



## 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

<b>Recommendation:</b>	1. <b>Change to an account more appropriate for the city's needs.</b> 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.	
<b>Department:</b>	Finance	<b>Agree</b>
<b>Response &amp; Proposed Action:</b>	The recommendation will be adopted as presented for the proposed city -wide credit card program.	
<b>Timeframe:</b>	July 1, 2007	
<b>Recommendation:</b>	2. <b>Implement management controls over the account.</b> 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.	
<b>Department:</b>	Finance	<b>Agree</b>
<b>Response &amp; Proposed Action:</b>	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.	
<b>Timeframe:</b>	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
<b>Recommendation:</b>	3. <b>Define roles and provide guidance to cardholders.</b> 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.	
<b>Department:</b>	Finance	<b>Agree</b>
<b>Response &amp; Proposed Action:</b>	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.	
<b>Timeframe:</b>	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
<b>Recommendation:</b>	4. <b>Ensure that procurement and travel regulations are followed.</b> 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.	
<b>Department:</b>	Finance	<b>Agree</b>
<b>Response &amp; Proposed Action:</b>	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.	
<b>Timeframe:</b>	July 1, 2007 for the new credit card program. October 1, 2006 for the existing program.	
<b>Recommendation:</b>	5. <b>Ensure timely payment of the account.</b> The Department should make full payment of the account each month through a single electronic transfer.	
<b>Department:</b>	Finance	<b>Agree</b>
<b>Response &amp; Proposed Action:</b>	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.	
<b>Timeframe:</b>	October 1, 2006	