



CITYWIDE CREDIT CARDS 2005

SPECIAL AUDIT

CALENDAR YEAR 2005

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

Audit Services Department
306 Cedar Road
P.O. Box 15225
Chesapeake, Virginia 23328
(757) 382-8511
Fax (757) 382-8860

August 31, 2006

The Honorable Dalton S. Edge and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Edge and Members of the City Council,

Pursuant to a request from City Council, Audit Services has reviewed the use of credit cards under the City's various credit card programs during Calendar Year 2005. Our review was conducted for the purpose of determining whether the cards were being utilized in accordance with existing City regulations. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

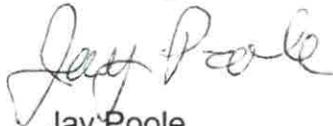
As of February 2006, the City had three different credit card programs. The first program was a Travel Card program in existence since the 1980s that was governed by the City's Official Travel Regulations and was supposed to be used for travel purposes only. The City also had a Business Card program created in 2003 that was governed by the City Credit Card Policy and Procedures and was supposed to be used predominantly by department and division heads for business purposes. In November 2004, the City began a "pilot" program using Purchasing Cards that could be used by a wide variety of employees for business purposes. While each card user had to sign a form agreeing to certain rules developed by the Purchasing Division of General Services (Purchasing Division), the City did not have a formalized policy that governed these purchases. We noted that there were 12 travel cards (all within the City Manager's Office and Economic Development), at least 25 Business Cards, and 239 Purchasing Cards.

Based on our review, we did not identify any instances of significant noncompliance with the two formalized policies. However, we did identify a number of significant control and operational concerns related to credit card practices in the City as a whole. The existence of three different types of credit cards and their related policies led to a high degree of confusion over how the rules governing each should be applied. The two formalized policies were general in nature as they related to credit cards and were not comprehensive enough to adequately control credit card purchases made under them. Several users were given what appeared to be unnecessarily high credit limits. Finally, City departments had not been sufficiently assigned responsibility for managing and controlling their own credit card purchases.

We recommend that the three credit card programs be consolidated into one program with one set of requirements that govern all credit card purchases. We will also encourage the City to develop more specific guidance for card purchases, including proceeding with a planned task force that evaluates the reasonableness of business meals and similar expenses and makes recommendations as to the allowability of these items, so that confusion over enforcement can be eliminated. We also recommend that limits be lowered on some of the higher limit cards to reduce the risk of misuse associated with them. Finally, we recommend that departments take on a greater role in enforcing the revised credit card procedures.

This report, in draft, was provided to the City Manager's Office for response and their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City staff members, particularly those in the Finance Department and Purchasing Division, were very helpful throughout the course of this audit, and we appreciate their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: Anne F. Odell, Acting City Manager
Amar Dwarkanath, Deputy City Manager, Operations/Water Resources

Managerial Summary

A. Objectives, Scope, and Methodology

Pursuant to a request from City Council, Audit Services has reviewed the use of credit cards under the City's various credit card programs during Calendar Year 2005. Our review was conducted for the purpose of determining whether the cards were being utilized in accordance with existing City regulations. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

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Major Observations and Conclusions

Based on our review, we did not identify any instances of significant noncompliance with the two formalized policies. However, we did identify a number of significant control and operational concerns related to credit card practices in the City as a whole. The existence of three different types of credit cards and their related policies led to a high degree of confusion over how the rules governing each should be applied. The two formalized policies were general in nature as they related to credit cards and were not comprehensive enough to adequately control credit card purchases made under them. Several users were given what appeared to be unnecessarily high credit limits. Finally, City departments had not been sufficiently assigned responsibility for managing and controlling their own credit card purchases.

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B. Administrative and Operational Issues

1. Number of Credit Card Programs

Finding - The City had three different credit card programs, and this led to confusion over rules governing the individual programs. Also, no one in the City was keeping track of all of the cards issued.

Recommendation – The City should consolidate its three card programs into one program with one set of requirements that governed all credit card purchases, and should also create a comprehensive list of all card users.

Response – The City will implement a comprehensive single purchase card program in the near future governing card usage including the draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual. The existing Administrative Regulation 1.17 will be rescinded, as will the existing fuel credit cards. A comprehensive list of card holders will be maintained at the Purchasing Division of General Services.

2. Guidance within Existing Credit Card Programs

Finding - The guidance provided by the City's existing credit card policies was not sufficiently comprehensive to adequately control credit card purchases.

Recommendation – The City should provide more specific guidance on allowable or unallowable purchases in future credit card policies. The City should also proceed with a planned task force evaluation of certain food and meals-related card charges.

Response - The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual enumerates clearly disallowed and unsupported uses. Further, the Administrative Regulation contains clear consequences for failure to follow the Manual including employee reimbursement, disciplinary procedures to include potential termination.

Regarding use of credit cards for food purchases, an Administrative Regulation is under development by the Department of Human Resources that clarifies appropriate purchases with public funds, including those paid by credit cards.

3. Credit Card Limits and Cash Advances

Finding – At least eight employees were given credit cards authorizing purchases of \$25,000 to \$100,000 dollars. Also, some employees were authorized to receive cash advances against their cards.

