



King County



## KING COUNTY AUDITOR'S OFFICE

MARCH 28, 2024

# Purchase Card Controls: Risk Management and Improved Data Systems Required

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### EXECUTIVE SUMMARY

King County authorizes designated employees to make routine purchases on county-issued credit cards, known as purchase cards (p-cards). While the County has some controls in place intended to prevent misuse of p-cards, it has not yet comprehensively assessed the risks of this program. This means there may be gaps in the controls designed to prevent and detect fraud, waste, and abuse. Additionally, King County's data systems for tracking p-card activity are decentralized and lack standardization, limiting the County's ability to effectively oversee the program or ensure the County is meeting its goals around equitable and sustainable purchasing. We recommend that King County assess the risks of the p-card program, implement appropriate controls for identified risks, and develop data systems to help the County mitigate risks, oversee the program, and meet its purchasing goals. In response to our audit work, the County has already begun taking steps to assess and address identified risks.

## Acknowledgment

**We would like to acknowledge the positive work the purchase card (p-card) team in the Finance and Business Operations Division (FBOD) has done to manage the p-card program.** The p-card team has managed the program through significant growth and the changing circumstances that emerged during the COVID-19 pandemic. The team implemented a number of recommended practices, including ensuring a more standardized cardholder application process, following up on late transaction reconciliations, and reissuing the cardholder agreement with requirements for both the cardholder and manager to sign. Prior to the start of the pandemic, the team was doing periodic department-wide audits, working with county agencies to identify opportunities for agencies to improve controls and conduct follow-ups to help ensure improvements. King County has received nearly the highest allowable rebate from US Bank (almost \$2 million in 2022) and has used those funds to reduce the central rates charged to county agencies.

**The chief procurement officer and the p-card team also continue moving toward a more proactive and data-driven approach to managing the program.** For example, they created a data dashboard and started to meet with agency directors and finance managers to review it to make informed decisions about how agencies use the p-card program, including the total number of cardholders, credit limits, and usage. This audit addresses several steps FBOD and other county agencies can take to help ensure the p-card team is able to fulfill the more proactive role it wishes to implement and ensure the p-card program reduces the risk of misuse and maximizes progress toward county financial, equity, and sustainability goals.

**We would also like to acknowledge FBOD's prompt response to our preliminary findings and recommendations.** FBOD has already started efforts to implement our recommendations based on an internal review of an initial draft of this audit report. FBOD started updating county policy, including clarifying roles and responsibilities. FBOD started a risk assessment in line with our recommendations by hiring a consultant, whose work is expected to be finished around the same time this audit is published. FBOD is also working on potential data solutions to address gaps identified during the audit.

## REPORT HIGHLIGHTS

### What We Found

We found that while King County has put some controls in place to help prevent the misuse of purchase cards (p-cards), the Finance and Business Operations Division (FBOD) has not yet conducted a risk assessment to identify risks of misuse or to gauge the effectiveness and efficiency of its controls. For example, to detect misuse, we found the County relies on the separation of duties between the cardholder and a supervising approver, but that there are insufficient safeguards in place should that control fail.

Additionally, we found the County could strengthen controls by separating other duties, such as the cardholder and the receiver of goods and services, and by providing more scrutiny to cardholders whose credit limits are sometimes 25 times higher than the default.

Finally, we found that the County's data systems for tracking p-card activity lack key information, standardization, and reliable historical data. This limits FBOD's ability to effectively oversee the program or ensure the County is meeting its financial, equity, or sustainability goals.

FBOD has taken steps since 2022 to improve controls and work more with agencies to help them manage their p-card use. The p-card team stated it would like to be able to do more efficient and thorough oversight of the p-card program, but we found this would be difficult without a comprehensive risk assessment and efficient data systems. These issues leave gaps that could increase the risk of loss due to p-card misuse. During the audit, FBOD took steps to start addressing the gaps we noted.

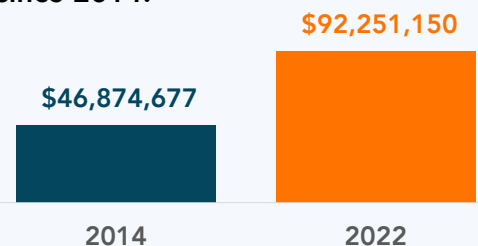
**"Controls"**  
are actions, such as  
checklists or procedures,  
that increase the chances  
that goals are achieved.

### Why This Audit Is Important

King County employees spend around \$90 million per year using county-issued credit cards. P-cards can be more efficient than a traditional purchase order, and the County also receives a percentage-based rebate for purchases made using p-cards (almost \$2 million in 2022).

Despite their benefits, p-cards still carry the risk of fraud, waste, or abuse. The expanding use of p-cards in the past decade has correspondingly increased these risks to county finances. Internal control systems can attempt to prevent, detect, or mitigate such employee misuse. Preventing misuse and protecting the County's resources is particularly important given the financial limitations in King County's general fund.

#### Purchase card spending has doubled since 2014.



Source: King County Auditor's Office analysis of p-card transactions. Amounts expressed in nominal dollars.

### What We Recommend

We recommend that FBOD conduct a risk assessment of its p-card program and use the results to reassess and improve its controls and data systems. We also detail specific risk areas and data functionality that FBOD should consider as part of its risk mitigation and data strategies.

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# Section 1: Mitigation Strategy Can Reduce Risks of Misuse

