

Performance Audit
Management and Use of the
City's Credit Card Account

December 2006

City Auditor's Office
City of Atlanta



CITY OF ATLANTA

City Auditor's Office
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Why We Did This Audit

The mayor requested this audit in June 2006 due to concerns that the city's corporate credit card account with Wachovia Bank had been mismanaged. Following a media inquiry, she asked why the city had been billed for late payments and over-the-limit charges and requested that the Law Department investigate potential misuse of the account.

What We Recommended

Our recommendations identify improvements to limit the risks of mismanagement and misuse of city-issued credit cards. During our review, the city implemented interim procedures to address the most significant risks and the Department of Finance now administers all of the city's credit cards.

We recommend that the Department of Finance:

- Change to an account more appropriate for the city's needs that blocks high-risk merchant categories and prohibits cash advances.
- Implement management controls over the account, including
 - defined roles for cardholders and administrative staff,
 - defined acceptable types and amounts of purchases,
 - procedures for obtaining and cancelling cards,
 - procedures for cardholders to verify the accuracy of charges, and
 - periodic review of transactions
- Ensure that procurement and travel regulations are followed.
- Ensure timely payment of the account.

For more information regarding this report, please contact Richard Edwards at 404.330.6678 or redwards@atlantaga.gov.

Performance Audit:

Management and Use of the City's Credit Card Account

What We Found

Although the financial exposure for this account was small – total charges on the account were about \$329,000 between January 2002 and June 2006 – lack of controls put the city at risk for inappropriate charges and misuse. While most of the types of charges appear to have been for legitimate business use, personal charges appear on several cards, and evidence suggests at least one employee misused the card. The city's law department is still investigating possible misuse. Confusion over who was responsible for managing the account, how to make payments, and late and sporadic payments led to the city paying about \$16,000 for finance charges, late fees, and over-limit fees for the months reviewed.

Specifically, we found:

- a lack of controls contributed to mismanagement and potential misuse – standards were not established, records are inadequate, and card administration was fragmented
- mismanagement resulted in fees and finance charges – focus was on paying charges rather than balances, and payments were not made on time
- the credit card account offers flexibility but lacks controls – the card is similar to a consumer credit card with no purchasing restrictions

Other types of accounts could meet the city's needs for flexibility while improving controls. The city should obtain an account more appropriate to its needs with pre-defined restrictions in place. The city should also establish clear expectations for appropriate use of the card and implement management controls over the account consistent with best practices for government charge programs.

The city has taken interim steps to reduce the risks of the program since we began the audit and paid the outstanding balance on the account in June 2006.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation:	1. Change to an account more appropriate for the city's needs. The Department of Finance plans to put a new city-wide credit card program in place. We recommend that the program block high-risk merchant categories and prohibit cardholders from obtaining cash advances.	
Department:	Finance	Agree
Response & Proposed Action:	The recommendation will be adopted as presented for the proposed city -wide credit card program.	
Timeframe:	July 1, 2007	
Recommendation:	2. Implement management controls over the account. As the Department of Finance develops policies for the program, it should establish controls that follow best practices for government credit cards. In addition to clearly defining types and amounts of acceptable purchases, it should establish formal procedures for obtaining and cancelling cards.	
Department:	Finance	Agree
Response & Proposed Action:	The recommendation will be adopted as presented for the proposed city -wide credit card program. Additionally, interim procedures are being developed for the credit cards currently in use.	
Timeframe:	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
Recommendation:	3. Define roles and provide guidance to cardholders. The Department of Finance should identify key management officials and their responsibilities for the card program, including the role of the business managers. The department should also make cardholders responsible for verifying the accuracy of their charges.	
Department:	Finance	Agree
Response & Proposed Action:	The recommendation will be adopted as presented for the proposed city -wide credit card program. Additionally, interim procedures are being developed for the credit cards currently in use.	
Timeframe:	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
Recommendation:	4. Ensure that procurement and travel regulations are followed. The Department of Finance should review card activity on a regular basis for possible misuse and to ensure that budget limits, procurement, and travel regulations are followed. The department should also establish a cardholder payment process for incidental expenses related to travel.	
Department:	Finance	Agree
Response & Proposed Action:	The Finance Department is creating a Quality Control unit. One of the responsibilities of the unit will be the review of credit card purchases on the existing cards for appropriateness. The proposed credit card program will contain safeguards against inappropriate purchases; however, the QC unit will perform random audits of the purchases.	
Timeframe:	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
Recommendation:	5. Ensure timely payment of the account. The Department should make full payment of the account each month through a single electronic transfer.	
Department:	Finance	Agree
Response & Proposed Action:	We agree that the full balance should be paid each month. We have directed the provider of the existing credit card to send bills directly to Finance. We cannot presently directly charge a department's budget for their purchases but we will work with the existing cardholders to ensure that the balances are paid in full each month.	
Timeframe:	October 1, 2006	



CITY OF ATLANTA

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December 4, 2006

Honorable Mayor and Members of the City Council:

We conducted this audit at the request of the mayor due to concerns that the city's corporate credit card had been mismanaged. This audit was conducted in conjunction with an investigation by the Law Department of potential misuse of the account.

Our review, conducted in June and July 2006, found that a lack of controls over the use of the card put the city at risk for inappropriate charges and misuse. Management has taken interim steps to reduce these risks since we began the audit.