Recommendation – Limits should be lowered on credit cards with unnecessarily high balances. Also, future cards should eliminate the option of obtaining cash advances.

Response – Since March 6, 2006 all P-cards have been suspended except travel cards. The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual stipulates the maximum expenditure limit of \$4,999.99 including \$2,500 for travel unless specifically authorized in writing by the City Manager. The draft Administrative Regulation specifically prohibits cash advances via P-cards.

4. Departmental Review of Credit Card Purchases

Finding - City departments had not been sufficiently assigned responsibility for management and control of their own credit card purchases prior to their submission to the Finance Department.

Recommendation – City Departments should take a greater role in reviewing credit card purchases internally.

Response – The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual mandates clear accountability, roles and responsibility within user departments at each level and for the Finance and General Services Departments which will administer the card program.

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SPECIAL AUDIT

JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

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A. Objectives, Scope, and Methodology

Pursuant to a request from City Council, Audit Services has reviewed the use of credit cards under the City's various credit card programs during Calendar Year 2005. Our review was conducted for the purpose of determining whether the cards were being utilized in accordance with existing City regulations. The review was conducted in accordance with Government Auditing Standards and included such tests of records and other procedures as we deemed necessary in the circumstances.

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Based on our review, we did not identify any instances of significant noncompliance with the two formalized policies. However, we did identify a number of significant control and operational concerns related to credit card practices in the City as a whole. The existence of three different types of credit cards and their related policies led to a high degree of confusion over how the rules governing each should be applied. The two formalized policies were general in nature as they related to credit cards and were not comprehensive enough to adequately control credit card purchases made under them. Several users were given what appeared to be unnecessarily high credit limits. Finally, City departments had not been sufficiently assigned responsibility for managing and controlling their own credit card purchases.

We recommend that the three credit card programs be consolidated into one program with one set of requirements that govern all credit card purchases. We will also encourage the City to develop more specific guidance for card purchases, including proceeding with a planned task force that evaluates the reasonableness of business meals and similar expenses and makes recommendations as to the allowability of these items, so that confusion over enforcement can be eliminated. We also recommend that limits be lowered on some of the higher limit cards to reduce the risk of misuse associated with them. Finally, we recommend that departments take on a greater role in enforcing the revised credit card procedures.

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Scope and Methodology

To conduct this audit, we reviewed the monthly Travel Card, Business Card and Purchasing Card submissions from each department that were submitted to the Accounts Payable section in Finance. We then reviewed the card charges against the policy that was applicable to the type of card, i.e., Travel and Business Cards against the Travel and City Credit Card Policies, Purchasing Cards against the Purchasing Division rules. We also reviewed for appropriate supporting documentation and supervisory approvals.

In addition to these reviews, we noted that there were a number of discussions occurring within the City as to whether certain expenses, most notably those related to food and meals, should be allowable business expenses under the City's policies. For this reason, we prepared a separate list of these types of charges and included them in Appendix B of the report.

B. Administrative and Operational Issues

While we did not identify any instances of significant noncompliance with the two formalized policies, we did identify a number of significant control and operational concerns related to credit card practices in the City as a whole. The City had three separate credit card policies, and no one had a complete list of all card users. The two formalized policies were general in nature and thus were not comprehensive enough to adequately control credit card purchases made under them. Several card users were given what appeared to be unnecessarily high credit limits. Finally, City departments had not been sufficiently assigned responsibility for management and control of their own credit card purchases.

1. Number of Credit Card Programs

Finding - The City had three different credit card programs, and this led to confusion over rules governing the individual programs. Also, no one in the City was keeping track of all of the cards issued.

Localities such as Chesapeake utilized credit cards to make small purchases more efficiently as well as to assist in facilitating the payment of travel expenses. Theoretically, the use of credit cards would serve to reduce paperwork, thus easing the locality's administrative burden.

We noted that the City had three different credit card programs. In some cases, we had to estimate the number of users because no one in the City had a complete list of all of the cards.

- The first program was a Travel Card program in existence since the 1980s that was governed by the City's Official Travel Regulations (Travel Regulations) and was supposed to be used for travel purposes only. The only two departments in the City that continued to use these cards were the City Manager's Office and Economic Development, with six cardholders in each department.
- The City also had a Business Card program that was created in 2003 that was governed by the City Credit Card Policy and Procedures (Credit Card Policy) and was supposed to be used predominantly by department and division heads for business purposes. We identified at least 25 users of these cards.
- In November 2004, the City began a "pilot" program using Purchasing Cards that could be used by a wide variety of employees for business purposes. Each card user had to sign a Cardholder Agreement that outlined certain rules developed by the Purchasing Division. However, there was no policy governing this program that had been formally approved by the City Manager. Initially, the Purchasing cards were used only by the Fire Department staff. However by the end of 2005, the "pilot" program had been expanded to include 239 users from the Conference Center, Conventions and Tourism, Purchasing, Information Technology, Intergovernmental Affairs, Economic Development, Community Services Board,

Fleet Management, Sheriff, Clerk of the Court, and Public Works. It should be noted that, while the City Manager's Office was aware of the pilot program, it was not aware of (and had not approved) the expansion of the program to include such a large number of users.

