



Office of the City Auditor

**Review of Convention and Visitors Bureau
2012 ProCard Transactions**

Report Date: July 31, 2012



Office of the City Auditor

"Promoting Accountability and Integrity in City Operations"

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Office of the City Auditor Transmittal Letter



Date: July 31, 2012

To: James K. Spore, City Manager

Subject: Review of Convention and Visitors Bureau 2012 ProCard Transactions

I am pleased to present the report of our review of the Convention and Visitors Bureau (CVB) 2012 ProCard Transactions. The results of this review are provided in this report. Findings considered to be of insignificant risk have been discussed with management. We completed our fieldwork on July 3, 2012. The results of this review will be provided to City Council through the City's Audit Committee.

The Office of the City Auditor reports to City Council through the City's Audit Committee and is organizationally independent of all City departments. This report is intended solely for the information and use of the Audit Committee, City Council, City Manager, and appropriate City management. It is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

The objective of our review was to determine whether the CVB Director has established documented internal control procedures for his department; whether the procedures address the approval function, the accounting/reconciling function and any proposed card custody functions; whether proper review and approval is performed before payment of procurement card (ProCard) transactions; and whether transactions made with the ProCard are made in accordance with the *Small Purchase/Travel Card Procedures Manual*.

We would like to commend the staff of the Convention and Visitors Bureau for the courtesy and cooperation extended to us during the review. It should also be noted that management agreed with our findings and recommendations and have promptly implemented most of them prior to the issuance of the report.

If you have any questions about this report or any audit-related issue, I can be reached at 385.5872 or via email at lremias@vbgov.com.

Respectfully submitted,

Lyndon S. Remias, CPA, CIA
City Auditor

cc: City Council Members
Audit Committee Members
Steve Herbert, Deputy City Manager, City Manager's Office
James Ricketts, Director, Convention and Visitors Bureau
Patricia Phillips, Director, Department of Finance



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Management’s Response..... Attachment A



Purpose

To determine whether internal controls are in place and operating as intended to ensure procurement card (ProCard) expenditures are proper. This audit was requested to be conducted annually by the Director of Convention and Visitors Bureau (CVB).

Scope and Objectives

The objectives of our audit were to determine whether: (1) the CVB Director has established documented internal control procedures for his department; (2) the CVB procurement card procedures address the approval function, the accounting/reconciling function and any proposed card custody functions; (3) proper review and approval is performed before payment of ProCard transactions; and (4) transactions made with the ProCard were made in accordance with the *Small Purchase/Travel Card Procedures Manual*.

The audit covered the eleven (11) month period of June 28, 2011 to May 27, 2012. We reviewed policies and procedures related to the administration and processing of ProCards that were in place at the time of our fieldwork. Our fieldwork concluded on July 3, 2012.

Methodology

To accomplish our objectives, we performed the following procedures:

- Met with appropriate staff to discuss existing internal control procedures.
- Obtained an extract of ProCard transactions for the period under review.
- Examined cardholders' transactions logs, receipts, and credit card statements.
- Assessed cardholder compliance with ProCard policy and procedures.
 - Performed analysis to identify usage trends and searches meeting our high-risk criteria.
 - Performed appropriate follow up review for previous recommendations made by the Office of the City Auditor.

Standards

Our audit was conducted in accordance with generally accepted government auditing standards. The Office of the City Auditor reports to City Council through the Audit Committee and is organizationally independent of all City Departments. This report will be distributed to the City's Audit Committee, City Council, City Manager, and appropriate management within the City. This report will also be made available to the public.

