



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Purchase Card Program Audit
June 3, 2025

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INTRODUCTION

The Office of the County Auditor performed an audit of Fulton County's Purchase Card (P-Card) program in accordance with the County Auditor's 2024 audit plan. The Purchase Card audit is an annual, mandated audit. Fulton County's Purchase Card program is under the purview of the Department of Purchasing and Contract Compliance.

BACKGROUND

The P-Card program is an innovative method the County has undertaken to acquire goods and services and to streamline the procurement process to allow the User Departments to procure goods and services under \$2,500.00 in an efficient and timely manner. The P-Card program is managed by Bank of America and administered by the County. The Department of Purchasing and Contract Compliance is responsible for program compliance, policy development and implementation, auditing, and training of County personnel. Department Heads and Liaisons hold the responsibility of ensuring Cardholders adhere to the program's policies and procedures, as well as reviewing and approving transactions and compiling monthly reconciliations. The cardholder is the designated person within the User Department to conduct transactions on the Department's behalf. In addition, it is also the Cardholder's responsibility to retain invoices and itemized receipts for all spending. Every Department Head, Liaison, and Cardholder has the responsibility to review, reconcile, and submit the appropriate documents and signatures by the established due date to the Department of Purchasing and Contract Compliance for processing and payment.

The primary benefits of the P-Card are:

- Accepted by any supplier who accepts Visa;
- Faster purchase and receipt of goods;
- Reduction in transaction costs associated with processing purchase orders;
- Increased information about purchasing transactions and tracking of expenses;
- Improved supplier relations;
- Customer empowerment;
- Ability to take advantage of supplier discounts; and
- Ability to redirect purchasing staff to more value-added activities.

Fulton County Board of Commissioners adopted Fulton County Code § 102-383 in accordance with Georgia General Assembly HB 192 and O.C.G.A. § 36-80-24 to govern the issuance of purchasing credit cards to constitutional officers and elected officials. The Fulton County Purchasing Code 102-383 (Small Purchases) and the Purchasing Card Manual must be adhered to by all user departments. The P-Card is the property of the County, and any failure to comply can

result in suspension from the P-Card program. In 2023, there were thirty-nine (39) user departments/divisions assigned purchasing cards, and 104 purchase credit cards utilized for departmental needs and specific job functions relevant to procurement. The County spent a little over \$3.6 million on purchase card transactions.

OBJECTIVE

The objective of the audit was to evaluate the operating effectiveness of the Purchase Card program and determine whether internal controls are operating efficiently and effectively.

SCOPE

The scope of this audit was from January 1, 2023 – December 31, 2023.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). 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.

To achieve our audit objectives, we performed the following audit procedures:

- Conducted interviews of key staff from the Department of Purchasing and Contract Compliance, as well as the Department of Finance, to discuss any updates and concerns involving the processes and procedures related to the purchase credit card;
- Reviewed the updated Purchasing Card Manual;
- Reviewed the Georgia General Assembly House Bill 192 (Committee Substitute)(AM), Fulton County adopted and approved Resolution 13-0052, Fulton County Code § 102-838, and O.C.G.A. § 36-80-24 for constitutional officers and elected county officials who select to obtain a county issued purchase credit card;
- Requested and reviewed pertinent documentation of department purchase cardholders, liaisons, and other associated files, records, and data;
- Selected a sample from the top three (3) departments with the highest amount of spending during 2023 to test the effectiveness of the internal controls; and
- Analyzed and observed 154 reconciliations that included invoices, receipts, and other supporting documentation for each sampled transaction.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Inadequate Record Keeping

Pursuant to the Purchasing Card manual, monthly reconciliations are to be completed and emailed to the Department of Purchasing and Contract Compliance by the due date stated on the annual P-Card Reconciliation Delivery Schedule. The Purchase Card Program Administrator must submit all user department monthly reconciliations to the Department of Finance for final review and payment by the 12th of the month following the closing of the billing cycle. Of the 154 monthly reconciliations reviewed, two (2) monthly reconciliations were not provided during the testing of our sample. The Department of Purchasing and Contract Compliance later provided one (1) of the two (2) missing reconciliations; the other reconciliation was not completed due to the termination of the cardholder, which occurred as a result of performance issues with the P-Card reconciliations and responsibilities. Failure to retrieve and maintain monthly reconciliations hinders the verification of allowable transactions, may lead to unauthorized purchases, and may put the County at risk for making purchases that do not align with departmental needs.

Recommendation

We recommend the Department of Finance and the Department of Purchasing and Contract Compliance utilize all avenues to ensure documents are properly stored and accessible when needed. Additionally, we recommend conducting quality reviews to ensure all documents have been received and are available for review.

Finding 2 – Payment of Sales Tax

Cardholders are required to attend annual training to stay up to date on policy changes and any other updates within the Purchasing Card Manual. According to the policy, the County is exempt from sales tax, and it is the cardholder's responsibility to ensure sales tax is not charged on any transaction at the point of sale. During the audit, we found thirteen (13) monthly reconciliations with numerous invoices that included sales tax charges. The sales tax charges occurred due to the department switching vendors and placing orders before the Sales Tax Exemption (ST-5) Form was approved and submitted to the vendor. The user department did receive some credit back on the P-Card for the sales tax charged on these purchases. The payment of sales tax on the P-

Card is not only prohibited under State Law, but it is a violation of the Purchasing Card policies and procedures, and puts the County at risk for inaccurate financial reporting.