This situation was the result of a number of factors. The credit card service providers that the City utilized had changed their marketing over the years. The Travel Cards had originally been marketed as primarily for travel, the Business Cards had been marketed for use by senior staff, and the Purchasing Cards had been marketed for wider usage. While the service provider had the ability to roll all of these services into one card, the City had not yet taken advantage of this opportunity.

The differences between the cards and the rules that governed them created confusion among the staff in terms of which cards could be used for which purpose. For example, while both the Travel Cards and the Business Cards could be used for travel purposes, such purchases were prohibited under the Purchasing Card rules. Also, several of the users, primarily in Economic Development and its related entities, had multiple cards. This situation also made the cards more difficult to control and track. Finally, the three sets of documentation associated with the cards tended to expand (rather than reduce) the paperwork associated with these processes.

Recommendation – The City should consolidate its three card programs into one program with one set of requirements that governed all credit card purchases, and should also create a comprehensive list of all card users.

Since the service provider has the capability of providing all of the services that the City needs on one card, the City should take advantage of this opportunity. We recognize that such action will require reissuance of some of the cards currently in existence. However, the City should realize a substantial benefit from the reduction of paperwork associated with maintaining the three existing programs.

The City should develop a process to determine which employees should get the new cards. Once the new cards have been issued, the City's Card Administrator should maintain a list of all card users throughout the City. Each department should also have a list of all users within the department. These lists will assist the City and its departments in maintaining control over the credit card programs.

Response - The City will implement a comprehensive single purchase card program in the near future governing card usage including the draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual. The existing Administrative Regulation 1.17 will be rescinded, as will the existing fuel credit cards. A comprehensive list of card holders will be maintained at the Purchasing Division of General Services.

2. Guidance within Existing Credit Card Programs

Finding - The guidance provided by the City's existing credit card policies was not sufficiently comprehensive to adequately control credit card purchases.

As we have noted, the City had three policies that governed credit card purchases. Within the Travel Regulations, the only specific reference to credit cards was contained in Section II.D.2. which stated "The (Economic Development) traveler shall charge meals where practical on either Master Charge, Diner's Club, or American Express." This specific language had not changed since at least 1990. The Travel Regulations also contained other items that related to expenditure of City funds for travel purposes.

The Credit Card Policy had several clauses that governed usage which are itemized below:

- Section II.A. stated "This credit card is to be used exclusively for official City business and authorized expenditures."
- Section II.B. stated "Authorized expenditures shall include meals, entertainment, hotel accommodations, and other expenditures allowable by the Official Travel Regulations. Authorized expenditures may include non-travel related expenditures, but are governed by II.C. and II.D. below.
- Section II.C. stated "Unauthorized expenditures shall include, but not be limited to: personal expenses; cash advances; alcohol related expenses; recreation; lost or stolen articles; damage to personal vehicles or other items, all expenses related to the personal negligence of the employee; and religiously affiliated items.
- Section II.D. stated "Prudent judgment is expected when making expenditures with a City credit card. Expenditures shall be appropriate for official City Business and made in the best interest of the City, with consideration of current economic and budgetary constraints. For expenditures not covered by this policy, good business judgment and professional discretion shall dictate the employee's action.

While these items provided general guidance for credit card purchases, they did not provide guidance for specific goods and services, such as which staff members could use cards to hire contractors, buy prescription drugs for clients, purchase electronics, etc. The rules that governed the use of the Purchasing Cards were somewhat more specific in identifying acceptable and prohibited uses of the cards. However, as we have noted, the Purchasing Card rules had never been formally approved by the City.

The lack of specific guidance created a dilemma for City staff that had to review the purchases. For example, we noted that the Finance Department had begun questioning certain food and meal expenses, and had even distributed a memorandum attempting to prohibit expenditures for such items as employee retirements, farewell luncheons, parties, cards, food or decorations for departmental staff meetings, luncheons, holiday parties, and employee recognition events. However, because these items were not specifically prohibited in the approved Credit Card Policy, and some appeared to be legitimate business expenses, the prohibition could not be enforced.

Recommendation – The City should provide more specific guidance on allowable or unallowable purchases in future credit card policies. The City should also proceed with a planned task force evaluation of certain food and meals-related card charges.

The City should develop an acceptable list of uses for each card, preferably on a user-by-user basis. We noted that a credit card policy developed by the City of Virginia Beach contains a well developed, comprehensive list of goods and services as well as a detailed listing of policies and procedures. Chesapeake may wish to adapt this list for its own use. The service provider has the capability of setting up the cards so that only allowable merchant category code purchases could be made against them. Such a setup would build in a high level of desirable control.

In addition, the City needs to define which of the “prohibited” expenses for food, meals and similar items actually are allowable. For this reason we have included a listing of all of the food and meals related charges we identified in Appendix B. We would encourage the task force to utilize this list as a tool in evaluating the allowability of food and meals cost in the future.

Response - The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual enumerates clearly disallowed and unsupported uses. Further, the Administrative Regulation contains clear consequences for failure to follow the Manual including employee reimbursement, disciplinary procedures to include potential termination.

