

City of Syracuse
Purchase Card Program
Audit Report



Submitted to:
Mayor Ben Walsh
Syracuse Common Council
May 26, 2020

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City of Syracuse Auditor

Audit of City of Syracuse Purchase Card Program
Fiscal Years 2017 - 2020
July 1, 2016 to November 30, 2019

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To the: Honorable Benjamin R. Walsh
Members of the Common Council
City of Syracuse, New York

The Office of the City Auditor is responsible for reviewing the activities of all the Departments of the City of Syracuse in accordance with the generally accepted government auditing standards, issued by the Comptroller General of the United States and Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. The standards require that we assess risk in determining the subject matter for audit.

These standards necessitate that the audit process is planned and performed to attain a reasonable foundation for the judgments and conclusions regarding the function under examination. Additionally, an audit includes an assessment of applicable internal controls and compliance with requirements of law and regulations when necessary to satisfy audit objectives.

Such reviews are authorized by Section 5-501(4) of the City of Syracuse Charter.

In March, 2020, the Office of the City Auditor began a performance audit of the City of Syracuse Purchase Card Program. We conducted an extensive analysis of the program from its inception and authorization by the Common Council of the City of Syracuse through of the utilization of a program that was purportedly designed to make available a new buying tool that would provide Departments with an alternative to the then existing paperwork intense procurement processes and provide a streamlined method of purchasing small dollar item.

Performance audits entail an objective and systemic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus on best practices. Performance audits provide information to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action and improve public accountability.

Performance audits encompass a wide variety of objectives including objectives related to assessing program effectiveness and results, efficiency of internal controls (program, financial and compliance) and compliance with legal or other requirements. Performance audits may entail a broad or narrow scope of work and apply a variety of methodologies, involve various levels of analysis, research or evaluation, generally resulting in the issuance of a report.

This report is intended solely for the information of the Mayor, the Common Council and the involved Departments of the City of Syracuse, New York, yet it is understood to be a matter of public record and its distribution is not limited. Further information regarding this audit is available at the City of Syracuse's Office of the City Auditor upon request. The City Auditor would like to thank the City Departments who assisted and cooperated with this office during the period of the audit.

Introduction

On March 2, 2020, the Office of the City Auditor began a performance audit of the City of Syracuse Purchase Card Program. The audit covered the period from July 1, 2016 through November 30, 2019. Prior to initiating the review of the City's Purchase Card Program, dialogue between the Administration and the City Auditor took place regarding the need for several areas to be subject matter for risk assessment. The Purchase Card Program was one of several programs mutually deemed to be due a thorough analysis, thus the audit was initiated.

The City of Syracuse Purchase Card Program was authorized by the Common Council of the City of Syracuse on August 26, 2013, with the passage of General Ordinance Number 37-2013, which amended Chapter 2 of the Revised General Ordinances of the City of Syracuse, as amended, to add a new Article 16.

The stated purpose of the new program is to provide Departments with "a streamlined method of making available a new buying tool that would be an extremely efficient and effective method of acquiring and paying for goods and services costing \$1,000 or less, thereby reducing the volume of individual payments processed by the City to suppliers." At the same time, the authorizing legislation provided very specific attributes related to the administration of the program to safeguard the program against misuse and/or mismanagement.

The program was established with the utilization of a MasterCard Purchase Card which obligates the City to make payment for goods and services received unless there is a dispute. The Department of Finance is billed for all purchases made during the billing period, and acts as the oversight Department tasked with allocating back to individual Department accounts the purchases made using the Department's card(s).

The above-noted legislation also stipulates that the internal auditor will perform periodic audits to ascertain that: individuals participating in the program adhere to proper policies and procedures; that the purchase cards issued to City employees are used for authorized purchase related only to City business; the City is not being charged sales tax for goods and services received, and; proper documentation is maintained to support Purchase Card administration and transactions.

Background, Policies and Procedures

When were Purchase Cards established?

August 26, 2013 the City of Syracuse Common Council adopted the City Ordinance entitled *City of Syracuse Purchase Card Program*. (Gen. Ord. No. 37-2013, App. A, 8-26-13)

There are two divisions of the Purchase Card program:

- Syracuse City School District
- City of Syracuse Purchase Card Program

The purchase card is a new buying tool, which offers an alternative to the existing purchasing processes. The purchase card is a MasterCard Purchase Card, which provides an extremely efficient and effective method of acquiring and paying for goods and services costing one thousand dollars or less, unless a higher amount is authorized by the Commissioner of Finance. The maximum number of authorized cards is fifteen (15).

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-71)

The intent of the Purchase Card Program is to provide Departments with a streamlined method of purchasing small dollar items, thereby reducing the volume of individual payments processed by the city to suppliers.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-72)

Use of the Purchase Card will obligate the city to make payment for the goods and services received unless there is a dispute. The Department of Finance will be billed for all purchases made during the billing period. The Department of Finance will allocate back to individual Department accounts for purchases made using that Department's Purchase Card.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-72)

The following items are NOT to be purchased with the Purchase Card:

- Alcoholic beverages
- Cash advances
- Firearms
- Insurance
- Professional services
- Utilities
- Any items for personal use
- City contract items
- Tobacco products
- Flowers/plants
- Association dues/memberships
- Temporary help
- Travel and travel related expenses including gasoline
- Capital items
- Lottery tickets
- Wrapping paper/note cards/gift cards

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-76)

Restricted Vendor Categories

Certain categories of vendors have been restricted and the purchase card will not be accepted at the merchant's check-out. These categories relate to the list of restricted purchases above, but the restriction is not absolute. Purchase Cardholders are responsible to ensure purchases are appropriate and necessary for City purposes.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-77)

Department Purchase Card Coordinator

All eligible Departments must appoint a Department Purchase Card Coordinator.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-75)

Purchase Cardholders will forward monthly credit card statement and all supporting documentation to the Department Purchase Card Coordinator of the respective Departments.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80)

Travel and travel related expenses with *pre-approved travel request authorizations are acceptable*. Exceptions to the restrictions above may be provided on an individual basis. Exceptions are subject to pre-approval by the Commissioner of Finance. Questions relating to restricted purchases should be forwarded to the Commissioner of Finance prior to a purchase.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-76)

Statement Reconciliation

The Departments Purchase Card Coordinator will prepare one monthly statement coversheet for all Purchase Card purchases under their authority, clearly identifying all funding sources and amounts. This includes any disputed or problem transactions. The total on this statement coversheet should equal the total of all the Purchase Cardholder's statements. The Department of Finance will provide a statement coversheet template.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80)

