City of Corpus Christi
City Auditor's Office

AU24 – SP3
Finance Department
Procurement Card Expenses and
Spending Audit Report

George Holland
City Auditor
July 01, 2025

Executive Summary

On December 10, 2024, the Audit Committee unanimously approved a special Procurement Card (P-Card) audit titled "Procurement Card Expenses and Spending" to be conducted.

The objective of the audit was to determine if Procurement card charges and spending on meals are made in accordance with Procurement Policies and Procedures. The audit was expanded to include compliance, encompassing areas such as payroll reimbursements.

Two methods are used to reimburse employees for the ordinary and necessary expenses they incur on behalf of the City of Corpus Christi (the City). These include using a P-Card to pay expenses or using a personal credit card and seeking reimbursement through payroll. The total amount of P-Card transactions across the City during the audit scope period was $39.9 million.

This report reviews the practices and processes related to the Executive and City Leadership (14 employees). It covers the City Manager's reimbursement procedures for meals and the City Manager's employment contract concerning the promotion of City business and documentation of specific expenses, such as meal costs.

We found that updates are necessary for the Policies and Procedures to improve consistency with training policies and foster better compliance with best practices, as well as to evaluate the P-Card training for cardholders. The issuance of P-Cards revealed areas where the P-Card Policy and Procedures require more detailed guidelines.

Payroll expense reimbursements (non-P-Card) were identified as needing automation to streamline the payroll reimbursement process.

The additional audit review involved assessing P-Card spot audits. There has been no proper follow-up on transactions that were non-compliant with P-Card Policies and Procedures. Also evaluated was adherence to the City's luxury suite at Whataburger Field. A lack of recordkeeping was found in the use of this benefit by the City.

P-Card Expenses and expense spending were in compliance with existing policies and procedures. However, we believe that internal controls should be strengthened further to reduce the risk of inappropriate spending. The P-Card and Payroll Reimbursement processes had 10 findings highlighting areas where controls needing to be more effective, including:

- Manual and Automated controls
- Preventive and Detective controls
- Transaction-based and Entity-wide controls
- Best Practice Improvements to Policies and Procedures

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Background

The Finance and Procurement Department manages the issuance, monitoring, storage, and maintenance of records, as well as ensuring compliance with P-Card policies. In 1993, the City decentralized its purchasing process by allowing departments to buy goods or services costing $3,000 or less with a purchase order. This increased efficiency by enabling departments to handle small-dollar purchases that are not part of an annual contract. In 1999, this process was automated.

In 2003, the City introduced a Procurement Card Program to improve efficiency by adopting City Policy P-15.0, which authorized the use of Procurement Cards. Since then, Wells Fargo has been the City's provider for procurement cards.

In August 2024, the Finance Department issued an update adding more controls to meals for business meetings. The new policy requires itemized receipts to be submitted for documentation, including the date, supplier's name, transaction time, supplier's location, and detailed descriptions of the food purchased.

Figure 1: Approximate Total P-Card purchases during the audit scope period

Fiscal Year	Total Food Expenditures	Total Expenses
10 Mos. Ending 7/31/2024	$270,850	$12,979,891
FY 2023	$343,634	$16,371,004
FY 2022	$272,528	$10,569,410
Total	**$887,012**	**$39,920,305**

Revenue Share

The revenue share, that the City receives from Wells Fargo is a variable percentage based on our total annual P-Card spending. Essentially, the higher the City's total spending for the year, the higher the City's revenue share becomes.

Revenue Share with Wells Fargo Advantage had the following calendar year results:

Figure 2: Wells Fargo P-Card Revenue Share

Calendar Year	Date Received	Amount Received
2021	01/11/22	$43,128
2022	02/02/23	$86,409
2023	01/22/24	$108,029
Total		**$237,566**

Training

P-Card training (see Appendix A) is required before issuing a P-Card. Cardholders upload purchase receipts to the Wells Fargo website. While not always used by the City, the Wells Fargo Expense Manager Application offers a designated Reconciler role, who reviews transactions to confirm proper receipts are attached. The Approver then verifies this information to ensure it is submitted through the Wells Fargo Expense Manager as an approved transaction.

Audit Objective, Scope, and Methodology

Objective

The objective of the audit is to determine if procurement card charges and spending on meals comply with City Policy.

Scope

The audit scope covered the period from October 1, 2021, through July 31, 2024.

Methodology

We conducted this audit in accordance with generally accepted government auditing standards. These standards require us to plan and execute the audit to gather sufficient and appropriate evidence, providing a solid basis for our audit results and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable foundation for our findings and conclusions, which align with our audit objectives. Our audit included management controls tests that we considered necessary under the circumstances.