Regarding use of credit cards for food purchases, an Administrative Regulation is under development by the Department of Human Resources that clarifies appropriate purchases with public funds, including those paid by credit cards.

3. Credit Card Limits and Cash Advances

Finding – At least 25 employees were given Purchasing Cards with credit limits of least \$10,000, with seven additional employees receiving Purchasing Cards in the range of \$25,000 to \$100,000. Also some employees were authorized to receive cash advances against their Business Cards.

Administrative Regulation 4.12 delegated authority to department and agency heads to purchase supplies or services from qualified vendors totaling \$4,999.99 or less without having to submit a requisition to the Purchasing Division. Since one of the general purposes of the credit card programs was to facilitate the ability to make small purchases, this amount appeared to be a reasonable threshold for a card limit. We noted that the City of Virginia Beach used such a threshold for its card program.

We noted that at least 25 employees in one department (Fire) had been given Purchasing Cards with a limit of \$10,000. Within this same department, two other employees had been given cards with \$25,000 limits, and at least five had been given cards with \$50,000 limits. In examining the usage of these cards, we were only able to identify one instance where more than \$5,000 in charges was incurred against a single card in a one month period.

We asked the Purchasing Division and the Fire Department why the requested limits were so high. We were told that it was done to correspond to internal budgets within the department, with the limits correlating to the internal budget amounts. While this may be a good concept from a budget accountability perspective, it created risk of loss from a control perspective. We also identified four Business Cards and two travel cards with limits of \$8,000 to \$25,000, but these cards were generally held by the City Manager's Office or Economic Development. Finally, the Purchasing Manager had a card with a \$100,000 limit that he indicated was needed for City emergencies.

Also, as was previously noted, the Credit Card Policy prohibited cash advances. We noted that at least six of the travel and Business Cards had cash advances capabilities, with limits up to \$25,000. The Purchasing Manager indicated that those cards had been issued before the service provider had the capability of limiting advances on those cards. None of the newer Purchasing Cards had cash advance capability. Obviously, the continued use of credit cards that have the cash advance feature also creates a risk of loss for the City.

Recommendation – Limits should be lowered on credit cards with unnecessarily high balances. Also, future credit cards should eliminate the option of obtaining cash advances.

We would recommend that the City consider lowering the credit card limit to \$5,000, with any exceptions to this policy approved by the City Manager. If an emergency (such as a hurricane) occurs that requires certain individuals to have higher card limits, the City can contact the service provider to temporarily raise the limits as necessary. Such action will help insure reduce the risk of inappropriate charges against these cards. The City should also continue to ensure that the service provider disables the cash advance approval feature on all future City credit cards. This action will also help protect the City against card misuse.

Response – Since March 6, 2006 all P-cards have been suspended except travel cards. The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual stipulates the maximum expenditure limit of \$4,999.99 including \$2,500 for travel unless specifically authorized in writing by the City Manager. The draft Administrative Regulation specifically prohibits cash advances via P-cards.

4. Departmental Review of Credit Card Purchases

Finding - City departments had not been sufficiently assigned responsibility for management and control of their own credit card purchases prior to their submission to the Finance Department.

As we have noted, Administrative Regulation 4.12 transferred responsibility for purchasing lower cost supplies and services to the individual departments. In addition, the Credit Card Policy required Department Head approval if a subordinate used the card, or City Manager approval if a Department Head used the card. The policy also required receipts for charges incurred.

In reviewing actual credit card practices throughout the City we noted that, while the departments generally complied with this requirement, there were at least 15 instances where a Department Head or a Division Head either approved their own card purchases or both processed and approved their department's Purchasing Card charges. There were also at least 18 instances in which no description or purpose was listed for the credit card charge incurred.

This situation appears to be a result of several factors. One, which we discussed in a previous finding, related to a lack of specificity in guidance for the programs. For example, while the Credit Card Policy required receipts, it did not specifically require explanations. Second, while the departments were required to follow the citywide policy, they were not required to develop their own internal procedures regarding credit cards. Finally, the burden of enforcing the requirements generally fell on the Accounts Payable staff in Finance. While they did a good job of identifying issues related to the card charges and were generally quite diligent in requesting additional documentation, given the total volume of transactions in the City, it was unrealistic to expect them to identify every deficiency.

We noted that the Purchasing rules that governed the Purchasing Card provided more specific guidance on departmental responsibilities in the credit card program. However, as we have previously noted, these rules had never been formally adopted by the City. Therefore, unless the departments developed stronger control procedures internally, there was a significant risk that inappropriate charges might not get detected.

Recommendation – City Departments should take a greater role in reviewing their own credit card purchases internally.

The City of Virginia Beach had developed an excellent policy and procedure document for credit card usage that it appears can be adapted for Chesapeake's use. This document highlights the responsibility of departments to separate functions, develop internal control procedures, and document and review the propriety of transactions. We have attached a copy of their Department Responsibilities as well as their Model Internal Control Procedures document in Appendices C and D.