The statement coversheet must be submitted to the secretary of the Commissioner of Finance by the 10th of each month along with all original credit card statements and receipts. If the 10th is on a weekend, the statement coversheet must be submitted the Friday before the 10th. Purchase Card Coordinators should not remit payment direct to the Bank.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80)

The following situations are examples of "misuse" of the Purchase Card:

- Using the purchase card for personal purchases
- Using the purchase card for purchases which solely benefit the cardholder
- Use of the purchase card by a suspended or terminated employee
- Assignment or transfer of an individual purchase card to an unauthorized individual
- Lack of proper and timely reconciliation of Purchase Cardholder statement
- Insufficient or lack of supporting documentation
- Untimely submission of statement coversheet and the bank statement

- Using the purchase card in direct violation of set policies and procedures including use of purchase card prior to official training
- Attempting to evade the one thousand dollars (\$1,000.00) transaction limit by splitting the purchase into several transactions

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-82)

Misuse of the Purchase Card will be handled promptly and uniformly for all cardholders. The Department Purchase Card Coordinator will notify the Commissioner of Finance of any misuse. This notification must be in writing and include any documentation supporting the claim. Consequences of misuse of the Purchase Card will range from cancellation to disciplinary proceedings in accordance with City work rules.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-83)

Sales Tax Exemption.

The City Purchase Cards will include the City Federal ID number to allow the merchant to not charge sales tax. The Purchase Cardholder must inform the merchant at the time of sale that the purchase is tax exempt. Questions about sales tax exemption may be forwarded to the Department of Finance. If required, the Department of Finance will provide a sales tax exemption certificate to the merchant prior to the sale. The Purchase Cardholder will be responsible for any Sales Taxes paid.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-78)

Cancellation of Cards

Purchase Cards may be canceled when personnel change, are reassigned or leave employment. The Commissioner of Finance may cancel a Purchase Cardholder's account for any valid reason. To cancel a card, cut the card in half and forward to the Commissioner of Finance.

(Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-84)

Scope:

The initial scope of the audit was intended to accomplish the following aspects of research related to the Purchase Card Program, while not limited to exclude other relevant issues that came to the attention of the Auditor in the course of the performance audit:

- I. Review Department spending, including routine purchasing, travel and training expenditures.
- II. Review the approved 2013 Purchase Card Policy Guidelines.
- III. Evaluate internal controls used by City Departments to process paperwork for purchases and travel request.
- IV. Provide and Review of all Department Questionnaires distributed to each Department and all documentation provided by the Departments.
- V. Interviews with Dave Delvecchio (Commissioner of Finance) and Nicole Roraback. (Accountant I)

Objectives:

The primary purpose of our research and this report was to investigate the extent of compliance on the part of the City of Syracuse Departments utilizing the Purchase Card Program in meeting the requirements of the Purchase Card Program Ordinance passed the Common Council in August of 2013. Additionally, it is to determine, whether the City Administration and Departments are adhering to the very specific guidelines of the Ordinance and subsequent guidelines outlined in the Application and Responsibility Agreements. The audit is also intended to determine that there are adequate controls in place, and that such controls allow the Administration to oversee the program with a level of assurance that management practices are aligned with the guidelines described in the General Ordinance.

Further outline of Objectives of this examination are to assure the following:

- 1. **Proper number of Purchase Cards currently in use:** Verify that the proper number of Purchase Cards have been in use for any time within the audit timeframe.
- 2. **Purchase Cards are used for authorized purchases related only to City business:** Verify that City of Syracuse Purchase Cards are used exclusively for purchases that relate only to City business.
- 3. **The City is not being charged Sales Tax for goods and services received:** Determine that the authorized Purchase Cards have not been utilized in transactions where Sales Tax has been charged for goods and/or services. If Sales Tax has been included in any transactions, the audit will analyze the subsequent actions by the Card Coordinators and the Department of Finance in making sure the City of Syracuse has been properly reimbursed for the Sales Tax charges. Also, that the follow up actions by the Administration align with the provisions of the “Consequences of Misuse” per the General Ordinance.

4. **Proper internal controls are maintained to support documentation of Purchase Card transactions:** Determine that proper documentation is maintained by each Department using one or more City Purchase Cards. Additionally, review the documentation retained in the Department of Finance to ascertain that Finance has been provided with sufficient detailed paperwork to meet the requirements of the General Ordinance, and maintains it in a manner that allows for adequate internal control management of the program.
5. **Supporting documentation and the related reconciliation are forwarded by the Purchase Cardholder to the Departments Purchase Card Coordinator:** Review and verify documentation and associated reconciliations handled by the Purchase Card Coordinators and subsequently incorporated into the reconciliation processes of the Department of Finance.
6. **Purchase Cards are being utilized exclusively by authorized individuals:** Verify that Purchase Cards are being utilized exclusively by authorized personnel who have been certified as cardholders by the Commissioner of Finance.
7. **Address rules, regulations, and guidelines surrounding travel on Purchase Cards:** Evaluate the programs current internal controls to determine if the control design is effective and efficient enough in operating the program within the mandatory compliance of the Ordinance that created the program. This evaluation may include recommendations that address existing weaknesses between what currently exists as the outline of rules and procedures for utilizing a Purchase Card. The recommendations might improve the administration and operational internal controls within the program.

Methodology:

The methodology followed in the audit was to examine the purchasing and reconciliation activities of the twelve (12) City Departments using the Purchase Card Program. The report also includes the levels of compliance for three different testing areas:

- Compliance with the City's 'Vendor List'
- Compliance with mandatory remittal of 'Proof of Purchases'(receipts)
- Compliance with City of Syracuse 2017 Travel Request pre-approval process

Confirming the level of compliance with these internal controls will provide assurance that the Administration and the City Departments are in line with ALL statutory and regulatory requirements. All our research for this report of financial information was retrieved from the City's PeopleSoft accounting system. The Office of Audit also distributed a standard Purchase Card Questionnaire (*Appendix B*) to the City's twelve (12) Departments under examination. The results of these Questionnaires were compiled and helped provide a level of risk associated with each Department.

