



A Report  
to the  
Board of  
Supervisors

*Maricopa County  
Internal Audit  
Department*

**Ross L. Tate**  
County Auditor

**Continuous Monitoring Review**

# Procurement Cards

*Increased Use of Ghost Card  
Could Result in Significant Savings*

July ■ 2008

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**The mission of Maricopa County** is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

**The mission of the Internal Audit Department** is to provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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July 11, 2008

Andrew Kunasek, Chairman, Board of Supervisors  
Fulton Brock, Supervisor, District I  
Don Stapley, Supervisor, District II  
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Mary Rose Wilcox, Supervisor, District V

We completed our Fiscal Year 2007-08 audit of Countywide Procurement Card transactions. This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk assessment process.

The Materials Management Department administers the Procurement Card program, and both Materials Management and Internal Audit monitor the program annually to deter misuse and increase management's awareness of risks.

A well-controlled Procurement Card program can be a very useful tool in reducing administrative costs and streamlining acquisition processes. We estimate the County could achieve additional savings—as much as \$221,000 annually—by expanding the use of the procurement Ghost Card (account used for Office Depot purchases). As the County's use of procurement cards increases, however, the important role of management in establishing a strong control environment should be emphasized.

This report contains an executive summary, specific information on the areas reviewed, and department response to our recommendations. We have reviewed this information with the Materials Management Director and management at the agencies selected for review. We appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

# Executive Summary

## **Issue 1 Increased Use of Ghost Card Could Save Significant Dollars (Page 5)**

Administrative purchasing costs could be reduced by as much as \$221,000 annually if County Ghost Cards were used for *all* Office Depot purchases, as intended when the program began in FY01. While the majority of County agencies use the Ghost Card exclusively for Office Depot purchases, several departments with very heavy activity still process paper invoices. As a result, the County incurred an estimated \$1.1 million in avoidable administrative purchasing costs from FY03 – FY07. In addition, the County could have earned an estimated \$44,983 in additional rebate revenue during this period had the orders been placed on the County Ghost Card. Materials Management should work closely with the agencies to reduce the number of paper-based Office Depot transactions, and consider requiring all County departments to use the Ghost Card for Office Depot purchases.

## **Issue 2 Rebate Revenue Is Not Properly Verified (Page 8)**

Materials Management does not properly review “revenue sharing payments” (rebate revenues) received from GE Capital Financial to ensure that the amounts are accurate. In FY07, \$9,710 was deducted from the rebate for fraud losses that do not appear to be allowable under contract terms. Materials Management should assign responsibility for validating annual revenue sharing payments, attempt to determine why the FY07 fraud losses were deducted from rebate revenues, implement a corrective action plan to mitigate future deductions, and seek reimbursement from the vendor, if feasible.

## **Issue 3 Procurement Card Testing Results (Page 11)**

Written policies and procedures for the County’s Ghost Card program need improvement. According to Materials Management, the Ghost Card is covered by the P-Card policy, although the Ghost Card has been excluded from certain requirements for cost-benefit reasons. These exclusions are not documented in policy and no alternative minimum requirements have been established. In addition, automated controls have not been effectively communicated to agency management by Materials Management. As a result, Ghost Card policies and procedures varied greatly at the agencies we reviewed and available tools are not being utilized. If not properly managed and controlled, use of the Ghost Card can result in fraud, waste, and abuse. Materials Management should ensure that Countywide policies and procedures are in place over the Ghost Card program and that agency management is aware of electronic approvals available for Office Depot purchases.

# Introduction

## Background

The County Procurement Card (P-Card) program was established in 1998 to provide a more efficient and cost-effective mechanism for purchasing small dollar items. The P-Card is a commercial credit card that works similarly to a personal credit card. P-Card purchases are billed directly to the County and payments are made electronically, bypassing requisition, purchasing, receiving, and accounts payable processes, which are time-consuming and costly. While significant cost savings are achievable, if not properly managed and controlled, use of the P-Card can result in fraud, waste, and abuse. The importance of the role of management in establishing a strong control environment cannot be overstated.