Response – The draft Administrative Regulation for Chesapeake Purchase Card (P-Card) Procedures Manual mandates clear accountability, roles and responsibility within user departments at each level and for the Finance and General Services Departments which will administer the card program.

APPENDIX A

RESPONSE OF CITY MANAGER'S OFFICE

MEMORANDUM

TO: Jay Poole, Director Audit Services

FROM: Anne F. Odell, Acting City Manager

DATE: August 17, 2006

SUBJECT: **Response to Managerial Summary of Credit Card Procedures**

Thank you for the opportunity to respond to the Managerial Summary of Credit Card Procedures. As you are aware, over the last few months a Work Group chaired by Assistant to the City Manager, Mary Ann Saunders and comprised of employees from a cross section of City departments, has undertaken a comprehensive examination of this matter. A detailed draft Administrative Regulation for Chesapeake Purchase (P-Card) Procedures Manual has been developed by the group and will be implemented in the near future.

- Specific highlights include: Single card—maximum expenditure of \$4,999.99 including \$2,500 for travel unless specifically authorized by the City Manager
- Enhanced financial controls including Departmental Model Internal Control Procedures
- Ability to set individual expenditure limits and purchase exclusions
- Cardholder training requirements including procurement procedures
- On-line, real-time monitoring and reconciliation---eventual integration with PeopleSoft

Following are responses to the Managerial Summary of Credit Card Procedures:

1. Number of Credit Card Programs

Finding - The City had three different credit card programs, and this led to confusion over rules governing the individual programs. Also, no one in the City was keeping track of all of the cards issued.

Recommendation – The City should consolidate its three card programs into one program with one set of requirements that governed all credit card purchases, and should also create a comprehensive list of all card users.

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AFO:pme

APPENDIX B

LISTING OF

FOOD

AND

MEALS-RELATED

CHARGES

**City of Chesapeake
Citywide Credit Cards - 2005
Summary of Food and Meals-Related Purchases**

Group I - General Food Purchases

Date	Card Type	Department	Amount	Purpose	Comment
7/10/2005	Purchase	Fire	32.78	Food	Command Staff mtg
7/14/2005	Purchase	Fire	33.84	Food	Panel meeting
9/10/2005	Purchase	Fire	61.84	Food	Food for long term incident
9/12/2005	Purchase	Fire	29.18	Food	Bimonthly Chief staff mtg
9/12/2005	Purchase	Fire	55.18	Food	Bimonthly Chief staff mtg
9/12/2005	Purchase	Fire	84.76	Food	Bimonthly Chief staff mtg
10/10/2005	Business	Conf. Ctr.	11.87	Food	Staff mtg
10/10/2005	Business	Neigh Svs	44.70	Food	Neighborhood coordination NLP
10/10/2005	Business	Neigh Svs	78.61	Food	Neighborhood coordination mtg
10/17/2005	Business	Conv.& Tour.	15.38	Food	Hotlier Dismal Swamp tour
12/31/2005	Purchase	Fire	150.34	Food	CFD support for McCrory family
1/6/2006	Purchase	Fire	88.00	Food	?Lost receipt (8)
1/9/2006	Purchase	Fire	43.59	Food	Command Staff mtg
1/13/2006	Purchase	Conv.& Tour.	18.54	Food	Items for opening reception
1/13/2006	Purchase	Conv.& Tour.	16.78	Food	Items for opening reception

Group II - Business Breakfasts

Date	Card Type	Department	Amount	Purpose	Comment
1/13/2005	Travel	City Mgr.	39.75	Breakfast-Bus	w/Camden Co &Dis. Swp rep (4)
3/29/2005	Travel	City Mgr.	46.56	Breakfast-Bus	Interview - Deputy City Mgr
4/5/2005	Travel	City Mgr.	46.56	Breakfast-Bus	Interview - Deputy City Mgr
4/7/2005	Travel	City Mgr.	24.78	Breakfast-Bus	Brkfst w/Citizen - City Issues
7/1/2005	Travel	City Mgr.	13.61	Breakfast-Bus	Brkfst w/Citizen - City Issues
8/4/2005	Travel	City Mgr.	22.97	Breakfast-Bus	Brkfst w/Citizen - City Issues

Group III - Business Lunches (i.e. includes at least one non-employee)

Date	Card Type	Department	Amount	Purpose	Comment
12/30/2004	Business	Public Comm.	31.61	Lunch-Bus	Bus Lunch
1/24/2005	Business	Public Comm.	24.71	Lunch-Bus	Bus Lunch
2/4/2005	Business	Conf. Ctr.	50.20	Lunch-Bus	Mtg w/client
2/8/2005	Business	Public Comm.	27.28	Lunch-Bus	Bus Lunch
3/1/2005	Business	Public Comm.	11.39	Lunch-Bus	Bus Lunch
3/15/2005	Business	Conv.& Tour.	31.69	Lunch-Bus	Lunch w/meeting planners
3/15/2005	Business	Conv.& Tour.	5.28	Lunch-Bus	Attraction tour w/mtg planners
3/21/2005	Business	Public Comm.	25.71	Lunch-Bus	Bus Lunch
4/22/2005	Business	Conf. Ctr.	63.81	Lunch-Bus	Lunch w/Newmarket Trainer (4)
4/27/2005	Business	Public Comm.	20.30	Lunch-Bus	Bus Lunch
5/2/2005	Business	Conf. Ctr.	21.20	Lunch-Bus	Mtg w/client for Army event
5/17/2005	Business	Fire	51.69	Lunch-Bus	Mtg w/Ches Gen Hosp Admin (4)
6/15/2005	Business	Conf. Ctr.	26.84	Lunch-Bus	Mtg w/client for event
7/1/2005	Business	Public Comm.	60.76	Lunch-Bus	Bus Lunch coordination mtg
7/6/2005	Business	City Attorney	19.72	Lunch-Bus	Outside Atty lunch-legal matter(2)

