

January 2, 2024

To: Board of Directors

From: Amy Lyons, Finance Manager

Please see the following for our updates from the FORVIS Purchasing Card assessment completed earlier in 2023.

Detailed Observations and Recommendations

#1 – FORVIS recommends the District regularly review the policy to ensure all requirements are reasonable, likely to be followed, necessary and in line with current practice. In addition, any standard procedures that are done but not documented formally should be formally added to the policy.

District Comments and Proposed Action Plan – 12/31/2023, Completed

We reviewed the current policy and made minor changes to address these comments, such as number of transactions allowed monthly in line with card requirements. We are using the City's template for requesting exceptions, and we document this approval process and any extraordinary situations.

#2 – FORVIS recommends the District review all current cardholders and their signed agreements and ensure they are up to date. New signed agreements should be obtained, if necessary.

Additionally, FORVIS recommends the District add language to the cardholder agreements for cardholders to attest to having received training.

District Response and Proposed Action Plan – 12/31/2023, Completed

We have obtained update signed cardholder agreements in conjunction with our annual training that took place in November 2023. The agreement was updated to attest to the training.

#10 & #11 – FORVIS recommends the District adopt formal, written procedures for regularly reviewing the listing of cardholders and their individual transaction limits for appropriateness.

District Response and Proposed Action Plan – 12/31/2023, Completed

We have reviewed cardholders and cardholder limits and will complete this task regularly for appropriateness going forward. No significant changes were made from our initial review.

#12 – FORVIS recommends the District at least discuss and consider whether unit-level card assignments accompanied by a custody log, where both card and log are housed in a secure location, in lieu of individually assigned cards, may be beneficial in certain cases.

District Response and Proposed Action Plan – to be reviewed annually

We will review this comment with our staff annually going forward, but do not plan on taking any additional action at this time given the limited instances of these transactions and low risk.

FORVIS



Poudre River Public Library District

Purchase cards - Financial & Operational Assessment Report

March 9, 2023

Table of Contents

Poudre River Public Library District

Financial & Operational Assessment Report

March 9, 2023

I.	Report Letter	1
II.	Overall Assessment	3
III.	Detailed Observations & Recommendations	4
IV.	Summary of Recommendations	10

II. Overall Assessment

The below tables provide a framework for organizational performance and effectiveness related to the assessment areas. We utilized information provided by you via print and electronic materials as well as responses received during interviews with various individuals.

PURCHASING CARDS		
Assessment	Performance	Comments
1. A formal, written purchasing card policy exists.	Good	The District subscribes to the City of Fort Collins' purchasing card policy and also has its own more specific, internal policy addendum. The policy appears to contain all necessary explicit guidance for cardholder expectations including appropriate use, reporting, reviews/approvals, timing of submissions, etc. We have recommended various items for consideration to more closely align the internal policy to best practices. See 'Sec III' for further analysis.
2. A cardholder user agreement documents that all risks and terms of use under the policy have been acknowledged, understood, and accepted by the user prior to card assignment.	Average	A cardholder agreement exists, and contains most of the recommended (best practice) language. A signed agreement exists for most cardholders, though some more tenured employee's agreements may be outdated or nonexistent. See 'Sec III' for further analysis.
3. Transactions appear to demonstrate a clear business purposes, are transacted with appropriate vendors, appear to be sufficiently substantiated, and regularly monitored for policy compliance.	Exceptional	Selected transactions appear to contain appropriate descriptions and are reviewed within the accounting system monthly. The finance/accounting team (the card administrators) regularly 'audit' most transactions, providing an additional layer of review. See 'Sec III' for further analysis.
4. Automated purchase controls are utilized.	Good	The District imposes daily and monthly limits on cards based on employee title, department, needs, etc. Additionally, the bank who issues the cards assigns 'Merchant Category Codes' for cards.
5. There are internal controls and appropriate segregation of duties in the Purchasing Card Cycle.	Exceptional	There appear to be several layers and levels of review/approval at all stages of the purchasing card transaction cycle. See 'Sec III' for further analysis.

II. Overall Assessment

6. Technology and systems are effectively utilized for P card review/approvals, timely reporting, etc.

Exceptional

The District appears to have effective systems (JD Edwards) for managing the P card process and eliminating much of the tedious, manual work that often is done in this area. The system also is an effective way of managing approvals, reporting, etc.