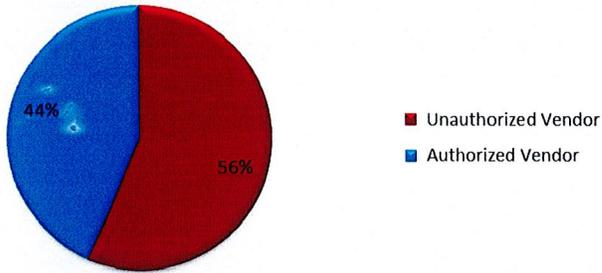
Test Results

Vendor Compliance

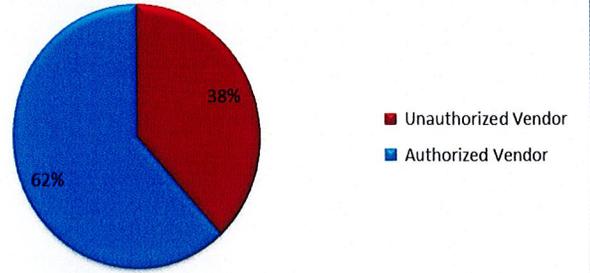
The City of Syracuse is an equal opportunity employer, therefore must adhere to certain policies that impact different operations around the City. In this case the City's Purchase Card Program is subject to making purchases from the City's Vendor list, all though not required in the Purchase Card Program Ordinance. All vendors receiving business from the City of Syracuse, unless under contract, must abide by the "Ban the Box" Ordinance. Therefore, the Purchase Card Program purchases are subjective to the vendor list. The Vendor list should be coordinated with the Syracuse Fair Employment Licensure Ordinance, Chapter 53 of the General Ordinance of the City of Syracuse," commonly known as "Ban the Box." The Ban the Box Ordinance (*Appendix F*) indicates that vendors not on the list are not to receive business from the City for any purposes.

The vendor compliance test that was completed for Fiscal Years 2017-2020, illustrates a negative trend over the last four (4) years. These results are from the compilation of vendor names from the transactions on the purchase cards monthly statements. These vendor names were then filtered through the City's Vendor list for a match. Presented in the graphs below, a match is represented as "Authorized" and no match is represented as "Unauthorized." The data used for testing was provided by the City's Budget Department.

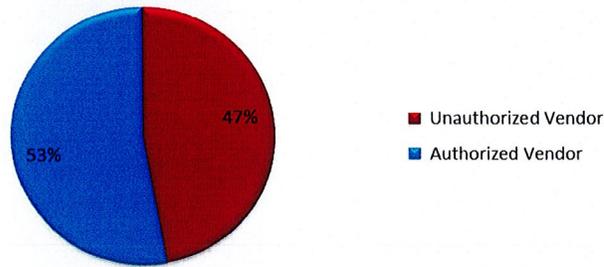
Vendor Compliance FY 2017



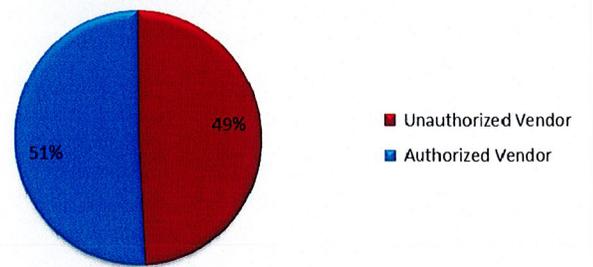
Vendor Compliance FY 2018



Vendor Compliance FY 2019

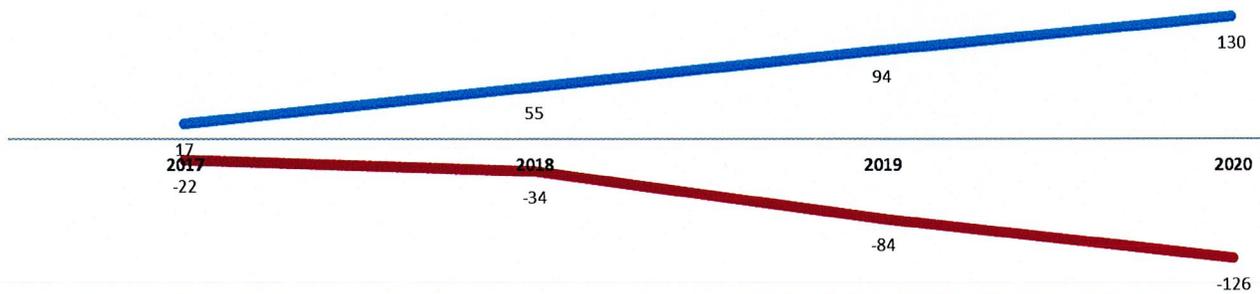


Vendor Compliance FY 2020



PURCHASE CARD VENDOR COMPLIANCE

Unauthorized Authorized

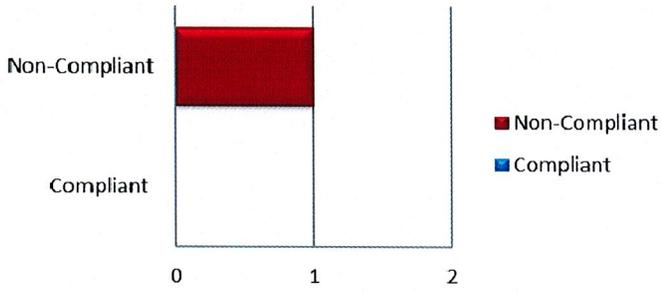


Travel Request Compliance

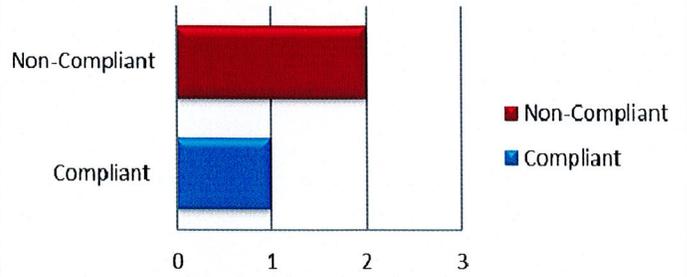
The Office of the City Auditor noticed an increase in travel activity for the fiscal years 2019 and 2020. The City allows travel privileges to its employees for training opportunities, conference meetings, and other City related business. During the examination of the Purchase Card Program we also noticed a lack of travel request paperwork to support the travel related expenses on the Purchase Cards. The Purchase Card Program Ordinance defaults to restricting travel related expenses (*Appendix A*). Although included in the Purchase Card Program Ordinance is an exemption for traveling that says “Travel and travel related expenses with pre-approved travel request authorizations are acceptable.” The clause does not reference the 2017 Travel policy and the 2017 Travel policy does not reference the Purchase Card Program guidelines.