Maricopa County Materials Management administers the P-Card program. The Materials Management P-Card team and some of their functions include the following:

- Senior Procurement Card Administrator – Responsible for overall program. Provides cardholder support and guidance, coordinates record keeping, reconciles billing statements, and provides initial and on-going training. This position was vacant for approximately ten months in 2007, due to employee turnover and budget constraints. The vacancy has been filled since November 2007.
- Procurement Card Administrator – Responsible for working with cardholders to maintain procurement card records. Handles new cards, lost cards, card maintenance, cardholder correspondence, theft and billing disputes, and training.
- Contract Compliance Monitor – Responsible for continuous compliance monitoring, providing guidance to cardholders on record keeping, and working with cardholders to maintain procurement card records.

Bank of America was the County's P-Card vendor from 1998 to 2003. GE Capital Financial, Inc. (GE) was awarded the contract beginning February 2003 through February 2013. However, in March 2008, American Express announced it is acquiring GE's commercial credit card and corporate purchasing business. According to Materials Management, the contract for P-Card services will be opened for bids in June 2008 so that the County can continue using MasterCard as the payment vehicle, instead of American Express, which generally has higher processing fees and lower merchant acceptance rates.

## Types of P-Cards

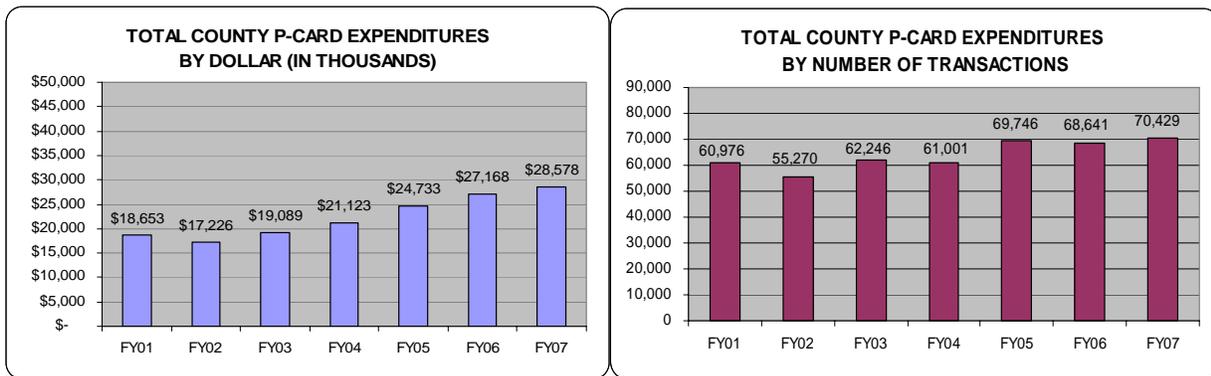
County P-Cards can be set up as Purchasing Cards, Travel Cards, Fuel Cards, Maintenance Cards, or Ghost Cards. The Ghost Cards do not involve the use of an actual card. Instead, agency employees are assigned Ghost Card account numbers, which are stored in a non-visible format in the user's profile. Orders are automatically billed to the requesting department. Ghost Cards are valid for online purchases only at an Office Depot website set up specifically for the County's use. Purchases are restricted to items covered under the Office and Data Processing Supplies contract awarded to Office Depot in fiscal year (FY) 98.

Materials Management establishes standard transaction limits based on card type. Single transaction dollar limits and aggregate monthly dollar limits are attached to each card. Requests for changes must be made in writing by the department director or authorized designee, and approved by Materials Management.

Materials Management establishes allowable Merchant Category Codes (MCC) based on card type. MCC are used to identify a vendor's primary services or merchandise. The code represents a vendor's primary line of business, and therefore, does not necessarily represent all vendor services or merchandise.

### P-Card Trends

Since FY01, P-Card activity has increased 53 percent based on total dollar expenditures, from \$18.7 to \$28.6 million in FY07, as shown on the left below. However, the total number of P-Card transactions increased by only 16 percent, from 60,976 in FY01 to 70,429 in FY07, as shown on the right below.



