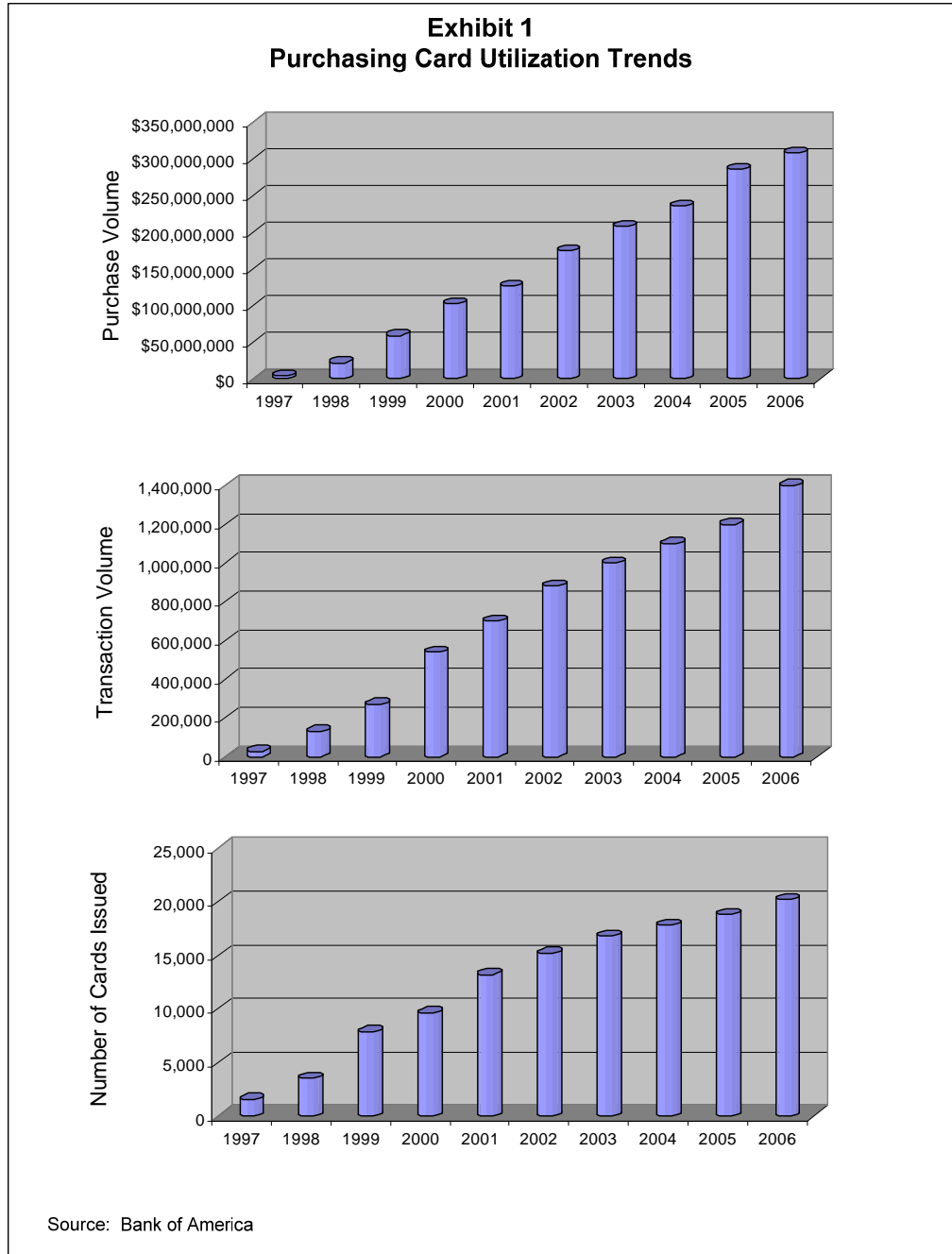
The purpose of this audit was to assess the internal controls associated with the Purchasing Card Program to ensure questionable transactions are either prevented or detected. While purchasing cards provide state agencies and their employees a more flexible and efficient method to purchase goods and services, there are risks associated with their use. An ineffective internal control environment could potentially allow fraudulent or improper transactions to occur. While the purpose of this audit was not to identify specific fraudulent or improper transactions, we did find several instances of these types of transactions.

## Purchasing Cards in Georgia

The Purchasing Card Program, established by the Department of Administrative Services in 1996, offers significant benefits to the state from reduced transaction processing costs and increased flexibility to make small routine purchases. Currently, DOAS contracts with the Bank of America Visa Purchasing Card Program to provide card services. While DOAS administers the contract and manages the overall state program, each participating agency is responsible for its own purchasing card program.

There are currently 129 state agencies participating in Georgia's Purchasing Card Program. The Program provides a Visa credit card to authorized employees who use the p-card to make a variety of purchases. After each monthly billing cycle, state agencies pay Bank of America directly for transactions made by their cardholders. As shown in **Exhibit 1**, Georgia's Purchasing Card Program has grown dramatically since its origination. The **Appendix** of the report provides a variety of statistics, such as the top vendors and top state agencies, regarding the Purchasing Card Program.

One of the primary benefits of the p-card is to reduce administrative costs by simplifying small-dollar purchases. A 1994 study conducted for the Federal Office of Management and Budget found that purchases made with purchasing cards versus purchase orders generated 60% less administrative costs. DOAS estimates that it costs an average of \$140 to process a purchase order, compared to an average administrative cost of \$40 for each purchase made with a purchasing card.



In addition to reduced administrative costs, the state receives a rebate from Bank of America on purchases made with the p-card. Since the Program's implementation, the state has received over \$11.5 million in rebates. Prior to fiscal year 2004, DOAS distributed rebate revenue to participating state agencies while retaining 15% for Program management. During fiscal years 2004 and 2005, the entire rebate was remitted to the state's general fund; beginning in fiscal year 2006 DOAS retained all of the rebate revenue. **Exhibit 2** shows the annual rebate since fiscal year 2000.

<b>Exhibit 2 Rebate Revenue</b>		
Year	Rebate <sup>1</sup>	Retained by
2000	\$193,000	Participating Agencies <sup>2</sup>
2001	\$408,000	Participating Agencies <sup>2</sup>
2002	\$995,000	Participating Agencies <sup>2</sup>
2003	\$1,300,000	Participating Agencies <sup>2</sup>
2004	\$1,600,000	General Fund
2005	\$2,800,000	General Fund
2006	\$4,300,000	DOAS <sup>3</sup>

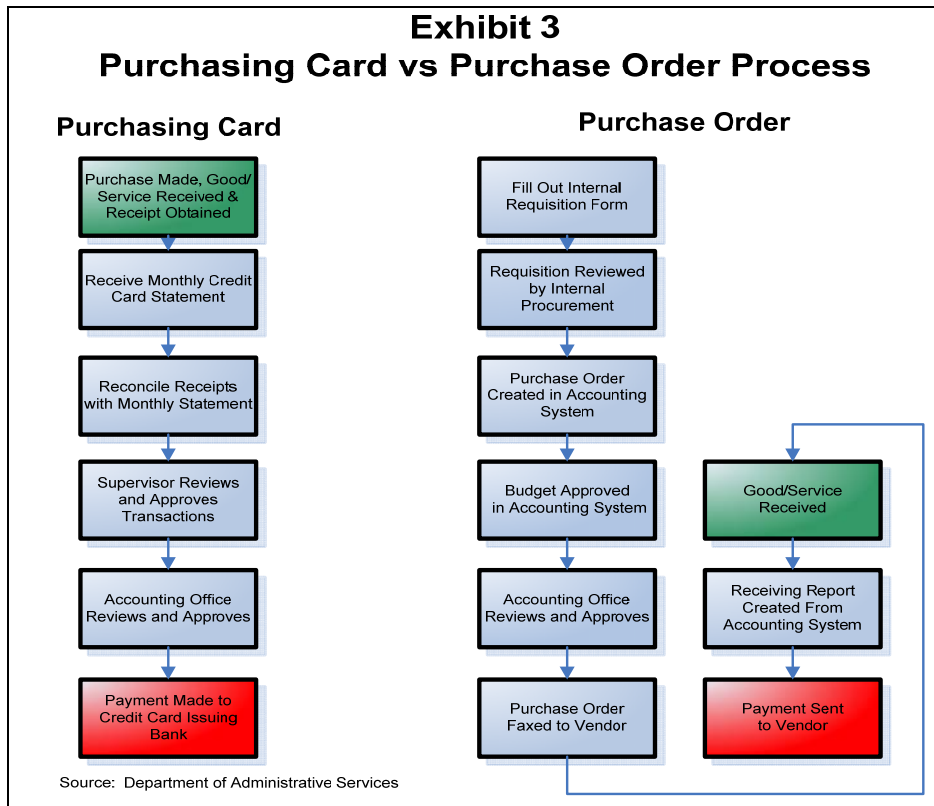
Notes:

- The amounts have been rounded.
- 15% of the rebate was retained by DOAS for Program management.
- Approximately \$780,000 was distributed to 11 participating non-state government agencies (local governments, boards and authorities).

Source: DOAS

### Internal Controls

Effective p-card programs have strong internal control structures. Maintaining adequate control of purchases made with the p-card is important to ensure that purchases are necessary, appropriate, and at the best possible price. As shown in Exhibit 3, oversight of purchases made with a p-card takes place after the purchase has been made, as opposed to the traditional purchase order where the oversight occurs prior to the purchase.



The p-card purchasing process has two distinct levels of internal controls. The first level of controls is related to the p-card itself (such as transaction limits) and the second level of controls is the oversight and review process. Each of these control areas is discussed on the following pages.