To achieve our audit objective, we employed a multi-faceted approach, including:

- **Document Review:** We examined the Finance Department's Procurement Manual to understand card types, spending limits for each card type, and the requirements for receipts and record retention.
- **Interviews:** We held interviews with key personnel from the Contracts and Procurement Division, the Finance Department, and the Payroll Department to gather insights into program operations and internal controls.
- **Prior Audit Review:** We reviewed the findings and recommendations from the City of Corpus Christi's "Audit of Purchasing Program from 2012" and its follow-up report, "Purchasing Program Audit Follow-up Report" from 2014, to identify any recurring issues or areas for improvement.
- **Training Material Review:** We reviewed the Procurement Cards Training Manual PowerPoint presentation provided by the Procurement and Finance Department to assess the clarity and thoroughness of the program's communicated policies and procedures.
- **Benchmarking:** We examined procurement card program audits from other cities to identify best practices and areas for improvement within the City's program.
- **Regulatory Framework Review:** We evaluated the City's P-Card Program against relevant external guidelines, including the Office of Management and Budget (OMB) Circular A-123, Appendix B (revised), which outlines policies and procedures for maintaining internal controls to reduce the risks of fraud, waste, and error in government charge card programs, and the Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1), which details acceptable levels of internal control for government purchase card programs.
- **Transaction Testing:** We conducted testing on a sample of meal expense reimbursements submitted by the City Manager. Additionally, for other individuals, we reviewed and compared a selection of Wells Fargo P-Card bank statements against supporting receipts to verify the accuracy and appropriateness of transactions.

Findings and Recommendations

Finding 1: Inconsistency with Best Practices of Receipts for Reimbursements

The City Manager's (CM) practice has been to hold business meetings at the Corpus Christi Yacht Club (CCYC) and pay for the meals with his personal credit card. Total reimbursements to the City Manager during the audit period were approximately $37,000 for meals. These reimbursements are processed through payroll, are non-P-Card transactions, and were reviewed for any sales tax paid, tips given, and whether alcohol purchases were excluded from reimbursements.

Inadequate record-keeping, such as missing attendee lists, results in a lack of transparency and accountability, suggesting poor financial control and potential misuse of public funds.

The review of the reimbursement receipts and practices by the City Manager, including alcohol purchases, meal reimbursements, sales tax paid, attendees, and tipping, revealed the following findings:

1. The total amount of alcohol expense incurred by the City Manager during the audit scope period was $1,692, of which $72.75 was erroneously reimbursed to the City Manager.
2. Tipping over the 20% tipping threshold was frequently miscalculated. Excessive tips paid were approximately $1,643, and 130 of 160 (or 81%) of the tips tested were overpaid.
3. Excessive meal spending was evidenced. For example, food expenses charged to the City at the Vietnam Restaurant included two Chateau Brion steaks for a total of $150.00 plus side orders, tax, and tip. The CAO inquired but was not provided with the names of attendees in that direction of the City.
4. Receipts submitted for reimbursement frequently lack a detailed business purpose and a comprehensive list of attendees for meal expenses.

Recommendations:

1. Alcohol calculations should be verified by the designated reconciler before independent approval.
2. Tip calculations should be verified by the designated reconciler before independent approval.
3. The CM should use a City P-Card primarily to enhance controls on spending limits, transparency, compliance and accountability, and budgetary control.
4. All policies governing meal or event transactions must mandate the submission of a detailed business purpose and a comprehensive list of attendees.

Finding 2: City Manager's Payment Practice & the Employment Contract

1. The City Manager did not obtain an Executive P-Card as discussed in the Audit Committee Meeting held on September 24, 2024. The CM should use a City P-Card primarily to improve controls on spending limits, transparency, compliance, accountability, and budget management. Additionally, the City receives a percentage rebate through the Wells Fargo Revenue Share. The amount of Revenue Share lost due to the CM using his personal card for payroll reimbursements compared to using a City P-Card was approximately $506.
2. The City Manager committed to taking action to revise the employment contract from the amount available annually for reimbursements of ordinary, necessary, and reasonable expenses for the promotion of the City, which shall not be less than $7,200 per year, to a defined spending allowance for business promotion expenses with an Executive P-Card. However, the City Manager's employment contract has not yet been updated to reflect this change, which was agreed upon with the Audit Committee during their meeting on September 24, 2024. Having only a minimum spending requirement without a specified upper limit poses a risk of potentially excessive expenditures of public funds for business promotion by the City Manager.