Source: Materials Management

### Prior Audit Findings

Internal Audit reported P-Card audit findings in FY 2000, 2003, 2005, 2006, and 2007. Materials Management implemented corrective action for all findings, with the exception of the following two recommendations from FY06, which were not implemented for budgetary reasons:

- Develop written P-Card administrative policies and procedures to provide controls over monthly statement reconciliation and the periodic reconciliation of the internal tracking system to the vendor database – *extended target date to 6/30/08*
- Review current inactive cards and take appropriate action; request Human Resources to provide employee termination lists on a regular basis for comparison and action – *extended target date to 6/30/08*

## Scope and Methodology

The audit objectives were to:

- Identify potential misuse of P-Cards by analyzing cardholder and vendor activity
- Determine if unnecessary administrative purchasing costs are being incurred as a result of non-use of the County Ghost Card program
- Determine if “revenue sharing payments” (rebate revenues) are properly reviewed to ensure the accuracy of amounts received

After completing a risk assessment, we selected a judgmental sample of FY07 P-Card transactions from the Purchasing Accounting Reporting Information System (PARIS), the P-Card management system in use at the time of our review.<sup>1</sup> Our review was focused on cardholders from the following agencies due to high dollar P-Card transaction activity.

- Adult Probation
- County Attorney
- Facilities Management
- Library District
- Office of Enterprise Technology
- Planning & Development

Overall, we tested 109 transactions totaling \$743,458, representing 2.6 percent of FY07 P-Card transactions by dollar and 0.2 percent by number of transactions. The transactions reviewed were judgmentally selected from eight cardholders at the agencies listed above.

We requested and reviewed supporting documentation provided by the agencies in order to verify that: (1) transactions were within cardholder limits; (2) the card was used for appropriate purchases; and (3) there were no fragmented purchases (splitting of orders to circumvent established limits). For certain transactions involving pilferable items, we also performed work to verify that the department had possession of the items. Of the transactions reviewed, we did not identify any misuse or abuse. However, our work was not designed to identify, and we cannot determine, the extent of fraud, waste, and abuse that may occur in the population of Countywide P-Card transactions.

### Audit Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> The PARIS system has since been replaced by the Strategic Account Management (SAM) system.

# Issue 1 Increased Use of Ghost Card Could Save Significant Dollars

## Summary

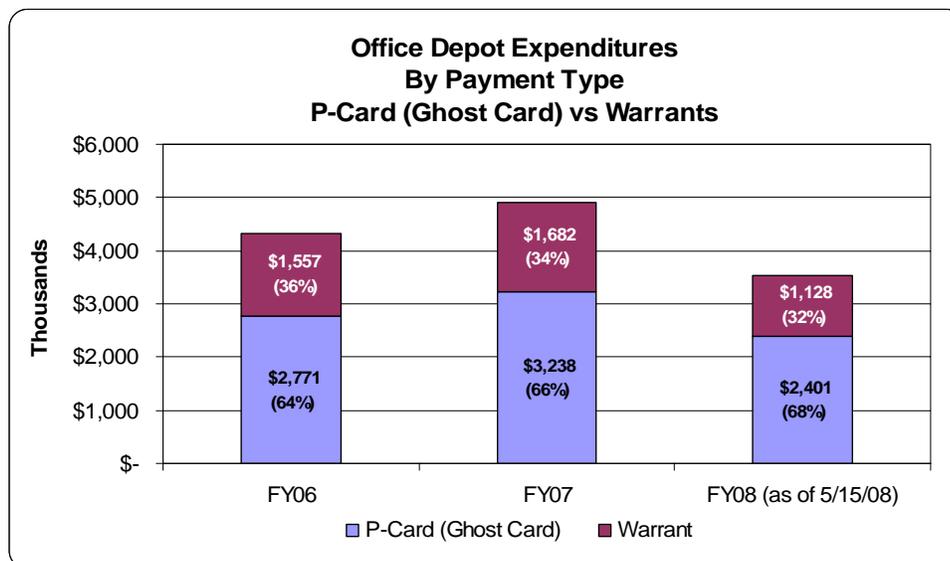
Administrative purchasing costs could be reduced by as much as \$221,000 annually if County Ghost Cards were used for *all* Office Depot purchases, as intended when the program began in FY01. While the majority of County agencies use the Ghost Card exclusively for Office Depot purchases, several departments with very heavy activity still process paper invoices. As a result, the County incurred an estimated \$1.1 million in avoidable administrative purchasing costs from FY03 – FY07. In addition, the County could have earned an estimated \$44,983 in additional rebate revenue during this period had the orders been placed on the County Ghost Card. Materials Management should work closely with the agencies to reduce the number of paper-based Office Depot transactions, and consider requiring all County departments to use the Ghost Card for Office Depot purchases.