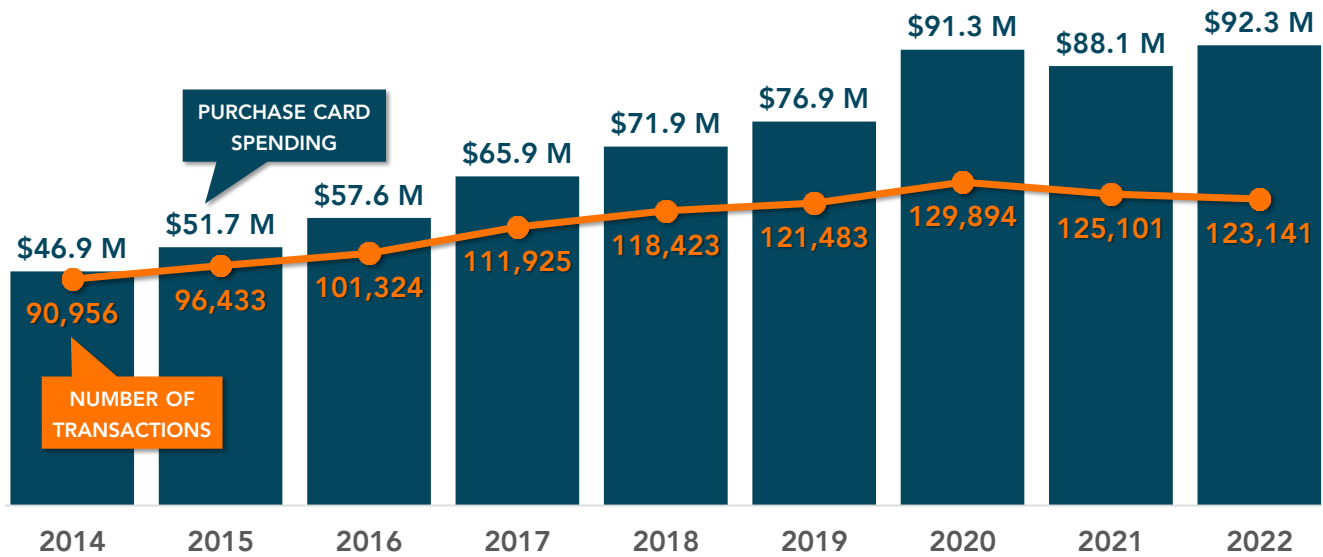
## SECTION SUMMARY

**King County’s purchase card (p-card) program has grown in the past decade, but the County has not yet comprehensively considered the ways employees might misuse p-cards or how to stop that from happening.** County spending using p-cards has doubled in the past 10 years, to around \$90 million per year. The Finance and Business Operations Division (FBOD), which oversees the program, has put some controls in place intended to prevent and detect the misuse of p-cards. While the team within FBOD that manages the p-card program would like to improve controls and oversight, we found that FBOD has not comprehensively assessed the risks of the program or reviewed its controls to ensure those safeguards are working well. This section also details several examples of the types of controls where we found potential weaknesses and opportunities for improvements as part of a risk assessment that could reduce financial risk to the County, including clarifying separation of duties and improving review of credit limits.

**Unknown risks hide potential misuse** **Although FBOD has put some safeguards in place, it has not thoroughly assessed the risks of its growing p-card program, increasing the likelihood that card misuse may go unprevented or undetected.** King County employees spend around \$90 million per year using county-issued credit cards for a wide variety of transactions.<sup>1</sup> The annual amount of money the County has spent using p-cards has doubled since 2014, and the annual number of p-card transactions has grown by 35 percent (see exhibit A). P-cards can be more efficient than the traditional purchase order process and can produce benefits, such as rebates. The County receives a percentage-based rebate for purchases made using p-cards as well as for timely payment. Through its efforts, King County earned nearly \$2 million in 2022 through rebates, the highest rebate amount among participating agencies in Washington state. FBOD uses these funds to offset the costs of delivering central services, including p-card and other procurement services.

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<sup>1</sup> Transactions can range from office supplies to utility bills to professional services.

**EXHIBIT A: King County purchase card spending has doubled since 2014.**

Source: King County Auditor's Office analysis. Spending amounts expressed in nominal dollars.

While p-cards may be more efficient than the traditional purchase order process, there are still risks inherent in giving employees the ability to spend the County's money using a credit card. These risks can include misuse such as:

- employees purchasing goods or services for personal use (fraud)
- employees purchasing unnecessary/expensive goods or services (waste)
- employees prioritizing spending county money at vendors where the employee has a financial interest (abuse).

In response to risks, the County has controls in place to prevent and detect fraudulent use of county cards. For example, FBOD includes procedures in its guidance and cardholder agreement related to the appropriate use of cards and the steps to be taken to prevent fraudulent use of the card. FBOD also has procedures in place with US Bank to automatically prohibit the use of p-cards at certain types of vendors (e.g., liquor stores) and for certain types of purchases (e.g., cash withdrawals) that are outside of policy. The cards themselves automatically reject these transactions based on merchant codes, without the need for review by staff.

Having these controls in place helps reduce risks, and neither FBOD nor the state auditor have cited any significant fraud risk in King County. However, the gaps in controls and data that we point out in this report may have increased the likelihood

that oversight efforts conducted by FBOD or the state auditor were unable to detect misuse.

**King County has not conducted a thorough review of the p-card program, so it does not know whether the existing controls are sufficient to prevent or detect misuse of p-cards.** Key aspects of an effective internal control system are to assess potential risks, develop controls that can mitigate those risks, and then implement those controls (see exhibit B). Once FBOD implements controls, it is necessary to regularly assess whether controls that have been implemented are effective at mitigating risks. An effective assessment may involve:

- assessment of risks of p-cards as the program currently exists (including risks of employee misuse)
- reviewing existing controls
- finding any gaps in controls
- assessing the ability of county agencies to assure controls are working and have sufficient safeguards for cases where a specific control failed or was circumvented
- intentionally accepting risk where the cost of the control is more than the potential loss.

Based on such an assessment, the County could decide how best to modify or create additional controls to prevent or mitigate outstanding risks to the County. The US Office of Management and Budget recommends that this process be revisited periodically to ensure risks are updated and controls continue to be relevant. While it is FBOD's role to conduct a comprehensive risk assessment, we did identify examples of risk areas that FBOD should consider as part of its risk mitigation strategy, which we discuss in the rest of this section. Based on an initial draft of this audit report, FBOD has already started conducting a risk assessment and states it is nearly completed.

**EXHIBIT B: The basic steps to develop a prevention and detection program.**



**STEP 1  
Assess Risk**

Identify areas where the program is vulnerable to waste, fraud, or abuse.  
Identify weaknesses in existing controls.

**STEP 2  
Choose Controls**

Control activities should match the degree of risk and the probability of it occurring.

**STEP 3  
Use & Monitor Controls**

Implement controls. Periodically test whether controls are effective at preventing or detecting fraud, waste, and abuse.

Source: King County Auditor's Office summary and application of "Standards for Internal Control in the Federal Government" (Green Book), published by the United States Government Accountability Office in September 2014

**Recommendation 1**

The Finance and Business Operations Division should conduct, document, and implement a comprehensive risk assessment and mitigation strategy. This should include:

- a. assessing the risks of the p-card program
- b. reviewing existing controls for weaknesses
- c. developing the capacity to test whether controls are working
- d. reviewing whether there are backup safeguards if particular controls fail
- e. designing and implementing additional controls to address gaps and lack of safeguards
- f. identifying risks to accept where implementing controls is not feasible or practical.