Recommendations:

1. A non-P-card expense policy must be developed, and reviewed by the legal department. Additionally, P-Card Policy must be updated to include required Executive Management use of P-Cards to avoid unnecessary reimbursement processes and incomplete recordkeeping of expenses. As discussed in the Audit Committee Meeting held on September 24, 2024, the CM should use a City P-Card primarily to enhance controls on spending limits, transparency, compliance and accountability, and budgetary control. As an additional benefit, the City receives Revenue Share as part of the Wells Fargo Revenue Share.
2. The City Manager's employment contract should be changed from a minimum spending of $7,200 to a defined upper limit per year for business promotion expenses. Business promotion expenses, should be reported and disclosed annually, clearly demonstrating their business purpose and the actual business outcome that directly supports City Initiatives.

Finding 3: Terminated Employees with Active P-Cards

When employees are terminated, they return their P-Card to the Department Manager, who then either shreds the P-Card or forwards it to the Procurement Department. The P-Card number has been deactivated, and the Procurement Department has removed access to Wells Fargo.

- Four terminated employee test samples out of approximately 400 employees (1%) had active P-Cards for an average of 235 days after termination of employment.

Failure to deactivate P-Cards promptly for terminated employees creates the possibility of unauthorized charges.

During the audit, based on the Procurement Department's review, terminated employee P-Cards were deactivated. The Procurement Department has begun receiving a Terms and Transfer Report, which includes terminated employees with P-Cards. No unauthorized purchases were detected in these transactions for these former employees.

Recommendation:

1. Upon employee termination, P-Cards must be deactivated immediately.

Finding 4: Enhance the P-Card Segregation of Duties

Segregation of duties is encouraged by the Wells Fargo Expense Manager application between the Purchaser, the Reconciler, and the Approver.

Although the Reconciler role is not required by the Procurement Policy or the Wells Fargo system, controls are missing to identify missing or unreadable receipts, correct GL codes, and verify that amounts are accurate, include all attendees, and serve the business purpose. Additionally, the Approver of P-Card purchases usually reports directly to the person for whom they are approving either P-Card or reimbursement transactions, which creates a lack of proper segregation of duties.

1. The lack of sufficient internal controls results in insufficient evidence for adequate review and approval.
2. Segregation of duties is not optimized by some departments for proper Internal Control.

Recommendation:

Segregating P-Card Purchaser, Reconciler, and Approver is essential for cost efficiency. It establishes crucial checks and balances against errors and fraud, ensuring no single individual controls the entire spending cycle. This independent oversight helps prevent discrepancies early, improves accountability, and fosters a stronger culture of financial responsibility, directly protecting the City's funds and maximizing cost-effectiveness. As a preventative control, it is more effective than detective control.

1. The Reconciler should review missing or unreadable receipts, proper GL codes, and verify the amounts to be accurate, inclusive of all attendees, and include the business purpose.
2. The Department should assign an independent person to approve transactions.

Finding 5: Merchant Category Codes (MCC) Not Periodically Reviewed

Merchant Category Codes (MCCs) restrictions are intended to prevent inappropriate spending by blocking purchases that do not comply with the City's policies and procedures. MCCs help stop unauthorized transactions by identifying unauthorized vendors.

1. MCCs are not being reviewed frequently to ensure that all MCCs align with best practices. For Best Practices per industry standards, the CAO presented 90 MCC's for Contracts and Procurement to review.

During the audit, the Contracts and Procurement Department updated the MCCs blocked codes and chose 21 additional MCCs to complement the City's existing MCCs. The City currently blocks a total of 719 MCC codes.

Recommendation:

1. The City's current blocked codes must be reviewed annually and updated as necessary to add additional MCCs. MCCs should be periodically reviewed by the Procurement Department.

Finding 6: Cardholder Noncompliance with P-Card Spot Audit Transactions

The Finance and Procurement Departments conduct random Spot Audit Tests regularly so that by the end of each year, every Department has been checked at least once. Per the Procurement Manual, section PRO-009.8, "Card data will be monitored and audited monthly to ensure compliance." Each month, the Procurement Department chooses City Departments to review for compliance with P-Card purchases regarding the following:

- Amount of purchase,
- Missing receipts,
- Business purpose,
- Tipping amounts.

During the audit scope period, 413 Spot Audit Tests were conducted by the Procurement Department. The non-compliant transactions involved missing receipts and over-tipping. The risk of not following up on Spot Audit Tests is that amounts may be overpaid, and Cardholders might become indifferent to compliance. Misuse of public funds damages trust in financial accountability.

Failure to follow up on spot audit tests risks overpayments and fosters cardholder apathy towards P-Card policy compliance, ultimately undermining public trust in financial accountability due to potential misuse of funds.