## Criteria

The Uniform Accounting Manual for Arizona Counties requires that purchasing systems promote the efficient use of financial resources and minimize administrative time, cost, and effort.

## Condition

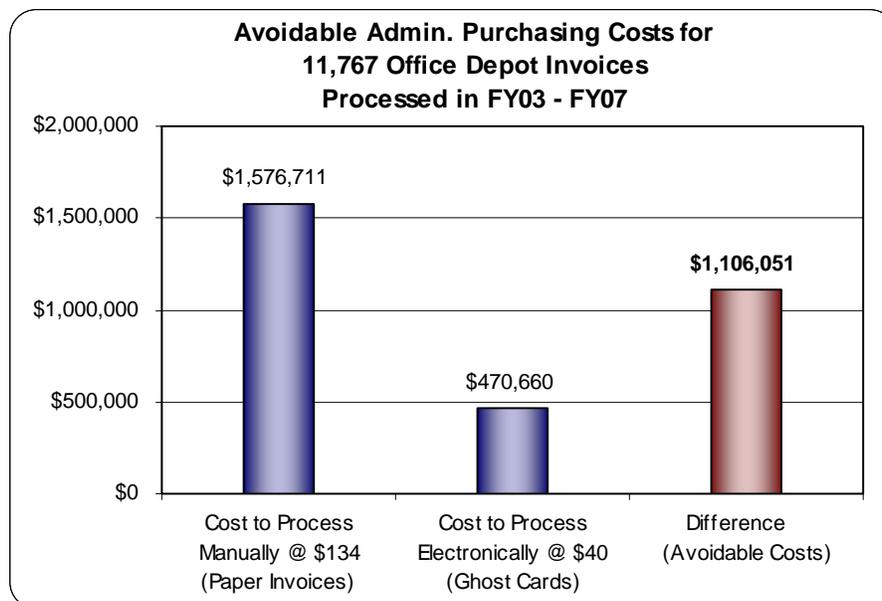
Ghost Cards have been available to all departments since FY01 for their use in procuring goods from Office Depot cost-effectively. As mentioned previously, Ghost Card use eliminates paper invoice processing, which is costly and time consuming. However, over 30 percent of all Office Depot transactions are still processed manually (paid by warrant), as shown below.



Source: Department of Finance

In FY01, Gartner Consulting conducted a study to assess the County's readiness to implement an e-procurement system and reviewed administrative purchasing costs at select County departments.<sup>2</sup> According to Gartner, it costs the County \$134 to process a *purchase order* transaction, compared to \$40 for a *P-Card* transaction, at a cost savings of \$94. Although we did not validate these numbers, we believe they provide a reasonable basis for our conclusions based on the fact that the numbers are: (1) in-line with other procurement cost studies; and (2) based on an independent study of County operations.

From FY03 to FY07, the County manually processed approximately 11,767 Office Depot invoices totaling \$7.8 million (paper invoices paid by warrant). The estimated purchasing costs associated with these transactions are \$1.5 million (11,767 invoices X \$134), compared to \$470,680 (11,767 X \$40) had the orders been placed with a County Ghost Card. The variance, or \$1.1 million, represents the estimated avoidable or unnecessary costs, as shown below.



Source: Internal Audit Analysis of Gartner Consulting e-Procurement Study (Dec. 2000)

Total Office Depot transactions processed manually (paid by warrant) since FY06 are summarized by department below.

Office Depot Transactions Paid by Warrant				
Agency Class Des	FY06	FY07	FY08*	FY06 -FY08*
SHERIFF	\$ 648,021	\$ 741,762	\$ 575,942	\$ 1,965,725
CLERK OF THE SUPERIOR COURT	\$ 426,061	\$ 478,163	\$ 242,398	\$ 1,146,622
TRIAL COURTS	\$ 398,664	\$ 370,679	\$ 309,466	\$ 1,078,809
OTHER	\$ 84,102	\$ 91,048	\$ -	\$ 175,150
* as of 5/15/08 verified with DOF	\$ 1,556,848	\$ 1,681,652	\$ 1,127,806	\$ 4,366,307

\* As of 5/15/08

<sup>2</sup> County departments sampled: two large enterprise-funded departments; one small general fund department; and one medium-sized department run by an elected official.