### Controls not standardized across King County

**Different agencies use different procedures, making centralized oversight of p-cards difficult and increasing the risk that not enough is done to prevent misuse.** King County has a partially decentralized system of controls, where some are implemented by FBOD and others are implemented across the county by employees with p-card roles, such as cardholders, approvers, and coordinators. For example, county policy requires that cardholders maintain receipts and transaction documentation. However, county agencies can determine if they want to set separate policies for where the documentation is stored (see more on this in section 2). Based on our requests to p-card coordinators and our spot checks of a few dozen transactions, we found that agencies have different practices across the County for maintaining documentation. While county policy does not require agencies to document additional policies and procedures, less than half of the agencies we spoke with have incorporated any agency-specific practices into guidance or policy, increasing the risk that these controls are not implemented consistently or effectively. While decentralization is not inherently problematic, the County has not done a comprehensive risk assessment of the program to understand whether the controls that are decentralized adequately address the risks of p-cards. King County had begun the process of updating its p-card policy at the time of this audit report's publication.

**Cardholder:** an employee who has received authorization to use a county-issued p-card.

**Approver:** an employee who is responsible for reviewing and approving cardholder purchases

**Coordinator:** an employee who oversees the p-card program for their department or division.

### Lack of controls beyond separation of duties

**To prevent misuse, King County appropriately has another employee approve every transaction, but it lacks additional safeguards for cases when the approver might not be trustworthy, increasing the likelihood that fraud or misuse may go undetected.** Consistent with best practices, the County will not pay for a transaction until a separate employee (who does not report to the cardholder) has approved the transaction. Although it is a best practice, separating the duties of the cardholder and the approver is not always an infallible control against misuse. For example, it is not clear whether FBOD could prevent or detect misuse of a p-card in the following cases:

- The approver does not give inappropriate purchases enough scrutiny (i.e., rubberstamping)

- The approver and the cardholder collude to make inappropriate purchases
- The approver, acting as the cardholder's supervisor, orders them to make inappropriate purchases and then approves the transactions<sup>2</sup>

FBOD's p-card team used to review the documentation and justification for selected transactions, but it has not done so since before the pandemic when county employees typically conducted business in county office spaces. While the Washington State Auditor also conducts periodic audits of a sample of transactions, this would only detect misuse within the selected sample.

## Recommendation 2

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risks where having separate employees approving transactions would not be a sufficient internal control to prevent misuse. This may include the risk of approvers approving transactions without sufficient scrutiny, the risk of collusion between approvers and cardholders, and the risk of supervising approvers ordering purchases from subordinate cardholders.

No separation of buyer and receiver roles increases fraud risk

**King County p-card policy allows an employee to both buy and receive goods or services, increasing the risk of fraud and waste.** Multiple organizations state that separation of duties is a best practice for using p-cards, and the US Office of Management and Budget clarifies that separation of duties extends to ensuring that employee(s) who received the purchased goods should also be a different employee than the cardholder. However, FBOD does not require documentation of a separate receiver prior to making payments. Some departments have created side systems to record this information, but the central data system the County uses to reconcile, pay for, and review transactions does not include a place for a separate employee to sign off on the receipt of goods or services.

<sup>2</sup> King County policy only prohibits a cardholder from supervising their approver, but not the other way around.

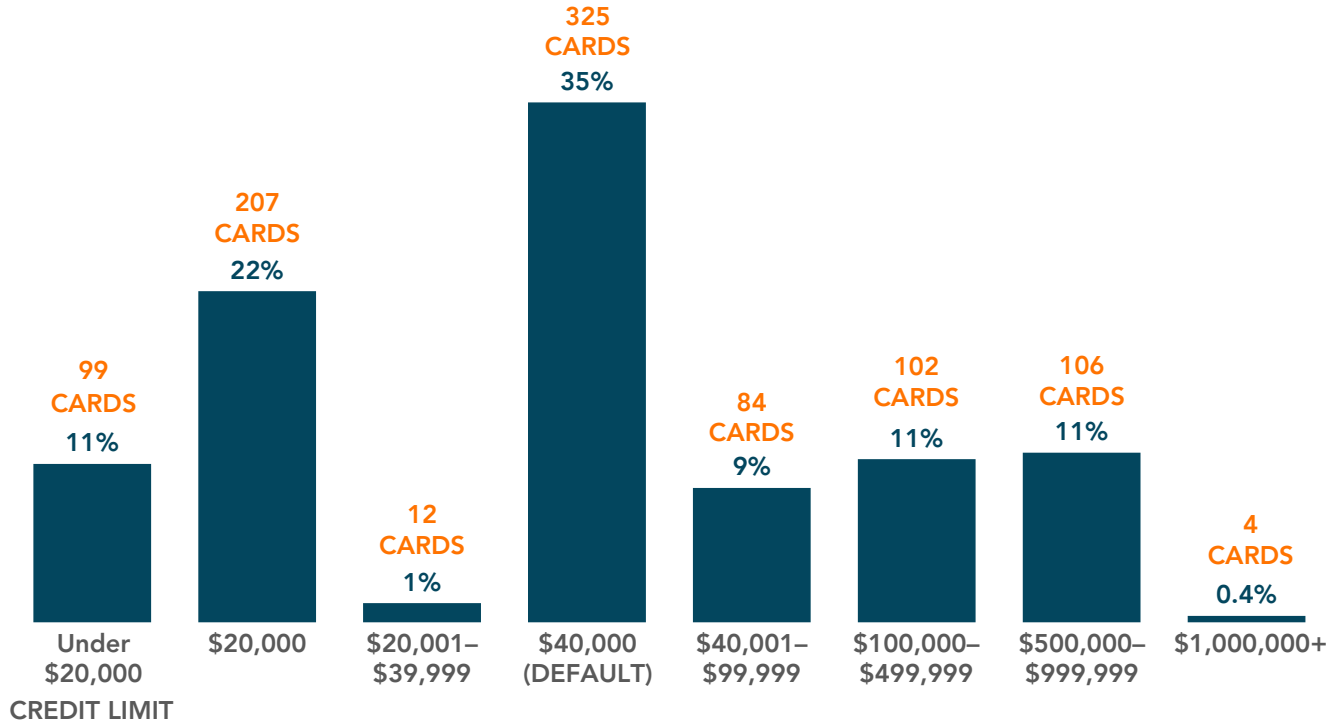
### Recommendation 3

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of a lack of segregation of duties between a cardholder and a receiver of the goods or services purchased.

#### High credit limits increase risk to county

**FBOD has issued many p-cards with very high credit limits, some over one million dollars, increasing the possible financial cost of potential misuse.** One control FBOD uses to mitigate the risk of misuse is to limit how much each cardholder can spend using their p-card. Per county policy, the default credit limit for p-cards is \$10,000 for any single purchase, and \$40,000 in a month. Agencies can request increases (either temporary or permanent) to these limits, and the chief procurement officer then reviews and approves or denies these requests. Additionally, the chief procurement officer has met with several county agencies to review data about each agency's p-card use, including credit limits. However, these review steps only began in 2022, and FBOD has not yet conducted a retroactive review of all credit limits increased in the past that did not face similar scrutiny. This means that we found hundreds of cards with credit limits that exceed default levels without oversight by the chief procurement officer. We estimate that about one-third of cards used in 2022 have credit limits higher than the default limit. For instance, there were around 100 cards in 2022 that had credit limits of \$500,000, even though only three of these cards ever spent more than \$200,000 in a month (see exhibit C).