### **Internal controls related to the P-card**

- Dollar Limits For Individual Transactions. Agencies designate the maximum dollar amount allowed for each cardholder to spend on individual purchases. The typical spending limit for the state's Program is \$2,500. Cardholder limits should be aligned with the actual purchasing needs to minimize financial exposure. Each agency's purchasing card coordinator may temporarily increase a cardholder's limit to accommodate a one-time purchase in excess of the established limits.
- Limits On The Total Dollars Spent Per Billing Cycle. This limit allows agencies to designate the total amount an employee can spend during the monthly billing cycle. The typical monthly spending limit for the state's Program is \$5,000. Again, this limit should be aligned with each cardholder's purchasing needs.
- Blocks On Particular Merchant Types. All vendors have a specific Merchant Category Code (MCC) which classifies them by type of business and any attempted use with unauthorized MCC vendors will result in the transaction being declined at the point of purchase. For example, the MCC for grocery stores (5411) indicates that they are an authorized merchant, while the MCC for package stores (5921) indicates that they are an unauthorized merchant. Cards are activated for use with specific MCC's designated by DOAS, but agencies can request that some or all of the restrictions be removed for certain cardholders.
- Cards are issued to specific individuals. Industry best practices require that p-cards be issued in the name of specific individuals rather than with generic agency names or department names. This practice can help ensure that cards are given only to those individuals who need them, who have been trained in how to properly use them, and who have signed documentation attesting that they understand the organization's policy related to the proper use of the p-card. Additionally, by issuing cards to specific individuals, organizations limit their financial exposure by limiting the number of people with access to credit card information.

### **Internal controls related to oversight and review process**

- Managerial Review. According to the President's Council on Integrity and Efficiency, "the most important internal control is the monthly review of the cardholder's statement by the approving official." The approving official/manager is responsible for ensuring that all purchases made by the cardholder are appropriate and that the charges are accurate. Such a process should involve the timely review of monthly statements and supporting documentation such as detailed receipts. To facilitate this process, many state agencies utilize the online p-card management system called Works. Through Works, approving officials can view cardholders' charges online within one day of a transaction and register their approval or denial of the charge.



- Analysis Of Transaction Data. Agencies should routinely analyze electronic transaction data to ensure that purchasing policies and procedures are being followed. Software programs are available to identify policy exceptions such as split transactions – multiple transactions designed to circumvent card limits – over-limit purchases, unusual transaction patterns, use of non-standard vendors for standard purchases, and even-dollar transactions. Examples of commonly used reports include the following.
  - Account Activity Reports – Such reports can provide details on each transaction such as transaction date, merchant name, and dollar amount. These reports can be used to sort transactions by dollar amount, merchant, date or type and can be useful for identifying suspicious merchants, unusually high spending patterns, or untimely purchases.
  - Declined Authorizations Report – This report identifies cardholders who have attempted to use a card to make a purchase for which they are not authorized, that exceeds their single-purchase limits, that exceeds their monthly purchase limit, or from a merchant that has a blocked MCC (Merchant Category Code).
  - Disputes Report – This report identifies date, merchant, reason code, dollar amount, and status of each dispute filed by a cardholder. Reviewing the report would identify cardholders with excessive disputes which could indicate that a cardholder needs additional training or that he may be trying to disguise misuse or fraudulent activity.
  - Unusual Spending Activity Report – Based on a variety of criteria, this report identifies transactions which may warrant further review.
  - Lost/Stolen Card Report – This report identifies cards that have been reported lost or stolen. It may be reviewed to identify cardholders who have repeatedly reported their cards missing. This may be an indicator that the cardholder needs to secure his card or that the cardholder is attempting to disguise misuse or fraudulent activity by denying the charges.
- Recurring Audit Processes To Evaluate Compliance With Program Policies and Requirements. Regular audits, including reviews of monthly statements and supporting documentation (receipts) and managerial reviews, can identify instances in which policies and procedures are inadequately followed and can help identify possible card misuse.
- Meaningful and Enforced Policies Governing Consequences For Misuse. Consequences for misuse must be real, known, and enforced. Any misuse of a p-card should be treated as a violation, and proven use of a p-card for personal purchases should be considered an act of theft. The cardholder found to have misused the p-card should be prosecuted, and the prosecution should be publicized. The likelihood of discovery and punishment for theft is a significant fraud deterrent.

## **Audit Scope and Methodology**

This audit was conducted in accordance with generally accepted government auditing standards for performance audits. In conducting this project, the audit team researched applicable laws and regulations and interviewed key personnel in the Department of Administrative Services, Bank of America, and in other select state agencies, technical institutes, and colleges and universities participating in the Purchasing Card Program. The evaluation methodology included reviews of purchasing card transaction data provided by Bank of America and documentation of the transactions (such as monthly statements and receipts,) maintained at a sample of seven participating state agencies, technical institutes, and colleges and universities. The state agencies included in our review were the Department of Human Resources (DHR), the Department of Natural Resources (DNR), the Department of Public Safety (DPS), the Forestry Commission, the Georgia Institute of Technology (Ga Tech), Georgia Perimeter College, and Moultrie Technical College. These agencies were chosen based on a variety of factors (such as the volume of transactions and the number of cardholders) and represent a cross-section of state government. The team also reviewed publications of federal agencies and other states' purchasing card programs to review examples of successful programs that maximize benefits while reducing risks.

This report has been discussed with appropriate personnel representing the Department of Administrative Services and the state agencies included in our review. A draft copy was provided for their review and they were invited to provide a written response, including any areas in which they plan to take corrective action. Pertinent responses from both DOAS and the state agencies are included at the end of the report.

## Findings and Recommendations

### Significant weaknesses in p-card internal controls make agencies vulnerable to fraudulent and improper purchases and to inefficient purchasing actions.

While the use of a well-controlled p-card program is a useful tool in streamlining the state's acquisition processes and providing agencies flexibility to make small and routine purchases, we found ineffective management oversight and internal control over p-card use. While stringent controls within a purchasing card program ensure charges are reasonable, in accordance with organizational policies, and properly recorded, a weak overall control environment and subsequent breakdowns in internal control leave agencies vulnerable to fraudulent and improper purchases.

As part of our audit, we reviewed a sample of p-card transactions at DHR, DNR, DPS, the Forestry Commission, Ga Tech, Perimeter College, and Moultrie Technical College. The review was a "snapshot" of each entity's p-card procedures and was not an overall evaluation of each entity's internal control structure. The types of internal control problems that were identified during our review are listed below. (It should be noted that we did not find each of the problems at each entity.)

- ✘ inadequate policies and procedures governing the use of p-cards;
- ✘ inadequate training provided to users of p-cards;
- ✘ inadequate training of p-card approving officials;
- ✘ p-cards issued to persons with little or no need for the cards;
- ✘ p-cards not issued to/used by specific individuals;
- ✘ p-card approving officials have an excessive number of p-cards to review;
- ✘ inappropriate persons designated as p-card approving officials;
- ✘ poor record-keeping of property purchased with p-cards;
- ✘ lack of documentation/inadequate documentation of purchases; and,
- ✘ inadequate supervisory review of purchases.

Each of these areas is discussed in more detail on the following pages.

#### Inadequate policies and procedures governing the use of p-cards

DOAS Purchasing Card Program policies provide only broad guidance to state agencies for implementation of their own purchasing card policies and procedures. While all seven of the state agencies reviewed during the audit had their own purchasing card policies, the policies of two of the agencies failed to identify appropriate oversight officials and clearly delineate oversight responsibilities.

- Ga Tech's policies do not indicate that an approving official should be of adequate rank.

- The policies developed by Georgia Perimeter College do not define who should be designated as approving officials or what are considered to be acceptable approval practices. As a result, 95 of 274 cardholders (35%) are designated as their own approvers and, when transactions are reviewed by approving officials, receipts detailing what was purchased are typically not included in the review.

### **Inadequate training provided to users of p-cards**

Only four of the seven state agencies reviewed provide training for cardholders prior to the issuance of p-cards. Purchasing industry best practices specify that well-managed p-card programs provide formal training for cardholders. Some type of routine refresher training should also be provided to ensure that cardholders remember the policies and procedures and to provide them with updated information. Three of the seven agencies we reviewed (DPS, Forestry Commission, and Perimeter College) do not provide formal training for their cardholders and none provides refresher training.

### **Inadequate training of p-card approving officials**

Although purchasing industry best practices state that well-managed purchasing card programs provide formal training for approving officials only one of the state agencies reviewed (DPS) provides this training. Without formal training there is no assurance that approving officials understand cardholder responsibilities, as well as proper management, control, and oversight tools and techniques. It should be noted that DOAS does not have any requirements related to training for approving officials. For example, In one department at Ga Tech, there was confusion as to who was actually responsible for reviewing and approving transactions. Cardholders and their managers were unaware that the department's policy had changed regarding approval personnel. Consequently, a cardholder's designated approver had failed to request purchasing card documentation for over a year, resulting in the cardholder's transactions not being reviewed for that time period.

### **P-cards issued to persons with little or no need for the cards**

In reviewing statewide p-card transaction data, we found 1,176 cardholders who had not used their card in over a year including 811 cardholders who had not used their card for over 3 years. We also found an additional 1,330 cardholders who had used their card only 1 to 3 times in the prior year (during fiscal year 2007). As shown in **Exhibit 4** on the next page, five of the seven state agencies reviewed have a significant number of cards that are rarely used or not used at all. It is notable that only one of the seven state agencies reviewed, Moultrie Technical College, routinely reviews p-card usage to identify cards with minimal activity that should be cancelled.