The 2017 Travel Policy was formulated by the prior City Administration and the current administration has put forward no amendments or alterations to the policy that could be located during our investigation. The current inclusion of the 2017 Travel Policy in its original form on the City’s SharePoint portal suggests that said policy remains the official outline for travel related paperwork and authorization processes for travel and training. If the Administration were to determine that a new policy is needed, we would be supportive of amendments that include improved internal controls and sufficient communication of the new policy to all users and effected parties to avoid any continued confusion.

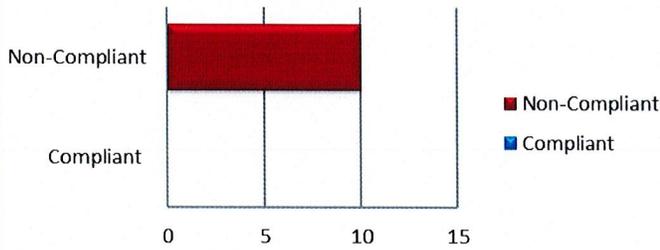
FY 2017 Pre-Approved Travel Request



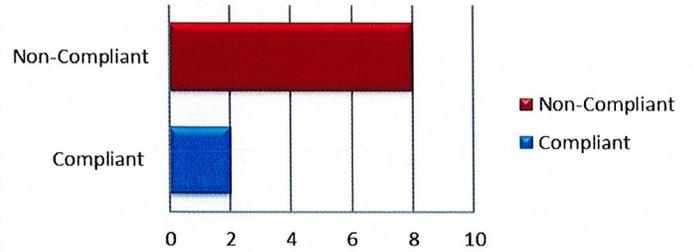
FY 2018 Pre-Approved Travel Request



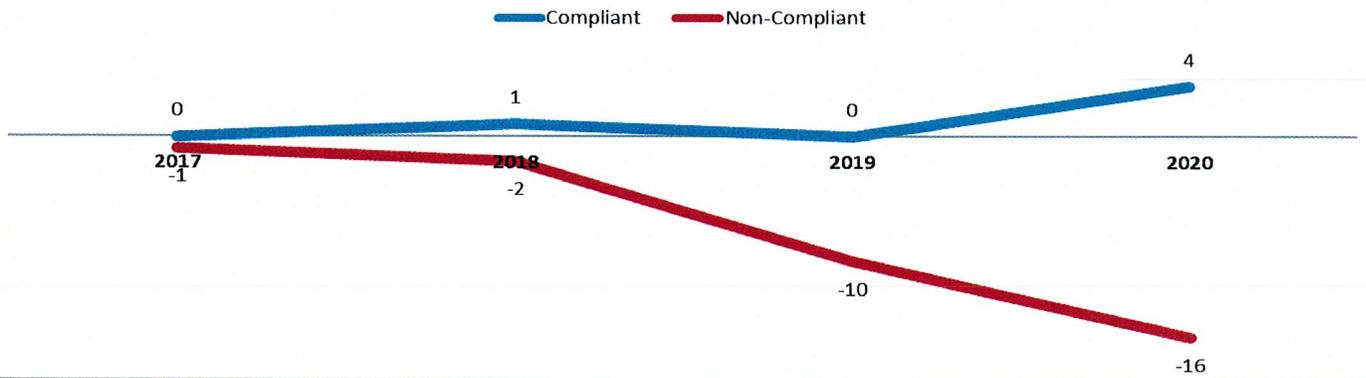
FY 2019 Pre-Approved Travel Request



FY 2020 Pre-Approved Travel Request

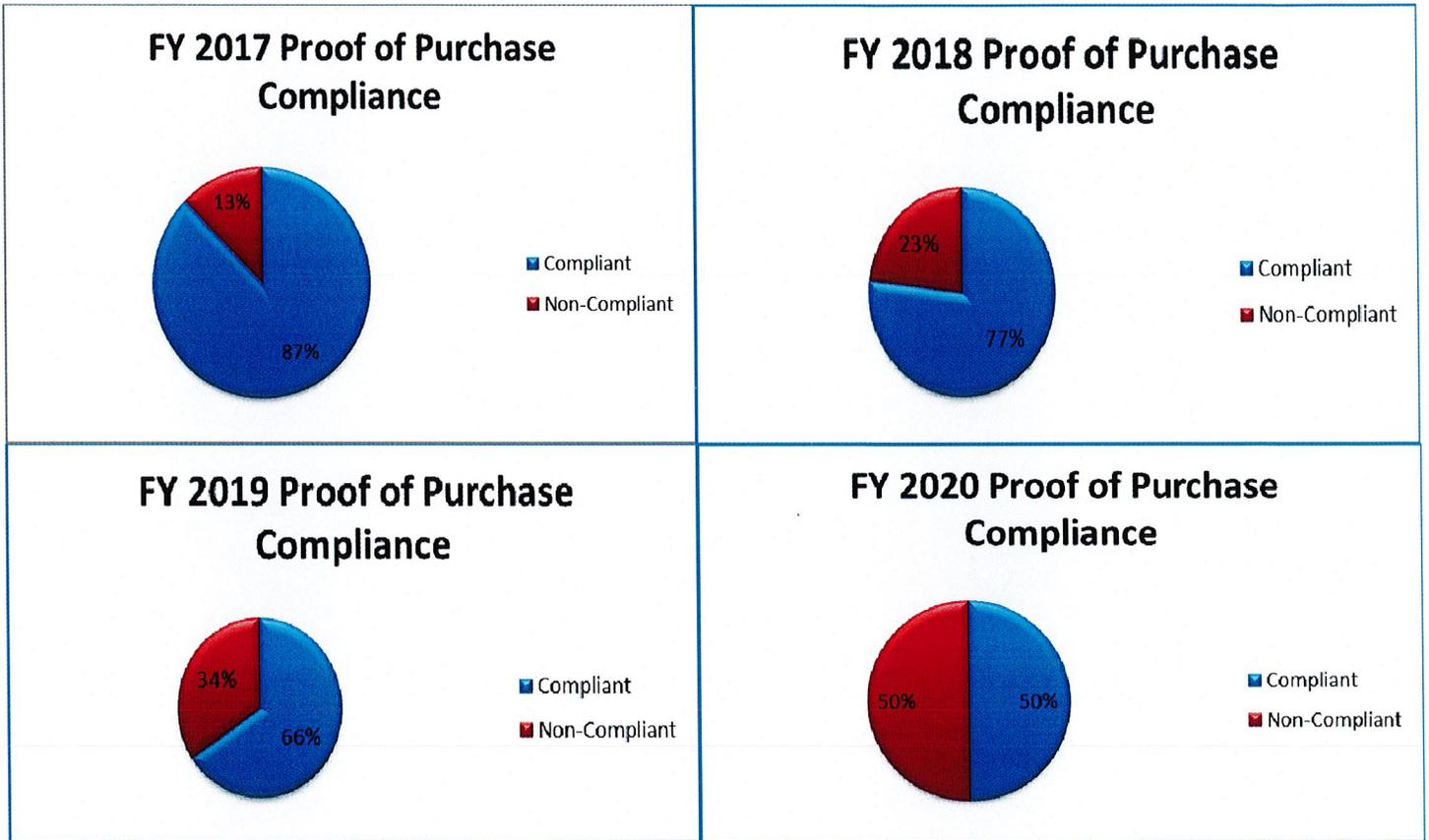


Pre-Approved Travel Request Compliance



Proof of Purchase Compliance

The proof of a purchase provides a written, printed or digital statement acknowledging that something has been paid for and/or that goods have been received. The documentation of the transaction is significant during bank reconciliation. The Purchase Cardholder is regarded as responsible for the collection and forwarding of the required documents by the program’s General Ordinance. (Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80) The absence of this information is in direct violation of the General Ordinance. (Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80) Consequences of misuse of the purchase card range from cancellation to disciplinary proceedings in accordance with city work rules. (Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-83) The proof of purchase data below illustrates a declining trend for compliance in this area over the last four (4) fiscal years.



Findings & Recommendations:

Finding 1: Program Has Poor Performance Due to Inadequate and Weak Control Structure

The undeniable conclusion of the Audit of the Purchase Card Program is that there is a consistency in weak internal controls. A few of which are due to the original legislation passed by the Common Council and a few of which are due to a clear failure on the part of the Administration to administer the program. This is because of a lack of a sufficient level of accountability and adherence to the requirements of the authorizing Ordinance. These deficiencies in the control structure adversely affect the organizations ability to record, process, summarize and report consistent financial data.

In the course of gathering a good basic understanding of the historical functioning of the Purchase Card Program, we discovered instances of violations of the policy related to Sales Tax charges, purchases being made by one department for another department, and unauthorized purchases. Any, if not all of these violations should have resulted in some sort of response, yet the attitude of management was sufficiently lax that virtually no corrective actions were taken. Over time the lack of any corrections to these infractions laid the groundwork for an increasing number of purchases outside the parameters of the guidelines to occur. When nobody is being held accountable, then no one feels the need to account for their actions.

We performed compliance test on three (3) of the programs control areas restricted vendor categories, pre-approval for travel and statement reconciliation (providing proof of purchases). The test results proved these areas to have control weaknesses, suggesting a declining compliance rate as the program has become more active over the years. The following findings will go into more detail regarding a number of deficiencies observed during the audit research. They clearly point in the direction of a need to halt the program and determine what is the best way to obtain the benefits of a credit card based alternative to the traditional purchase/travel procedures while also functioning under a set of internal controls that actually embody control and consistency.

Recommendation 1: With the current stay in place restrictions due to the pandemic Corona Virus Covid-19, it would be an opportune time to suspend the program and conduct a thorough review of the current Ordinance guidelines. The Office of the City Auditor strongly suggests that a temporary suspension of the Purchase Card Program be instituted to the end that: **(a)** The General Ordinance be reviewed for possible changes and clarifications; **(b)** The program is reorganized with the objective of strengthening the internal control areas; and **(c)** A unified, updated Travel Policy (See Audit Finding 2, below) be identified and included in the redefining of the City's comprehensive structure for the Purchase Card Program.