III. Detailed Observations and Recommendations

In the following tables, the details of observations and related recommendations are presented. We determined the priority of each recommendation as high, moderate, or low based on the perceived risk and potential impact of the observation. High priority recommendations indicate significant matters requiring immediate attention by senior management. Moderate priority recommendations indicate matters that should be given priority by management and, if not addressed timely, may significantly impair the control structure or operating effectiveness of the internal control system. Low priority recommendations indicate matters that management should address in the normal course of business.

PURCHASING CARDS				
Observations	Recommendations	Category	Priority	Time Frame
<p>1. The District has both a city wide Purchasing Card ("P Card") policy and a more specific policy for just the District. The policies contain guidance for appropriate/inappropriate card use, required support, reporting and timing of reporting, training requirements, required support for transactions, review/approval processes, etc. There may be, however, minor discrepancies between policy and practice. For instance, the policy states "The total number of monthly purchases on an individual P Card cannot exceed 25," however, FORVIS noted several instances of this limit being far exceeded during our testing, noted in #3 below. Another example was an individual who had a \$5,000 credit limit making three purchases of \$5,000 in one day. We reviewed documentation that this was approved by the City of Fort Collins, but the P card policy states that \$5,000 is the maximum transaction limit, and there are no formal, written procedures for receiving one time exceptions to the policy, such as in this case.</p>	<p>We recommend that the District regularly review the policy to ensure that all requirements are reasonable, likely to be followed, necessary, and in line with current practice. In addition, any standard procedures that are done but not documented formally should be formally added to the policy.</p>	<p>Policies and Procedures</p>	<p>Moderate</p>	<p>Medium Term</p>

III. Detailed Observations and Recommendations

<p>2. A cardholder user agreement documents that all risks and terms of use under the policy have been acknowledged, understood, and accepted by the user prior to card assignment. The agreement is required by the policy to be signed by the cardholder and their supervisor. However, FORVIS noted instances where agreements of more tenured employees did not exist or did not include a supervisor signature.</p>	<p>We recommend that the District review all current cardholders and their signed agreements (or lack thereof) and ensure they are up to date (or exist). New signed agreements should be obtained, if necessary. Additionally, although the District conducts regular purchasing card training (and this is mentioned in the policy) we recommend the District add language to the cardholder agreements for cardholders to attest to having received training.</p>	<p>Policies and Procedures</p>	<p>Moderate</p>	<p>Medium Term</p>
--	--	--------------------------------	-----------------	--------------------

III. Detailed Observations and Recommendations

<p>3. FORVIS obtained a list of all P card transactions for 2021 and 2022 to analyze and review the data. FORVIS noted that transactions contained a description, and descriptions were generally descriptive and informative. We sorted the data, pulling out transactions made on weekends and holidays, sorted by vendor to review most commonly used vendors/identify high risk vendors (Paypal, Amazon, etc.), utilized TeamMate Analytics to identify outliers, rounded values, 999 values, and other related analysis. FORVIS discussed and shared our analysis with the District finance team and worked with the District to select a sample of 30 transactions (including transactions found in each of the areas discussed above) to test. Testing performed included: (1) Reviewing supporting documentation for each purchase, noting descriptions and amounts agreed and that sales tax was not charged (2) Reviewing if the purchases appeared proper and allowable in light of P card policies (3) Reviewing documentation that the purchase was reviewed by an individual who did not make the purchase (4) Reviewing signed cardholder agreements for the purchaser (a sample of 5 individuals). No significant findings, discrepancies, errors were noted; other than regarding cardholder agreements, discuss above at #2.</p>	<p>No recommendations noted.</p>	<p>Policies and Procedures</p>	<p>Low</p>	<p>N/A</p>
--	----------------------------------	--------------------------------	------------	------------