<b>Exhibit 4 Card Usage</b>			
State Entity	# Open Cards As of 8/1/2007	# Inactive Cards 0 transactions	# Seldom Used Cards 3 or less transactions
Dept of Human Resources	384	44 (12%)	29 (8%)
Dept of Natural Resources	854	29 (3%)	47 (6%)
Dept of Public Safety	186	28 (15%)	4 (2%)
Forestry Commission	357	9 (3%)	14 (4%)
Ga Inst of Technology	1946	120 (6%)	149 (8%)
Ga Perimeter College	258	48 (19%)	32 (12%)
Moultrie Technical College	39	3 (8%)	0 (0%)
Source: Bank of America			

Purchasing industry best practices specify that agencies should be selective in issuing cards. A proliferation of cardholders increases agencies' financial exposure and makes it difficult for them to maintain effective internal controls. Each employee's need for a purchasing card should be reviewed both prior to issuance and after issuance to determine if the need continues. For example, routine reviews of card activity should be conducted to identify cards that are seldom used; consideration should then be given to cancelling these cards. It should be noted that the United States Government Accountability Office (GAO) has suggested that federal agencies review p-card usage to identify unneeded p-cards. After some federal agencies implemented this suggestion, the number of p-cards in federal government substantially decreased.

#### **P-cards not issued to/used by specific individuals**

We noted two concerns with p-cards not issued to or used by specific individuals. The first is that one of the seven state agencies reviewed issues cards with generic organizational names and allows multiple individuals to use each card. The second issue is that four of the seven agencies reviewed issue cards to specific individuals but commonly allow other individuals to use these cards. Industry standards suggest that cards be issued to and used by specific individuals who have received training and have signed agreements stating that they understand p-card policies regarding appropriate card use. It is also important to follow this practice so that all purchases can easily be traced to the individual who made them. Through its contract with DOAS, Bank of America agrees to repay the state up to \$100,000 for each occurrence of card misuse. However, this repayment will be made only if the employee who misused the card is identified and terminated.

- As of April 2007, 140 (81%) of DPS's 172 p-cards were issued with generic organizational names, such as "GSP Garage" and "GSP Aircraft," rather than with specific employee names. These cards are kept in desks, filing cabinets, etc. to be used by various personnel. DPS was unable to provide us with a list of personnel responsible for the purchasing cards. This practice makes it difficult to identify who has made particular purchases, which is particularly problematic for inappropriate purchases.

- At Ga Tech, DNR, and DHR, it was evident that persons other than the designated cardholder had access to and were using purchasing cards. Such practices increase the risk of card misuse and decrease the likelihood that persons misusing cards can be identified.

### P-card approving officials have an excessive number of p-cards to review

Four of the seven state agencies reviewed were found to have designated approving officials who were responsible for reviewing transactions for more cardholders than are considered to be manageable by industry standards. To adequately perform their oversight responsibilities, the federal Department of Defense suggests that an approving official review no more than five to seven cardholders. DOAS has not defined an acceptable span of control. As described in the following example, an unmanageable span of control can lead to a breakdown in the approval process.

- At Ga Tech we found one person who was responsible for reviewing and approving the purchases for 116 cards. Not only is it unlikely that one person could conduct a meaningful review of purchases made by so many people, it is also unlikely that the approver could have an intimate enough knowledge of these cardholders' jobs to understand what purchases are appropriate and needed. We reviewed purchasing card documentation within this department and found that 5 of the 18 files reviewed (28%) had missing receipts.
- At the Forestry Commission, approval officers are generally district foresters and district rangers. The majority of these approval officers (16 of 20) are responsible for more than 10 cards, with six being responsible for 20 or more cards. Commission staff acknowledged that some approval officers may be too busy to review all packets and, thus, will have their administrative assistants perform the reviews.

### Inappropriate persons designated as p-card approving officials

Five of the seven state agencies reviewed in this audit had inappropriate persons designated as approving officials. Industry best practices suggest that approving officials be sufficiently independent and of sufficient rank to question the cardholders when additional information is needed about specific transactions. Approving officials should also have firsthand knowledge of the type of products and services purchased by the cardholder. DOAS does not require state agencies participating in the Purchasing Card Program to ensure that approving officials meet these criteria. Listed below are some of the most egregious examples we found of inappropriate approving official designations.

- Ninety-five of the 274 cardholders (35%) at Perimeter College are designated as their own approving official. According to industry best practices, all persons, regardless of their position, should have someone else reviewing and/or approving their purchases. The approver should have a position of authority over the purchaser.
- Three of the four departments reviewed at Ga Tech designate administrative personnel as approving officials. These departments include the Office of Information Technology (OIT), the Chemistry and Biochemistry Department

(Chemistry), and the Electrical and Computer Engineering Department (ECE). In the two academic departments reviewed, Chemistry and ECE, a large number of cards, 57 of 116 (49%) and 79 of 148 (53%), respectively, are held by professors, provosts, and school chairs. Approving officials within these departments are typically not of sufficient rank to question such cardholders' purchases. In addition, 11 of 17 approving officials (65%) in OIT, ECE, and Chemistry were responsible for more than 10 cards (ranging from 12 cards to 116 cards). Since these cards are held by employees in a variety of positions, approving officials in these departments may lack firsthand knowledge of the types of products and services necessary for the cardholder to perform their job duties.

- At DPS, captains and lieutenants are the designated approving officials for all field offices within their region. It may be difficult for captains and lieutenants to have firsthand knowledge of the appropriateness and need for all small-dollar transactions made at multiple field offices.

### Poor record-keeping of property purchased with p-cards

We noted concerns with both accountable and pilferable property purchased with p-cards. Accountable property is property that is required to be recorded in asset inventories. The dollar values for accountable property is single items costing more than \$1,000 for state agencies and \$3,000 for colleges and universities. Pilferable property is property that is valued less than accountable property but is easily stolen, such as laptop computers and digital cameras. All of the state agencies we reviewed prohibit cardholders from purchasing accountable items with p-cards. The U.S. GAO suggests that pilferable items should also be included in property records to help assure financial control over these assets and to deter theft or improper use of government property. The following examples illustrate accountable property purchased with p-cards that were not, but should have been recorded in property records, and examples of p-cards used to purchase pilferable property.

- Although DHR policies prohibit p-cards from being used to purchase equipment costing more than \$1,000, a \$1,700 china cabinet was purchased with a p-card to furnish a DHR group home. DHR personnel stated that this item was not recorded in property records because it was incorrectly purchased with a p-card rather than with a purchase order. The Procurement Office was unaware of this property until our inquiry.
- Although Ga Tech policies prohibit p-cards from being used to purchase equipment costing more than \$3,000, we reviewed a sample of p-card transactions and found that a \$4,500 industrial vacuum and two \$3,260 laptop computers were purchased with p-cards. According to the Capital Asset Accounting Department, such items are unlikely to be recorded because the inventory system is not linked to the p-card process. The current system requires the cardholder or the cardholder's p-card Coordinator to enter accountable items purchased with a p-card into the Capital Asset System.
- Detailed transaction data provided by Office Depot revealed that state agencies commonly purchase pilferable items such as gift certificates,

computer equipment, and digital cameras with p-cards. From July 1, 2006 through May 15, 2007, state agencies used p-cards to purchase 29 laptop computers costing a total of more than \$30,000, 83 digital cameras and camcorders costing a total of more than \$16,000, and 28 gift certificates costing a total of more than \$2,500. None of the state agencies reviewed require that such items be recorded in property records.

### Lack of documentation/inadequate documentation of purchases

At five of the seven state agencies reviewed, we found that a significant percentage of files lacked documentation supporting or explaining purchases. DOAS policies and most state agency policies require that cardholders document the purchase and receipt of all acquired goods and services. The documentation should clearly identify what was purchased, from where, and by whom. The following examples provide details of some of the problems we identified.

- At Perimeter College, 15 of 60 monthly cardholder packages (25%), which should include Bank of America statements and related receipts, were missing. In addition, of the packages that were available for review, 12 of 45 (27%) were missing receipts. The central procurement office, responsible for compiling and reviewing these packages, now requires that all packages and receipts be submitted. If such packages are not submitted for two consecutive months, the individual's purchasing card will be suspended.
- Approximately 20% (16) of 81 monthly purchasing card packets reviewed at four Ga Tech departments (OIT, Chemistry, ECE, and Housing) had missing receipts.
- During our review of a sample of files at the seven state entities included in our audit, we noted that receipts were submitted that only showed the total expenditure and failed to clearly identify what was purchased. As shown in **Exhibit 5**, a \$2,860 UPS Store receipt was submitted and approved that showed only the total expenditure amount. We obtained detailed transaction information from UPS and found that the purchase involved 27 \$100 American Express gift cards.
- Gift cards were purchased by Perimeter College personnel and given to other employees or students to buy supplies for official events. Receipts detailing items purchased with these gift cards were never submitted by Perimeter College cardholders in their monthly purchasing card packages. In

**Exhibit 5**

The UPS Store - #2236  
4780 Ashford Dunwoody Rd  
Suite A  
Atlanta, GA 30338  
(770) 804-8833

01/13/06 09:59 AM

We are the one stop for all your  
shipping, postal and business needs.

BUSINESS HOURS: MON. - THUR. 8.30AM TO 7.00PM  
FRI. 8.30AM - 6.00 PM SAT. 9.30AM-4.00PM

TOTAL \$2860.05

VISA \$2860.65

ACCOUNT NUMBER \* \*\*\*\*\*8310

RECEIPT ID 88322911839252926136 027 ITEMS  
CSH: RAJ TRAN: 2923 REG: 001

WE DO DIGITAL COLOR PRINTING  
THANK YOU. Please come back again soon.

Whatever your business and personal  
needs, we are here to serve you.

Source: GA Tech



addition, Perimeter College cardholders rarely maintained documentation of to whom the gift cards were given.

### Inadequate supervisory review of purchases

At six of the seven state agencies reviewed, evidence that approving officials reviewed and approved transactions was missing for 35% (181) of 517 files reviewed. The remaining state agency was unable to provide a list of assigned approving officials. As a result, we were unable to analyze their transactions to determine if they were appropriately approved. Additionally, even when there was evidence that approving officials approved a transaction, for three of the state agencies there was no assurance that they reviewed enough documentation to reasonably determine that the purchases were appropriate.