1. Total P-Cardholder transactions with noncompliance due to Spot Audit Tests during the audit scope period were $2,209.31.

   Of these Spot Audit Tests, 14 transactions were identified as noncompliant with City Policy. Noncompliant transactions included:

- Nine (9) missing receipts,
- One outside fraud charge (fraud not committed by the cardholder),
- Two transactions over-tipped for a total of $21.46.
- Documentation of the final resolution was not adequately documented.

It is not always possible to avoid paying sales tax on purchases, but this should be encouraged at locations that are frequently visited, like the CC Yacht Club. The fraud charge was made without the Cardholder's knowledge, and she canceled her card.

One transaction was non-compliant with more than one policy, such as paying sales tax and overtipping.

2. Accountability of compliance with policies is not always documented by the Procurement Department after a Spot Audit Test, as there are no policies for the Cardholder to respond.
3. No training is required after the infraction of a P-Card parameter.

Recommendation:

1. The Procurement Department should follow up and maintain documentation upon identification of non-conformance with policy and procedure, and document the final resolution. A **structured spot audit follow-up process** should be implemented.
2. Training should be recommended for any Cardholder who has been noncompliant with their P-Card.

Finding 7: P-Card Policy Updates Needed for Compliance Best Practices

The Finance Department updated the P-Card policy on August 20, 2024. The updates include documentation requirements for meals, business purposes, daily per diem rates, and tips. Itemized receipts must show the date, time, vendor, location, and a detailed list of food items purchased.

Test samples for meal transactions *before the policy updates*[1] identified:

- Meal receipts did not indicate business purpose.
- P-Card transactions were incorrectly made with regular P-Cards instead of an Executive P-Card.
- Meal receipts did not indicate business purpose,
- The GSA per diem rates were not observed for the cost of meals.
- Tips exceeded the customary 20% of the cost of the meal.
- Itemized receipts did not, in most cases, include attendees or other Policy-recommended items.
- P-Card transactions include reported meal expenditures for individuals not in attendance at the corresponding events.

Recommendations:
During the audit, the Finance Department immediately issued an updated policy, effective August 20, 2024, to provide procedures for more complete business transaction information to be included with receipts.

To improve the P-Card program's effectiveness and compliance, it is recommended that the updated policy from August 20, 2024, be further improved to include:

1. Procedures must include steps for disputing erroneous or accidental charges.
2. There must be clear segregation of duties for reconciliation and approval of purchases.
3. Receipt retention requirements should be followed for completeness, legibility, and access.
4. The P-Card Policy should be updated to include guidance on per diem, such as "Executive cardholders shall use daily per diem rates published by the U.S. General Services Administration (GSA) as a guide for spending on business meals per person."
5. There should be ongoing training beyond initial P-Card issuance.
6. Meals should be made available only to those in attendance and part of the meeting.

During the audit, the policy was updated to include:

- Meals must be described with a City business purpose.
- The correct level of P-Card must be used for P-Card transactions. The highest-ranking employee present will pay for the meal to ensure correct usage of the type of P-Card.
- Daily per diem rates published by the US General Service Administration (GSA) shall be a guideline for amounts per person to be spent on meals. (See Appendix B)
- Tips should not exceed 20% of the cost of the meal.
- Itemized receipts must include date, time, vendor, location, and itemized details of food items purchased. Going forward, the P-Card Policy Update, August 20, 2024, must be followed to include date, time, vendor, location, itemized details of food items purchased, attendees, and business purpose.

[1] As a reminder, policy updates took effect August 20, 2024, and the scope of the audit was October 1, 2021, to July 31, 2024. Therefore, end of the audit scope occurred before the policy updates were in effect.

Finding 8: Whataburger Field Suite Attendance and Expenses Missing Documentation

The Corpus Christi Hooks are a Minor League Baseball team based in Corpus Christi, Texas. The City of Corpus Christi owns the stadium where the team plays its games. The City leased the stadium to Round Rock Baseball, Inc. for 30 years. As part of the lease, the City has exclusive use of a suite at the stadium free of charge for the entire term. The Lessee will also provide a $500 food voucher for use in the City suite for half of the home games each year. The CC Hooks are scheduled to play 69 games at Whataburger Field from April through September.

Policies and procedures were lacking for transactions at Whataburger Field, which resulted in non-compliance with Best Practices for using the City Suite. This has been addressed, and the CM issued policies to improve internal controls as of March 28, 2025.

1. City Suite usage is inconsistently tracked for attendees.
2. Reasonable spending limits and attendance per person documentation for the City Suite at Whataburger Field and similar events are not required.
3. Departmental usage is not equitable and representative of all departments within the City for half of the home games.