Finding 2: Confusion in Guidelines for Travel on the Purchase Card Program

During our examination we received an unauthorized revision to the original Purchase Card Ordinance (*Appendix D*). This revised document was the original Purchase Card Ordinance tailored for travel on the purchase card. The law department modified the 2013 Purchase Card Program Ordinance with the later revised document. The 2017 City of Syracuse Travel Policy (*Appendix C*) is the only official active guidelines for City travel. The revised document is a conflict, due to the fact that it was never properly introduced into the City of Syracuse Travel Policy to be recognized as travel guidelines.

The Purchase Card Program was authorized by the Common Council in August of 2013 which was never intended to be used for travel without pre-approval. The Purchase Card Ordinance does reference an exclusion to travel related expenses, *only through a pre-approval process*. The 2017 City of Syracuse Travel Policy also states a Per Diem that is related to travel request, with the traveler being responsible for all initial cost and granted a reimbursement upon the return of all applicable receipts. The Per Diem guidelines in the 2017 City of Syracuse Travel Policy is not referenced or mentioned in the revised document, nor are the reimbursement procedures included.

Recommendation 2: (a) Combine the 2017 City of Syracuse Travel Policy and the 2013 post-dated Purchase Card travel document to eliminate confusion with the 2017 City of Syracuse Travel Policy. (b) Also, include from the Travel Policy the continuation of the required signature approval by the Mayor and Budget Director for all travel. (*Appendix C*)

Finding 3: Purchase Card Applications Unavailable Upon Request from Finance

The Office of the City Auditor requested copies of “Purchase Cardholder Application” (*Appendix E*) which were not remitted to the Auditor’s Office upon request from the Department of Finance or the individual Departments. The Auditor noted that applications were not available, even though certain Departments have more than one Purchase Cardholder. In addition, certain Departments appear to have more than one Purchase Card and with no Purchase Cardholder applications available which result in internal control issues.

This lack of internal controls leads to further concern where confusion between whether there is a credit card for regular purchases and a separate credit card for travel expenses. In the Questionnaire responses (from Departments) there are different situations where the Purchase Card is mentioned as two separate cards one for purchases and one for travel. This was confirmed by the Office of the Auditor in the Questionnaire responses.

(Due to the COVID-19 pandemic the Office of the City Auditor staff was unable to physically visit the Departments who appear to have more than one Purchase Card to verify the actual number. This action will require follow up at a later date.)

Recommendation 3: (a) Immediately suspend the Purchase Card Program temporarily for reorganization and tightening of internal controls. During a suspension of the Purchase Card Program we recommend creating a digital Purchase Card Application and Agreement documents for the Purchase Card Program. This will allow for a more effective way to collect Applications and Responsibility documents and an efficient solution to filing the documents (and value added for internal controls). The new Purchase Card Program document should provide specific guidelines for proper containment of all records associated with a comprehensive Purchase Card Program and Travel Policy.

Finding 4: Unauthorized Purchases for Goods and Services on Purchase Cards

The examination identified purchases for gasoline. These purchases were reviewed and not supported by pre-approved travel requests. The Ordinance references the purchase of gasoline as a “restricted purchase” unless pre-approved. This program requires all travel and travel related expenses to be pre-approved by a travel request. The city maintains its own gasoline reserves for refilling situations located at the DPW. This is where City vehicles can be refueled by employees with permitted access.