**Effect**

Administrative purchasing costs could be reduced by as much as \$221,000 annually if County Ghost Cards were used for all Office Depot purchases. We estimate that the County incurred \$1.1 million in avoidable administrative purchasing costs from FY03 – FY07. In addition, the County could have earned an estimated \$44,983 in additional rebate revenue during this period had the orders been placed on the County Ghost Card. Materials Management has been working with the Sheriff's Office, Clerk of the Superior Court, and Trial Courts in an effort to increase Ghost Card use and eliminate manual transactions. Clerk of the Superior Court recently began using the Ghost Card.

**Cause**

It appears the Sheriff's Office and Trial Courts have not made reducing administrative purchasing costs by using the Ghost Card for Office Depot purchases a priority. Clerk of the Superior Court did not previously use the Office Depot Ghost Card because of activity and reconciling volume and security issues.

**Recommendation**

Materials Management should work closely with the agencies to reduce the number of paper-based Office Depot transactions and consider requiring all County departments to use the Ghost Card for Office Depot purchases.

# Issue 2 Rebate Revenue Is Not Properly Verified

## Summary

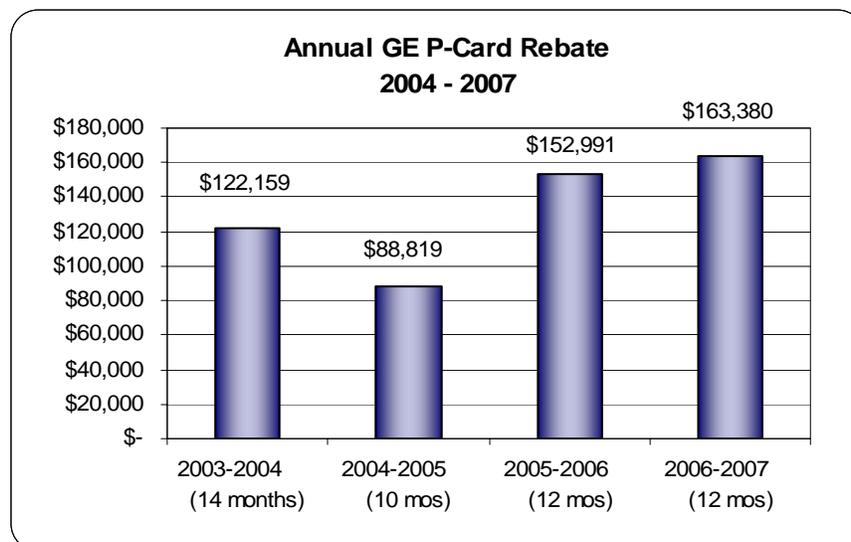
Materials Management does not properly review “revenue sharing payments” (rebate revenues) received from GE Capital Financial (GE) to ensure that the amounts are accurate. In FY07, \$9,710 was deducted from the rebate for fraud losses that do not appear to be allowable under contract terms. Materials Management should assign responsibility for validating annual revenue sharing payments, attempt to determine why the FY07 fraud losses were deducted from rebate revenues, implement a corrective action plan to mitigate future deductions, and seek reimbursement from the vendor, if feasible.

## Criteria

The P-Card Services contract with GE states that GE shall pay annual revenue sharing payments (rebate revenues) to the County based on net procurement volume, average dollar amount outstanding, speed of payment, and other factors.

## Condition

GE sends the annual P-Card rebate check to Materials Management, which is deposited at the Treasurer’s Office. Along with the check, GE sends a rebate report detailing the calculations used to determine the rebate amount. However, there is no evidence that the calculations and underlying amounts have been reviewed since the inception of the contract with GE, according to Materials Management, due to turnover and vacancy in the senior P-Card administrator position. P-Card rebates for the past four years are shown below.



Source: Materials Management

We reviewed the latest rebate report in an effort to validate the rebate amount. While we were not able to validate Net Purchase Volume or Average Sales Outstanding amounts to the dollar due to unspecified GE cycle end dates, we did come within one percent. However, we found that the rebates were reduced by \$12,969 for “Fraud Losses” since FY04, as shown below.