Recommendations:

1. The P-Card Policies and Procedures should be written to prohibit transactions at Whataburger Field. These Policies and Procedures should also include that transactions for goods at Whataburger Field specifically identify the type of expense.
2. The transparency of attendees and amounts spent in the City Suite must be documented. Reasonable spending limits and documentation of attendance per person for the City Suite at Whataburger Field and similar events should be required.
3. Accountability on who attends and amounts spent in addition to the $500 food credit available should be maintained.
4. Departmental occupancy of the City Suite should not be exclusive to a few select departments and should be fair and equitable and available on a rotational basis.

Finding 9: Payroll Expense Reimbursements (Non-P-Card) Need Additional Automated Controls

The Infor Travel XM application (Travel XM) is used for payroll reimbursements when employees pay for expenses with their personal credit cards. Payroll reimbursement begins with the employee entering expense details into Travel XM. The following receipts or documents are required for payroll reimbursement:

- the meeting agenda,
- lodging, meals, mileage, and transportation, and
- documented business purpose.

The Payroll Assistant manages multiple Excel spreadsheets to track employee expenses through Travel XM.

1. A preventative automated control is missing to ensure that an employee cannot obtain expense reimbursement both through the P-Card system and Travel XM.

Recommendations:

1. Reimbursements through the payroll process should be automated and interfaced between XM Travel and Wells Fargo Expense Manager to prevent duplicate expense requests in the P-Card system and through Travel XM.

Finding 10: The Office of Management & Budget P-Card Transactions

During the audit of the Office of Management and Budget's P-Card transactions from June 13, 2024, to August 10, 2024, an average of over $66 per day was spent on snack refreshments. Vendors frequently visited include HEB and Sam's Club.

1. Purchases of non-business-related food were identified.
2. The person usually ordering the snacks was not the Cardholder.
3. Approval of orders was not documented.
4. Purchase codes were incorrectly classified.

Figure 3: 2024 Office of Management and Budget Expenses

	June	July	August	Total $
Office Equipment	-	174.73	-	174.73
Advertising	150.00	-	-	150.00
Memberships	-	-	350.00	350.00
Food & Food Supplies	389.48	4,002.45	-	4,391.93
Total	**$539.48**	**$ 4,177.18**	**$350.00**	**$ 5,066.66**

Recommendations:

1. Guidance related to meal and refreshment purchases should be established.
2. Food and Food Supplies orders should have approval documentation that is saved with the receipts for the food orders.
3. Business purposes should accurately describe the reason for the purchase.
4. Correct coding of purchases should be reviewed by the Approver to ensure that expenses are recorded accurately.
5. Training should be taken by the Director of Management and Budget to understand and acknowledge P-Card rules.

Additional Information:

See Appendix A for P-Card Guidelines.
See Appendix B for the 2025 Per Diem Rates.
See Appendix C for Management Responses.

Staff Acknowledgment:

Amr Hussein, CIA, CFE, CISA, Audit Manager
Wendy Pullin, CPA, Senior Auditor
Joseph Lopez, MSFE, Auditor
Samantha Chapa, Auditor
Evan Manning, Audit Intern

Appendix A: P-Card Guidelines

P-CARD GUIDELINES

	Executive Card	Purchase Card	Travel Card (1)	Fuel Card (1)
Purpose	Cards issued to City Executive Team members	General Use Cards for purchases up to established limits	Cards to be used for or during work authorized travel	Cards issued specifically to purchase fuel for City vehicles
Swipe Limit	$3,000 or less	$3,000 or less	$3,000 or less	$3,000 or less
Monthly Limit	$12,000	$12,000	$12,000	$12,000

DISALLOWED PURCHASES FOR ALL CARDS

Disallowed- All P-Cards	Professional services, Materials and Services, Technology items, Separate purchases of components, Prepaid deposit accounts, Gift certificates and gift cards, Cash advances, Money orders or Cash refunds, and Gambling, Alcohol, Tobacco, Refunds, and Items blocked by MCC code.

DISALLOWED PURCHASES PER CARD TYPE

Disallowed - Purchase Cards	Travel & transportation, Dine-in Restaurants, and Fuel		
Disallowed - Travel Cards		Non-Travel related purchases, and Fuel for personal vehicles	
Disallowed - Fuel Cards only			Cards issued specifically to purchase fuel for City vehicles

(1) Not within audit scope

Appendix B: Per Diem Rates 2025

GSA U.S. General Services Administration

Per diem lookup | Search GSA.gov

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Home › Travel resources › Per diem rates › Results

Daily lodging rates (excluding taxes) | October 2024 - September 2025

Cities not appearing below may be located within a county for which rates are listed. To determine the county a destination is located in, visit the Census Geocoder.