Recommendation 4: (a) Require the Purchase Cardholder have pre-approval by the Purchase Card Coordinator for the purchase of goods (i.e., gas) and services against guidelines for restricted purchases and misuse of card, thus, strengthening of internal controls.

Finding 5: Inappropriate Budget Account Line Expenditures

It was brought to the Auditor’s attention that some Purchase Card expenses from a Department are inappropriately accounted for due to a delay in receiving coversheet statements. The Purchase Card Coordinator is required to “identify all funding sources” included with the coversheet statement, which is due to the Commissioner of Finance by the 10th of each month. An example of this delay from one Department was over six months past due to the Commissioner of Finance, leading to the Commissioner to determine which budget line the Purchase Card expenses would be charged to.

Recommendation 5: (a) The Purchase Card Coordinator must identify all appropriate budget accounts in the coversheet statements, as mandated by the Ordinance. (Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80)

Finding 6: Department Purchasing for Other Departments

During our examination it was brought to the attention of the Office of the City Auditor that one Department uses their Purchase Card to make purchases for another Department. In a thorough evaluation of this situation there is no written material or guidelines objecting against or authorizing this practice. The opinion from the Office of the City Auditor is every Department is offered the opportunity to obtain their own Purchase Card, this type of practice could cause accounting and internal control issues.

Recommendation 6: (a) All receipts and supporting documentation are to be signed, scanned and submitted by purchaser to Purchase Card Coordinator. Purchase Card Coordinator confirms all purchases with Department Head. Department Head is required to sign off on coversheet statement.

Finding 7: Ez-Pass Fines

During the financial analysis we noticed unusually high charges for Ez-Pass consistent with one or two individuals. Upon further review of supporting documents, the charges were found to be fines for Ez-Pass violations, accompanied with a picture of the vehicle driving through the Ez-Pass. Also, there was NO pre-approved travel paper work.

Recommendation 7: (a) During the reorganization and review consideration of the necessity for the Departments to obtain an EZ-Pass account through the Purchase Card Program for long distance travel is warranted. If a pre-paid Ez-Pass account is not deemed necessary, then the 2017 Travel Policy implies that toll booth expenses are to be paid by the traveler and reimbursed upon return with supporting documentation.

(b) If the Administrative review determines an Ez-Pass is warranted then the new policy should require all fines be documented by Purchase Card Coordinator and submitted with Coversheet Statement for compliance review.

Finding 8: Sales Tax

The City of Syracuse is a tax-exempt organization therefore no sales tax should be charged on a Purchase Card for any reason. During our examination we discovered \$394.00 in Sales Tax charges. This amount and the nature in which these charges happened were situations that are avoidable; (i.e.) grocery stores and routine vendor purchases.

Recommendation 8: (a) We recommend having a “No Tolerance” policy around Sales Tax charges to prevent the negligence surrounding these situations. The Administration should require the Purchase Card Coordinator to distribute a copy of the tax-exempt form to the Purchase Cardholder before making purchases. If sales tax does get charged on the card all charges are to be documented by the Purchase Card Coordinator and submitted with Coversheet Statement for review. Also, the Department of Finance should issue warnings and require reimbursement from individual(s) to be mandatory no exceptions (these reimbursements should occur within a reasonable timeframe {i.e. one month}).

Finding 9: No Travel Request Paperwork for Travel Expenses on Purchase Cards

During the examination the Office of the City Auditor mentioned above in the report, we discovered a large amount of travel expenses with no supporting travel request. There should be no travel expenses on the Purchase Card Program under the current guidelines without an authorized pre-approval. All travel related expenses without a pre-approved travel request are directly abusing the privilege when the requirement is authorized directly by the Ordinance. The approval process is to restrict inappropriate/unnecessary travel expenses by monitoring the traveling activity in the program.

Recommendation 9: (a) Continue to have the Budget Director and the Mayor sign off on all department travel requests to improve internal controls (Appendix C).

(b) Also, to help improve internal controls, create a ‘Digital Form’ for travel requests to make filing travel documents more efficient, reduce paper usage and decrease presumptive delays in approval times.

Finding 10: Departments with No Purchase Card Coordinator

One immediately identified example of how the original Ordinance was flawed relates to the topic of the Departmental Purchase Card Coordinator. The General Ordinance asks that an employee in the role of departmental Coordinator take disciplinary, or potentially confrontational action when a Purchase Card is misused or used in a manner contrary to the guidelines set forth in the policy; yet consistently we observed that the individuals who ended up in the position of Departmental Purchase Card Coordinator were being asked to confront the managers they were working for and under. This disparity in real authority to ensure that proper procedures are followed consistently became one more of many organizational knots encountered that undercut the existence of actual internal control.

During the examination we discovered six (6) out of the twelve (12) active Departments making purchases that don’t have a Purchase Card Coordinator. The Purchase Card Coordinator plays a major role in differentiating purchases, collecting supporting documentation and reconciling the bank statement before submitting the coversheet to the Department of Finance. This is an internal control issue because in some Departments the Purchase Cardholder is also acting as the Purchase Card Coordinator. The Purchase Card Coordinator is a financial check and security measure that is currently being circumvented in half of the active Departments, thus the risk involved here is high.

Recommendation 10: (a) Better define the role of the Purchase Card Coordinator during the reorganization phase. The Purchase Card Coordinator should be given proper authority under specific language in the Purchase Card Program Ordinance to carry out the necessary disciplinary actions. **(b)** The Purchase Card Coordinator should also be responsible for approving all purchasing activities before hand, with the distribution and collection of purchase cards after use. The increased responsibility of this role would also require the

Purchase Card Coordinator to sign the Responsibility Agreement (*Appendix G*) with the Purchase Cardholder.

Auditor's Note

During the examination we issued a Questionnaire (*Appendix B*) to all Departments and Offices with active Purchase Cards. We requested that certain documents be returned with the Questionnaire.

The Fire Department returned an example of the process they follow to request pre-approval for travel and reimbursements. Travel Request Workflow Chart (*Appendix H*). The City Auditor recommends that the Administration review this example during the recommended reorganization phase and consider including this example as a possible best practice step-by-step process for pre-approval of travel requests.