Our recommendations focus on developing clear policies to limit the risk of misuse and mismanagement of city-issued credit cards. These recommendations include changing to a more appropriate account, implementing management controls and oversight, defining roles and responsibilities, ensuring that travel and procurement regulations are followed, and timely payment of the account. The mayor and the chief financial officer agree with our recommendations, and their responses are appended to the report.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Richard Edwards, Eric Palmer, Al Moses, and Ty Elliot.

Leslie Ward
City Auditor

Fred Williams
Audit Committee Chair

Management and Use of the City's Credit Card Account

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Introduction

The mayor requested this audit in June 2006 due to her concerns that the city's corporate credit card account with Wachovia Bank had been mismanaged. Following a media inquiry, she asked why the city had been billed for late payments and over-the-limit charges. She also requested that the Law Department investigate potential misuse of the account.

We conducted this performance audit of the management and use of city credit cards pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office, and outlines the City Auditor's Office primary duties. The Audit Committee reviewed our audit scope in July 2006.

A performance audit is an objective, systematic examination of evidence to assess independently the performance of an organization, program, activity, or function. The purpose of a performance audit is to provide information to improve public accountability and facilitate decision-making. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal control; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.¹

Background

The city established a credit card account in 1996 at First Union Bank (now merged with Wachovia), which outsourced administration of the account to MBNA in 2002. The city has one master account. MBNA issues cards in the names of individuals with separate account numbers under this account. Charges and payments are made in the names of the individual cardholders, who receive separate billing statements. The account has an overall credit limit of \$100,000. Outstanding balances on the account carry an interest rate of 13.99 percent.

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington, DC: U.S. Government Accountability Office, 2003, p. 21.

Seven city officials and employees currently hold cards on the city's account: the mayor, the chief operating officer, the chief of staff, the city attorney, the business manager for the Department of Law, the director of Weed and Seed, and the director of the Atlanta Workforce Development Agency (AWDA).

EXHIBIT 1

CURRENT CARDHOLDERS	
Cardholder	Date Issued
Mayor	January 2002
Chief Operating Officer	September 2002
Chief of Staff	December 2003
City Attorney	October 2003
Business Manager, Law	October 2003
Director, Weed and Seed	May 2005
Director, AWDA	March 2006

Source: Bank records

At the time of the audit, each office or department with cardholders on the account had developed its own practices and procedures for use of the card.

Audit Objectives

We designed this audit to answer the following questions:

- What risks to the city have resulted from lack of policies on management and use of the cards, and how should these risks be mitigated?
- For what purposes have the cards been used, and do they indicate potential misuse or mismanagement that warrants further investigation?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We conducted audit fieldwork from June 23, 2006, to July 25, 2006. Our analysis covered account transactions from January 1, 2002, through June 30, 2006.

Our audit methods included:

- comparing the volume of expenditures, finance charges, and other fees to payments over time,
- analyzing patterns in types of expenditures and identifying transactions for further review,
- examining the city's payment records on the cards and whether use of the cards had the effect of exceeding budgeted appropriations or circumventing procurement requirements, and
- interviewing cardholders to better understand their practice regarding card usage and payment, and the city's practice for adding and removing cardholders from the account.

We are also coordinating with the law department's compliance unit to provide data for their ongoing investigation. Some information pertaining to the investigation is omitted from this report.

Findings and Analysis

City Credit Card Account Mishandled

Although the financial exposure for this account was small – total charges on the account were about \$329,000 between January 2002 and June 2006 – lack of controls put the city at risk for inappropriate charges and misuse. While most of the types of charges appear to have been for legitimate business use, evidence suggests at least one employee misused the card, and personal purchases appear on several cards. The city's law department is still investigating possible misuse. Confusion over who was responsible for managing the account and how to make payments, as well as late and sporadic payments, led to the city paying about \$16,000 for finance charges, late fees, and over-the-limit fees for the months reviewed.

Other types of accounts could meet the city's needs for flexibility while improving controls. The city should obtain an account more appropriate to its needs with restrictions in place. The city should also establish clear policies for appropriate use of the card and implement management controls over the account consistent with best practices for government charge card programs.

The city has taken interim steps to reduce risks since we began the audit and paid the outstanding balance on the account in June 2006.

Lack of Controls Contributed to Mismanagement and Potential Misuse

The Executive Offices failed to establish clear expectations on how the card should be used and managed. Practices varied among offices about who could use the card, what types of purchases were acceptable, and how payments should be made. While most types of charges appear to have been business-related, some purchases were questionable. Several cardholders cannot account for some of the charges on their cards. City records are insufficient to confirm that all charges were for business expenses or that charges for personal expenses were reimbursed.