Filter results...

Primary destination	County	2024 Oct	Nov	Dec	2025 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Standard Rate	Applies for all locations without specified rates	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110

Showing 1 to 1 of 1 entries

Meals and incidental expenses (M&IE) rates and breakdown

The M&IE total is the full daily amount for a single calendar day when that day is neither the first nor last day of travel. The amount received on the first and last day of travel equals 75% of the M&IE total. See M&IE breakdowns for information related to the individual meal amounts.

Filter results...

Primary destination	County	M&IE total	Breakfast	Lunch	Dinner	Incidental expenses	First and last day of travel
Standard Rate	Applies for all locations without specified rates	$68	$16	$19	$28	$5	$51.00

Appendix C: Management's Response

July 1, 2025

George H. Holland,

City Auditor
Corpus Christi, Texas
RE: AU24-SP3

We have thoroughly reviewed the findings in the audit report referenced above, and our plans to address them are outlined on the following pages.

We are dedicated to fixing the issues in the audit report by implementing the action plans promptly.

☑ Agree

☐ Disagree

Sincerely,

Sergio Villasana
Sergio Villasana
Director of Finance

7-24-2025
Date

Heather Hurlbert
Assistant City Manager

7-28-25
Date

~~Peter Zanoni~~
~~City Manager~~
Michael Rodriguez
Deputy City Manager

7·28·25
Date

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
Finding 1: Inconsistency with Best Practices of Receipts for Reimbursements					
1	Alcohol calculations should be verified by the designated Reconciler before independent approval.	To be completed prior to 09-30-2025	Agree	Employee expense reimbursement amounts are verified by reconciler and the approver. In order improve existing internal controls on employee reimbursements, payroll staff will validate the reimbursement calculations.	Sergio Villasana
2	Tip calculations should be verified by the designated Reconciler before independent approval.	To be completed prior to 09-30-2025	Agree	The City does not have a threshold on tips for employee expense reimbursements. An employee expense policy will be drafted to address gratuity percentages.	Sergio Villasana
3	The CM should use a City P-Card primarily to enhance controls on spending limits, transparency, compliance and accountability, and budgetary control.	To be completed prior to 09-30-2025	Disagree	P-card programs are intended to improve the efficiency of purchasing high volume low dollar purchases. P-cards lower the cost of procurement by eliminating requisitions and purchase orders. An employee expense policy will be drafted to further enhance internal controls on employee reimbursements.	Sergio Villasana
4	**All policies** governing meal or event transactions must include the submission of a detailed business purpose and a comprehensive list of attendees.	Completed 8/20/2024	Agree	The Procurement Card (P-card) policy was updated on August 20, 2024 to include attendees and business purpose on receipts.	Sergio Villasana
Finding 2: City Manager's Payment Practice & Employment Contract					

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
1	A non-P- card expense policy must be developed, and reviewed by legal department. Additionally, P-Card Policy must be updated to include required Executive Management use of P-Cards to avoid unnecessary reimbursement processes and incomplete recordkeeping of expenses. As discussed in the Audit Committee Meeting held on September 24, 2024, the CM should use a City P-Card primarily to enhance controls on spending limits, transparency, compliance and accountability, and budgetary control. As an additional benefit, the City receives Revenue Share as part of the Wells Fargo Revenue Share.	To be completed prior to 09-30-2025	Partially Agree.	An employee expense policy will be drafted to further enhance internal controls on employee reimbursements. P-card programs are intended to improve the efficiency of purchasing high volume low dollar purchases. P-cards lowers the cost of procurement by eliminating requisitions and purchase orders. Executive cards will be eliminated to allow for improved internal controls on the approval of purchases as well as reducing the risk of non-compliance. A policy on employee reimbursements will also be issued to further enhance internal controls on spending.	Sergio Villasana
2	The City Manager's employment contract should be changed from a minimum spending of $7,200 to a defined upper limit per year for business promotion expenses. **Business promotion** expenses, must be reported and disclosed annually, clearly demonstrating their business purpose and the actual business outcome that directly supports City Initiatives.	N/A	N/A	This is a contractual issue between the City Council and the City Manager. It is not a matter within the purview of the Finance Department.	N/A
Finding 3: Terminated Employees with Active P-Cards					
1	Upon employee termination, P-Cards must be deactivated immediately.	To be completed prior to 09-30-2025	Agree	It is the practice of the Procurement Department to deactivate cards immediately upon notification of an employees termination. This is a manual process which requires coordination between multiple departments and can result in errors. Based on the audit report, 4 terminated employees out 400 employees tested (over a 2.75 year period) were found to have had an active card with no charges after separation. Although the rate of error is only 1%, the P-Card Policy will be updated to place responsibility on the Department of the card holder to notify Procurement regarding changes in employment status of cardholders.	Sergio Villasana
Finding 4: Enhance P-Card Segregation of Duties					

