



**A Report to the Galveston  
City Council**

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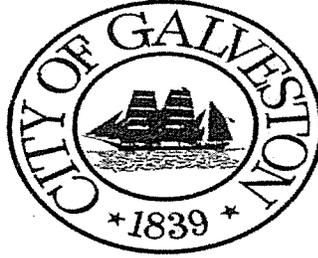
Audit Report  
SP2016-2

## System for P-Card Reconciliations Audit Report



### Report Summary

The City Auditor Department evaluated the design and operating effectiveness of the Finance Department's internal control framework over P-Card reconciliations as they relate to abuse. The City Auditor Department randomly picked transactions from the Citibank P-Card statement's for all departments between the time frame of February 26, 2014 and December 3, 2015. These statements were compared to the transaction logs and receipts provided by the departments. The City Auditor Department determined that invoice/ or receipt documentation for various departments were missing along with the transaction logs. The reason for the missing documentation is the system for P-Card reconciliations was poorly designed and written by a past administration that is no longer with the City of Galveston. The City Auditor department recommends goods and services (non-travel related) purchased via P-Cards are verified by timely physical inspection. Each transaction must follow the City Of Galveston's purchasing policies and procedures manual. A responsible employee within the Finance Department should be made accountable to inspect items purchased and verify that the P-Card users are following all of the City of Galveston purchasing policies.



OVERTIME - POLICE AND FIRE DEPARTMENT  
CITY AUDITOR

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**City of Galveston**  
**System for P-Card Reconciliations**  
**City Auditor Executive Summary**

August 18, 2016

**Background**

The public expects governmental entities to use funds in an effective and efficient manner and to safeguard governmental funds from unauthorized use, disposition, or loss. Based upon a discovery by the Deputy City Manager that invoices and receipts for P-Cards were being destroyed, City Council directed the City Auditor to amend the City Audit Plan for fiscal year 2016 to include conducting a spontaneous audit related to the use of Other P-Cards.

**Objective**

The objective of this report is to evaluate the design and operating effectiveness of the Finance Department's internal control framework over P-Card reconciliations as they relate to abuse. Abuse involves behavior or an attitude that would not be considered reasonable and necessary for business practices given a particular set of facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests. The term reconciliation refers to comparing data to verify the authenticity of transactions.

**Scope**

The scope of our audit was used to evaluate the design and operating effectiveness of the internal controls over P-Card reconciliations for all departments and users.

**Fieldwork Performed**

The City Auditor Department randomly picked transactions from the Citibank P-Card statement's for all departments between the time frame of February 26, 2014 and December 3, 2015. These statements were compared to the transaction logs and receipts provided by the departments.

**Audit Findings**

The City Auditor Department determined that invoice/ or receipt documentation for various departments were missing along with the transaction logs. The reason for the missing documentation is the system for P-Card reconciliations was poorly designed and written by a past administration that is no longer with the City of Galveston.

The City Auditor Department determined that the P-Card users are not following ordinance number 98-107, § 2, 11-12-98; All purchasing and bidding shall be done in accordance with applicable state and federal law and in accordance with policies and procedures set forth in the document entitled "City of Galveston, Texas Purchasing Policies and Procedures Manual".

**City of Galveston**  
**System for P-Card Reconciliations**  
**City Auditor Executive Summary**

**Recommendation**

The City Auditor department recommends goods and services (non-travel related) purchased via P-Cards are verified by timely physical inspection. Each transaction must follow the City Of Galveston's purchasing policies and procedures manual. A responsible employee within the Finance Department should be made accountable to inspect items purchased and verify that the P-Card users are following all of the City of Galveston purchasing policies.

**Staff Conduct**

All staff acted in a professional and timely manner.

**Follow-up**

The Finance Department has new written procedures for the P-Card reconciliations. The new procedures have adequate segregation of duties, monitoring activities, invoice verification, and/or receipt documentation. Authorized City travel authorization forms are now reconciled to P-Card travel related expenditures and appropriate accounting classifications are verified.

**City Manager's Response**

The Manager agrees with the Auditor's findings and recommendations.