Appendix

- A) City of Syracuse Purchase Card Program Ordinance
- B) Purchase Card Program Questionnaire
- C) 2017 City of Syracuse Travel Policy
- D) City of Syracuse Purchase Card Guide for Travel
- E) Purchase Card Program Application
- F) Syracuse Fair Employment Licensure Ordinance, Chapter 53 of the General Ordinance of the City of Syracuse,” commonly known as Ban the Box
- G) Purchase Card Responsibility Agreement
- H) Fire Department Travel Request Workflow Chart

**Syracuse Fire Department
Travel Workflow Chain**

Signing Up for the Class:

Person Traveling			Carrie Balduzzi			
Step 1: Obtain verbal approval from a Deputy Chief for Travel	Step 2: Fill out a Request for Travel form (Nancy if this is for Training / EMS)	Step 3: Register for the Class / Submit necessary paperwork	Step 4: Submit Request for Travel & supporting documents (the Packet) to Fire	Step 5: Obtain Chief of Fire's Approval	Step 6: Scan Request for Travel Form and email Budget that the Packet is on the way.	Step 7: Send ha copy of the Pack Budget Analyst (30 days before tr date)

City Hall

Step 8: Budget Analyst provides the Packet to Budget Director for Approval	Step 9: The Packet is sent to the Mayor's Office	Step 10: Mayor's Secretary obtains the Packet & secures Mayor's Approval	Step 11: The Packet is sent to BOA	Step 12: BOA Approves the Packet	Step 13: The Packet is sent back to the Fire Chief's Office
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Carrie Balduzzi

City Hall	
Step 14: Receive the Packet & send 1 copy of the approved Request for Travel form to the division (Nancy) & 1 copy to Jeff Grosso	Step 15: The Packet is scanned & submitted to the HelpDesk for a voucher in PeopleSoft
Step 16: The Packet is provided to the Fiscal Officer for review	Step 17: The Voucher Creator at City Hall creates a voucher in PeopleSoft

Chief Mondri / Evans

City Hall		Diane
Step 18: The voucher is routed to the Fiscal Officer's PeopleSoft worklist for Approval	Step 19: The voucher is routed to the Chief's PeopleSoft worklist for Approval	Step 20: The Voucher is routed to BOA's PeopleSoft worklist for Approval
Step 21: BOA cuts the check on Friday (unless in the case of a holiday)	Step 22: BOA mails the check on Monday (unless in the case of a holiday)	Step 23: Call the Supplier to ensure payment has been received

Appendix H (continued)

Travel Workflow Chain Notes:

Step 2: In order to pay for travel expenses, we must have a Request for Travel form approved by the Chief of Fire, the Budget Office, the Mayor & BOA.

Step 2: In order to use a City vehicle, we must have a Request for Travel form approved by the Chief of Fire, the Budget Office, the Mayor & BOA.

Step 2: Nancy, Carrie or Diane can provide a Hotel Tax Exemption form when necessary, this should be included in the Packet & brought to the hotel by the person traveling.

Step 3: The Academy of Fire Science accepts an old "Claimant's Voucher" to hold a spot in a course & to bill after. The Academy refers to this form as a PO.

Step 3: The Academy of Fire Science requires a registration form in order to accept payment.

Step 4: Make sure the Direct Expenses included on the Request for Travel form are supported by documents (the Packet).

Step 14: A copy of the approved form is only needed by Maintenance (Jeff Grosso) when a City Car is going to be used.

Step 15: Per diems (meals) are paid out closer to the date of travel, sometimes the check won't come until after the date of travel.

Step 15: Expense reimbursements (tolls, parking, fuel, etc.) are only reimbursed with a receipt. Please provide your receipts to Carrie Balduzzi so she may submit them for payment to City Hall. Ensure it is clear which course / Request for Travel the receipt is related to.

Memorandum

TO: Nader P. Maroun, City Auditor
FROM: Frank Caliva, Chief Administrative Officer *FEC*
CC: Mayor Ben Walsh
DATE: 3 June 2020
RE: Audit Report on the City of Syracuse Purchase Card Program

Thank you for the opportunity to respond to the recommendations made in the referenced audit. The Administration appreciates and largely agrees with the concerns outlined. In general, it is our position that the increased dependency on Purchase Cards was not anticipated when the program was originally established. The growth in use clearly demands that policies and protocols be revisited and enhanced to meet security and policy requirements while balancing the needs of users and requirements of vendors.

To the findings:

Finding 1: Program Has Poor Performance Due to Inadequate and Weak Control Structure

Finding 1 Recommendation: With the current stay in place restrictions due to the pandemic Corona Virus Covid-19, it would be an opportune time to suspend the program and conduct a thorough review of the current Ordinance guidelines.

City Response – The City agrees that updates to processes are essential in order to keep the Purchase Card Program current. This is, in part, why the City has been making an effort to centralize financial work, therefore providing more internal control, oversight, and enforcement of procurement policies. The Administration is committed to modernizing the procurement card policy and increasing compliance through enhanced centralization, changes to current procedures, as well as proposed changes to the City’s travel policy. The City does not believe that a suspension of the program is necessary to continue forward with these improvements. Further, as noted, many of the City’s procurement transactions have become dependent on Purchase Cards and a suspension would have a number of unintended consequences.

Auditor’s Response – The City Auditor disagrees with the Management Response to Finding #1 regarding the recommended temporary suspension of the Purchase Card Program. Given the current COVID-19 and its many impacts on the financial resources of the City, the probability of a reduced purchasing volume, potentially no travel requests (along with a Proposed Revised Travel Policy before the Common Council), along with changes of personnel in the Finance and Budget office, it would seem to be an opportune time to temporarily suspend the Program and significantly and immediately address what is mentioned in the Management Response lead paragraph, “...growth in use clearly demands that policies and protocols be revisited and enhanced to meet security and policy requirements...”

In addition, absent any detailed information being provided on the current level of activity by the users and what the requirements of the vendors might be, it is not readily clear what level of unintended consequences would actually be experienced.

Finding 2: Confusion in Guidelines for Travel on The Purchase Card Program

Finding 2 Recommendation: (a) Combine the 2017 City of Syracuse Travel Policy and the 2013 post-dated Purchase Card travel document to eliminate confusion with the 2017 City of Syracuse Travel Policy. (b) Also, include from the Travel Policy the continuation of the required signature approval by the Mayor and Budget Director for all travel.

City Response - The Purchase Card Program as authorized by the Common Council in 2013 includes travel as an acceptable purchase when accompanied by approved paperwork and proper receipts. Both the procurement cards and “travel” cards provided to departments can be used for payment of travel related expenses, as is necessary in many circumstances. The Administration is proposing a further update to the City’s travel policies, as well as advancement of fiscal centralization to enforce travel expense and reimbursement procedures.