III. Detailed Observations and Recommendations

<p>4. There appears to be proper segregation of duties throughout the P card transaction cycle and transactions appear to be receiving timely review. First, for an employee to obtain a P card, their supervisor must approve the request for a card and the employee must subscribe, adhere to and sign a user agreement. The request is then processed by the City and the bank. Second, employees are required to code each transaction and upload supporting documentation to the accounting system by the 10th of the month. After this is complete, the p card system requires a supervisor to sign off and review the transactions. The policy stipulates that transactions may be randomly 'audited' by the finance team. In practice, this occurs quite often, usually monthly; providing a second layer of review. In the case of the two P card administrators who possess cards themselves, each administrator reviews the transactions of the other. During the testing discussed above at #3, FORVIS noted that all 30 transactions tested were properly reviewed. Additionally, based on results of audits and their knowledge of the District, the finance department believes the supervisor expense documentation review to be thorough, timely and effective.</p>	<p>No recommendations noted.</p>	<p>Policies and Procedures</p>	<p>Low</p>	<p>N/A</p>
<p>5. Each P card has daily limits based on the employee/department's needs. This is decided by the P card administrators, and enforced by the bank. 'Merchant Category Codes,' automated codes set by the bank regarding which types of vendors are approved for purchases to be made, are utilized. Credit limits can be bypassed in extraordinary circumstances, as discussed at #1 above.</p>	<p>No recommendations noted.</p>	<p>Policies and Procedures</p>	<p>Low</p>	<p>N/A</p>

III. Detailed Observations and Recommendations

6. The card administrators are unaware of situations of employees sharing P cards.	No recommendations noted.	Policies and Procedures	Low	N/A
7. The card administrators are unaware of situations where employees have used personal online accounts for purchases of business goods, under which tax-exemption statues may be disregarded or purchase-volume discounts lost; and the practice is prohibited in the policy (ie -an employee using their personal Amazon account rather than the District's business Amazon account). FORVIS did not note any instances during the testing noted above at #3.	No recommendations noted.	Policies and Procedures	Low	N/A
8. The P card process appears to be efficient and the District seems to be leveraging technologies well for timely and accurate reporting, employee convenience, ease of review, etc. We did not observe any employee (user) complaints.	No recommendations noted.	Systems	Low	N/A
9. The District has a formal policy for card deactivation upon transfer or termination of cardholders.	No recommendations noted.	Systems	Low	N/A
10. Although there is extensive review of each P card transaction and excellent policies and procedures as discussed above, there is no formal, written policy for reviewing the master listing of cardholders and whether their possession of a card, as well as their current transaction limit, is still appropriate.	We observed that the District has transaction limits. We noted one instance where that transaction limit was maxed out three times in one day by one employee. While this particular case received advanced approval by the City (and not technically against the policy), we recommend the District consider daily card limits to mitigate future abuse. Further, we recommend the District adopt formal, written procedures for regularly reviewing the listing of cardholders and their individual transaction limits for appropriateness. Best practice would be to annually review the cardholder credit limits and continued business need of card possession for each cardholder.	Policies and Procedures	Moderate	Medium Term

III. Detailed Observations and Recommendations

<p>11. The 'Account Manager' is responsible for setting card transaction limits, but no written guidelines exist for what card an individual should be given.</p>	<p>The 'Account Manager' appears to possess sufficient institutional knowledge to make these decisions, and no concerns were noted with the process. That being said, it would be best practice to establish formal, written policies for determining an employee's credit/transaction limits and type of card.</p>	<p>Policies and Procedures</p>	<p>Moderate</p>	<p>Medium Term</p>
<p>12. P cards are assigned to individuals, rather than departments or groups of related employees.</p>	<p>Although it may not be necessary, we recommend the District at least discuss and consider whether unit-level card assignments accompanied by a custody log, where both card and log are housed in a secure location, in lieu of individually assigned cards, may be beneficial in certain cases. If activity is low for certain employees, this could be beneficial in reducing the administrative burden under various roles, consolidate activity, and minimize the need to either issue and cancel cards when staffing changes or manipulate the cardholder limits for extraordinary purchases. Additionally, FORVIS noted a few instances of fraudulent purchases not made by employees (which were reimbursed by the bank in all cases), and fewer cards would reduce the risk of this. Finally, particularly risky is the purchase of gift cards (which are sometimes purchased for employee appreciation or program initiatives), and this could be ran through a similar process to this, if the District deemed it necessary.</p>	<p>Policies and Procedures</p>	<p>Low</p>	<p>Long Term</p>