**EXHIBIT C: Many purchase cards have high credit limits, some over \$1 million, without receiving scrutiny from the Finance and Business Operations Division.**



Source: King County Auditor’s Office analysis based on purchase cards used in 2022 with a known credit limit

**Recommendation 4**

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of p-card credit limits that exceed the default levels set by policy, when such levels did not receive scrutiny by the chief procurement officer.



## Section 2: Inconsistent Data Systems Limit Oversight

### SECTION SUMMARY

**The p-card team in FBOD is responsible for overseeing the p-card program, but gaps in the structures of data systems used to track p-card transactions limit its ability to conduct in-depth oversight, increasing the risk of financial loss to King County.** The p-card team uses multiple data systems to oversee over 120,000 transactions per year. However, these systems have flaws, such as a lack of some key information and weak reliability of historical data, further limiting analysis and oversight. Inefficiencies and unreliable data mean these systems increase the risk of data entry errors and the inability to investigate some aspects of p-card use by cardholders, reducing the effectiveness of controls and increasing risk of fraud, waste, or abuse in King County.

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Limited access to reliable information weakens oversight

**The incomplete data on p-card use limits FBOD’s ability to conduct in-depth oversight, increasing risk to King County of fraud, waste, or abuse.** Consistent with best practices, FBOD has a team tasked with managing p-card use across all departments. The team has three full-time employees, and there are over 120,000 transactions per year to oversee. To oversee that volume of transactions efficiently and effectively, the central team needs to have reliable and detailed data on all transactions. Unfortunately, key information about p-card transactions is neither centralized nor standardized across the County.

**Incomplete data results from flaws in multiple data systems.** Issuing and using p-cards creates data in different systems, and it is not necessarily easy to link these different systems together for analysis. See exhibit D for a diagram of the interaction of these systems and processes. Important data about p-cards includes the account number, the identity of the cardholder, the identity of the seller, the price paid, and a receipt with the itemized goods or services purchased. When FBOD issues a credit card, it enters data for both the card and the cardholder into two separate systems: the US Bank system (since this is the bank that issues the card) and King County’s Oracle system (which the County uses to track transactions). When an employee makes a purchase, US Bank transmits data about the transaction to Oracle, including the card number, the seller’s name, and the amount paid. The County does not store receipts in

either US Bank or Oracle systems; instead, each department keeps its receipts in its own separate side system (for example, the department’s SharePoint site).

**EXHIBIT D: Data is created when cards are issued and when transactions are made, and this data is stored in multiple systems.**

<b>US Bank</b>	<b>Finance and Business Operations Division</b>	<b>Departments/Divisions</b>
Issues credit cards, pays vendors, sends transaction data  WEB-ACCESSIBLE DATA SYSTEM	Oversees program, encourages timely reconciliation  ORACLE DATA SYSTEM	Cardholders and approvers reconcile transactions and keep documentation  VARIOUS SIDE SYSTEMS

Source: King County Auditor’s Office analysis

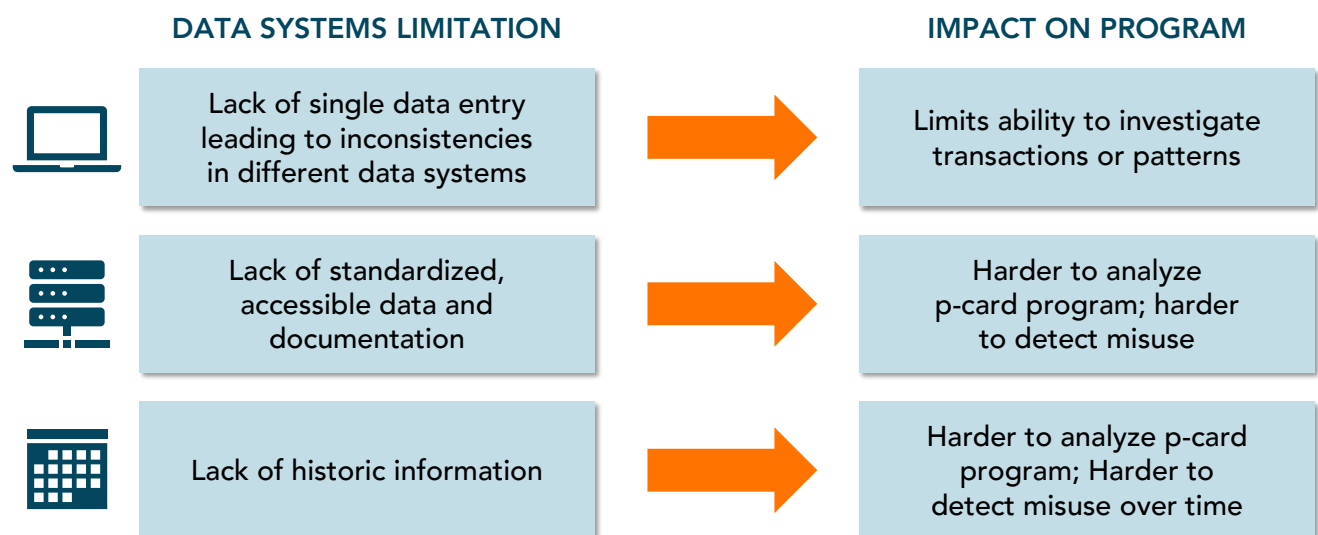
**Gaps in accessible and standardized data make it difficult for FBOD to analyze the program as a whole and find potential policy violations or patterns that indicate misuse; but FBOD has not thoroughly considered the costs and benefits of transitioning to other systems.** It also makes it difficult for the p-card team to independently investigate specific transactions that look suspicious, since it does not have direct access to key documentation, such as receipts. These limitations increase risk to King County, since it makes the County more reliant on the internal controls (discussed in section 1) to prevent misuse on their own. County employees not following policy could compromise these controls resulting in misuse of county resources.

While FBOD relies on these systems, the Business Resource Center (BRC) currently manages the County’s Oracle system, making it a key actor in making technological improvements to p-card data. For example, the Oracle system could store scanned images of receipts, but BRC did not turn that feature on due to storage space concerns. Alternatively, US Bank’s data system allows for reconciliation of transactions and hosts storage space for scanned receipts. And the Concur data system, which the County uses for travel-related purchases, might also be an option. FBOD would need to evaluate which, if any, of these alternatives might better suit the needs of the p-card system.