Auditor’s Response - Clarification in the second sentence of the Management response is necessary. Using the word “Both” implies there are two (2) procurement cards available upon application by any Department. Also, using the word “cards” would suggest there is more than one (1) card. When the original Ordinance was passed by the Common Council there was only one (1) card available to a Department that applied for same. The proposed City Travel Policy update presented to the Common Council (June 3, 2020) eliminates the Mayor and the Budget Director from approving any travel requests and suggests that the Department Head, Budget Analyst and a Mayoral designee (see below) replace the current approval status guidelines. Based on the lack of the current identified internal controls and more time and trial is given to the suggested fiscal centralization and enforcement of procurement procedures we continue to recommend the Mayor and Budget Director provide the approvals.

Policy	Current	Proposed
Approvals Needed	Approval by the Mayor as well as the budget Director is required for all travel.	Approval by the Department Head, Budget Analyst, and Mayoral designee is required for all travel.

Finding 3: Purchase Card Applications Unavailable Upon Request from Finance

Finding 3 Recommendation: Immediately suspend the Purchase Card Program temporarily for reorganization and tightening of internal controls. During a suspension of the Purchase Card Program we recommend creating a digital Purchase Card Application and Agreement documents for the Purchase Card Program.

City Response – Applications are on file with the Commissioner of Finance and are available for in-person review by authorized personnel. The applications cannot be released because they contain personally identifiable information. A cardholder would not have been approved for a card without submission of the application containing such information. Travel (with proper approvals) was included as an authorized purchase since inception of the Purchase Card Program. The administration introduced the use of a purchase card dedicated for travel related purposes for administrative reasons.

Auditor’s Response - When City personnel in greater numbers return to City Hall, staff from the Office of Audit will examine the above mentioned documents.

Finding 4: Unauthorized Purchases for Goods and Services on Purchase Cards

Finding 4 Recommendation: Require the Purchase Cardholder have pre-approval by the Purchase Card Coordinator for the purchase of goods (i.e., gas) and services against guidelines for restricted purchases and misuse of card, thus, strengthening of internal controls.

City Response – The administration agrees that internal controls over restricted purchases should be improved. We will review the requirements with the cardholders and Purchase Card Coordinators and an individual from the Finance Department will be assigned to ensure compliance.

Finding 5: Inappropriate Budget Account Line Expenditures

Finding 5 Recommendation: The Purchase Card Coordinator must identify all appropriate budget accounts in the coversheet statements, as mandated by the Ordinance. (Gen. Ord. No. 37-2013, App. A, 8-26-13 Sec. 2-80)

City Response – The administration agrees that internal controls over timely and accurate reporting should be improved. We will review the requirements with the cardholders and Purchase Card Coordinators and an individual from the Finance Department will be assigned to ensure compliance.

Finding 6: Department Purchasing for Other Departments

Finding 6 Recommendation: All receipts and supporting documentation are to be signed, scanned, and submitted by purchaser to Purchase Card Coordinator. Purchase Card Coordinator confirms all purchases with Department Head. Department Head is required to sign off on coversheet statement.

City Response – Neither the Purchase Card Program Ordinance, nor City policies and procedures, preclude one department from making a purchase on behalf of another department. Policies and procedures over the Purchase Card Program are written to prevent or detect misuse of funds. We believe those controls are sufficient to prevent or detect misuse or misstatement whether purchases are made for the department that holds the card, or for another department.

Finding 7: EZ-Pass Fines

Finding 7 Recommendation: (a) During the reorganization and review consideration of the necessity for the Departments to obtain an EZ-Pass account through the Purchase Card Program for long distance travel is warranted. If a pre-paid EZ-Pass account is not deemed necessary, then the 2017 Travel Policy implies that toll booth expenses are to be paid by the traveler and reimbursed upon return with supporting documentation. (b) If the Administrative review determines an EZ-Pass is warranted then the new policy should require all fines be documented by Purchase Card Coordinator and submitted with Coversheet Statement for compliance review.

City Response – The Administration is committed to reviewing the necessity of EZ-Passes for long distance travel. However, Syracuse Police Department vehicles are often in situations of pursuit or prisoner transport where they are unable to use the EZ-Pass system as intended. This results in often unavoidable violations and subsequent fines. The Administration does intend to include fines and fees as unacceptable procurement card expenses in the future.

Finding 8: Sales Tax

Finding 8 Recommendation: We recommend having a “No Tolerance” policy around Sales Tax charges to prevent the negligence surrounding these situations. The Administration should require the Purchase Card Coordinator to distribute a copy of the tax-exempt form to the Purchase Cardholder before making purchases. If sales tax does get charged on the card all charges are to be documented by the Purchase Card Coordinator and submitted with Coversheet Statement for review. Also, the Department of Finance should issue warnings and require reimbursement from individual(s) to be mandatory no exceptions (these reimbursements should occur within a reasonable timeframe {i.e. one month}).

City Response – The administration agrees that internal controls over ensuring our purchase are tax exempt should be improved. We will review the requirements with the cardholders and Purchase Card Coordinators and an individual from the Finance Department will be assigned to ensure compliance.

Finding 9: No Travel Request Paperwork for Travel Expenses on Purchase Cards

Finding 9 Recommendation: (a) Continue to have the Budget Director and the Mayor sign off on all department travel requests to improve internal controls. (b) Also, to help improve internal controls, create a ‘Digital Form’ for travel requests to make filing travel documents more efficient, reduce paper usage and decrease presumptive delays in approval times.

City Response – The administration agrees that internal controls over travel related purchases should be improved. We will review the requirements with the cardholders and Purchase Card Coordinators and an individual from the Finance Department will be assigned to ensure compliance.

Finding 10: Departments with No Purchase Card Coordinator

Finding 10 Recommendation: (a) Better define the role of the Purchase Card Coordinator during the reorganization phase. The Purchase Card Coordinator should be given proper authority under specific language in the Purchase Card Program Ordinance to carry out the necessary disciplinary actions. (b) The Purchase Card Coordinator should also be responsible for approving all purchasing activities before hand, with the distribution and collection of purchase cards after use. The increased responsibility of this role would also require the 20 Purchase Card Coordinator to sign the Responsibility Agreement with the Purchase Cardholder.

City Response – The administration agrees that internal controls over review and administration of the program should be improved, including the role and assignment of the Purchase Card Coordinator. For departments that do not currently have a Purchase Card Coordinator, or for departments where the Purchase Card Coordinator is in a conflict of authority, we will assign a centralized Purchase Card Coordinator.