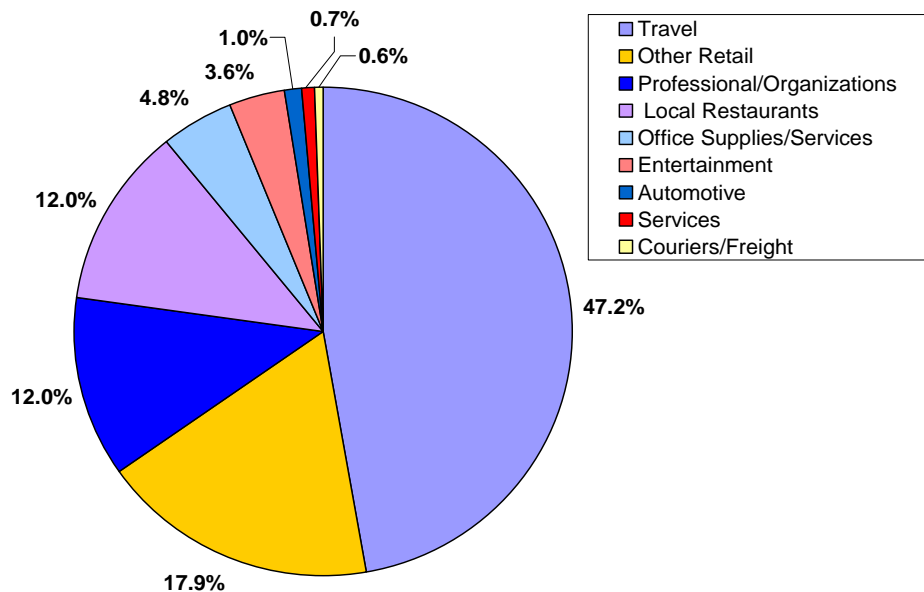
Best practices call for controls to limit types and amounts of purchases and reviews of the charges, which require centralized administration of the account.

Most charges appear to be for legitimate purposes. About two-thirds of purchases fell into business-related categories. Business travel expenses such as airline tickets, hotel accommodations, and non-local food expenses accounted for approximately half (47.2%) of all credit card charges. An additional 16.8% of purchases on the account were related to professional memberships and publications, training and conference registration fees, office supplies, or other professional services. (See Exhibit 2.) The majority of the entertainment category charges are at clubs frequented by city business leaders. Appendix 1 lists the detailed types of credit card charges that make up the categories in Exhibit 2.

Cardholders gave reasonable explanations for many of the other types of charges. However, without a clear policy of acceptable purchases and complete records, we cannot confirm that individual charges were for city business. The law department is investigating inappropriate use of the account.

EXHIBIT 2

CATEGORIES OF CREDIT CARD CHARGES JANUARY 2002 THROUGH JUNE 2006



Merchant Groups	Amount Charged*
Travel Related	\$ 155,233
Other Retail	58,875
Professional/Organizations	39,459
Local Restaurants	39,455
Office Supplies/Services	15,761
Entertainment	11,979
Automotive	3,342
Services	2,356
Couriers/Freight	2,086
Total	\$ 328,546

* Amounts were rounded to the nearest dollar.

Sources: Report of account transactions from January 1, 2002, to June 30, 2006, obtained from Wachovia and International Organization for Standardization (ISO) merchant category codes

The Executive Offices did not establish standards for management and use of the card. In the absence of clear guidelines, the cardholders were left to determine the appropriate use of the card, what supporting documentation was needed, and whether review of charges was necessary. Practices varied among the different offices and cardholders. Cardholders in the Executive Offices made about 77% of the charges over the review period. (See Exhibit 3 for a list of cardholders and the amounts charged from the current administration.)

Discrepancies in credit card use among cardholders included:

- » A few cardholders thought that they could make personal charges on the card as long as they reimbursed the city, but most thought personal use was not allowed.
- » A few told us they submitted receipts but most did not.
- » Because several cardholders did not review their monthly billing statements, they were unaware of their account balances and finance charges and fees that were applied to them.
- » A number of cardholders did not recognize specific charges when asked about them.
- » Several stated that they allowed staff to use their cards to make purchases for them.

EXHIBIT 3

CARDHOLDERS FROM THE CURRENT ADMINISTRATION			
January 1, 2002 - June 30, 2006 Charges			
Cardholder	Opened	Status	Charges*
Mayor	January 2002	Current	\$ 152,650
COO	September 2002	Current	34,315
Chief of Staff	December 2003	Current	46,470
City Attorney	October 2003	Current	9,003
Business Manager, Law	October 2003	Current	47,045
Former Office Manager, Chief of Staff	June 2004	Closed – March 2006	18,937
Director, Weed and Seed	May 2005	Current	17,141
Director, AWDA	March 2006	Current	2,288
TOTAL			\$ 327,849

* Charges were rounded to the nearest dollar.

Sources: Report of account transactions from January 1, 2002, to June 30, 2006, and account documents obtained from Wachovia

Payment practices also varied. Most payments were processed through the city's accounts payable section. However, some cardholders made personal payments directly to the bank for personal expenses. In order to speed payments to the bank, two individuals wrote personal checks as payment for business expenses on the account, for which the city later reimbursed them.

The Executive Offices had the highest card activity but established the weakest controls for the program. The Law Department, Weed and Seed, and the AWDA prohibited personal use of their cards, instituted other controls, and experienced fewer problems.

City credit card records are inadequate to confirm reimbursement. While some cardholders told us that they used the card to make personal purchases that they subsequently paid for, city records do not identify what transactions were for personal purchases or when and how much was repaid. Cardholders were not required to submit receipts to reconcile to credit card statements. During our review of records in the Executive Offices, we could not find complete sets of statements, card authorizations, or tracking of personal charges and payments. Other documents were found in files marked "miscellaneous" or unfiled. Out of the \$5,223 in personal charges

identified by the cardholders, we found \$4,219 in direct personal payments to the bank.