Other limitations of the current data system configuration that make it difficult for FBOD to analyze and oversee the program include:

- **Lack of single data entry:** The need to enter the same data into multiple systems creates a risk of errors. We found inconsistencies in identifying data fields (such as the cardholder's name and employee number) between the County's Oracle system and the US Bank system. For example, one system might use an out-of-date name that has not been updated. This makes it difficult to match records in different systems, limiting the ability to investigate transactions or analyze the data for patterns.
- **Some key information is not easily accessible:** The p-card team needs to be able to independently access documentation to review transactions. We found that the County's Oracle system does not currently allow the p-card team to see purchase receipts, who approved each transaction, or who at the County received the goods and services.
- **Lack of historic information:** When a system overwrites old data with updated data, it can make it impossible to look back and analyze old transactions if it is needed. We found that none of the County's current data systems keep historic information about credit limits or which employees were authorized to approve transactions.

**EXHIBIT E: Limitations of the current data systems that make it difficult for the Finance and Business Operations Division to analyze and oversee the program.**



Source: King County Auditor's Office analysis



## Recommendation 5

The Finance and Business Operations Division should work with the Business Resource Center to analyze data management options and take actions to ensure that its data system allows for effective and efficient p-card business processes as well as facilitating the controls identified as part of the risk mitigation strategy discussed in Recommendation 1e.

Deactivating cards of terminated employees is not automatic

**Deactivation of a county p-card when a cardholder leaves King County employment requires a manual process, increasing the risk of a terminated employee making purchases on the county card.** When an employee leaves county service, part of the off-boarding process can be for either a supervisor or human resources staff to check a box showing whether the employee had a p-card. If the supervisor or human resources staff checks this box, then an automated system notifies the p-card team to deactivate the employee's p-card. However, the County does not have a control in place to ensure that the supervisor or human resources staff consistently mark the checkbox. If the box is not checked, it may lead to delays deactivating p-cards for terminated employees. Timely deactivation of cards is particularly important when an employee is terminated for misconduct, since there is an increased risk that the former employee might use the County's credit to make unauthorized purchases.

Similarly, there is no corresponding automated system to notify the p-card team when an employee with a p-card transfers to a new department or does not need the p-card any longer. Instead, in these cases, supervisors must email the p-card team when they notice that the p-card team should deactivate an employee's p-card. Best practices cite that an automated process for ensuring prompt deactivation of cards when an employee changes or leaves their job is important for reducing the risk of abuse.

## Recommendation 6

The Finance and Business Operations Division should — as part of its work to analyze data management options with the Business Resource Center, in Recommendation 5 — ensure that it receives an automatic notification when an employee with a p-card is terminated or otherwise leaves their position, so that it can deactivate the p-card promptly.

Poor data management reduces efficiency

**In the current data system, Oracle, multiple pieces of important information are combined into a single text field, increasing the risk of transactions violating procurement policies and creating added workload for county staff.** To reconcile a transaction, the cardholder (or designee) must enter key information into Oracle, such as whether the transaction was to a contracted vendor (and contract number, if applicable), if the transaction was exempt from procurement rules, purchase description, purchase purpose, amount of sales tax paid, delivery address, and invoice number. When we began this audit, county staff entered all this information into a single field as a block of unstandardized text for each transaction. This lack of standardization has resulted in widely varying data entries (see exhibit E), which has negative impacts, such as:

- **Without standardized formatting, data entry controls, and separate fields for each piece of information, it is not feasible for the p-card team to analyze transactions with regard to the pieces of key information detailed above.** For example, county policy has procurement rules for purchases over \$10,000, unless the employee makes those purchases under an existing contract or unless there is a specific exemption in policy. With unstandardized data, the p-card team cannot readily distinguish which p-card transactions over \$10,000 are exempt from procurement rules and which are not.
- **A full-time employee spends most of their available work time ensuring the County is paying the correct use tax to Washington state.**<sup>3</sup> The employee goes through over 10,000 transactions every month to check that King County paid use tax correctly. The employee then tracks down information about cases in which the County did not pay taxes correctly, which often involves several email and phone call exchanges. Because cardholders can often make errors or neglect to provide information, completing this work requires nearly all this employee's time and increases the risk that the County might be liable for penalties or overpayments.

After the audit began, FBOD requested that BRC begin a project to separate these discreet pieces of information into their own fields in Oracle. This project is still underway and was behind schedule as of September 2023.

<sup>3</sup> In general, the seller in a transaction will collect sales tax and remit it to the Washington State Department of Revenue. In cases where the seller does not collect sales tax from the purchaser and there is no tax exemption, the purchaser must send use tax to the State (in lieu of retail sales tax, at the same rate) for tangible personal property used in Washington.

**EXHIBIT E: Lack of standardization across records makes the use of a multi-purpose field difficult to parse or analyze.**

PROVIDE COPIER SVCS NO CONTRACT SALES TAX PAID \$62.69
CPA5487042, nitrite standard, \$1.73 paid in sales tax, RTP-NR-0100
CPA 5516524; bolt surface; sales tax \$1.52
CPA# 55410155; water for office; Inv# 005234487
Contract 5515987, \$32.72, Copy machine, BBM-TR-0100
[Keeney's] misc. office supplies for KCCH - sales tax=\$71.22
RiteAid\142625\NPO\3.70\KAS-ES-0100\extended Swiffer dusters for high vents in ceiling
PROVIDE COAT HANGERS NO CONTRACT NO SALES TAX
NO CPA, ADAPTER, TAX \$26.86, CHL-NR-0100
Office supplies for PSB
CANON\CONTRACT PO#6051944\INV#29223761\For Hire\Tax \$32.34
KEENEYS OFFICE SUPPLY   INV# KI00074187 6-3-22   CPA-6274768   Sales Tax Paid: \$121.12   KCF-PH-0600   Paying for OFFICE SUPPLIES

Lines of unstandardized content from an Oracle export

Source: King County Auditor's Office analysis

**Recommendation 7**

The Business Resource Center should finish its effort to store key pieces of information in separate fields with standardized formatting and data entry controls to facilitate analysis of transactions.

**Recommendation 8**

The Finance and Business Operations Division should — once the Business Resource Center has created separate data fields per Recommendation 7 — develop guidance and training for cardholders on how to best enter data to facilitate analysis of transactions.

