



Internal Audit – Purchasing Card Activities

August 20, 2022



Assurance | Advisory | Tax

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Mayor- City of Brookhaven, Georgia
Brookhaven, Georgia

We have performed certain operational evaluation procedures, which were agreed to by the City of Brookhaven Georgia (the "City") (specified party). The procedures were performed in compliance with the American Institute of Certified Public Accountant's Consulting Standards and Rule 101 of the Code of Professional Conduct. These procedures were performed solely to assist you in evaluating certain purchasing card activities of the City. The City is responsible for maintaining an adequate control environment and risk management program, the fair presentation of general ledger balances, and for compliance with applicable City accounting practices. Our responsibility was to test the operation of certain purchasing card internal controls of the City. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures performed for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the City's financial statements or specified elements, accounts, or items thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified party listed above, and is not intended to and should not be used by anyone other than such specified party.

Nichols, Cauley + Associates, LLC

Fayetteville, Georgia
August 20, 2022

Executive Summary

Executive Summary

The procedures performed along with the results of the procedures, and any findings or observations noted are presented in this report.

The specific procedures performed were based on the concept of selective testing. Had additional or expanded procedures been performed, other matters might have come to our attention that would have been reported to you.

It should also be recognized that internal controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that City activities are performed in accordance with the intentions of City management. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal controls. In the performance of most internal control procedures, errors can result, and controls can be circumvented intentionally by management. Further, controls may become ineffective due to newly identified business or technology exposures. The projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

We would like to thank management and staff for their assistance and courtesy extended to us during the course of our review.

The general scope of the purchasing card internal control evaluation procedures, as detailed in this report, included:

- General review of City purchasing card activities and documentation
- Testing of select user – active card holder account initiation documentation
- Testing of select user account – active card holder transaction activity for supporting documentation and supervisor authorization
- Testing of select user account – active card holder transaction activity for compliance with single-transaction and card cycle parameters
- Testing of select user account – active card holder transaction activity for unusual appearing activity or transactions appearing inconsistent with expected City activities

Exceptions Identified/Observations

Exceptions Identified

No exceptions identified from the procedures.

Observations

We noted the following observations – recommendations for the City. While not matters of exceptions or errors, consideration of such matters may provide enhanced internal control activities or documentation for the City.

Recommendation for consideration – the City utilizes a purchasing card management system administered through Bank of America. This system provides for automated and electronic maintenance of receipts, activity reports, and activity authorization and approval. For the authorization and approval activities, the City is utilizing primarily a manual-paper system of supervisory authorization, and not utilizing the authorization functionality of the system, which may provide for a more efficient and effective process.

Recommendation for consideration – the City utilizes a purchasing card management system administered through Bank of America. Most systems of this type will provide administrative access to a variety of activity reports such as:

- New user set up
- Transaction limit set up
- Transaction limit changes
- User account deactivated

The City may want to consider establishing a process of independent review of such activity reports as a function of oversight internal control.

Recommendation for consideration – several of the Purchasing Card Authorization Forms, Purchasing Ethics & Guidelines Forms, and Purchasing Cardholder Agreement Forms, as reviewed, were not dated. The City may want to consider including dates on the documents as executed.

Detailed Procedures

Detailed Procedures

General Review of City Purchasing Card Activities and Documentation

Procedures:

Discussed with City management the significant processes of purchasing card activities, to include: user initiation and authorization, user documentation, activity documentation, and activity authorization.

Results:

The City has established procedures, activities, and documentation for the management of the City purchasing card activities.

Testing of Select User – Active Card Holder Account Initiation Activity

Procedures:

Obtained a purchasing card system report of active card holders. Traced each name to a recent payroll register.

Selected 5 active card holders and obtained the following documents for each:

- Executed Purchasing Card Authorization Form
- Executed Purchasing & Ethics Guidelines Form
- Executed Purchasing Cardholder Agreement Form

Selected 5 active cardholders and compared the single transaction activity limit and cycle credit limit from the Purchasing Card Authorization Form to the amounts on the purchasing card system report of active cardholders.

Results:

All persons listed on the purchasing card system report of active users were on the recent payroll register.

The Purchasing Card Authorization Form, Purchasing & Ethics Guidelines Form, and Purchasing Cardholder Agreement Form were completed for each selected cardholder.

The single transaction activity limit and cycle credit limit were consistent on the Purchasing Card Authorization Form and purchasing card system report of active cardholders for each selected cardholder.

Detailed Procedures

Testing of Select User Account – Active Card Holder Transaction Activity for Supporting Documentation and Supervisor Authorization

Procedures:

Selected 5 active cardholders and obtained the card activity supporting documentation for the billing cycle ending April 25, 2022. The supporting documentation was reviewed for:

- Employee and director signature
- Supporting receipts for each charge
- Consideration of reasonable nature of charges – unusual in appearance or not in accordance with expected City activity

Results:

For the supporting documentation reviewed for each selected cardholder, the signature of the employee and director was present, supporting receipts were present for each charge, and each charge appeared reasonable in nature.

Testing of Select User Account – Active Card Holder Transaction Activity for Compliance with Single-Transaction and Card Cycle Parameters

Procedures:

Selected 5 active cardholders and compared the single transaction activity limit and cycle credit limit from the Purchasing Card Authorization Form to the amounts on the purchasing card system report of active card holders.

Selected 5 active cardholders and reviewed the card activity from the monthly billing statement compared to the single-transaction activity limit and cycle credit limit from the Purchasing Card Authorization Form, for actual activity not exceeding authorized limits.

Results:

The single transaction activity limit and cycle credit limit were consistent with the Purchasing Card Authorization Form and purchasing card system report of active cardholders for each selected cardholder.

The monthly activity from the billing statement did not exceed authorized activity limits as established and authorized for each selected cardholder.

Detailed Procedures

Testing of Select User Account – Active Cardholder Transaction Activity for Unusual Appearing Activity or Transactions Appearing Inconsistent with Expected City Activities

Procedures:

Obtained the purchasing card billing statement for the billing cycle ending April 25, 2022 and reviewed the activity descriptions and vendors for indications of unusual activity.

Results:

None of the transactions had a description indicating unusual activity.