<b>FRAUD AND CREDIT LOSSES</b>	
FY04	\$1,220
FY05	\$1,719
FY06	\$0
FY07	<u>\$10,030</u>
<b>TOTAL</b>	<b>\$12,969</b>

Source: Materials Management

Very limited supporting documentation was available and Materials Management was unsure if these were valid deductions. In reviewing the GE contract, we found that the County is *not* liable for charges resulting from fraudulent use by third parties unless the County:

- Lacked reasonable security procedures
- Did not quickly report a lost, stolen, or compromised card
- Benefited from the loss

As a result, we were unable to determine the propriety of the deduction for fraud losses. However, we did review the FY07 deduction for fraud losses and found that \$9,710 of the deduction represented charges to a merchant in Bangkok, Thailand. We found that the cardholder received credit for these charges in less than 30 days, so there was no apparent delay in reporting the incident. Further, there is no evidence that security procedures were breached or that the County benefited from the loss.

### **Effect**

By not reviewing the rebate revenue, the County runs the risk that underpayments could occur and not be detected. This may have occurred in FY07, as deductions for fraud losses appear to be unallowable.

### **Cause**

There is a lack of proper oversight of rebate revenues. The senior procurement administrator position was vacant for approximately ten months in 2007, due to employee turnover and budget constraints. Responsibility for validating the accuracy of rebate revenues had not been properly assigned.

## **Recommendations**

Materials Management should:

- A.** Assign responsibility for validating the annual revenue sharing payment. All deductions should be fully supported and this reconciliation should be documented.
- B.** Attempt to determine why the FY07 fraud losses were deducted from rebate revenues, implement a corrective action plan to mitigate future deductions, and seek reimbursement from the vendor, if feasible.

# Issue 3 Procurement Card Testing Results

## Summary

Written policies and procedures for the County's Ghost Card program need improvement. According to Materials Management, the Ghost Card is covered by the P-Card policy, although the Ghost Card has been excluded from certain requirements for cost-benefit reasons. These exclusions are not documented in policy and no alternative minimum requirements have been established. In addition, automated controls have not been effectively communicated to agency management by Materials Management. As a result, Ghost Card policies and procedures varied greatly at the agencies we reviewed, and available tools are not being utilized. If not properly managed and controlled, use of the Ghost Card can result in fraud, waste, and abuse. Materials Management should ensure that Countywide policies and procedures are in place over the Ghost Card program, and ensure that agency management is aware of electronic approvals available for Office Depot purchases.

## Criteria

The Maricopa County P-Card policy contains procedures to ensure that P-Card transactions are properly authorized, documented, and verified. Key procedures include:

- Supervisor authorization and signature must be obtained and dated within 14 days of each billing cycle's end date
- Supporting documentation for all transactions must include original invoices, contract numbers (where applicable) and related credits
- P-Card logs must be reconciled monthly to the P-Card bank statement

## Condition

We reviewed 109 P-Card transactions totaling \$743,458, representing 2.6 percent of FY07 P-Card transactions by dollar and 0.2 percent by number of transactions. Twenty-one of these transactions were Ghost Card purchases. Of the transactions reviewed, we did not identify any misuse or abuse. However, our work was not designed to identify, and we cannot determine, the extent of fraud, waste, and abuse that may occur in the population of Countywide P-Card transactions.

Our findings are categorized below by:

- Ghost Card Policy Issues
- Ghost Card Transaction Testing
- P-Card Transaction Testing (excluding Ghost Cards)

### Ghost Card Policy Issues

According to Materials Management, the Ghost Card is covered by the P-Card policy, although the Ghost Card has been excluded from certain requirements for cost-benefit reasons. These

exclusions are not documented in policy and no alternative minimum requirements have been established. For instance, according to the policy, a Transaction Log must be maintained for *all* P-Card transactions (except the Fuel Card), and the cardholder and approver must sign the log. According to Materials Management, Ghost card users are *not* required to maintain a log or obtain supervisory approvals, although this is not documented in policy.

According to Materials Management, the level of supervisory oversight required for the Ghost Card is best determined at the agency level, and the decision not to require transaction logs was made for cost-benefit reasons, based on the lower risk associated with Ghost Cards, such as:

- Ghost Cards do not involve the use of an actual card; employees are assigned Ghost Card account numbers and orders are automatically billed to the requesting department
- Ghost Cards are valid only for online purchases at an Office Depot website set up specifically for the County's use; purchases are restricted to items covered under the Office and Data Processing Supplies contract awarded in FY98

While supervisory oversight requirements have been left to agency management, related automated controls have not been effectively communicated by Materials Management. For instance, there is an automated approval feature on the Office Depot website, which when activated, requires a second employee to release (approve) an order before it is processed.