Lack of data limits achieving county goals

**FBOD lacks a way to track p-card purchases for which the vendor was chosen to help meet equity, sustainability, or contracting goals, making it more difficult for King County to know whether it is achieving those goals.** County policy is to encourage spending on contracts with small businesses, minority- and women-owned business enterprises (MWBE), and sustainable businesses. The County cannot currently see how p-card purchases contribute to these goals for two reasons:

**1. P-card purchases made with a contracted vendor cannot be easily tracked.**

County policy encourages using p-cards with vendors that have already secured a contract with the County to help reduce costs for goods and services and to support equity and sustainability goals. However, the County cannot easily identify which p-card purchases were made on contract, because that piece of data is grouped into the text field addressed in Recommendation 7. So, employees might not be entering contract numbers consistently or at all, which means the County cannot analyze p-card purchases to know whether they are contributing to any of the County's goals related to contract purchases. Additionally, during interviews with cardholders, we heard that there is a lack of guidance from the County about how to find an appropriate contractor, such as an MWBE.

**2. There is no way for employees to denote when p-card purchases are made for equity or sustainability reasons when not tied to a vendor contract.**

While there are lists of registered contractors that show which categories a business might belong to, the lists do not include all vendors that agencies might select when using a p-card. Agencies might choose a non-contracted vendor, but still be making the purchase for equity or sustainability reasons. There is nowhere to denote in the County's transaction data that this was part of the purchasing decision. Without information about these types of purchases, the County cannot see when agencies are making purchases toward equity and sustainability goals and where they could make improvements.

Both issues mean the County does not know if agencies are implementing county policy to make purchases on vendor contracts, how p-card purchases contribute to county equity and sustainability goals, and whether there are ways to improve purchasing decisions to better achieve those goals. This is significant as p-card purchases make up around 4 percent of county dollars spent on purchasing.

**Recommendation 9**

The Finance and Business Operations Division should provide guidance to cardholders about vendor options to facilitate purchasing decisions in alignment with county policies around equity, sustainability, and contracting.

## Recommendation 10

The Finance and Business Operations Division should — as part of its work with the Business Resource Center to analyze data management options, in Recommendation 5 — assess its capability to track purchases made on contract and toward county goals.

## Conclusion

King County's use of purchase cards has grown significantly in transactions and dollars spent in the past decade. The p-card team within FBOD has put in place several controls during that period, including many recommended practices. Several important controls are decentralized to the county agency level, including the maintaining of receipts and other transactional documentation. While decentralization is not inherently problematic, the County has not done a comprehensive risk assessment of the program to understand whether the current controls and roles and responsibilities adequately address the risks of p-cards or help the County achieve its purchasing goals. For example, without a centralized repository for transactional documentation, it is harder to do spot checks and audits to detect misuse. Additionally, stronger controls could be supported by more efficient, accurate data and analysis to identify potential misuse as well as opportunities for reaching county goals — but the current data systems do not support that. Conducting a comprehensive risk assessment and building controls and data based on the risks and gaps will help make the work of the p-card team more efficient and effective.

# Appendix 1: Executive Response

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February 27, 2024

KyMBER Waltmunson  
Council Auditor, King County Council Room  
W-1033  
C O U R T H O U S E

Dear Ms. Waltmunson:

Thank you for the opportunity to review the purchase card (p-card) audit report and recommendations. The enclosed recommendation table outlines our responses to each of the ten recommendations. Department of Executive Services (DES) concurs with each recommendation. Actions are underway now or will occur later this year to implement each recommendation.

The use of p-cards has expanded significantly since 2014 because they provide agencies with a fast and efficient payment mechanism to meet daily purchasing needs across the government. The audit points out the use of p-cards brings in significant rebate revenues from the County's banking provider, and these revenues help offset the costs of providing procurement services to agencies. In 2022 and 2023, the County received an average of \$2 million per year in rebates from p-card purchases. As p-card usage continues to grow, implementing audit recommendations is a priority. Implementation of the audit's recommendations will further strengthen current p-card controls and reinforce our commitment to being strong stewards of financial resources.

We appreciate the report's acknowledgement of the assessment examining the risks and controls associated with the current p-card process is nearly complete. The results from the assessment will be used to strengthen the p-card control environment where feasible and practical.

The audit acknowledged that an update of the Executive Policy governing p-card use is underway. The updated policy will reinforce the roles and responsibilities of p-card administrative staff, agency p-card coordinators, agency approvers, and cardholders. In addition, enhancements to the County's financial system are being explored to make reviewing p-card data and transactions easier and ensure that purchases align with County policies governing equity and sustainability.

We appreciate the thorough work of the Council auditor's team and the collaborative approach taken throughout the audit.

Sincerely,



Dwight Dively  
Chief Operating Officer

## Recommendation 1

The Finance and Business Operations Division should conduct, document, and implement a comprehensive risk assessment and mitigation strategy. This should include:

- a. assessing the risks of the p-card program
- b. reviewing existing controls for weaknesses
- c. developing the capacity to test whether controls are working
- d. reviewing whether there are backup safeguards if particular controls fail
- e. designing and implementing additional controls to address gaps and lack of safeguards
- f. identifying risks to accept where implementing controls is not feasible or practical.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	Q1: Complete risk assessment, including recommendations Q2-Q3: Begin implementation of recommendations
<b>Responsible agency</b>	FBOD
<b>Comment</b>	As this audit was underway, the Finance and Business Operations Division (FBOD) contracted with a consultant to conduct a risk assessment of the current p-card program and make recommendations regarding the control environment. FBOD is reviewing a draft of the risk assessment and a final report is expected in March 2024. In conjunction with agency partners, FBOD intends to strengthen the control environment where it is feasible and practical.



## Recommendation 2

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risks where having separate employees approving transactions would not be a sufficient internal control to prevent misuse. This may include the risk of approvers approving transactions without sufficient scrutiny, the risk of collusion between approvers and cardholders, and the risk of supervising approvers ordering purchases from subordinate cardholders.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	Q1: Complete risk assessment and recommendations Q2: Complete update to executive policy Q2-Q3: Begin implementation of recommendations, including updated executive policy
<b>Responsible agency</b>	FBOD
<b>Comment</b>	<p>FBOD will use the risk assessment discussed above to examine the risks and controls associated with the current approval process for transactions. FBOD is updating the current executive policy governing p-card management and usage and will reinforce the expectations for p-card administrative staff, agency p-card coordinators, agency approvers, and cardholders.</p> <p>Notably, controls are designed to detect fraud and misuse and collusion deliberately circumvents such controls. This is why adding more controls may not be effective at mitigating collusion. However, collusion can be detected through whistle blower complaints and/or by having an internal or external auditor conduct analyses of transaction data and trends. FBOD will consider the costs and benefits of having an independent p-card audit that periodically reviews selected samples of p-card transactions to help detect collusion or other control weaknesses involving the approval process for transactions.</p>

### Recommendation 3

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of a lack of segregation of duties between a cardholder and a receiver of the goods or services purchased.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	Q2: Complete update to executive policy Q2-Q3: Begin implementation of executive policy
<b>Responsible agency</b>	FBOD
<b>Comment</b>	FBOD will address this recommendation as part of updating the Executive Policy mentioned above. FBOD agrees that it is a best practice to ensure that the employee who receives purchased goods or services should be a different employee from the cardholder. FBOD will consider, however, those circumstances involving lower risk purchases where strict adherence to this practice would not be worth the added time and effort of separating the receiver from the cardholder. For example, departmental administrative staff order office supplies for employees and have them delivered to their King County office address. Requiring a separate receiver for relatively small office supply orders would likely not warrant the time and costs of appointing a separate receiver for such goods.