**City of Chesapeake
Citywide Credit Cards - 2005
Summary of Food and Meals-Related Purchases**

Group III - Business Lunches (i.e. includes at least one non-employee) cont.

Date	Card Type	Department	Amount	Purpose	Comment
7/7/2005	Business	Public Comm.	19.86	Lunch-Bus	Bus Lunch
7/12/2005	Business	Public Works	53.86	Lunch-Bus	Lunch with Contractor (3)
7/13/2005	Business	City Attorney	47.56	Lunch-Bus	Outside Atty lunch-legal matter(3)
7/14/2005	Business	Public Comm.	27.04	Lunch-Bus	Bus Lunch
7/15/2005	Business	Fire	33.27	Lunch-Bus	Lunch w/Dr. Booth-Fire Exam
7/28/2005	Business	Fire	10.03	Lunch-Bus	Regional Fire Chief Mtg
7/29/2005	Travel	Econ. Dev.	62.75	Lunch-Bus	Greenbrier TIF mtg
8/1/2005	Business	Public Comm.	24.11	Lunch-Bus	Bus Lunch
8/12/2005	Business	Public Comm.	20.80	Lunch-Bus	Bus Lunch
8/22/2005	Business	Conv.& Tour.	27.05	Lunch-Bus	Met w/ rep from Hilton
8/26/2005	Business	Conv.& Tour.	7.03	Lunch-Bus	Bus Lunch - LTD Mtg
9/2/2005	Business	Conv.& Tour.	9.71	Lunch-Bus	w/ Mr. Spear (client)
9/9/2005	Business	Public Comm.	14.60	Lunch-Bus	Riz #3?
9/15/2005	Travel	City Mgr.	15.00	Lunch-Bus	United Way - Dr. Cuffee speaker
9/15/2005	Travel	City Mgr.	15.00	Lunch-Bus	United Way - Dr. Cuffee speaker
9/15/2005	Travel	City Mgr.	15.00	Lunch-Bus	United Way - Dr. Cuffee speaker
9/27/2005	Travel	Econ. Dev.	63.18	Lunch-Bus	Lunch mtg w/Council Member
9/29/2005	Business	Library	30.00	Lunch-Bus	United Way - Dr. Cuffee speaker
10/12/2005	Business	Conf. Ctr.	32.80	Lunch-Bus	Lunch w/K. Roberts (consultant)
10/26/2005	Business	Conf. Ctr.	28.30	Lunch-Bus	Mtg w/Chief from FTSCCLANT

Group IV - Employee Lunches (i.e. does not include non-employees)

Date	Card Type	Department	Amount	Purpose	Comment
1/13/2005	Business	Conf. Ctr.	24.08	Lunch-Emp	Mtg w/Fiscal Administrator (2)
1/14/2005	Business	Conf. Ctr.	112.77	Lunch-Emp	Bus Mtg - Ches Sons Project (8)
1/31/2005	Business	Conf. Ctr.	63.81	Lunch-Emp	Planning for Hospital Event (3)
2/22/2005	Business	Public Comm.	23.56	Lunch-Emp	? No description
4/15/2005	Business	Public Comm.	20.30	Lunch-Emp	? No description
4/25/2005	Business	Conf. Ctr.	35.12	Lunch-Emp	? No description
5/19/2005	Business	Fire	33.21	Lunch-Emp	? No description
5/26/2005	Business	Public Comm.	26.00	Lunch-Emp	? No description
6/6/2005	Business	Conv.& Tour.	21.25	Lunch-Emp	Sales mtg luncheon (2)
6/7/2005	Business	Public Comm.	27.08	Lunch-Emp	? No description
6/10/2005	Business	Public Comm.	60.15	Lunch-Emp	? No description
6/14/2005	Business	Fire	105.98	Lunch-Emp	Mtg on School recruiting pgm (8)
6/17/2005	Business	Conv.& Tour.	50.70	Lunch-Emp	Agency Review Panel
6/20/2005	Business	Conf. Ctr.	63.81	Lunch-Emp	Exec Committee
6/22/2005	Business	Conf. Ctr.	38.88	Lunch-Emp	Exec Committee (3) - Wkg Lunch
7/6/2005	Business	Conf. Ctr.	67.14	Lunch-Emp	Exec Committee (5)
7/21/2005	Business	Conf. Ctr.	98.40	Lunch-Emp	Staff Lunch Outing (6)
7/29/2005	Travel	Econ. Dev.	30.08	Lunch-Emp	Set up for Black Expo
8/11/2005	Business	Conf. Ctr.	11.73	Lunch-Emp	Lunch for intern
8/22/2005	Business	Conv.& Tour.	31.18	Lunch-Emp	Lunch w/ Randy (Harrison)

**City of Chesapeake
Citywide Credit Cards - 2005
Summary of Food and Meals-Related Purchases**

Group IV - Employee Lunches (i.e. does not include non-employees) cont.