Indicators of misuse identified. We identified questionable charges on individual cardholder accounts that the cardholders do not recall making, such as automotive services and retail clothing. The card was also used to purchase a computer that is not accounted for. We found instances where an employee approved his own credit card payments, and in some cases approved his own reimbursements from the city, with no additional review. The law department is continuing to investigate potential misuse of the card.

Fragmented administration allowed inappropriate access to the account and other errors. Cardholders we interviewed had conflicting impressions of who was responsible for managing the account, how cards were authorized, and what reviews were in place. At the start of our review, six city officials and employees had been set up in the bank's system as authorized administrators of the account: the chief financial officer, city controller, city treasurer, and office staff from the Executive Offices, Department of Law, and Office of Weed and Seed. According to bank officials, all authorized administrators can add users, change credit limits, or delete any user from the account without any additional authorization.

- **Cards for former officials were not deactivated.** Small charges were made against cards of former administration officials after they had left office. One former official had transactions on his card made in June 2002 and November 2003. While the charges were small, no one paid the bill and five months of finance charges and late fees accrued before the balance was paid. Similarly, another former official's card accrued five months of fees and four months of finance charges in 2002. (See Exhibit 4.)
- **Card was unsecured.** We found a credit card in the name of a former employee unsecured in a file cabinet in the Executive Offices. According to an official with the bank, the card had been cancelled in May 2006; however, a statement fee was assessed against the card in June.
- **Credit limits were set inappropriately.** At the time of the audit, the sum of individual cardholders' credit limits exceeded the account's overall credit limit by \$15,000. Individual administrators could set and change limits but didn't know the

overall master account limit. Consequently, individual cardholders could stay within their limits but collectively exceed the overall credit limit, resulting in over-the-limit fees.

- **Incompatible duties were combined.** Until March 2006, the office managers in the Executive Offices and Department of Law were administrators on the account and responsible for processing payments. The office managers had also been issued credit cards on the account, increasing the risk of misuse because they could potentially make purchases without the knowledge or approval of anyone else.

EXHIBIT 4

CARDHOLDERS FROM THE PREVIOUS ADMINISTRATION			
January 1, 2002 – June 30, 2006 Charges			
Cardholder	Opened	Closed	Charges
Former Mayor	Unknown	Unknown	\$ 354
Former COO	Unknown	Unknown	309
Former Executive Director of Community Technology	May 2001	May 2006	33
TOTAL			\$ 696

Sources: Report of account transactions from January 1, 2002, to June 30, 2006, and account documents obtained from Wachovia

Central oversight is essential to implementing controls over the program. Central oversight and administration by non-cardholders reduces the risk of mismanagement and misuse. Controls such as blocks on specific merchant codes, establishing a formal process for obtaining cards, and reviews of the charges to detect possible fraud are strengthened by having a single point of responsibility. In addition to these controls, central oversight can ensure that cards are not used to circumvent budget limitations or procurement rules. Implementing electronic funds transfer as the standard method of payment would add an additional control feature to the city’s corporate credit card. We recommend the city establish clear expectations for appropriate use of the card and implement management controls over the account consistent with best practices for government charge programs. (See Exhibit 5.)

The Finance Department now has central responsibility for the account. As we completed our audit, city officials took steps to

mitigate the risk of unauthorized access and errors by limiting current administrators to high-level officials in the Finance Department. The department issued interim procedures prohibiting personal use and requiring receipts to document purchases. It is currently in the process of developing formal written policies for city credit card use.

EXHIBIT 5

BEST PRACTICES FOR GOVERNMENT CHARGE-CARD PROGRAMS

We identified the following common elements and/or best practices from reports on best practices for government charge card programs from the U.S. Office of Management and Budget, U.S. Department of Energy, U.S. General Services Administration, National Labor Relations Board, Association of Government Accountants, the U.S. Treasury Financial Manual, and U.S General Accounting Office:

- establish written policies and procedures
- identify key management officials and their responsibilities for the charge card program. Establishment of a process for formal appointment of cardholders and approving officials
- establish comprehensive guidelines that clearly delineate and segregate duties
- establish clear delineation of unallowable and non-reimbursable items in credit card policies
- perform periodic reviews of spending and transaction limits to ensure appropriateness
- conduct internal charge card program reviews on a regular basis to ensure internal control mechanisms are adequate
- adherence to procurement laws and regulations
- institute mandatory training on purchase card policies
- establishing a control to ensure that card accounts are canceled when the employee retires or leaves the agency
- establish administrative or disciplinary actions for card misuse and/or account delinquency
- cardholder should reconcile the transactions monthly by verifying their accuracy against cardholder records
- prompt review of cardholder's transactions by approving official
- implement electronic funds transfer as the standard method of payment
- Implement measures to detect and prevent misuse and fraud, such as:
 - data mining
 - blocking card use for high risk merchant category codes
 - use reports available from the bank to monitor and perform periodic reviews of travel card use to identify misuse

Source: Federal government guides/audits of charge card programs and controls/best practices identified by the Association of Government Accountants