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
1	The Reconciler should review missing or unreadable receipts, proper GL codes, and verify the amounts to be accurate, inclusive of all attendees, and include business purpose.	To be completed prior to 09-30-2025	Agree	The City's P-Card procedures has segregation of duties which include the p-card holder and the p-card reconciler. The training provided to p-card holders emphasizes that cardholders are responsible for uploading receipts and categorizing the transaction. The p-card policy will be updated to place responsibility on the p-card holder and reconciler for reviewing receipts and coding of transactions.	Sergio Villasana
2	The Department should assign an independent person to approve transactions.	To be completed prior to 09-30-2025	Agree	Executive cards will be eliminated helping to enforce the appropriate approval structure. This structure will mirror the existing purchase requisition process, where subordinates initiate purchases and supervisors are responsible for approvals.	Sergio Villasana
Finding 5: Merchant Category Codes Not Periodically Reviewed					
1	The City's current blocked codes must be reviewed annually and updated as necessary to add additional MCCs. MCCs should be periodically reviewed by the Procurement Department.	Completed 12/09/2024	Agree	Procurement has coordinated with Wells Fargo to receive notifications when new MCC codes are added. Additionally, Procurement will conduct an annual review of all MCC codes on January of every year to ensure ongoing compliance.	Clayton Smith
Finding 6: Cardholder Noncompliance with P-Card Spot Audit Transactions					

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
1	The Procurement Department should follow up and maintain documentation upon identification of non-conformance with policy and procedure and document the final resolution. A **spot audit follow-up** should be properly documented.	Completed 7/10/2025	Agree	Procurement does conduct follow-ups and maintains documentation on non-conformance; however, this manual process is prone to occasional errors. Of the 413 audits conducted, only 14 instances (3%) were flagged by Internal Audit as non-compliant. It is important to note that in these cases, missing receipts were subsequently provided, an external fraud charge was resolved without any financial loss, and neither the payment of sales tax nor tipping violated the p-card policy during the audit period. Contract Manager will ensure follow-ups are properly documented.	Clayton Smith
2	Training should be recommended for any Cardholder that has been noncompliant with their P-Card.	To be completed prior to 09-30-2025	Agree	Depending on the seriousness of the violation, additional training maybe implemented as a corrective action. The P-card policy will be updated accordingly.	Sergio Villasana

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
Finding 7: P-Card Policy Updates Needed for Compliance Best Practices					
1	Procedures must include steps for disputing erroneous or accidental charges.	To be completed prior to 09-30-2025	Agree	A procedures manual will be drafted and training will be provided to p-card holders.	Sergio Villasana
2	There must be clear segregation of duties for reconciliation and approval of purchases.	To be completed prior to 09-30-2025	Agree	The City's P-Card procedures currently incorporates segregation of duties between the cardholder and the reconciler. To further strengthen internal controls, the policy will be updated to require a three-tier structure: p-card holder, approver, and reconciler.	Sergio Villasana
3	Receipt retention requirements should be followed for completeness, legibility, and access.	To be completed prior to 09-30-2025	Agree	The current p-card policy addresses record retention, receipt requirements, completeness and lost receipts. The policy will be updated to improve internal controls requiring the reconciler to review receipts.	Sergio Villasana
4	The P-Card Policy should be updated to include guidance on per diem, such as "Executive cardholders shall use daily per diem rates published by the U.S. General Services Administration (GSA) as a guide for spending on business meals per person."	Completed 8/20/2024	Agree	The Procurement Card (P-card) policy was updated on August 20, 2024 to included Executive cardholders shall use daily per diem rates published by the US General Service Administrations (GSA) as a guide for spending on business meals per person.	Sergio Villasana
5	There should be ongoing training beyond initial P-Card issuance.	To be completed prior to 09-30-2025	Agree	While additional resources may be needed to support ongoing training, the finance and procurement department will prioritize targeted training for P-Card holders and reconcilers who are needing assistance with following policy. Additionally, staff will develop a procedures manual and explore self-paced training options.	Sergio Villasana

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	Recommendation	Action Date	Management Response	Action Plan	Responsible Party
6	Meals should be made available only to those in attendance who are a part of the business meeting.	Completed on 08-20-2024	Agree	The City's P-Card was updated and provides guidance on business meetings and meals. Specifically section PRO-009.5.1 .."purchase meals for business meetings and for employees who are working on official City business."	Sergio Villasana