Date	Card Type	Department	Amount	Purpose	Comment
9/9/2005	Business	Library Com. Svs.	83.65	Lunch-Emp	Pizza ? No explanation (4)
9/16/2005	Purchase	Bd.	94.75	Lunch-Emp	Lunch-Admin Staff Retreat
9/24/2005	Business	Library	47.56	Lunch-Emp	Pizza ? No explanation
10/6/2005	Business	Conf. Ctr.	53.04	Lunch-Emp	Exec Committee (4)
10/12/2005	Business	Conf. Ctr.	25.69	Lunch-Emp	Working Lunch (3)
10/12/2005	Travel	Econ. Dev.	13.76	Lunch-Emp	Lunch while attending TIF mtg
10/13/2005	Business	Conv.& Tour.	45.94	Lunch-Emp	Sales mtg luncheon
10/21/2005	Business	Conf. Ctr.	54.73	Lunch-Emp	Sales mtg luncheon
10/24/2005	Business	City Attorney	25.97	Lunch-Emp	Lunch w/job applicant
11/1/2005	Business	Conf. Ctr.	21.31	Lunch-Emp	Exec Committee mtg
11/2/2005	Business	Conf. Ctr.	22.93	Lunch-Emp	Lunch mtg w/maintenance staff
11/7/2005	Business	Conf. Ctr.	24.10	Lunch-Emp	? No description (2)
11/8/2005	Business	Conf. Ctr.	38.06	Lunch-Emp	? No description (4)
11/15/2005	Business	Public Comm.	24.11	Lunch-Emp	? No description
11/15/2005	Business	Conf. Ctr.	58.21	Lunch-Emp	Exec Committee mtg
11/21/2005	Travel	City Mgr.	22.52	Lunch-Emp	Mtg w/Fire Chief
11/22/2005	Business	Conf. Ctr.	167.75	Lunch-Emp	Fib Strategy mtg (8)
11/25/2005	Business	Conf. Ctr. Com. Svs.	48.70	Lunch-Emp	Exec Committee Onsite Training
12/10/2005	Purchase	Bd.	70.23	Lunch-Emp	? No description
12/16/2005	Purchase	Fire	112.00	Lunch-Emp	FMO staff mtg-Box Lunches (14)
1/13/2006	Purchase	Fire	96.00	Lunch-Emp	Lunch mtg - In house

Group V - Business Dinners

Date	Card Type	Department	Amount	Purpose	Comment
1/10/2005	Business	Conv.& Tour.	39.62	Dinner-Bus	w/ client-military reunion
3/16/2005	Business	Conf. Ctr.	123.28	Dinner-Bus	w/staff & food & bev. consultant
9/1/2005	Business	Conv.& Tour.	18.83	Dinner-Bus	w/potential client

APPENDIX C

MODEL

DEPARTMENTAL

RESPONSIBILITIES

(from City of Virginia Beach)

X.

ATTACHMENT B

To: _____

From: _____

Card Administrator

CITY OF VIRGINIA BEACH, VIRGINIA

Procurement Card Procedures Manual

CITY SMALL PURCHASE/TRAVEL CARD (VB Pro Card) - AUTHORIZED CARD USE

You are hereby delegated to purchase goods and services using the City Small Purchase/Travel (VB Pro) Card issued by Bank of America. Your purchases may not exceed \$_____ in value for a single transaction for purchases and \$_____ total in a billing cycle.

You are hereby delegated to charge business travel expenses using the City Small Purchase/Travel (VB Pro) Card issued by Bank of America. Your travel expenses may not exceed \$_____ in value for a single transaction and \$_____ total in a billing cycle.

Initially each card will be capped at \$5,000 (the sum of both purchases and travel expenses) per billing cycle.

Instructions:

1. Please read and sign the Cardholder's Agreement below to acknowledge your understanding of the City Small Purchase/Travel Card System Procedures and your receipt of the Card.
2. Return this form to the Card Administrator listed in IV (CONTACT INFORMATION) above.

CARDHOLDER'S AGREEMENT

I understand that the use of the VB Pro Card for authorized small-dollar purchases is a standard procedure of the City.

I will be expected to use the VB Pro Card issued to me in accordance with the City Small Purchase/Travel Card Procedures Manual, which I have read and which I understand.

I will not permit another person to use the VB Pro Card issued to me. Any such purchases made with my card will be considered made by me and are my responsibility.

I will be responsible for the safe keeping of the VB Pro Card issued to me and, if lost or stolen, I will immediately report its loss to Bank of America (1-800-300-3084) and to my Program Manager and the Card Administrator (427-4415).

ATTACHMENT B (continued)

I understand that my personal credit will not be affected by any use of the VB Pro Card.