According to the President's Council on Integrity and Efficiency, "the approving official's review is the most essential management element in the purchase card control system." This is because the designated approving official is responsible for ensuring that all purchases made by the cardholder are appropriate and that the charges are accurate. Approving officials should be held accountable for performing adequate, timely reviews as part of their job performance and should be held accountable for cardholder abuse when inadequate reviews were a contributing factor.

- Twenty percent (12) of the 60 files reviewed at Perimeter College lacked evidence of managerial approval. The office responsible for oversight of the purchasing card program had never reviewed readily available information to identify whether or not purchases had been approved.
- Approving officials at Perimeter College are not required to review and sign paper documentation indicating their approval. Instead, these approving officials review transaction information online through the WORKS system and register their approval through the system. The transaction information on WORKS that is reviewed by approving officials only shows the vendor, date of purchase, and the total amount of purchase. This information does not show what was purchased.
- A quarter of the files reviewed (62 of 245) at DHR lacked evidence that the designated approval official approved p-card transactions. We found that 49 of the 245 purchasing card packages reviewed had a signature of someone other than the designated approver; the remaining packages lacked any approval signature. It should be noted that at the time of our audit the central office that reviews monthly purchasing card packages to ensure that departments are appropriately following policies and procedures did not review whether or not the packages were approved by assigned approving officials. In fact, they could not provide us with a complete list of approving officials.
- At DNR, there is no evidence that cardholders' immediate supervisors review and/or approve purchases. Cardholders submit their monthly statement and receipts to the Administrative Office Coordinator (AOC) of their division/location, who is generally the office manager. The AOCs review documentation to ensure that all receipts are present and that purchases are

appropriate. The AOCs then combine all transactions for their location onto an electronic spreadsheet that is forwarded via e-mail to regional offices and to DNR's p-card Program Administrator. The reviews conducted by regional office directors are limited to the electronic spreadsheet which does not contain details of items purchased.

Although state agencies' use of p-cards undoubtedly provides significant benefits to the state, both DOAS and state agencies should improve the management of the program to provide reasonable assurance that adequate internal controls against fraudulent and improper purchases are implemented. These adequate internal controls should include the following:

- ✓ DOAS should establish minimum policies and procedures that all participating state agencies, technical institutes, and colleges and universities would be required to implement.
- ✓ DOAS should routinely review each participating state agency's purchasing card program to ensure that the programs have implemented adequate controls.
- ✓ DOAS and state agencies should routinely review detailed electronic purchasing card transaction data, when available (not all vendors provide detailed electronic transaction data), to help identify mismanagement and potential fraud and abuse.
- ✓ DOAS should consider allocating all or a portion of the rebate revenue received from Bank of America to help improve the management of state agencies' purchasing card programs.
- ✓ DOAS and state agencies should require documentation of purchases to be provided by cardholders and reviewed by approving officials. Such documentation should include receipts detailing the items purchased, proof of delivery/receipt when items have been ordered, and inventory numbers when pilferable small value items such as digital cameras have been purchased.
- ✓ DOAS and state agencies should require documentation when gifts and/or prizes are purchased. Such documentation should include the authorization for the purchase, the name of the recipient, and the signature of recipient.
- ✓ DOAS and state agencies should ensure appropriate job responsibilities of approving officials. Procurement industry best practices require that approving officials be sufficiently independent and of sufficient rank to question the cardholders when additional information is needed about specific transactions. Approving officials should also have firsthand knowledge of the type of products and services purchased by the cardholder. The Commonwealth of Virginia, for example, requires agencies to document the procedures that will be used to ensure proper internal controls and accountability in the absence of monthly supervisory review when purchasing cards are issued to high-level administrators.

- ✓ DOAS and state agencies should define the maximum span of control for approving officials. The number of cardholders an approving official reviews should be manageable.
- ✓ DOAS and state agencies should require training programs for both cardholders and approving officials.
- ✓ DOAS and state agencies should require reviews of cardholders' need for purchasing cards. Agencies should at least annually review purchasing card usage to identify inactive cards. To reduce liability, these cards should be cancelled. In addition, cardholders with more than one card issued in their name should have an annual review of the need for multiple cards.
- ✓ DOAS and state agencies should limit authorized use of the purchasing card to the person whose name appears on the face of the card. The purchasing card policies and procedures for the Commonwealth of Virginia require a cardholder's privileges to be revoked for a minimum of three months if a cardholder knowingly allows another person to use the card.
- ✓ DOAS and state agencies should mandate that all purchasing cards be issued to a specific individual.
- ✓ DOAS should prohibit college and university foundations from participating in the state's p-card program. College and university foundations are not considered state agencies, have separate bank accounts from the college or university, and are not required to follow the state's business practices concerning travel, food, and entertainment expenditures. In order to limit the potential for fraud and abuse and to meet the public's expectation for what the state's p-card is used for, use of the state's p-card should be limited to state agencies.

**Due to DOAS and state agencies not establishing a strong internal control environment regarding purchasing cards, fraudulent and improper purchases have occurred.**

While we reviewed many purchases that were appropriate, we did note fraudulent and improper purchases. These are discussed in more detail below.

**Fraudulent purchases** – include purchases made by cardholders that were unauthorized and intended for personal use. It should be noted that our investigation into these matters is complete and all cases of fraudulent p-card purchases that were discovered have been referred to the state’s Attorney General for prosecution.

✘ Cardholder 1 (Ga Tech) – made a total of approximately **\$40,000** in suspected fraudulent purchases with the p-card. These purchases included, but were not limited to:

- ⇒ \$13,000 in American Express gift cards and Visa debit cards purchased from the UPS Store and CVS.
- ⇒ \$5,700 in Wal-Mart gift cards.
- ⇒ A \$1,300 diamond band purchased from Amazon.com and shipped directly to the cardholder at her business address. (The documentation of this fraudulent transaction is shown in **Exhibit 6** on the following page.)
- ⇒ \$4,000 for laptop computers and digital cameras purchased (for personal use) from Amazon.com.
- ⇒ A \$270 repair for the cardholder’s sister’s car.
- ⇒ \$900 in payments to debt collection agencies.
- ⇒ \$3,300 in payments for her son’s car insurance.
- ⇒ \$3,350 in payments to Cingular for her personal account as well as for her son’s account.

The cardholder admitted in writing to making fraudulent purchases. She stated that she had not submitted her receipts and monthly credit card statements for the past year and a half. It was not until we requested her documentation that she submitted these packages to who she thought was her designated approving official. That person then signed, but did not date, all of the statements implying that the purchases had actually been reviewed. It should be noted that this employee had not been the cardholder’s designated approving official for the past year. According to Ga Tech personnel, the department’s policy changed “sometime during the summer of 2006” requiring the cardholder’s direct supervisor to review the packages. It was not apparent that the cardholder, the cardholder’s direct supervisor, or the previous approving official was aware of this policy change. This total disregard for approval responsibilities led to long-term and extensive card misuse.

It should be noted that Ga Tech has a disciplinary policy for p-card misuse in place, and when Ga Tech was notified of the fraudulent activity the employee was terminated immediately.

**Exhibit 6: Diamond Ring Purchased by Cardholder 1**

**Bank of America**  
**Corporate Purchasing Card**  
**Holder Activity**

Statement Date: 02-27-07  
 Credit Limit: \$10,000  
 Cash Limit: \$0  
 Days in Billing Cycle: 31

This is Not a Bill  
 Do Not Pay  
 Total Activity: \$9,871.17

**Corporate Purchasing Card News**  
 Important Notice: You have a new credit card payment address as reflected on the attached payment coupon. If you make your payment through an online bill pay service, please include the new address to ensure that payment is received by the due date.

**CARDHOLDER ACTIVITY**

Post Date	Tran Date	Reference Number	Transactions	MCC	Charge	Credit
01-29	01-26	2469216792600692718232	CON'COPRESS PRODUCTS 866-427-7737 DC	5969	106.98	
01-29	01-26	24761977027599025622994	OXFORD UNIVERSITY PRES 9196796977 NC	8942	27.56	
01-29	01-31	2469216792600692718232	Amazon.com - AMZN.COM/BILLWA	5942	46.37	
01-29	01-31	2469216792600692718232	AMZN Amazon Payments AMZN.COM/BILLWA	5942	1,334.95	
01-29	01-31	247665615932309003442329	EBHOOKS.COM 617-249-8469 MA	5942	12.00	
02-02	01-31	242107379320609743744047	THARPE & JONES INC LA GRANGE GA	5111	1,569.82	
02-02	01-31	242107379320609743744054	THARPE & JONES INC LA GRANGE GA	5111	1,569.82	
02-02	01-31	242107379320609743744088	THARPE & JONES INC LA GRANGE GA	5111	1,569.82	
02-05	02-02	24445907034722955851466	BS WHOLESALE FFI WOX NORCROSS GA	5300	606.57	
02-05	02-03	24445907034722955851466	WHOLEFIDS WFF 10296 099 ATLANTA GA	5411	503.50	
02-05	02-03	24498047035169123137541	VZW WEB PAY VE 908-9220204 NJ	4814	141.99	
02-05	02-03	2449398703559972108243754	CINGULAR 9769281188165 808-333-0908 TN	4814	108.43	
02-05	02-04	24445907034722955851466	PURLEX #765 SAI DUNWOODY GA	5411	151.98	
02-09	02-08	24755427040120400082657	GA TECH PARKING ATLANTA GA	8229	8.00	
02-09	02-08	24755427040120400082699	GA TECH PARKING ATLANTA GA	8229	8.00	

From: "Amazon.com" <[redacted]@audits.ga.gov>  
 To: [redacted]  
 Date: 4/17/2007 2:09 PM  
 Subject: Your Amazon.com Inquiry