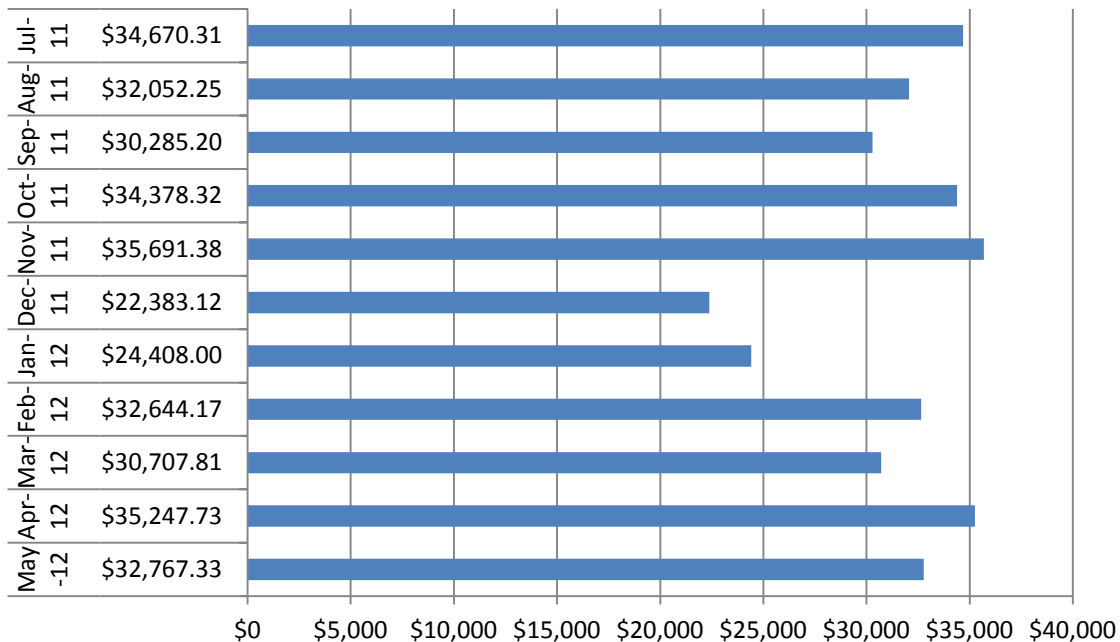


Background

The City established a credit card (ProCard) program in 2002 designed to streamline the acquisition and payment process for low-dollar-value goods and for employees' city business travel costs, in order to reduce paperwork and administrative costs. The ProCard provides an alternative payment vehicle for purchasers and designated employees to use at authorized vendors/suppliers. Those employees who have been issued a ProCard may initiate transactions in person or by telephone, fax or via approved e-procurement sites, within specified limits. It is important to acknowledge that one of the main purposes of the program is to facilitate out of town travel instead of requesting cash advances. In addition, many vendors offer more attractive pricing, delivery and payment terms for on-line orders in this electronic age.

The Convention and Visitors Bureau (CVB) is one of the top City departments in the number of cards and spending. Many of CVB's cardholders are sales representatives who procure bookings for the City's convention center and local tourism and thereby entertain many potential clients to bring local, regional and national conventions and conferences to the City. CVB had 2,352 procurement card transactions involving 31 cardholders during the period of June 28, 2011 through May 27, 2012 totaling \$345,235.62. As follow up to our previous Citywide review of the City's procurement cards, the Director of CVB requested the City Auditor to conduct annual review of CVB's procurement card transactions.

CVB 2012 ProCard Spending By Month





Findings and Recommendations

Follow-Up on Prior Recommendations from Memo to Director

In FY 2011, the City Auditor conducted a Citywide audit of all procurement cards in all City departments and offices per the request of City Council. At the conclusion of our review at each department or office, we sent out a memo to the Director with the results of our review and made recommendations if needed. For the Convention and Visitors Bureau (CVB), we made two recommendations. We list and address our results of our follow-up review of these recommendations below:

Recommendation

1. Ensure compliance with the delegated procurement authority and authorized usage established by the Purchasing Administrator and the Small Purchase/Travel Card (VB Pro Card) Manual, Section V, to include full details of the business purpose including the type of meeting, the reason why the expense(s) was necessary to carry out city business and the number of people attending on the transaction log and/or receipt as applicable.

Follow-up Review of Memo Recommendation 1:

We have found that CVB has implemented this recommendation with only **two** exceptions found out of 278 transactions logs of the period of this review. These two exceptions were prior to the current Program Manager taking over the ProCard responsibilities. We noted instances where the Program Manager inquired and instructed cardholders to provide more information on the transaction logs.

Recommendation

2. Ensure original, detailed receipts(s) are obtained to support all transactions. Detail receipts are necessary to associate charge(s) with City business.