The use of the VB Pro Card to obtain goods and/or services for other than official use of the CITY is fraudulent use. An employee found guilty of fraudulent use may be subject to dismissal for detrimental personal conduct and will be required to reimburse the CITY for all costs associated with such improper use.

I have read, understand and agree to the conditions above.

Print Cardholder Name: _____

Cardholder's Signature: _____

My signature below indicates I have received my VB Pro Card.

Cardholder's Signature: _____

Date of Receipt of Card: _____

<i>For Accounting Use Only</i>	
Card Account Number: _____	Date: _____
Issued to Cardholder: _____	

APPENDIX D

MODEL

INTERNAL CONTROL

PROCEDURES

(from City of Virginia Beach)

XIV.

ATTACHMENT F

Model Internal Control Procedures Document

**City of Virginia Beach
Small Purchase/Travel Card (VB Pro Card)
Departmental Internal Control Procedures
06/21/02**

Department of _____

I. Duties Separation

A. Accounting/Reconciling Functions

1. Cardholder responsibilities:

- a. Keep the Small Purchase/Travel Card (VB Pro Card) in a secure place when the card is not in use.
- b. Obtain receipts and other documentation for all card purchases. Purchases can be charged for City use only. Personal use purchases are not allowed.
- c. Ensure purchases are correctly listed on the receipts. Sales and other taxes are not be charged to the card except for City business hotel and restaurant bills and purchases made outside of the state of Virginia. The City is exempt from taxes on all charges other than hotel, restaurant and out of state purchases.
- d. For each billing cycle (28th of the month through the 27th of the following month), enter each purchase in a Purchasing Card Transaction Log (see Attachment C in the VB Pro Card Procedures Manual).
- e. File all receipts in an envelope labeled with the Cardholder's name and attach the Purchasing Card Transaction Log (Log) to the envelope.
- f. Compare the list of card transactions, that BOA will mail to each Cardholder, with the Log. After the BOA list, Log and receipts agree, sign and date the Log.

ATTACHMENT F (continued)

- g. Start a new Log for purchases made in the next billing cycle.
- h. Keep the card in the following secure place _____ when it is not in use.

2. Reconciler Responsibilities:

- a. The Department Director or Program Manager should appoint one or more Reconciler(s). Reconciler(s) is/are _____.
- b. The Reconciler will ascertain that each transaction on the Cardholder's BOA list is supported by an entry in his/her Log and by a receipt. The Reconciler's workload will increase with the volume of each Cardholder's transactions.

B. Approval Function

1. Program Manager Responsibilities:

- a. Review each Cardholder's purchases on his/her BOA list. Determine that all charges are in compliance with the City's Purchasing Regulations and/or Travel Regulations.
- b. Obtain reimbursement of any improper charges from the Cardholder. Remit any reimbursements to the Card Administrator along with the account information to which the reimbursement should be credited.
- c. After the charges on each Cardholder's Log/BOA list are determined to be appropriate and supported by receipts, the Program Manager should sign and date the Cardholder's Log. Each Cardholder's Log/BOA list and receipts must be kept in the department for five (5) years. This supporting detail for card purchases must be accessible for audit and research purposes, so a good filing and retrievable system is necessary.
- d. Access each Cardholder's charges through Eagles (Bank of America's software). Make any desired redistribution to Budget Unit lines within the Program Manager's department.
- e. Determine that anticipated credits have been posted.
- f. Assist Cardholder resolve any disputes with merchants.

ATTACHMENT F (continued)

- g. Assist Cardholder file, with BOA, any Cardholder Statement Disputed Item (Attachment D of VB Pro Card Procedures Manual).
- h. Access each Budget Unit's transaction total for the billing cycle (28th through the 27th of the following month period) in Eagles.
- i. Sum the total of each Budget Unit's transactions amount. Within ten (10) days of Cardholders receiving their BOA transaction lists send an E-Mail or memo to the Card Administrator (DVAUGHAN) indicating approving of your department's transactions for payment.

II. Paper Flow

A. Cardholder

- 1. Receives his/her BOA transactions list 3 days after the conclusion of the 27th of the month billing cycle.
- 2. Sends his/her signed Log, BOA transaction list and receipts to the department's Reconciler.

B. Reconciler

Sends each Cardholder's reconciled Log, BOA list and receipts to the Program Manager.

C. Program Manager

- 1. Files each Cardholder's Logs, BOA lists and receipts so that each can be accessed for audit and research.
- 2. Notifies Card Administrator by e-mail or memo of his/her approval to pay department's monthly bill.

FROM: Program Manager

TO: DVAUGHAN

RE: Your department name and five digit department number

\$_____ (total of all budget units transactions) of charges during _____ 28, 2002 through _____ 27, 2002) is approved for payment.

FOR EXAMPLE:

TO: Vaughan

FROM: JSmith

RE: Finance - 04000

\$ 12,612.73 of charges during May 28, 2002 through June 27, 2002 is approved for payment.

APPROVED:

Card Administrator's Signature

If memo notification is used

Date

Department of _____

Internal Control Procedures Document

Approved by _____
Director

Approved by _____
Card Administrator