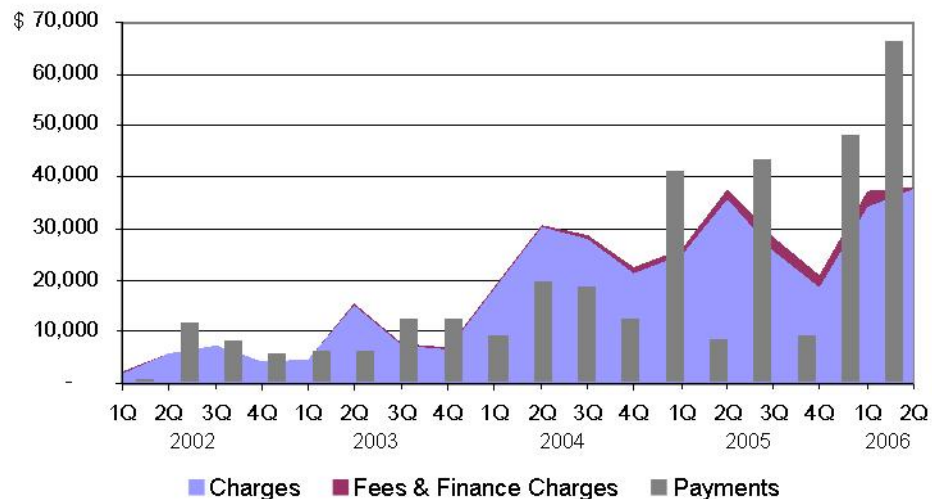
Mismanagement Resulted in Fees and Finance Charges

The city did not make sufficient payments to keep up with charges and made no payments at all in some months, incurring finance charges, late fees, and over-the-limit fees.

The city paid \$16,360 in finance charges and fees from January 1, 2002, to June 30, 2006. Finance charges were applied in all 54 months we reviewed, and late or over limit fees were applied in 39 months. These charges and fees could have been avoided if the city timely paid off the balance owed on the card each month. In most cases, individual offices' appropriations were sufficient to pay their credit card balances. However, the offices did not make full payment on the account on a regular basis. The city made no payments at all in four of the months we reviewed, despite making purchases on the account. In April 2005, payments were only \$57 above the fees and finance charges. In January 2006, the payments were \$213 less than the fees and finance charges. Use of the card increased in 2004, but payments did not keep pace. The account balance grew, leading to an increase in finance charges, late fees, and over-the-limit fees until the city paid the balance in June 2006. (See Exhibit 6. Appendix 2 lists the dollar amounts.)

EXHIBIT 6

CREDIT CARD EXPENDITURES AND PAYMENTS JANUARY 2002 THROUGH JUNE 2006



Source: Report of account transactions from January 1, 2002, to June 30, 2006, obtained from Wachovia

Card administrators focused on paying charges, not card balances. Card administrators explained they had difficulty applying the expenditures on the credit card statement to the city's disbursement request process because individual charges needed to be allocated in the appropriate fund, account, and cost center (FAC). Some administrators told us that they didn't know the appropriate FACs to apply finance charges and fees to and, therefore, didn't request payments sufficient to cover them. Although this may offer some clarification as to why balances were not paid on time, it does not explain the magnitude of the difference between payments, expenditures, and the account balance over time.

Payments were misapplied and not made timely. Accounts Payable sent payments to the bank without specifying which account to apply the payments. In some cases, the bank credited the payments to the wrong cardholder within the account, so fees were assessed for some individuals while others showed a credit balance. According to cardholders, accounts payable is taking too long to cut checks, resulting in untimely payment of account balances. We also found an unopened statement in the files of the Executive Offices, indicating that the administrator may not have requested a payment.

Charge Card with Built-In Controls Would Reduce Risk

The city's credit card account allows cardholders to procure goods and services more quickly than they could by using the city's normal procurement channels. City officials expressed a need for flexibility to pay for travel, business-related meals, and other expenses. The city's credit card account does not carry the type of restrictions typically found on a corporate credit card, which exposes the city to risk of unauthorized purchases. While reimbursement for incidental expenses during city business-related travel is reasonable, a formal payment process is necessary to limit the risk of misuse.

The city's credit card is similar to a consumer credit card. The city's corporate credit card account has features similar to a consumer credit card account: cardholders are allowed to carry a balance and receive cash advances, purchases are not restricted to specific categories, statements and credit refunds are sent to individual cardholders. These features give cardholders purchasing flexibility, but come at a cost. No restrictions on the types of purchases for which the account can be used and the existence of multiple active cards make it more difficult for the city to ensure that all purchases are authorized. The 13.99 percent finance charge on the unpaid

balance is comparable to interest rates on consumer credit card accounts. The account was established in 1996, and staff currently tasked with administering the account was unaware of how it was structured.

Other types of credit cards have built in control features.

Wachovia offers other types of corporate credit card accounts with control features such as requiring cardholders to pay their balances in full, blocking card use for high-risk merchant category codes, and prohibiting cash advances. We recommend the city obtain an account more appropriate to its needs with these restrictions in place.

Recommendations

Our recommendations identify improvements to limit the risks of mismanagement and misuse of city-issued credit cards. During our review, the city implemented interim procedures to address the most significant risks and the Department of Finance now administers the city's credit card program.