8) Tue 19-Dec-2006 103-0151441-2041421  
 Sony Cybershot DSC-N2 10.1MP Digital Camera with [redacted]

7) Wed 20-Dec-2006 103-6625531-0547826  
 Epson Photo Black Ink Cartridge (T054120)

8) 26-Dec-2006 103-1472569-7202253  
 EPST054220 Ink Jet Cartridge for Stylus Photo R800, R1800 Printer, Cyan

9) Fri 26-Jan-2007 103-7125371-8059801  
 The European Union: A Very Short Introduction (Very Short Introductions) 0192853759  
 The Elements of Style, Fourth Edition

10) Wed 31-Jan-2007 103-7096069-3528606  
 14K White Gold Diamond Band 1.40 TCW

11) Mon 12-Feb-2007 103-7125371-8059801  
 Understanding Supreme Court Opinions (4th Edition)

Source: Amazon.com

Tracking number	731746049537	Reference	1170350512
Signed for by	[redacted]	Destination	ATLANTA, GA
Ship date	Feb 22, 2007	Delivered to	Receptionist/Front Desk
Delivery date	Feb 26, 2007 1:01 PM	Service type	Express Saver
		Weight	1.0 lbs.
Status	Delivered		
Signature image available	Yes		

Source: Federal Express

Date/Time	Activity	Location
Feb 26, 2007 1:01 PM	Delivered	ATLANTA, GA
7:08 AM	On FedEx vehicle for delivery	ATLANTA, GA
6:44 AM	At local FedEx facility	ATLANTA, GA
Feb 24, 2007 2:23 AM	At dest sort facility	ATLANTA, GA
Feb 23, 2007 4:57 PM	Departed FedEx location	INDIANAPOLIS, IN
Feb 22, 2007 7:43 PM	Left origin	LOS ANGELES, CA
5:19 PM	Picked up	LOS ANGELES, CA
4:57 PM	Package data transmitted to FedEx	

✘ Cardholder 2 (Perimeter College) – made a total of approximately \$13,600 in suspected fraudulent purchases with the p-card. These purchases included but were not limited to:

⇒ \$4,500 for 16 Visa debit cards purchased from a shopping mall. These cards were used to make car payments through Western Union, to pay electric bills for a personal account and to purchase items such as groceries, women’s clothing, and manicures. Documentation associated with one of the four car payments is shown in Exhibit 7 on the following page.

⇒ \$9,180 for 33 Wal-Mart gift cards. The cardholder did not maintain documentation of who received these gift cards or what was purchased with them. We obtained information from Wal-Mart detailing items purchased with these gift cards and found that they typically included household cleaning supplies, groceries, clothing, and fuel.

The cardholder admitted that she had used gift cards for personal reasons, such as to make a car payment, and that she had secretly repaid the college. It should be noted we did not find a record of her repayment to Perimeter College. She also stated that many gift cards were given to her by her supervisor for various reasons such as holiday and birthday presents as well as for per diem and overtime pay. The cardholder’s supervisor acknowledged that she had allowed the cardholder to retain some of the gift cards for personal use and that she had not received authorization to take such action.

Many of these suspected fraudulent purchases were allowed to occur because the cardholder was never required to submit documentation of what items were bought with gift cards that were purchased for supplies or who received gift cards that were purchased as prizes. For example, as shown in Exhibit 7, the cardholder purchased a \$250 gift card from a local shopping mall owned by Simon Property Group, Inc. and noted on the receipt that the card would be used as a prize for an essay contest. We obtained data detailing items purchased with that gift card from Simon Property Group, Inc. and found, as shown in Exhibit 7, that the gift card was used to make a \$212 transaction with Drive Financial, LP. Drive Financial confirmed that this transaction was for a car payment made by the cardholder.

Exhibit 7: 1<sup>st</sup> Car Payment For Cardholder 2

**SIMON**  
 NORTHLAKE MALL  
 1000 NORTHLAKE MALL  
 ATLANTA, GA 30345  
 (770) 938-3564

PERSONAL GIFT CARD  
 4824-6013301778  
 APPROVED  
 GIFT CARD HNDL FEE 1.50

PERSONAL GIFT CARD  
 4824-6013304588  
 APPROVED  
 GIFT CARD HNDL FEE 1.50

PERSONAL GIFT CARD  
 4824-6013302792  
 APPROVED  
 GIFT CARD HNDL FEE 1.50

SUBTOTAL \$679.50  
 TOTAL \$679.50  
 VISA \$679.50

APPROVED PURCHASE  
 EXPIRY: 08/07 2012  
 AUTH# C35503  
 SEQUENCE NO: 001018300  
 INVOICE #: 3717  
 07/29/05 16:16:42

ITEMS 6  
 07/29/05 17:29:00 4831.02.483102 3717

THANK YOU!  
 NO REFUNDS OF GIFT CARDS  
 CHECK YOUR GIFT CARD BALANCE AT:  
 WWW.SIMONGIFTCARD.COM  
 GIFT CARDS QUESTIONS: 1-888-233-9678

**SIMON PROPERTY GROUP, INC.**  
 Find a Store | Promotions | Simon Giftcards | About Simon | Careers | Simon Biz

My Accounts  
 Order History  
 Terms & Conditions  
 Fee Schedule

**Check your card balance**  
 This card has not been registered  
 Register this card to use it for online purchases.

**Account Information**  
 Balance remaining on card: **\$ 0.00**  
 Card number: XXXX-XXXX-XXXX-4888  
 Expiration date: 02/07/07  
 Status: ACTIVE

**Transaction Details** All days

Transaction Date	Post Date	Transaction Description	Reference	Amount
10/14/2005	10/14/2005	Declined: DRIVE FINANCIAL LP 888-222-4227 US	528702120308	\$-4.64
09/05/2005	09/07/2005	Purchase - Direct Harvesters not elsewhere classified	2461943524904048110557	\$ 2.54
08/04/2005	08/03/2005	FOOT LOCKER # 7619 Purchase - Shoe Stores	521600169733	\$-4.96
08/04/2005	08/03/2005	Declined: WAL-MART SUPER CENTER STORE MONTAUS Purchase - Grocery Stores	521600505153	\$-4.96
08/04/2005	08/11/2005	Reversal: SUPERTARGET STORE Purchase - Grocery Stores	521601372646	\$ 0.82
08/04/2005	08/03/2005	Declined: SUPERTARGET STORE Purchase - Grocery Stores	521603072017	\$-4.99
07/31/2005	08/01/2005	Purchase - Grocery Stores Supermarkets \$4.50	244457152120087862295	\$ 3.81
07/30/2005	08/01/2005	STONECREST MA 01007079 Purchase - Grocery Stores	25164075212931351617240	\$ 25.50
07/29/2005	07/31/2005	HUBBARD # 2627 @ WAL-MART Purchase - Service Stations (with or without Ancillary Services)	2442263521199758732669	\$ 5.48
07/29/2005	08/01/2005	Declined: DRIVE FINANCIAL LP Purchase - Other Direct Harvesters not elsewhere classified	2461943521204086200762	\$ 212.37
07/29/2005	08/06/2005	Declined: DRIVE FINANCIAL LP Purchase - Other Direct Harvesters not elsewhere classified	521002011338	\$- 1.01
07/29/2005	07/29/2005	Declined: DRIVE FINANCIAL LP Purchase - Direct Harvesters not elsewhere classified	521001998017	\$-656.66
07/29/2005	08/06/2005	Reversal: DRIVE FINANCIAL LP Purchase - Other Direct Harvesters not elsewhere classified	521001997920	\$- 1.01
07/29/2005	07/29/2005	Value Load SIMON MALLS A2A	CC00034895A4	\$ 250.00

Call or Center | Simon Guest Services | Investor Relations | Simon Youth Foundation

**Verified with Drive Financial that this was a car payment for an account in the cardholder's name**

Source: Georgia Perimeter College

Source: Simon Property Group, Inc.

- ✘ Cardholder 3 (Perimeter College) – made a total of **\$2,340** in suspected fraudulent purchases with the p-card. These purchases included:
  - ⇒ \$2,000 for four Visa debit cards purchased on one day. That same day, all four cards were used by the cardholder to make car payments. Documentation associated with one of these transactions is shown in **Exhibit 8**.
  - ⇒ \$340 Visa debit card purchased and used by the cardholder to reserve a room at a hotel in Hawaii for a personal vacation. Documentation associated with this transaction is shown in **Exhibit 9**.

This cardholder stated that she bought herself these debit cards as reimbursement for mileage expenses because she did not know how to file for reimbursement using the required employee travel expense statement, even though in previous years she had submitted travel reimbursement forms. She did not maintain documentation supporting the validity of this mileage reimbursement. It should be noted that for the year prior to these transactions, the average reimbursement rate was \$0.465 per mile. At this reimbursement rate, she would have had to have driven over 5,000 miles to have earned the \$2,340 reimbursement. In comparison, a Student Life Director from another Perimeter College campus stated that he drives a maximum of 200 miles per year for business related travel.



**Exhibit 8: Two Car Payments For Cardholder 3**

**Simon Property Group**  
 Find a Store | Promotions | Simon Giftcards | About Simon | Careers | Simon Blz

**Check your card balance**

**Account Information**  
 Buy Now!  
 About Simon Gifts  
 Simon Giftcard  
 Simon Giftaccount  
 Send Thank You eCard

**Check Balance**  
 My Accounts  
 Order History  
 Terms & Conditions  
 Fee Schedule

Name: SIMON BLZ  
 Address: 122008  
 Balance remaining on card: \$ 0.00  
 Expiration date: 12/2008  
 Status: ACTIVE

Transaction Date	Post Date	Transaction Description	Reference	Amount
01/22/2007	01/22/2007	CONDOR CAPITAL CORP Purchase Automobile and Truck Service, Repairs.	24231687023207000517879	\$ 500.00
01/22/2007	01/22/2007	SIMON HALLS RZA Value Load	CC003F175413	\$ 500.00

Source: Simon Property Group, Inc.