Recommendation

We recommend the Department of Purchasing and Contract Compliance reiterate the sales tax exemption policy periodically through training questionnaires or short videos throughout the year and ensure cardholders submit the Sales Tax Exemption (ST-5) Form to vendors before conducting transactions on the County's behalf. We also recommend that cardholders update their Sales Tax Exemption (ST-5) forms with vendors every 3 years.

Finding 3 – Split Purchases

According to the Purchasing Card Manual, the Purchase Card Program Administrator is responsible for ensuring that cardholders and liaisons follow internal controls set forth in the policy and procedures to prevent misuse and abuse of the purchase credit card. The policy also states that Cardholders shall never split charges to circumvent the single purchase limit of \$2,499.99. During the audit, we found two (2) monthly reconciliations that included split payment purchases. During each of these instances, the vendors sent separate invoices, either with multiple invoices on the same day or two invoices with the same invoice number and due date that were paid by the cardholder. In addition to violating the Purchasing Card policies and procedures, split purchases circumvent the purchasing and procurement process and may cause fraud to go undetected.

Recommendation

Despite the Department of Purchasing and Contract Compliance noting these violations and issuing a Non-Compliance of Purchasing Card Policy Memorandum to the Department Head notifying them of the violation, some cardholders violated the policy more than once. We recommend implementing a mechanism to periodically remind Cardholders, Liaisons, and Department Heads of key policy guidelines and prohibited transactions throughout the year.

Finding 4 – Unauthorized Purchases

The Purchasing Card Manual states that the P-Card can be used for purchasing supplies, materials, equipment, and services; however, some goods and services cannot be purchased with the P-Card. The Purchasing Card Manual lists some of these items under "Authorized" and "Unauthorized" purchases. Our audit revealed one cardholder submitted three (3) monthly reconciliations that contained unauthorized purchases. Purchasing noted, of the three (3)

purchases, one (1) purchase exceeded the equipment rental threshold for P-Cards and should have been paid through a purchase order request. The second purchase was for investigative services, which are considered professional services and must be acquired through a requisition. Lastly, the third purchase was for training materials mistakenly purchased with the P-Card instead of the County's Travel Card. The Department of Purchasing and Contract Compliance issued a Non-Compliance of Purchasing Card Policy Memorandum to the Department Head in response to these items; however, the violation occurred back-to-back. Unauthorized purchases violate the Purchasing Card Policies and Procedures, increase the risk of fraud, and may lead to financial losses.

Recommendation

Although the Department of Purchasing and Contract Compliance issued Non-Compliance of Purchasing Card Policy memoranda to the Department Head, prohibited purchases should not be paid on the P-Card. We recommend that the Department of Purchasing and Contract Compliance continue to enforce Purchase Card policies and procedures and inquire with Bank of America to incorporate a control to block unauthorized transactions.

Finding 5 – Failure to Obtain Required Signatures for Reconciliation Reports

In accordance with the Purchasing Card Manual, all submitted monthly reconciliations must be signed by Cardholders, Liaisons, Department Heads, the Purchase Card Program Administrator, and the Processor in the Department of Finance. These signatures confirm that all monthly reconciliations have been properly reviewed and approved. Our audit identified two (2) monthly reconciliations with missing signatures; one monthly reconciliation was missing the Cardholder's signature, and the other reconciliation was missing the Purchase Card Liaison's signature. Missing signatures typically occur when a representative is not physically in the office on the day monthly reconciliations are distributed, before submitting to the Department of Purchasing and Contract Compliance. Submitting monthly reconciliations without the appropriate signatures can disrupt the review and approval process outlined in the Purchasing Card Manual, decrease the efficiency of internal controls, and increase the risk of unauthorized and unallowable purchases.

Recommendation

We recommend the Department of Purchasing and Contract Compliance instruct departments to provide a brief explanation in the comment section of the P-Card Report Checklist when the representative is not present to sign on their respective signature line or allow for electronic signatures by way of DocuSign or other approved methods.

Finding 6 – Untimely Payment of Invoices

Best practices suggest that vendor invoices be paid within thirty (30) days of the date listed on the invoice. Additionally, it is the responsibility of the cardholder to ensure invoices are paid timely, to maintain good financial relationships with vendors. We identified seven (7) monthly reconciliations that included multiple past due invoices. These invoices were outstanding for more than thirty (30) days, with some up to 234 days past due. Untimely payment of invoices may cause departments and the County to incur additional costs that may exceed annual budget expenses. Furthermore, frequent late payments may damage vendor relationships and the County's reputation.

Recommendation

We recommend that the Department of Purchasing and Contract Compliance continue to stress the significance of prompt payment on vendor invoices and highlight best practices in the purchasing process.

CONCLUSION

Our audit of the Purchase Card program revealed six (6) findings. The following findings are listed below:

- Inadequate Record Keeping
- Payment of Sales Tax
- Split Purchases
- Unauthorized Purchases
- Failure to Obtain Required Signatures for Reconciliation Reports
- Untimely Payment of Invoices

Based on our review of the Purchase Card Program audit we concluded that the Department of Purchasing and Contract Compliance, along with the Accounts Payable division of the Department of Finance, is consistently advancing, enhancing, and refining internal controls through established policies and procedures. We advise management to persist in their efforts to deliver an efficient and effective purchase credit card program for all departments and users, including both elected and appointed government officials who use the P-Card to perform business activities on behalf of Fulton County Government.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted to Shauna Herbert, Audit Manager, in the Office of the County Auditor at

Shauna.Herbert@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.