



Office of the County Auditor

**Shelly A. Banks, C.P.A.**

Cook County Auditor

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October 6, 2015

The Honorable Toni Preckwinkle, President  
And Board of Cook County Commissioners  
118 N. Clark Street, Room 537  
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted a Procurement Card Usage Audit for the Forest Preserve District of Cook County (FPDCC) in accordance with the [Cook County Auditor Ordinance](#).

Our audit objectives were to evaluate the effectiveness of internal controls over procurement card usage.

Please refer to the following audit report for the results of the audit. Based on our review, we noted the District has strengthened the internal controls in regards to the processing of procurement card transactions. The audit report contains one (1) audit finding recommending process improvements to further strengthen the internal controls over procurement cards usage. The [Executive Summary](#) provides an overview of the audit.

We express our appreciation for the assistance of the District staff extended to Tameika McDonald during the course of our audit. We have discussed our finding with District management and would be pleased to discuss our recommendations in greater detail in order to assist with the implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA  
Cook County Auditor

cc: Arnold Randall, Superintendent FPDCC  
Stephen Hughes, Chief Financial Officer FPDCC  
Timothy Hicks, Comptroller FPDCC  
Tom Conlon, Purchasing Agent FPDCC



**COOK COUNTY GOVERNMENT**  
**OFFICE OF THE COUNTY AUDITOR**

Procurement Card Usage Audit of the Forest Preserve District of Cook County

Internal Audit Report

Report Date:  
October 2015

Issued By:  
Shelly A. Banks, County Auditor

Audit Conducted By:  
Tameika McDonald, Field Auditor IV  
Nancy Campanella, Audit Supervisor

## EXECUTIVE SUMMARY

The Office of the County Auditor has completed an audit of the procurement card program for the Forest Preserve District of Cook County. The audit was conducted in accordance with generally accepted government auditing standards.

The overall scope of the audit was to evaluate the effectiveness of internal controls and ensure the risks of procurement card misuse, abuse, and fraud are adequately mitigated. Our test sample included procurement card transactions that occurred between February 2014 and February 2015.

Based on our review, we noted the District has strengthened the internal controls in regards to the processing of procurement card transactions. Our audit sample testing did not identify any indication of deliberate misuse or widespread violations of procurement cards. However, we did identify that there has been a significant increase in usage of the procurement card program since it was implemented in April 2012. The audit report contains one (1) audit finding recommending process improvements to further strengthen the internal controls over procurement card usage. The finding noted was presented to District management. Please refer to the [Finding](#) section for more detail on the finding with the management responses, corrective action plans and estimated completion dates.

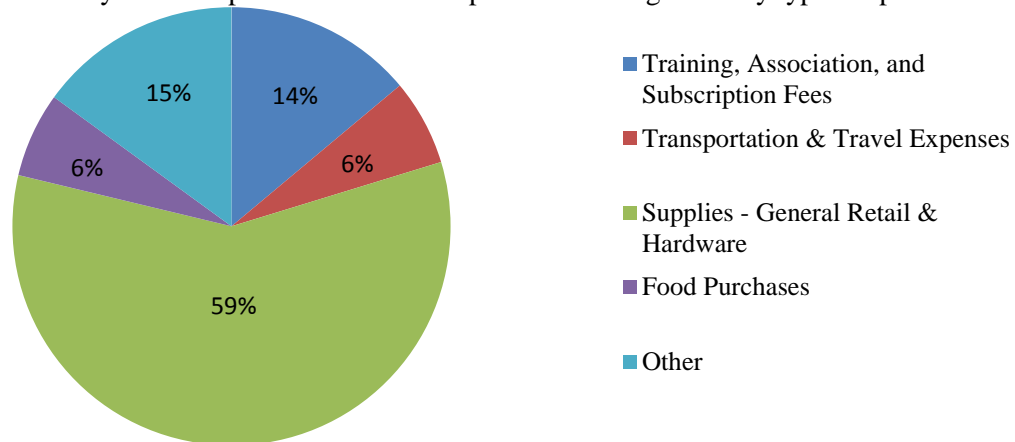
## BACKGROUND

The Forest Preserve District of Cook County established a procurement card program in April 2012. The program allows authorized employees to secure small purchases in the case of immediate need eliminating the need for petty cash at any District property. The District partners with Chase Bank for procurement card services.