**Simon Property Group**  
 Find a Store | Promotions | Simon Giftcards | About Simon | Careers | Simon Blz

**Check your card balance**

**Account Information**  
 Buy Now!  
 About Simon Gifts  
 Simon Giftcard  
 Simon Giftaccount  
 Send Thank You eCard

**Check Balance**  
 My Accounts  
 Order History  
 Terms & Conditions  
 Fee Schedule

Name: SIMON BLZ  
 Address: 122008  
 Balance remaining on card: \$ 0.00  
 Expiration date: 12/2008  
 Status: ACTIVE

Transaction Date	Post Date	Transaction Description	Reference	Amount
01/22/2007	01/22/2007	CONDOR CAPITAL CORP Purchase Automobile and Truck Service, Repairs.	24231687023207000517879	\$ 500.00
01/22/2007	01/22/2007	SIMON HALLS RZA Value Load	CC0063869171	\$ 500.00

Source: Simon Property Group, Inc.

**SIMON PROPERTY GROUP**  
 NORTHLAKE HALL  
 1000 NORTHLAKE HALL  
 ATLANTA, GA 30345  
 770.938.3564

PERSONAL GIFT CARD  
 4793470100171857 approved \$500.00

GIFT CARD HAND FEE \$2.00

CORP SAME DAY 4793470100171857 approved \$500.00

CORP SAME DAY 4793470100171873 approved \$500.00

CORP. HAND. FEE 3H/GC @ 2.00/M/GC \$5.00

SUBTOTAL \$1208.00  
 TOTAL \$1208.00

PURCHASE \$1208.00  
 EXPIRY: 05/28 SWIPE  
 AUTH# 001072  
 SEQUENCE NO: 0010014050  
 INVOICE #: 7661  
 01/22/07 \$3:50:02

Verify With Print  
 No Refunds on GiftCards  
**STORE COPY**  
 ITEMS 5  
 01/22/07 15:03:20 4831 02 483102 7661

Source: Georgia Perimeter College

Exhibit 9: Cardholder 3's Personal Trip to Hawaii

**SIMON**  
PROPERTY GROUP INC.

NORTHLAKE MALL  
1000 NORTHLAKE MALL  
ATLANTA, GA 30345  
770.938.3564

CORP. SAME DAY  
4793470100186343  
approved 340.00

CORP. SAME DAY  
4793470100186350  
approved 100.00

CORP. SAME DAY  
4793470100186375  
approved 50.00

CORP. HNDL FEE  
3H/GC @ 2.00/H/GC 6.00

SUBTOTAL \$496.00  
TOTAL \$496.00  
VISA \$496.00

\*\*\*\*\*1170  
PURCHASE AUTH# 071582  
EXPIRY: 05/09 SHIPPED  
approved  
SEQUENCE NO: 0010014940  
INVOICE #: 8102  
02/07/07 09:39:05

ITEMS 4  
02/07/07 10:52:38 4831 02 483102 8102

THANK YOU  
NO REFUNDS ON GIFTCARDS  
FOR QUESTIONS OR TO CHECK YOUR BALANCE  
VISIT WWW.SIMONGIFTCARD.COM

Simon Gift Home | Promotions | Simon Giftcards | About Simon | Leasing | Development | Property Management | Marketing | Careers

Simon Giftcard | Buy Now! | Account Information | My Accounts | Check Balance | Order History | Terms & Conditions | Fee Schedule

Balance remaining on card: \$ 0.00

Card number: XXXX-XXXX-XXXX-6343

Expiration date: 12/2008

Status: CLOSED

Transaction Date	Post Date	Transaction Description	Reference	Amount
03/16/2007	03/16/2007	AUTOMATED CHARGEBACK ENTERPRISE SYSTEM Clear Negative Balance - Uncollectable Balance	CC0077E23400	\$ 0.54
02/11/2007	02/11/2007	Declined: THE ILIKAI HONOLULU US Purchase - Lodging -Hotels, Motels; Resorts not elsewhere classified	003149046014	\$340.54
02/08/2007	02/08/2007	Declined: THE ILIKAI HONOLULU US Purchase - Lodging -Hotels, Motels; Resorts not elsewhere classified	002147685215	\$340.00
02/08/2007	02/08/2007	Declined: THE ILIKAI HONOLULU US Purchase - Lodging -Hotels, Motels; Resorts not elsewhere classified	003532525674	\$340.00
02/07/2007	02/07/2007	THE ILIKAI Purchase - Lodging -Hotels, Motels; Resorts not elsewhere classified	24707807043700298473339	\$ 340.54
02/07/2007	02/07/2007	SIMON MALLS AZA Value Load	CC00CE0A1225	\$ 340.00

The cardholder stated that she used a gift card to reserve a room at a hotel in Hawaii for a personal trip.

Source: Georgia Perimeter College

Source: Simon Property Group, Inc.

- ✘ Cardholder 4 (Perimeter College) – made a total of approximately \$470 in suspected fraudulent purchases with the p-card. These purchases included:
  - ⇒ \$100 gift certificate to Nordstrom and a \$209.95 gift certificate to Spa Sydell. Documentation associated with these purchases is shown in Exhibits 10-11.
  - ⇒ The cardholder also purchased three necklaces from Red Envelope.com totaling \$162. Documentation associated with this purchase is shown in Exhibit 12.

When questioned about the purchases to Nordstrom and to Spa Sydell, the cardholder admitted that she purchased them for herself. She said that she was instructed by her Student Government Association to buy these gifts using student activity fees. She could not, however, provide proof of such instructions. The cardholder also explained that she purchased the necklaces as Christmas gifts for two of her employees and for herself. She admitted that she had not received specific approval for these purchases.

## Exhibit 10 Cardholder 4: Gift #1

**From:** orders@nordstrom.com  
**Sent:** Wednesday, December 06, 2006 5:02 PM  
**To:** [REDACTED]@gpc.edu  
**Subject:** Your Nordstrom.com Order Request Has Been Received

*Cardholder's E-mail Address*

**NORDSTROM**

To make sure you continue to receive our e-mails in your inbox (not sent to bulk or junk folders), please add orders@nordstrom.com to your address book.

Dear [REDACTED]

*Cardholder's Name*

Thank you for shopping at Nordstrom.com!

We are working to fulfill your order and will update you via e-mail as we process your items. Please note that orders with multiple items may be shipped in separate boxes, with no additional shipping charges.

Your order number is: **94065095**

**Order Summary**

**Order Date:** 12/6/2006 1:54:00 PM  
**Order Number:** 94065095

**Billing Address** [REDACTED]

*Cardholder's Work Address*

**Shipping Method:** Standard Shipping

**Shipping Address** [REDACTED]

Item	Description	Qty	Price	Status
99724	Nordstrom Classic Gift Card design as shown \$100	1	\$100.00	Arrives in 5-8 business days.

**Recipient:** 404-723-5654  
**To:** [REDACTED]  
**From:** SGA  
**Message:** THANK YOU

*Cardholder's Name*

**Helpful Links:**

- [Shipping Methods & Charges](#)
- [Free Exchanges, Easy Returns](#)
- [Customer Service](#)

Order Subtotal \$100.00  
 Estimated Sales Tax \$0.00  
 Shipping Charges \$0.00

Order Total \$100.00  
 Visa # \$100.00

Source: Georgia Perimeter College

## Exhibit 11 Cardholder 4: Gift #2

**From:** support [support@spasydell.com]  
**Sent:** Wednesday, December 06, 2006 4:45 PM  
**To:** [REDACTED]  
**Subject:** Spa Sydell Customer Receipt/Purchase Confirmation

*Cardholder's E-mail Address*

This is a test message header

----- GENERAL INFORMATION -----

Merchant : Spa Sydell  
Date/Time : 06-Dec-2006 04:45:05 PM

===== ORDER INFORMATION =====

Invoice : Sydell-27410  
Description : Gift certificate # CYEALWLA Gift certificate # BMYJS87G Amount : 209.95  
(USD) Payment Method : Visa

==== BILLING INFORMATION ===

Customer ID : 26165  
First Name : [REDACTED]  
Last Name : J [REDACTED]  
Company : [REDACTED]  
Address : [REDACTED]  
City : [REDACTED]  
State/Province : GA  
Zip/Postal Code : 30012  
Country : US  
Phone : 770-278-1339  
Fax : [REDACTED]  
E-Mail : [REDACTED]@gpc.edu

*Cardholder's Name and Work Address*

==== SHIPPING INFORMATION ===

First Name : [REDACTED]  
Last Name : [REDACTED]  
Company : [REDACTED]  
Address : [REDACTED]  
City : [REDACTED]  
State/Province : GA  
Zip/Postal Code : 30012  
Country : US

**Note:**

The cardholder admitted during an interview with the audit team that she purchased this gift certificate for herself.

Source: Georgia Perimeter College

### Exhibit 12 Cardholder 4: Gift #3

**From:** orders@redenvelope.com  
**Sent:** Thursday, December 07, 2006 4:05 PM  
**To:** [REDACTED]@gpc.edu  
**Subject:** RedEnvelope Order No. B5256932

*Cardholder's E-mail Address*



Dear [REDACTED] *Cardholder's Name*

Thank you for ordering with RedEnvelope - we appreciate your business. Your order number appears in the subject line of this email. Since we process your order as quickly as possible, we are unable to modify or cancel your order once it is received in our system.

You'll receive a second email from us when your order has shipped and a final email when it arrives at its destination. For your records, we've included a description of your order below. If you would like to track your order, just click <http://www.redenvelope.com/login> and enter your email address and password. You may also track your order by calling Customer Service at 1-877-733-3683.