## Recommendation 4

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of p-card credit limits that exceed the default levels set by policy, when such levels did not receive scrutiny by the chief procurement officer.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	Q3: Complete review of credit limits of existing p-card holders Q4: Make changes in p-card credit limits as needed
<b>Responsible agency</b>	FBOD
<b>Comment</b>	FBOD is in the process of reviewing each agency's p-card use, including credit limits. The Chief Procurement officer is working with agency partners to ensure p-card credit limits match the anticipated spending needed by agencies. In some cases, higher credit limits are needed by agencies to help support unanticipated emergency purchasing during natural disasters and other emergencies. These p-cards may not be utilized very often, but they need to be immediately available to agencies to respond to unforeseen emergency events.

## Recommendation 5

The Finance and Business Operations Division should work with the Business Resource Center to analyze data management options and take actions to ensure that its data system allows for effective and efficient p-card business processes as well as facilitating the controls identified as part of the risk mitigation strategy discussed in Recommendation 1e.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	<p>Q2: Ensure agencies are using US Bank dashboard information on p-cards</p> <p>Q2-Q3: Explore feasibility of further leveraging US Bank systems</p> <p>Q2-Q3: Determine scope of data standardization project and confirm costs and schedule</p>
<b>Responsible agency</b>	FBOD & BRC
<b>Comment</b>	<p>The use of merchant codes and receipt of fraud alerts from the County’s banking services provider (US Bank) are controls currently in place to support the p-card business process. The merchant codes are configured to block certain types of purchases for p-cards. For example, an employee cannot purchase “gift cards” using a County p-card.</p> <p>FBOD is also leveraging information from the County’s banking services provider to make transaction data readily accessible to agencies. Detailed transaction data is being downloaded into a dashboard every Monday. The dashboard is available to the Procurement &amp; Payables p-card team, cardholders, and agency finance staff. FBOD will continue to reinforce the availability of this information so that agencies can strengthen their review and controls over p-card transactions.</p> <p>FBOD is in discussions with US Bank officials to determine the feasibility of further leveraging their data and systems to improve p-card controls and oversight. At the same time, FBOD is collaborating with the Business Resource Center (BRC) to explore how to enhance data systems that will support p-card business processes and strengthen controls. Specifically, FBOD and BRC are developing the scope of work for a “data standardization” project that will facilitate the review of p-card transactions (see Executive Response to Recommendation 7).</p>

## Recommendation 6

The Finance and Business Operations Division should—as part of its work to analyze data management options with the Business Resource Center, in Recommendation 5—ensure that it receives an automatic notification when an employee with a p-card is terminated or otherwise leaves their position, so that it can deactivate the p-card promptly.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	Q2-Q3: Explore options for timely card deactivation when cardholder employment changes
<b>Responsible agency</b>	FBOD & BRC
<b>Comment</b>	FBOD will collaborate with the BRC and the Department of Human Resources to explore options for ensuring the timely deactivation of p-cards when a cardholder terminates their employment or when a cardholder leaves their position for another position within the County.

## Recommendation 7

The Business Resource Center should finish its effort to store key pieces of information in separate fields with standardized formatting and data entry controls to facilitate analysis of transactions.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	<p>Q2-Q3: Define the scope, schedule and budget of the data standardization project for p-card spending.</p> <p>Q4: Prepare a budget request for implementing the data standardization project (request in 2025 as a supplemental appropriation or as part of the Executive's 2026-2027 biennial budget request).</p>
<b>Responsible agency</b>	FBOD & BRC
<b>Comment</b>	<p>FBOD and the BRC recognize the need for data standardization that will enable improved reporting and monitoring of p-card transactions. The multi-purpose data field currently in use needs to be limited. A 2023 project was underway to identify the contract number in a separate data field, but this effort was postponed because of an urgent need to ensure that information from five p-card bank accounts could be received in the County's financial system. With the bank accounts issue fully resolved, FBOD and the BRC have initiated efforts to define the scope, schedule and expected benefits of a broader data standardization project that will address p-card audit recommendations. The project is anticipated to pull in additional fields from the p-card dashboard (see Executive Response to Recommendation 5) and have it automatically imported into the County's financial system without manual entry. The project will also seek ways to improve FBOD's ability to set up cards with US Bank without extensive manual inputs.</p>

## Recommendation 8

The Finance and Business Operations Division should—once the Business Resource Center has created separate data fields per Recommendation 7—develop guidance and training for cardholders on how to best enter data to facilitate analysis of transactions.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	TBD: Dependent on completion of data standardization project (see response to Recommendation 7)
<b>Responsible agency</b>	FBOD & BRC
<b>Comment</b>	FBOD will develop guidance and training for cardholders when the improvements from the data standardization project are ready to be implemented and rolled out to agencies.

## Recommendation 9

The Finance and Business Operations Division should provide guidance to cardholders about vendor options to facilitate purchasing decisions in alignment with county policies around equity, sustainability, and contracting.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	TBD: Dependent on completion of data standardization project (see response to Recommendation 7)
<b>Responsible agency</b>	FBOD
<b>Comment</b>	The data standardization project will include a way to track p-card expenses against current contracts. This information can be used to help support purchasing decisions consistent with County policies. In addition, the data standardization project will also explore the feasibility of requiring agencies to fill in one or more fields to indicate when a purchase meets equity and/or sustainability policies.



## Recommendation 10

The Finance and Business Operations Division should—as part of its work with the Business Resource Center to analyze data management options, in Recommendation 5—assess its capability to track purchases made on contract and toward county goals.