1. **Change to an account more appropriate for the city's needs.** The Department of Finance plans to put a new city-wide credit card program in place. We recommend that the program block high-risk merchant categories and prohibit cardholders from obtaining cash advances.
2. **Implement management controls over the account.** As the Department of Finance develops policies for the program, it should establish controls that follow best practices for government credit cards. In addition to clearly defining types and amounts of acceptable purchases, it should establish formal procedures for obtaining and cancelling cards and a mechanism for central oversight and period review of charges.
3. **Define roles and provide guidance to cardholders.** The Department of Finance should identify key management officials and their responsibilities for the card program, including the role of the business managers. The department should also make cardholders responsible for verifying the accuracy of their charges.
4. **Ensure that procurement and travel regulations are followed.** The Department of Finance should review card activity on a regular basis for possible misuse and to ensure that budget limits, procurement, and travel regulations are followed. The department should also establish a cardholder payment process for incidental expenses related to travel.
5. **Ensure timely payment of the account.** The Department should make full payment of the account each month through a single electronic transfer.

Appendices

APPENDIX 1

EXPLANATION OF MERCHANT CATEGORIES CODE GROUPS

The International Organization for Standardization creates and assigns Merchant Category Codes (MCCs) used in the credit card industry. We grouped transactions by Merchant Category Code into broader categories of types of purchases with similar characteristics. Exhibit 2 summarizes the amount of charges by these broader categories to give readers a general idea for what the card was used. The following table lists the Merchant Category Codes that we grouped into each category, the amount charged, and the number of transactions over the review period.

MCC	DESCRIPTION	AMOUNT	NUMBER OF TRANSACTIONS
TRAVEL			
3000	United Air	\$ 1,028.37	3
3001	American Air	198.40	1
3058	Delta Air	99,204.70	276
3061	Continental Air	342.90	1
3063	US Air	906.92	3
3177	AirTran	3,721.30	13
3253	America West	408.40	1
3357	Hertz Rent-a-Car	260.03	2
3387	Alamo Rent-a-Car	553.10	1
3389	Avis Rent-a-Car	62.89	1
3503	Sheraton Hotels	4,067.66	8
3504	Hilton Hotels	6,864.49	20
3509	Marriott Hotels	1,528.51	9
3512	Inter-Continental Hotels	5.36	1
3513	Westin Hotels	4,508.44	13
3530	Renaissance Hotels	1,613.32	3
3543	Four Seasons Hotels	278.77	8
3588	Helmsley Hotels	519.81	1
3590	Fairmont Hotels	295.28	2
3592	Omni Hotels	484.63	4
3634	Swissotel	83.16	1
3640	Hyatt Hotels	3,017.36	15
3654	Loews Hotels	789.07	6
3665	Hampton Inns	291.20	4
3681	Adams Mark Hotels	652.48	1
3687	Clarion Hotels	258.21	1

3690	Courtyard By Marriott Hotels	698.73	2
3703	Residence Inns	809.73	3
3710	The Ritz Carlton Hotels	1,977.44	14
3728	Bally's Hotel and Casino	695.72	3
3743	Biltmore Hotel and Suites	110.43	2
3745	St Regis Hotel	3,416.57	7
3750	Crowne Plaza Hotel	95.07	2
3765	Bellagio	71.96	1
3773	Venetian Resort Hotel and Casino	616.48	1
4112	Passenger Railways	386.22	1
4121	Taxicabs and Limousines	318.40	3
4511	Airlines and Air Carriers	365.50	5
4722	Travel Agencies and Tour Operators	745.90	8
4789	Transportation Services—Not Elsewhere Classified	18.00	1
7011	Lodging-Hotels, Motels and Resorts	11,535.24	54
SUBTOTAL		\$ 153,806.15	

OTHER RETAIL

5045	Computers, Computer Peripheral Equipment, and Software	\$ 7,592.83	5
5072	Hardware Equipment and Supplies	2,270.00	1
5099	Durable Goods—Not Elsewhere Classified	4,072.66	8
5192	Books, Periodicals, and Newspapers	393.43	5
5200	Home Supply Warehouse Outlets	42.55	3
5300	Wholesale Clubs	331.39	1
5310	Discount Shops	2,488.34	6
5331	Variety Stores	21.96	1
5399	Miscellaneous General Merchandise	74.99	2
5411	Groceries and Supermarkets	4,522.06	58
5462	Bakeries	336.57	4
5499	Miscellaneous Food Shops—Convenience and Specialty Retail Outlets	93.35	1
5631	Women's Accessory and Specialty Shops	237.00	1
5655	Sports and Riding Apparel Shops	188.90	1
5661	Shoe Shops	75.59	1
5691	Men's and Women's Clothing Shops	63.72	1
5712	Furniture, Home Furnishings and Equipment Shops, and Manufacturers, except Appliances	37.10	1
5719	Miscellaneous Home Furnishing Specialty Shops	111.00	3

5722	Household Appliance Shops	116.37	1
5732	Electronics Shops	2,599.48	8
5734	Computer Software Outlets	2,626.42	6
5912	Drug Stores and Pharmacies	75.83	3
5941	Sporting Goods Shops	285.00	1
5942	Bookshops	374.17	2
5946	Camera and Photographic Supply Shops	3,433.24	1
5947	Gift, Card, Novelty, and Souvenir Shops	1,417.30	7
5964	Direct Marketing—Catalog Merchants	8,243.98	15
5965	Direct Marketing—Combination Catalog and Retail Merchants	7,119.50	17
5968	Direct Marketing—Continuity/Subscription Merchants	393.85	5
5969	Direct Marketing/Direct Marketers—Not Elsewhere Classified	5,001.50	22
5970	Artist Supply and Craft Shops	274.51	2
5971	Art Dealers and Galleries	94.17	1
5992	Florists	1,337.58	16
5994	Newsagents and Newsstands	731.37	5
5999	Miscellaneous and Specialty Retail Outlets	1,797.72	13
SUBTOTAL		\$ 58,875.43	