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
Finding 8: Whataburger Field Suite Attendance and Expenses Missing Documentation					
1	The P-Card Policies and Procedures should be written to prohibit transactions at Whataburger Field. These policies and procedures should also include that transactions for goods at Whataburger Field specifically identify the type of expense.	To be completed prior to 09-30-2025	Agree	Use of p-card at Whataburger Field will be listed as a prohibited item in the p-card policy.	Sergio Villasana
2	Transparency of the attendees and amounts spent in the City Suite must be documented. Reasonable spending limits and attendance per person documentation for the City suite at Whataburger Field and similar events must be required.	To be completed prior to 09-30-2025	Agree	On March 28, 2025, the City Manager issued a memo outlining the use of the Whataburger Field suite and the $500 food credit. The memo prohibits the use of City funds, p-cards, and employee reimbursements for any food purchases related to the Whataburger Field suite. A list of attendees to the City suite will be maintained by the departments and Council Members who receive tickets.	City Management, Departments and Council Members
3	Accountability on who attends and amounts spent in addition to the $500 food credit available should be maintained.	To be completed prior to 09-30-2025	Agree	On March 28, 2025, the City Manager issued a memo outlining the use of the Whataburger Field suite and the $500 food credit. The memo prohibits the use of City funds, p-cards, and employee reimbursements for any food purchases related to the Whataburger Field suite. A list of attendees to the City suite will be maintained by the departments and Council Members who receive tickets.	City Management, Departments and Council Members
4	Departmental occupancy of the City Suite should not be exclusive to a few select departments and should be fair and equitable and available on a rotational basis.	N/A	Agree	Departmental occupancy of the Suite is not exclusive. Executive Leadership Team members notify their respective Department Directors of the opportunity to attend Hooks games. Department Directors are responsible for selecting staff.	N/A

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
Finding 9: Payroll Expenses Reimbursements (Non P-Card) Need Additional Automated Controls.					
1	Reimbursements through the payroll process should be automated and interfaced between Travel XM and Wells Fargo Expense Manager to prevent duplicate expense requests in the P-Card system and through Travel XM.	To be Completed 12-31-2025	Partially Agree.	Finance is obtaining the cost of processing employee reimbursements thru Travel XM which will be completed by December 31, 2025. Employee reimbursements would not be processed thru Wells Fargo Expense manager as Wells Fargo Expense manager is for p-card transactions only. The existing safeguard against duplicate expenses is supervisor review and approval of both P-Card transactions and employee reimbursements.	Sergio Villasana
Finding 10: Assistant Director of Management and Budget P-Card Transactions					
1	Guidance related to meal and refreshment purchases should be established.	Completed on 08-20-2024	Agree	The updated p-card policy provides guidance for business meals. Executive cardholders are to use daily per diem rates published by the US General Service Administration (GSA) as a guide for spending on business meals per person. Additionally, the Internal Audit Report addresses non-business-related food, including snacks and refreshments. These items contribute to employee productivity and morale, a benefit the Attorney General has determined to serve a valid public purpose. The allocation of funds for meals and refreshments remains controlled within the department's budget.	Sergio Villasana
2	Food and Food Supplies orders should have approval documentation that is saved with the receipts for the food orders.	To be completed prior to 09-30-2025	Partially Agree.	The P-Card policy will be updated to eliminate executive cards which will allow for an enhanced approval hierarchy. This will also facilitate electronic approvals for all transactions.	Sergio Villasana
3	Business purposes should accurately describe the reason for the purchase.	Completed on 08-20-2024	Agree	The p-card policy was updated on 08-20-2025 including guidance for p-card holders needing to document the purpose of the meeting and those who attended and retain the documents on file.	Sergio Villasana
4	Correct coding of purchases should be reviewed by the Approver to ensure that expenses are recorded accurately.	To be completed prior to 09-30-2025	Agree	The training provided to p-card holders requires the cardholder to classify the expense appropriately. We will update our training to include the approver as well.	Sergio Villasana

7.22.2025	AU24-SP3 Procurement Card Expenses and Spending				
	Summary of Management Responses				
Issue No	**Recommendation**	**Action Date**	**Management Response**	**Action Plan**	**Responsible Party**
5	Training should be taken by the Director of Management and Budget to understand and acknowledge P-Card rules.	To be completed prior to 09-30-2025	Agree	P-card training will be provided to Director of Management and Budget.	Clayton Smith

Signature : Sergio Villasenor

Date: 07-24-2025

Title : Director of Finance & Procurement