AGENCY RESPONSE	
<b>Concurrence</b>	<b>CONCUR</b>
<b>Implementation date</b>	TBD: Dependent on completion of data standardization project (see response to Recommendation 7)
<b>Responsible agency</b>	FBOD
<b>Comment</b>	The data standardization project will include a way to track p-card expenses against current contracts. This information can be used to help support purchasing decisions consistent with County policies. In addition, the data standardization project will also explore the feasibility of requiring agencies to fill in one or more fields to indicate when a purchase meets equity and/or sustainability policies.



# Appendix 2: Statement of Compliance, Scope, Objective & Methodology

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## Statement of Compliance with Government Auditing 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.

## Scope of Work on Internal Controls

We reviewed internal controls as they related to prevention and detection of misuse of county purchasing cards (p-cards) and for the achievement of financial and strategic benefits and county goals. Since the Washington State Auditor's Office conducts audits of internal controls at selected divisions for specific p-card transactions, we did not test a generalizable sample for the sufficiency of internal controls related to the documentation of individual transactions at each division.

## Scope

We evaluated King County's purchasing card program, focusing on processes and data from 2014 to 2023, including information from the program inception in 2009 for context.

## Objectives

1. To what extent does King County have internal controls that provide reasonable assurance of preventing and detecting misuse of the p-card program?
2. To what extent is King County meeting its programmatic goals with the p-card program?

## Methodology

To assess the extent to which King County has internal controls to prevent or detect misuse of purchasing cards, we reviewed county policies and guidance documents, attended county training for p-card users, surveyed p-card coordinators, and interviewed subject matter experts within and outside of the County. For example, we interviewed staff within the King County Finance and Business Operations Division (FBOD), US Bank, the Washington State Auditor's Office, and the Washington State Department of Executive Services. We also reviewed guidance from the Washington State Department of Executive

Services, the Washington State Office of Financial Management, Municipal Research Services Center, the US Government Accountability Office, the US Office of Management and Budget, and the Government Finance Officers Association. We compiled recommended practices from these agencies and compared them to practices we observed within the County. Our report provides recommendations for some practices, and we also provided a more comprehensive list of recommended practices to FBOD.

To understand descriptive information about p-card use and to assess the reliability of transaction data, we downloaded annual p-card transaction reports for 2014 through 2023 from the King County Procurement website. We also reviewed data from US Bank and compared the cards in US Bank data with King County data. We were able to do further analysis and reliability testing by compiling additional data on cards and approvers from the Business Resource Center (BRC). Through these steps, we were able to develop basic information about p-card use, and we were able to identify data entry errors and potential gaps in detective controls, which we communicated to FBOD.

To test agency-level controls, we surveyed and interviewed p-card coordinators across county agencies. We requested and reviewed agency-level control documentation. We also tested a small selective sample of transactions by contacting cardholders to observe transaction documentation and to ask about control steps and suggestions for improvements to the p-card program. We designed this sample to include cardholders from as many departments and divisions as possible; we did not design the sample to be representative of the population based on either the number of cards issued across the County nor the volume of transactions made on those cards. We designed the sample in this way to test whether different divisions used different documentation systems; we did not intend this survey to yield any generalizable information about the population.

To understand the extent to which the County is meeting its programmatic goals with the p-card program, we reviewed documentation about county goals for purchasing on contracts, sustainable purchasing, and equity. We reviewed the ability of existing county data to be able to monitor progress toward these goals and interviewed county staff at FBOD and BRC. We also reviewed rebate data from US Bank and the terms in the p-card contract for how rebates are calculated.



## Appendix 3: List of Recommendations

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### Recommendation 1

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### Recommendation 2

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risks where having separate employees approving transactions would not be a sufficient internal control to prevent misuse. This may include the risk of approvers approving transactions without sufficient scrutiny, the risk of collusion between approvers and cardholders, and the risk of supervising approvers ordering purchases from subordinate cardholders.

### Recommendation 3

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of a lack of segregation of duties between a cardholder and a receiver of the goods or services purchased.

### Recommendation 4

The Finance and Business Operations Division should, as part of the risk mitigation strategy discussed in Recommendation 1, define, document, and implement internal controls to address the risk of p-card credit limits that exceed the default levels set by policy, when such levels did not receive scrutiny by the chief procurement officer.

## Recommendation 5

The Finance and Business Operations Division should work with the Business Resource Center to analyze data management options and take actions to ensure that its data system allows for effective and efficient p-card business processes as well as facilitating the controls identified as part of the risk mitigation strategy discussed in Recommendation 1e.

## Recommendation 6

The Finance and Business Operations Division should — as part of its work to analyze data management options with the Business Resource Center, in Recommendation 5 — ensure that it receives an automatic notification when an employee with a p-card is terminated or otherwise leaves their position, so that it can deactivate the p-card promptly.

## Recommendation 7

The Business Resource Center should finish its effort to store key pieces of information in separate fields with standardized formatting and data entry controls to facilitate analysis of transactions.

## Recommendation 8

The Finance and Business Operations Division should — once the Business Resource Center has created separate data fields per Recommendation 7 — develop guidance and training for cardholders on how to best enter data to facilitate analysis of transactions.

## Recommendation 9

The Finance and Business Operations Division should provide guidance to cardholders about vendor options to facilitate purchasing decisions in alignment with county policies around equity, sustainability, and contracting.

## Recommendation 10

The Finance and Business Operations Division should — as part of its work with the Business Resource Center to analyze data management options, in Recommendation 5 — assess its capability to track purchases made on contract and toward county goals.

# Appendix 4: Advancing Performance & Accountability

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KYMBER WALTMUNSON, KING COUNTY AUDITOR

**MISSION** Promote improved performance, accountability, and transparency in King County government through objective and independent audits and studies.

**VALUES** INDEPENDENCE • CREDIBILITY • IMPACT

**The King County Auditor’s Office is committed to equity, social justice, and ensuring that King County is an accountable, inclusive, and anti-racist government.** While planning our work, we develop research questions that aim to improve the efficiency and effectiveness of King County government and to identify and help dismantle systemic racism. In analysis we strive to ensure that communities referenced are seen, not erased. We promote aligning King County data collection, storage, and categorization with just practices. We endeavor to use terms that are respectful, representative, and people- and community-centered, recognizing that inclusive language continues to evolve. For more information, see the King County [Equity and Social Justice Strategic Plan](#), King County’s [statement on racial justice](#), and the King County [Auditor’s Office Strategic Plan](#).

**ABOUT US** The King County Auditor’s Office was created by charter in 1969 as an independent agency within the legislative branch of county government. The office conducts oversight of county government through independent audits, capital projects oversight, and other studies. The results of this work are presented to the Metropolitan King County Council and are communicated to the King County Executive and the public. The King County Auditor’s Office performs its work in accordance with Government Auditing Standards.



This audit product conforms to the GAGAS for independence, objectivity, and quality.