PROFESSIONAL/ORGANIZATIONS			
7399	Business Services—Not Elsewhere Classified	\$ 8,236.70	31
8062	Hospitals	240.00	1
8111	Legal Services and Attorneys	1,770.00	6
8220	Colleges, Universities, Professional Schools, and Junior Colleges	85.00	1
8244	Business and Secretarial Schools	450.00	1
8299	Schools and Educational Services—Not Elsewhere Classified	8,946.00	49
8398	Charitable and Social Service Organizations	5,309.37	6
8641	Civic, Social, and Fraternal Associations	550.00	2
8699	Membership Organizations—Not Elsewhere Classified	12,547.00	25
8999	Professional Services—Not Elsewhere Classified	1,325.18	14
SUBTOTAL		\$ 39,459.25	

RESTAURANTS*			
5811	Caterers	\$ 18,257.58	16
5812	Eating Places and Restaurants	19,416.20	178
5814	Fast Food Restaurants	3,208.07	36
		SUBTOTAL \$ 40,881.85	

OFFICE SUPPLIES/SERVICES			
2741	Miscellaneous Publishing and Printing Services	\$ 733.00	13
4814	Telecommunication Services, including Local and Long Distance Calls, Credit Card Calls, Calls Through Use of Magnetic Stripe Reading Telephones, and Faxes	1,230.06	5
4816	Computer Network/Information Services	1,142.71	2
5044	Office, Photographic, Photocopy, and Microfilm Equipment	2,274.00	2
5111	Stationery, Office Supplies and Printing and Writing Paper	1,342.36	6
5943	Stationery, Office and School Supply Shops	1,477.13	21
7311	Advertising Services	1,385.44	2
7338	Quick Copy, Reproduction, and Blueprinting Services	2,854.58	7
7394	Equipment, Tool, Furniture, and Appliance Rental and Leasing	1,322.10	6
		SUBTOTAL \$ 15,761.38	

AUTOMOTIVE			
5532	Automotive Tire Outlets	\$ 51.20	2
5541	Service Stations (with or without Ancillary Services)	1,582.00	2
5542	Automated Fuel Dispensers	391.20	18
7513	Truck and Utility Trailer Rentals	276.87	3
7523	Parking Lots and Garages	129.00	8
7531	Automotive Body Repair Shops	754.28	1
7542	Car Washes	157.89	13
		SUBTOTAL \$ 3,342.44	

ENTERTAINMENT				
7829	Motion Picture and Video Tape Production and Distribution	\$	933.78	1
7832	Motion Picture Theaters		8.50	1
7992	Public Golf Courses		430.00	1
7996	Amusement Parks, Circuses, Carnivals, and Fortune Tellers		375.00	1
7997	Membership Clubs (Sports, Recreation, Athletic), Country Clubs, and Private Golf Courses		9,947.29	28
7998	Aquariums, Seaquariums, and Dolphinariums		284.00	1
			SUBTOTAL	\$ 11,978.57
SERVICES				
4812	Telecommunication Equipment and Telephone Sales	\$	79.54	2
7379	Computer Maintenance and Repair Services—Not Elsewhere Classified		43.88	2
7392	Management, Consulting, and Public Relations Services		380.00	2
7216	Dry Cleaners		129.50	1
7230	Beauty and Barber Shops		104.81	4
7296	Clothing Rentals—Costumes, Uniforms, and Formal Wear		107.76	2
7299	Miscellaneous Personal Services—Not Elsewhere Classified		89.60	2
9222	Fines		316.00	2
9399	Government Services—Not Elsewhere Classified		989.00	4
9402	Postal Services—Government Only		116.00	2
			SUBTOTAL	\$ 2,356.09
COURIERS AND FREIGHT				
4214	Motor Freight Carriers and Trucking—Local and Long Distance, Moving and Storage Companies, and Local Delivery	\$	1,209.51	2
4215	Courier Services—Air and Ground, and Freight Forwarders		876.55	8
			SUBTOTAL	\$ 2,086.06
			GRAND TOTAL	\$ 328,547.22

* In Exhibit 2, we added charges of \$1,427 to the Travel category for restaurants outside the Metro Atlanta area.