Finance Administration is charged with overall administration of the procurement card program. However, Department Heads and cardholders are held accountable for ensuring effective program management.

At the time of our review, 34 procurement cards were issued to authorized employees for District-related expenditures. Expenditure limits are not to exceed \$750 for individual purchases unless prior written approval is obtained from the Chief Financial Officer. Procurement card transactions totaled \$261,352.78 for the period of February 2014 through February 2015.

The following is an analysis of the procurement card expenditures categorized by types of purchases:



## AUDIT SCOPE AND OBJECTIVES

Our objectives for the Procurement Card Usage Audit were to evaluate the effectiveness of internal controls and ensure that proper supporting documentation was adequately maintained. Our objectives were to determine if:

- Written policies and procedures pursuant to the District's credit card policy are well defined and current.
- Initial set-up and distribution of credit cards are properly approved in accordance with District policies.
- An Acknowledgement Agreement is signed by each credit card holder indicating that they have received a District issued credit card and have read, understand, and accept the terms of the policy.
- Credit card purchases exceeding the maximum threshold set for individual items are properly reviewed and approved by the CFO or his designee prior to purchase.
- Processes are in place for the monitoring and reviewing of credit card purchases to ensure compliance with District policies and to identify fraudulent transactions in a timely manner.
- Supporting documentation is adequate and adheres to the requirements outlined in the policies and procedures.

## FINDING

### **Finding #1**

The District's controls over procurement card usage need to be strengthened to handle the significant increase in expenditures. Strengthened internal controls will provide greater assurance that the District mitigates the potential of misuse within the program.

While our audit sample testing did not identify any indication of deliberate misuse or widespread violations of procurement cards, there has been a significant increase in usage of the procurement card program since it was implemented in April 2012. In an Office of the Independent Inspector General (OIIG) Site Inspection Report, procurement card transactions totaling \$32,896 were identified for the twelve month period of October 2012 through October 2013. Hence, our review of expenditures for the period of February 2014 through February 2015 identified procurement card transactions totaling \$261,352.78. Over the span of two years, procurement card expenditures have significantly increased. With the significant increase in usage, it is important to ensure that strong controls are in place, the use of the program is the most cost beneficial approach, and all fiscal and procurement policies are adhered to.

Procurement cards offer numerous benefits; but they also carry inherent risks, including potential fraud and abuse, which can result in financial loss and negative publicity if not adequately controlled. Because of these inherent risks, Finance Administration updated their policies and procedures as of January 2015 to help maintain an effective procurement card program. Finance Administration also implemented a new process requiring cardholders to provide a Letter of Justification, which specifies the business need for each credit card transaction. The policy only requires this to obtain a procurement card, but in practice the District is requiring this for all card transactions.

The District's Policy on the use of procurement cards states: "The purpose of the Procurement Card policy is to provide an efficient, cost effective, secondary purchase option for small purchases in the case of an immediate need to allow departments to purchase goods and services directly from vendors when those items are needed, but is not practical to pay by check or cash when payment is demanded."

The expenditures reviewed during this audit consisted of various items with supplies as the largest expenditure item at almost 60% of the total expenditures. Other County departments with emergency spending needs utilize master supplies and maintenance contracts for the immediate purchase of these types of items. Utilizing a master contract for supplies provides many benefits such as discounts, order tracking and tighter purchasing controls.