Order Summary  
\*\*\*\*\*

Ship To:  
[REDACTED]

*Cardholder's Name and Work Address*

guidance necklace  
Qty: 3  
Price: \$36.00  
Total: \$108.00

wish ornament - silver  
Qty: 3  
Price: \$18.00  
Total: \$54.00

Pricing Summary  
\*\*\*\*\*  
Subtotal: \$162.00  
Sales Tax: \$0.00  
Shipping: \$0.00  
Surcharge: \$0.00  
Order Total: \$162.00

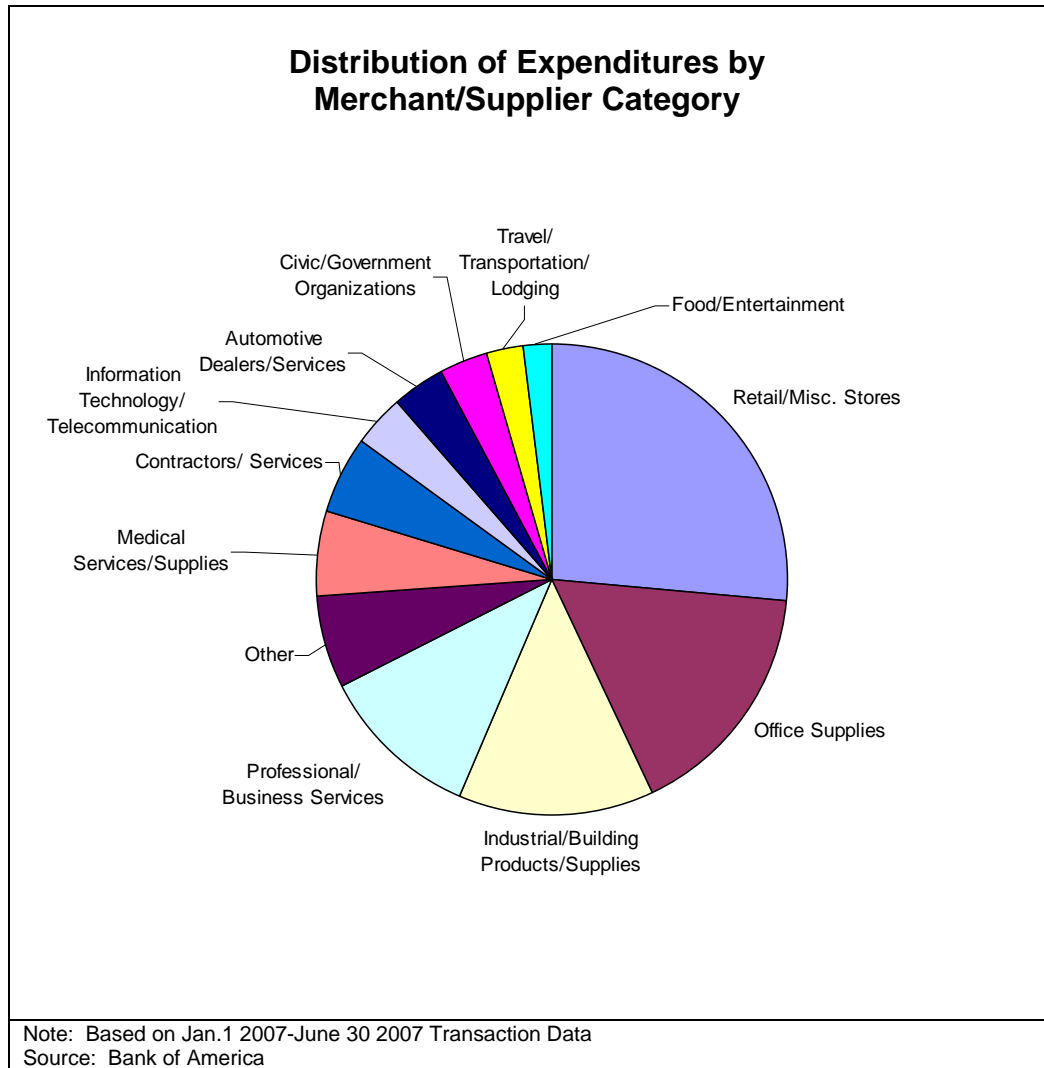
**Note:**  
The cardholder admitted during an interview that she purchased these necklaces and ornaments as Christmas presents for herself and two of her employees.

Source: Georgia Perimeter College

**Improper purchases** – are those purchases intended for government use, but not for a purpose that is permitted by law, regulation, or agency policy.

- ✘ A Student Life Director of a Perimeter College campus stated that she gave Visa debit cards to two employees to pay them for overtime. This practice appears to violate the Federal Fair Labor Standards Act.
- ✘ A Perimeter College cardholder employed in Custodial Operations purchased a \$1,000 gift card from Wal-Mart on 11/15/2006. During the following two days, the gift card was used to purchase \$981 in supplies and food from Sam's Club for what appears to be a large party. While this party could have been for college employees, Perimeter College purchasing card policies prohibit the purchase of entertainment and food. It is also notable that the cardholder's monthly purchasing package only included the receipt from Wal-Mart where the \$1,000 gift card was purchased. It did not include details of what was purchased with the gift card.

## Appendix: Miscellaneous Statistics





**Top 10 Vendors  
Fiscal Year 2007 Purchase Card Transactions**

Vendor	Vendor Description	Total Purchases	# of Transactions	Avg Transaction
Office Depot	Office supplies	\$22,257,897	133,679	\$167
Dell Computers	Information technology	\$5,774,370	6,881	\$839
WW Grainger	Facility supplies	\$4,125,778	18,442	\$224
Fisher Scientific	Scientific supplies	\$3,793,419	16,141	\$235
GA Correctional Ind	Office items	\$3,641,431	7,125	\$511
CDW	Information technology	\$2,528,611	5,453	\$464
VWR Scientific	Scientific equipment	\$2,256,361	15,082	\$150
Wal-Mart	Discount retailer	\$2,221,507	31,766	\$ 70
Lowe's	Building supplies	\$2,054,895	20,093	\$102
The Home Depot	Building supplies	\$1,886,530	17,928	\$105

Note: The amounts have been rounded.

Source: Bank of America

**Top 10 State Agencies  
Fiscal Year 2006 Purchase Card Transactions**

Vendor	Total Purchases	# of Transactions	Avg Transaction
Georgia Tech	\$42,147,987	146,338	\$288
University of Georgia	\$29,733,744	113,910	\$261
Dept. of Corrections	\$18,101,641	69,387	\$261
Dept. of Transportation	\$15,354,998	89,315	\$172
GA State University	\$10,719,283	44,680	\$240
Kennesaw State University	\$9,179,859	26,520	\$346
Medical College of GA	\$8,588,024	48,747	\$176
Dept. Natural Resources	\$8,232,896	46,274	\$178
GA Southern University	\$6,981,825	30,361	\$230
Dept. of Human Resources	\$5,353,055	24,143	\$222

Note: The amounts have been rounded.

Source: Bank of America

**Top 10 State Agencies  
Fiscal Year 2007 Active Cards**

Vendor	Total # Cards
GA Inst. of Technology	2,125
University of Georgia	1,830
Dept. of Transportation	1,156
Dept. of Natural Resources	940
GA State University	887
Dept. of Corrections	796
Medical College of GA	693
GA Southern University	451
GA Bureau of Investigation	435
Kennesaw State University	428

Source: Bank of America

## Entity Responses

In general, the entities that reviewed the report agreed with the recommendations for internal controls to ensure proper utilization of purchasing cards and to minimize opportunities for fraud and abuse.

*Ga Tech did state that the report, focused on several state agencies, generalizes deficiencies and does not reflect the full controls picture at Ga Tech.*

### **Inadequate policies and procedures governing the use of p-cards**

*DOAS – The current “Procurement Card Program Guide” maintained on our web does only provide broad guidance to state agencies. DOAS has drafted a new Purchasing Card Program Policy and a Purchasing Card Program User and Administrative Guide. Although still in draft form, we believe these policies and guidelines will be in sufficient detail to lay the necessary foundation for good business practice and adequate controls when followed by the responsible entity. A focus of these documents is to clearly delineate requirements for managing such a program. Our plan is to introduce our revised and comprehensive policies and guidelines sometime this fall and request that the Department of Audits and Accounts review and comment on the draft documents. We expect to make those available to you no later than November 1, 2007.*

*Ga Tech – The Institute will add a matrix of roles and responsibilities in our policy revisions to better assist unit heads in determining appropriate oversight individuals.*

### **Inadequate training provided to users of the p-card**

*DOAS – The Professional Development unit of the State Purchasing Division will assist in the development and delivery of training opportunities for cardholders to ensure Program understanding. The in-depth subject matter will address cardholder responsibilities, compliance issues, and accountability.*

*DPS – The Department provides formal training to all supervisors which includes p-card users and approving officials. However, since the Department’s cards are issued to a location at this time instead of a distinct person, the Department recognizes the need to revise the training and issuance of cards.*

*Forestry Commission – We acknowledge that this is an issue that needs to be addressed and steps will be taken to address the training needs of all users by the end of the 3<sup>rd</sup> quarter of fiscal year 2008 and will provide refresher training as needed on a quarterly basis. These training requirements will be added to our purchasing card policy,*

*Georgia Perimeter College – The corrective actions include implementation of formal training for cardholders. The new training program will include mandatory face-to-face training for all cardholders; p-cards will not be issued until training is complete. Annual refresher training for cardholders will be included in the new program. All current cardholders will be required to attend this training.*

*Ga Tech – To enhance our training Georgia Tech will add the requirement of “recertification” of p-card holders annually. Users will lose cardholder privileges if not recertified within 45 days of the anniversary of card issuance.*