APPENDIX 2
AMOUNTS OF CREDIT CARD EXPENDITURES & PAYMENTS
JANUARY 2002 THROUGH JUNE 2006

Quarter	Charged	Fees & Finance Charges	Payments
1Q 2002	\$ 1,861	\$ 533	\$ 375
2Q 2002	\$ 5,684	\$ 98	\$ 10,982
3Q 2002	\$ 7,320	\$ 103	\$ 7,550
4Q 2002	\$ 4,318	\$ 136	\$ 5,314
1Q 2003	\$ 4,742	\$ 83	\$ 5,637
2Q 2003	\$ 15,235	\$ 209	\$ 5,628
3Q 2003	\$ 7,410	\$ 383	\$ 11,740
4Q 2003	\$ 6,614	\$ 289	\$ 11,776
1Q 2004	\$ 18,360	\$ 341	\$ 8,857
2Q 2004	\$ 30,145	\$ 734	\$ 18,999
3Q 2004	\$ 27,979	\$ 897	\$ 18,066
4Q 2004	\$ 21,320	\$ 1,340	\$ 12,028
1Q 2005	\$ 24,968	\$ 1,177	\$ 40,086
2Q 2005	\$ 35,837	\$ 1,988	\$ 7,952
3Q 2005	\$ 25,774	\$ 2,680	\$ 42,636
4Q 2005	\$ 18,706	\$ 2,161	\$ 8,660
1Q 2006	\$ 34,387	\$ 2,927	\$ 47,153
2Q 2006	\$ 37,888	\$ 282	\$ 65,135

Source: Report of account transactions from January 1, 2002, to June 30, 2006, obtained from Wachovia

APPENDIX 3
AUDIT RESPONSE – MAYOR SHIRLEY FRANKLIN



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

88 TRINITY AVE, S.W.
ATLANTA, GEORGIA 30336-0800
TEL (404) 330-6100

November 3, 2006

Ms. Leslie Ward
Internal Auditor
City of Atlanta
68 Mitchell Street, SW
Atlanta, GA 30303

RE: Audit Report- Management and Use of the City's Credit Card Account

A few months ago, my office was notified by the media of allegations of abuse and/or mismanagement of credit card accounts in the Executive Office. Immediately afterwards I requested an internal audit and review of the entire City credit card program and claims of potential misuse.

While 95% of the expenditures were for appropriate business purposes, there were instances of poor record keeping and a need for more fiscal controls. It is my belief that the Internal Audit team has diligently worked to conduct the analysis of the credit card program and offer prudent and responsible recommendations.

I am confident that the recommendations in the report and the assurance of the Department of Finance to manage the program will go a long way in correcting the issues that prompted the audit.

As a result of this inquiry, the City has already made several modifications to the credit card program and through efficient and cost-effective measures we will continue to be good fiscal stewards.

Sincerely

Shirley Franklin

APPENDIX 4

AUDIT RESPONSE – DEPARTMENT OF FINANCE

Management Review and Response to Audit Recommendations

Report # 6.07	Report Title: Management and Use of the City's Credit Card Account	Date: 9/11/06
Recommendation Responses		
Rec. #1	<p>Change to an account more appropriate for the city's needs. The Department of Finance plans to put a new city-wide credit card program in place. We recommend that the program block high-risk merchant categories and prohibit cardholders from obtaining cash advances.</p>	Agree
<p>Proposed Action: <i>The recommendation will be adopted as presented for the proposed city -wide credit card program.</i></p>		
<p>Action Implementation Timeframe: <i>July 1, 2007</i></p>		
<p>Comments:</p>		
<p>Responsible Person: <i>Janice Davis-Dana Boone</i></p>		
Rec. #2	<p>Implement management controls over the account. As the Department of Finance develops policies for the program, it should establish controls that follow best practices for government credit cards. In addition to clearly defining types and amounts of acceptable purchases, it should establish formal procedures for obtaining and cancelling cards.</p>	Agree
<p>Proposed Action: <i>The recommendation will be adopted as presented for the proposed city -wide credit card program. Additionally, interim procedures are being developed for the credit cards currently in use.</i></p>		
<p>Action Implementation Timeframe: <i>July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.</i></p>		
<p>Comments:</p>		
<p>Responsible Person: <i>Janice Davis-Dana Boone</i></p>		

Rec. #3	Define roles and provide guidance to cardholders. The Department of Finance should identify key management officials and their responsibilities for the card program, including the role of the business managers. The department should also make cardholders responsible for verifying the accuracy of their charges.	Agree
Proposed Action: <i>The recommendation will be adopted as presented for the proposed city -wide credit card program. Additionally, interim procedures are being developed for the credit cards currently in use.</i>		
Action Implementation Timeframe: <i>July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.</i>		
Comments:		
Responsible Person: <i>Janice Davis-Dana Boone</i>		
Rec. #4	Ensure that procurement and travel regulations are followed. The Department of Finance should review card activity on a regular basis for possible misuse and to ensure that budget limits, procurement, and travel regulations are followed. The department should also establish a cardholder payment process for incidental expenses related to travel.	Agree
Proposed Action: <i>The Finance Department is creating a Quality Control unit. One of the responsibilities of the unit will be the review of credit card purchases on the existing cards for appropriateness. The proposed credit card program will contain safeguards against inappropriate purchases; however, the QC unit will perform random audits of the purchases.</i>		
Action Implementation Timeframe: <i>July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.</i>		
Comments:		
Responsible Person: <i>Janice Davis-Dana Boone</i>		
Rec. #5	Ensure timely payment of the account. The Department should make full payment of the account each month through a single electronic transfer.	Agree
Proposed Action: <i>We agree that the full balance should be paid each month. We have directed the provider of the existing credit card to send bills directly to Finance. We cannot presently directly charge a department's budget for their purchases but we will work with the existing cardholders to ensure that the balances are paid in full each month.</i>		
Action Implementation Timeframe: <i>October 1, 2006</i>		
Comments:		
Responsible Person: <i>Janice Davis-Dana Boone</i>		