### **Recommendation**

As the program expands throughout the District, we recommend the Finance Administration implement the following process improvements to further strengthen the controls:

1. Establish firmer criteria for departments to use in determining whether employees have a true immediate need for a credit card purchase. The policy should be updated with the requirement for departments to document the criteria prior to the approval of purchases. The policy currently refers to a Letter of Justification for new cards. The District also requires this Letter of Justification on purchases, but does not state this in the policy. Additional guidance should be communicated to cardholders to ensure that it is understood that procurement cards are meant to supplement, not replace or circumvent, established procurement and fiscal policies. Purchases such as association memberships, membership training sessions, software and online retail purchases may not have an immediate need and/or may be able to be processed through a purchase order.
2. Develop a system to continually track and monitor procurement card spending by vendor to determine if existing master contracts are already in place or to decide if it warrants establishing a contract for better pricing.
3. Analyze the large categories of expenditures such as the supplies to determine if there is a current need to procure a contract or utilize an existing County master contract to ensure open competition and the best value to the District.
4. Establish a policy to ensure departments are adequately planning for their program needs to decrease the amount of immediate need purchases.
5. Expand the Procurement Card Policy to include a section on items that should be inventoried and properly tracked once purchased.
6. Expand the Procurement Card Policy to include specific cardholder responsibilities:
  - Secure the card
  - Reconcile and document transactions with original receipts and proper justification
  - Use the card only to make informed buys of approved supplies and services
  - Be aware of reasonable prices offered in the marketplace
  - Observe all dollar limits on purchases
  - Resolve disputes in a timely manner
  - Leverage buying options to save your department money by obtaining competitive bids from at least three suppliers prior to purchases or utilizing master contracts
  - Return your card if you leave your department
  - Immediately report your lost or stolen card
  - Be aware of identity theft schemes attempting to gain access to financial information
  - Don't allow others to use your card. It is assigned to you and is your responsibility.
  - Don't split purchases in order to stay below your authorized spend limit or to avoid competitive bid thresholds.
  - Use the card ethically

7. Establish a required annual training session with all cardholders. The training session could remind cardholders of the policies, controls and responsibilities for procurement card usage and inform of the implications if improper usage is detected.

### **Management Response**

After discussing and reviewing the recommendations proposed by the Office of the County Auditor, the Forest Preserve is in agreement with their recommendations. It is our intention to build upon the controls currently in place and through these recommendations further strengthen controls and accountability.

#### **Management Response to Recommendations 1, 4 and 7:**

The Purchasing Department will update the credit card policy to better define the term “immediate need” with an emphasis on proper planning and describing the types of goods and supplies that are appropriate for credit card transactions. Departments will be asked to justify credit card transactions that appear to circumvent the normal purchase order process. Follow up training will be scheduled for all card holders before year end. In addition, subsequent annual training will be required for all credit card holders.

We have observed that some employees are using online websites such as Amazon.com as a means to procure specialty items, books, manuals, etc. on a more frequent basis. These transactions as well as many training seminars, software packages, etc. only accept credit cards for payment. In these instances we will ask that they compare prices to ensure that items are procured at the lowest cost to the Forest Preserve.

There is one comment to correct in recommendation number 1. The Forest Preserve only requires a letter of justification for food purchases and other ‘out of the ordinary’ procurements. It is not current policy to require a letter of justification for every credit card purchase.

#### **Management Response to Recommendations 2 and 3:**

The Office of the County Auditor has offered to assist the Forest Preserve’s Purchasing Department in creating a database to track procurement card spending by vendors and expenditure category. With this help, we will use the database to monitor expenditures periodically, by vendor and category, to determine if there is an opportunity to bid out or utilize an existing Forest Preserve and/or Cook County master contract to ensure open competition and best value to the Preserves.

#### **Management Response to Recommendation 5:**

The Comptroller’s Office will include procedures in the new credit card policy document to track and inventory credit card procured items. The tracking of electronic devices and software by the IT Department will also be covered in the document.

#### **Management Response to Recommendation 6:**

The updated credit card policy document will include a section addressing the County Auditor’s recommendation to identifying critical cardholder duties including; securing the card, reconciling transactions, reasonable pricing, resolving disputes, and other responsibilities that come with being issued a Forest Preserve credit card.

### **Estimated Completion Date**

December 31, 2015