Employees are advised of the automated approval when Ghost Card privileges are granted, according to Materials Management, but there is no process in place to ensure that agency management/supervisory staff is aware of this valuable tool. In fact, Materials Management has no record of ever receiving a request to activate this feature. There are, however, eleven agencies that are able to activate this feature without Materials Management approval; usage at these departments was not determined. Materials Management should develop a process to ensure that agency management is aware of this tool and how it can help protect against unauthorized purchases.

#### Ghost Card Transaction Testing

Ghost Card policies and procedures varied greatly at the agencies we reviewed, due largely to the lack of clear Countywide written policies and procedures discussed above. For instance, at the County Attorney's office, transaction logs containing supporting documentation and supervisory approval were maintained. At Planning and Development, no logs were maintained, but adequate supporting documentation and supervisory approval were evident. At Adult Probation, logs were not maintained, supporting documentation was not complete, invoices were not properly reconciled, and no supervisory approval was evident.

At Adult Probation, we were unable to obtain adequate supporting documentation for five out of twelve Office Depot purchases reviewed. However, we obtained the missing documents directly from the vendor and verified that the purchases were valid. During our review, we found that 48 docking stations totaling \$4,176 were ordered in August 2006. Twenty of the units, costing \$1,740, had not been distributed for use and remained in unopened boxes in a storage closet almost two years after purchase, as shown on the following page.



Twenty laptop docking stations ordered in August 2006 still in boxes in Adult Probation storage closet

### P-Card Transaction Testing (excluding Ghost Cards)

We reviewed 88 P-Card transactions to determine compliance with the P-Card policy. The most common exception at the agencies reviewed was that transaction logs were either not signed by the approver or not signed within 14 days, as required by policy.

In addition, we found that P-Card records were not always properly secured at the County Attorney's Office, Facilities Management, Library District, or the Office of Enterprise Technology, as cabinets containing P-Card records (including account numbers), were left unlocked during office hours. The records were not accessible to the public, but were accessible to employees who did not have a need for access.

### **Effect**

Basic internal controls over the requisition, payment, and receiving processes are considered prudent to ensure protection of County assets. Standard purchasing controls include:

- Supervisory reviews of requisition and purchasing documentation
- Maintenance of source documents
- Reconciliation of source documents to purchasing or transaction summaries

When agencies do not use such controls, unauthorized purchases may go undetected.

### **Cause**

Ghost Card holders do not consistently practice standard purchasing, invoicing, and reconciling procedures. Materials Management did not require these controls because they did not issue policies and procedures pertinent to the Ghost Card.

## **Recommendations**

Materials Management should:

- A.** Review the P-Card policy to ensure that accurate and clear Countywide policies and procedures are in place over the Ghost Card program. The policy should establish certain minimum requirements to help ensure proper controls are established Countywide for Office Depot transactions.
- B.** Develop a process to ensure that agency management and supervisory staff are aware that an electronic approval feature is available on the Office Depot website, and that it could be a cost-effective tool in protecting against unauthorized purchases.

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# Department Responses

## AUDIT RESPONSE

Maricopa County Material Management  
July 02, 2008

### **Issue #1:**

**Increased focus on Ghost Card Program could save significant dollars.**

**Recommendation:** Work closely with the agencies to reduce the number of paper-based Office Depot transactions and consider requiring all County departments to use the Ghost Card for Office Depot purchases.

**Response:** Concur – in process

Materials Management does not have the authority to require departments to use P-Cards or other electronic methods of payments (including Ghost Card), however MM will continue to inform the Sheriff's Office and the Courts of the benefits of migrating to the Ghost Card program.

**Target Completion Date:** Ongoing

**Benefits/Costs:** Administrative purchasing cost will be reduced and rebate revenue will be increased. No cost.

### **Issue #2:**

**Rebate revenue is not properly verified.**

**Recommendation A:** Assign responsibility for validating the annual revenue sharing payment. All deductions should be fully supported, and this reconciliation should be documented.

**Response:** Concur – in process

Due to employee turn over, FY07's rebate was not properly validated. There is evidence showing validation of prior year's rebate amounts. Materials Management has requested that GE Card Services provide a monthly Rebate Detail Report. This report details spend volume and credit/fraud losses enabling MM to validate the rebate amount monthly instead of once a year by the P-Card Administrator.