### **Inadequate training of p-card approving officials**

*DOAS – The Professional Development unit of the State Purchasing Division (SPD) will assist in the development and delivery of training opportunities for Purchasing Card Program Administrators/Coordinators and authorities to ensure Program understanding. We will launch phase I of this training program in November, 2007. Additional attention will be given to ensuring that management authorities understand the purpose and requirements of a p-card program.*

*Forestry Commission – We acknowledge that this is an agency issue that needs to be addressed and steps will be taken to address the training needs of all approving officials. These training requirements will be added to our Purchasing Card Policy.*

*Georgia Perimeter College – Approving officials will be required to attend specialized training.*

*Ga Tech – Training is required to be a p-card approver. In the first bullet under this observation, the p-card coordinator was trained but through negligence had not appropriately accomplished the duties assigned, and as a consequence, is no longer employed by the Institute. However, The Institute will enhance our p-card coordinator training with an awareness and education campaign.*

### **P-cards issued to persons with little or no need for the cards**

*DOAS - In our draft policy, entities are responsible for selecting quality cardholders with a defined need for using a purchasing card. In addition, the need and usage will be routinely reviewed by SPD.*

*DPS – The Department has recently changed its review of p-cards to an electronic system noted in the draft audit as “Works”. This has allowed the Department to have better oversight of the use of the cards. This new oversight combined with the new issuance of cards directly to card users will allow the Department to provide the proper oversight on the issuance of p-cards as recommended in the audit for all agencies.*

*DHR – In many areas of DHR which operate critical programs, primary and secondary cardholders are both designated. In many of those cases, the secondary cardholder may have little or no usage of their card, but the risk of being unprepared to make necessary purchases is unacceptable. By October 15, 2007, we have committed to requiring the Divisions/Offices with seldom or unused cards to justify the needs for those cards in writing or to return the cards.*

*Forestry Commission – The agency concurs that this is an issue and has already identified card holders that will be deactivated because of infrequent usage. Preliminary numbers are that 30 cards will be cancelled.*

*Georgia Perimeter College – Formerly, Georgia Perimeter College issued a purchasing card to any employee whose Department/Budget Manager authorized the request. Starting immediately, GPC will be selective in issuing cards. Every request for a purchasing card will be reviewed prior to and*

after issuance to determine the need for a card. The Director of College Services has identified 30 cards with little or no activity; these cards will be cancelled.

Ga Tech – This finding appears based on a perspective that entitlement to possession of a p-card is based solely on the volume of expenditures for the organization. P-cards are often issued based on the business and funding needs to facilitate appropriate cost attribution. Georgia Tech does agree that it is always a good practice to review the business need of a p-card holder; therefore, we are in the process of reviewing who cards are issued to and the continuing business need for that person to have a p-card.

### **P-cards not issued to/used by specific individuals**

DOAS – Our draft Policy states purchasing cards are only issued to state employees only. Cards may not be issued to “departments, divisions, colleges or units without prior written approval from the entities management and approval by the State Purchasing Card Program Manager.”

DPS – In the near future, the Department intends to change its issuance policy and issue cards directly to the individuals which most utilize the card on a daily basis.

DHR – The individuals letting others use their p-card will be written a letter of reprimand from the DHR Purchasing Manager. It will state that any further occurrence will result in their card being suspended.

Ga Tech – At Georgia Tech all p-cards are issued to individuals and the use of the card as a “departmental” or checkout card is prohibited. We realize that in an organization with thousands of p-card users some occasional “sharing”, while not condoned, may happen. When the Institute observes this behavior we do take action to reiterate the policy and accepted use practices of the p-card. If non-compliance to policy continues, the card is revoked.

### **P-card approving officials have an excessive number of p-cards to review**

DOAS - Due to the inability to apply equal number of transactions, dollar volume and identical job responsibilities to those participating, we are unable to mandate a specific number of cardholders to approvers. Just as DOAS can't dictate to agencies their span of management for agency managers, neither can we dictate the number of p-cards an approving manager should be managing. We can, however, recommend best practices and actively encourage state entities to review responsibilities assigned on an annual basis to ensure adequate resources are used.

Forestry Commission – We do not recognize this as a problem as present supervisors can adequately review and audit all purchases made by the personnel under their supervision with available administrative assistance. Usage rates per individual card holder are not great and therefore the number of purchases that must be reviewed are reasonable. In addition, there are supervisory personnel limitations and constraints that have to be considered.

### **Inappropriate persons designated as p-card approving officials**

DOAS – Our draft policy states that no cardholder shall be his or her own reviewer/approver.

*Sufficient internal controls must be established and implemented to ensure that a knowledgeable individual such as a direct supervisor or delegated authority reviews the statement, receipts and reconciliation documents.*

*DPS – In the future, the administrative staff or other distinct employee as appropriate will be the direct cardholder and the Post Commander or Supervisor of the location will be the p-card approving official. This change will provide for the knowledge of daily expenditures that is recommended in the audit.*

*Georgia Perimeter College – No cardholder will be responsible for approving his or her own purchases. A matrix of purchasing card approving officials has been developed; it reflects authorized individuals that are in a position of authority over the cardholder.*

### **Poor record-keeping of property purchased with p-cards**

*DOAS – Our policy states that controlled property is required to be recorded in capital asset inventories. We define controlled property or non-consumable property as single items costing more than \$1,000 for state agencies and \$3,000 for colleges and universities. Additionally, we state property that is valued less than controlled property but is easily stolen, such as laptop computers and digital cameras, should be included in property records to ensure financial control over these assets and to deter theft or improper use of government property.*

*DHR – Although DHR policies prohibit p-cards from being used to purchase equipment costing more than \$1,000, a \$1,700 china cabinet and other furniture items were purchased with a p-card for use in a DHR group home. We have identified the items that were purchased for that facility and have requested the information needed to add the items to our inventory. We agree that the purchase may have been excessive. It appears that the person who made the purchases exercised flawed judgment related to quality needs versus cost decisions in this case. We are currently researching this incident and will determine if disciplinary action or retraining of staff are needed.*

*Ga Tech – It is important to recognize that the State audit did not evaluate the inventory controls of any unit. The Institute recognizes that the cost of detailed record keeping for items purchased on a p-card or by any process must be cost beneficial compared to the value of the item. At the same time we recognize the “desirable” nature of items such as cameras, notebook computers, etc. GT policy will be revised to better emphasize that units are to maintain proper management oversight of such items.*

### **Lack of documentation/inadequate documentation of purchases**

*DOAS – In our draft policy and in our training, we state each entity is required to establish reconciliation procedures to include adequate review and approval and appropriate record retention.*

*Georgia Perimeter College – Original receipts are required for all purchases. These receipts must be reviewed by the cardholder’s approver. Failure to send receipts for one month will result in the p-card account being suspended until all receipts are delivered to Logistical Services, and the account is properly reconciled. We have resolved the lack of documentation associated with gift cards by strictly prohibiting the purchase of gift cards for any reason, from any fund code, and/or by any method of payment.*

*Ga Tech – The Institute’s senior financial leadership has begun the development of a compliance system to report timely reconciliation that will result in positive action. The implementation of this system will allow a card to be suspended within 45 days if proper reconciliation is not performed or if accountable documentation is unavailable.*

### **Inadequate supervisory review of purchases**

*DOAS – In our draft policy and in our training, we state that appropriate review of purchases and the review process must include matching receipts to transactions and identifying the purpose of the charges.*

*DHR – Our policy is being reviewed and rewritten to incorporate a new section stressing approver’s responsibilities. We are having each cardholder fill out a new card application which will include the approving authority name as well as a sample signature. A database will be maintained and, as part of the payment process, this information will be audited. We will notify all approving authorities of the appropriate procedures by no later than October 15, 2007.*

*Georgia Perimeter College – Some of the most significant changes to the Purchasing Card Manual include: (1) closer management review and accountability for all purchases, and (2) mandatory departmental reporting requirements. Original receipts, reviewed and signed by the Group Owner, will be required for purchases.*

*Ga Tech – The Institute is exploring the operational and financial overhead consequences of changing from a negative confirmation to a positive confirmation control system. Currently, if no action is taken (approval) a charge will pass through the Bank of America system and posts to our general ledger. A positive confirmation system could automatically stop card usage if positive confirmation is not received within a specified time frame set by the Institute.*

### **Fraudulent Purchases**

*Cardholder 1 (Ga Tech) – The State’s audit identified a specific situation in which an individual, with criminal intent, had devised methods to take advantage of a human element in the control structure. Neither the individual who committed the malfeasance nor the individual who provided oversight are still employed at the Institute. Other staff and faculty members have received disciplinary action as appropriate.*

*Cardholder 2 (Georgia Perimeter College) – This employee was placed on administrative leave during the investigations and subsequently resigned from the College in June 2007.*

*Cardholder 3 (Georgia Perimeter College) – This employee was serving in an interim position and was placed on administrative leave during the investigations. The employee was reassigned to a different position and has returned to work. This employee is not eligible for a purchasing card at GPC.*

*Cardholder 4 (Georgia Perimeter College) – This individual was placed on administrative leave during the investigation. She ultimately resigned from the College in June, 2007.*

### **Improper Purchases**

*Georgia Perimeter College – The Director of Student Life that purchased gift cards for overtime was placed on administrative leave during the investigation. In an interview she admitted to instructing her employees not to add overtime hours to their timesheets because of overtime budget constraints; instead she bought gift cards “in appreciation” when events lasted longer than normal work hours. This employee resigned August 2007.*

*The Custodial Operations purchase for \$1,000 made via the p-card was for an institutional departmental function. The charge has been corrected and moved to the Foundation Account.*

For additional information or for copies of this report call 404-657-5220 or see our website:  
[http://www.audits.state.ga.us/internet/pao/rpt\\_main.html](http://www.audits.state.ga.us/internet/pao/rpt_main.html)