Follow-up Review of Memo Recommendation 2:

We have found only **one** instance where the receipt was missing and the cardholder paid CVB back when the receipt could not be produced. CVB has improved compliance in this area to ensure all receipts, including the detailed receipt(s) of meals, were included with the transactions logs in support of each ProCard transaction.



Follow-up Review of Citywide Recommendations from Audit Report

The audit report of Citywide Procurement cards dated September 1, 2011, also gave recommendations applicable to all City departments and offices and we address CVB's implementation of those recommendations below:

Recommendation

- 2.1 Require the immediate supervisor of the cardholder(s) to review and sign off on transactions logs and billing statements. The Department or Office's Internal Control Procedures document should be updated to reflect department-specific arrangements.

Follow-up Review of Audit Report Recommendation 2.1:

CVB has implemented use of an automated transaction log for each cardholder that ensures all transactions on the log agrees and addresses each transaction on the ProCard billing statements. CVB has included a separate line for the immediate supervisor to sign off on the cardholder's transaction log. Our review found 5 (five) instances where the signature of either the supervisor or the program manager were missing. However, we never found any instances of where both the supervisor and program manager's signatures were missing.

Recommendation

- 2.2 Develop a process to ensure expenses paid utilizing the ProCard are not also claimed on the Travel Reimbursement Voucher.

Follow-up Review of Audit Report Recommendation 2.2:

CVB has implemented procedures where the Program Manager prints out the Account Analysis Report from InSITE to review for travel reimbursements of CVB procurement cardholders to ensure no procurement card transactions were double-dipped on the travel reimbursement side. CVB's ProCard internal control procedures now includes this control as part of the responsibilities of the Program Manager.



CVB's Additional Internal Control Initiatives

CVB has implemented further internal controls beyond the minimum requirements of the City's ProCard Manual over the management of their ProCard responsibilities. Below are the management reports they have implemented since our Citywide audit:

- **Monthly ProCard Check List** - The Program Manager has developed a ProCard Check List to keep track of transaction log/procurement card issues each month to ensure each month's CVB procurement card files are complete. Such issues as missing receipts, credits due and other issues, if any, are notated and resolved.
- **CVB Top Pro Card Spenders Report** - The CVB Director receives each month a report listing the top procurement card spenders in each of CVB's divisions. The Director reviews this report, inquires about issues, if any, and signs off that he has reviewed it.
- **CVB Director Quarterly ProCard Review** - Each quarter, the Director receives a printout from the Bank of America Works program (ProCard issuer) all of CVB's procurement card transactions for the previous quarter. The Director notates those transactions he wants to review and the Program Manager provides all backup documentation on those transactions.



Conclusion

In our opinion, CVB's implementation of the recommendations from the Citywide audit, the CVB-specific memo recommendations and their implementation of additional management reports over ProCard transactions shows that CVB has strong internal controls over their ProCard activities and are operating as intended.

Acknowledgements

We would like to thank the Convention and Visitors Bureau for their responsiveness to our requests during the review and their receptiveness to questions and comments. We offer our assistance should concerns regarding implementation of these recommendations or other audit issues arise.



City of Virginia Beach

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INTER-OFFICE MEMORANDUM

DATE: July 26, 2012

TO: Lyndon Remias, City Auditor

FROM: James B. Ricketts, Director Convention and Visitors Bureau *JBR*

SUBJECT: Review of Convention and Visitors Bureau 2012 ProCard Transactions

The City Auditor's staff is to be commended for their time and efforts in conducting, at my request, the FY 2012 Convention and Visitors Bureau ProCard audit. The review was a very thorough and extensive examination of 100% of CVB's credit card transactions during the period of June 28, 2011 to May 27, 2012.

The positive results of the audit show that the CVB is adhering to City policies and that our enhanced and additional internal control procedures are effective and working as intended to mitigate fraud, waste and abuse.

I want to thank you and your staff for their dedicated efforts in performing this audit and in discussing the outcome at the exit conference. As discussed, we look forward to next year's ProCard audit.

C: Steve Herbert, Deputy City Manager