**Target Completion Date:** 07/01/2008

**Benefits/Costs:** By reviewing the rebate detail reports more frequently the County eliminates the risk of underpayment. No cost.

**Recommendation B:** Attempt to determine why the FY07 fraud losses were deducted from rebate revenues, implement a corrective action plan to mitigate future deductions, and seek reimbursement from the vendor, if feasible.

**Response:** Concur Partially

Attempt to seek reimbursement is not feasible at this late of date. According to GE Card Services, transaction details on closed accounts only remain in their system for 12 months. In an email from Maricopa County's GE account manager she claims the \$9,708.54 fraud loss appeared to be a counterfeit case and GE was not able to win the chargeback therefore they will not reverse the charge back to Maricopa County which is permitted under the GE Card Services contract.

In addition to Rebate Detail Report mentioned earlier, MM has requested a monthly Fraud Inventory Report that provides detail on all County related fraud cases filed with GE Card Services. Monitoring report will permit Materials Management to be aware of when claims are filed and if/when the required affidavit and any additional information (if requested) have been submitted to GE. This will significantly reduce the possibility of this type of situation reoccurring.

Target Completion Date: 07/01/2008

Benefits/Costs: By frequently monitoring these claims, Materials Management can assure all required paperwork is completed and submitted timely and avoid unallowable rebate fraud deductions. No cost.

**Issue #3:**

**Procurement Card Testing Results: Written policies and procedures for the County's Ghost Card program need improvement.**

**Recommendation A:** Review the P-Card policy to ensure that accurate and clear Countywide policies and procedures are in place over the Ghost Card program. The policy should establish certain minimum requirements to help ensure proper controls are established Countywide for Office Depot transactions.

Response: Concur - in process  
Materials Management is aware that the P-Card Policy and Procedures needs to be updated to include Ghost Card procedures.

Target Completion Date: 12/01/2008

Benefits/Costs: No cost.

**Recommendation B:** Develop a process to ensure that agency management and supervisory staff are aware that an electronic approval feature is available on the Office Depot website, and that it could be a cost-effective tool in protecting against unauthorized purchases.

Response: Concur  
It is Materials Management's policy that all users requesting a Ghost Cards account have supervisor approval prior to being granted the ability to place order online with Office Depot. Any additional oversight requirements are left to agency management.

Understanding the potential risk of unauthorized purchases, Materials Management will update and include this information in the *Materials Management Supervisor Academy* tutorial that is hosted on Materials Management's Website on the EBC.

Target Completion Date: 10/31/2008

Benefits/Costs: No cost

**Approved By:**

  
\_\_\_\_\_  
**Department Head**

7/7/08  
\_\_\_\_\_  
**Date**

  
\_\_\_\_\_  
**Chief Financial Officer**

7/9/08  
\_\_\_\_\_  
**Date**

*DR Smith*

County Manager

*2/9/08*

Date

**The following response was submitted by Loretta Barkell, Chief, Business Operations Command at the Maricopa County Sheriff's Office for inclusion in this report.**

The Maricopa County Sheriff's Office disagrees with the assumptions made in this report. The dollar amounts used to evaluate the variances from Purchase Order to P-Card transaction were taken from a study which is seven years old. Since then, the county has decentralized some of the functions that were included as the cost per transaction amount. In addition, purchase orders are not required for Office Depot transactions, nor would an individual purchase order be created for each Office Depot transaction.

The Sheriff's Office does not currently participate in the Office Depot Ghost Card process due to the size and complexity of the Office. The Sheriff's Office has 8 separate funds and an extensive chart of accounts. The requirements of the County's Office Depot Ghost Card are inflexible and lean towards a large margin for error. The administrative costs associated with the process outweigh the estimated \$9,000 per year in discounts that may or may not be received. The Sheriff's Office central control of Office Depot ordering contributes to our ongoing efforts to have a balanced budget. Our organization is not the only County Office that finds the process to be cumbersome and void of a substantial return of investment for this Office and the County. The Superior Court centrally controls their Office Depot orders in a manner similar to the Sheriff's Office.

It is the Sheriff's Office understanding that an RFP will be issued for a software program that will integrate the information from the SAM P-Card system to the County's Advantage Financial System. Upon completion of that integration, the Sheriff's Office is willing to discuss the use of the Office Depot Ghost Card System.