



**PricewaterhouseCoopers LLP MARTA  
Purchasing Card Investigation**

**November 18, 2010**

*This document was prepared solely for the use and benefit of MARTA and is not intended for reliance by any other person.*



**November 18,2010**

**Mr. Charles N. Pursley Jr.  
General Counsel, MARTA  
Pursley Lowery Meeks LLP 260  
Peachtree Street, NW Atlanta,  
GA 30303**

**Dear Mr. Pursley,**

**We are pleased to provide our report in connection with our engagement to assist you with your investigation and analysis of certain issues related to the use of Purchasing Cards ("P-Cards") by employees of Metropolitan Atlanta Rapid Transit Authority (the "Authority" or "MARTA") Our services were performed and this report was developed in accordance with the engagement letter between you and PncewaterhouseCoopers, LLP (TwC") dated September 13,2010, and subject to the terms and conditions therein.**

**Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.**

**Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through November 8,2010. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report We reserve the right to amend our report, if necessary, should further information come to our attention after the date of this report.**

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## **I. Background**

Purchasing Cards, or P-Cards, are a form of credit card, which facilitate decentralized purchasing for routine, emergency, convenience, and small purchases. The P-Cards avoid a longer "purchase order" cycle, which for some situations and vendors is not practical. Credit is extended by card issuer Bank of America to MARTA, rather than the employee. Pursuant to this system, personnel are empowered to make decisions to purchase goods or services, with after-the-fact supervisory approval.

As of June 30, 2010 (the end of its fiscal year 2010) the Authority had approximately 140 P-Card holders. The aggregate fiscal year 2010 expenditure on P-Cards was approximately \$2.6 million, in over 13,000 individual transactions. The number of P-Cards, and level of P-Card spending, is down significantly from prior years, pursuant to a conscious effort by MARTA to centralize more purchasing and reduce reliance on P-Cards. To add perspective, we understand that the annual procurement budget is approximately \$250 million, and therefore P-Cards represent about 1% of the annual purchasing of the Authority.

The policies and procedures governing P-Cards are addressed in the Authority's Procedure: Purchasing Card ("P-Card Procedure").

The Executive Assistant to the MARTA General Manager / CEO ("GM") was terminated on August 24, 2010, for incurring personal charges on her P-Card, contrary to P-Card Procedure.

PwC was engaged by the MARTA Board of Directors in September 2010 to assist the board in its investigation and analysis of certain issues related to the use of MARTA P-Cards. We have:

1. Conducted an investigation to gather facts surrounding the alleged violation of Authority policies in connection with the use of an Authority-issued P-Card by the Assistant to the GM;
2. Analyzed activity on other Authority issued P-Cards and credit cards, and evaluated whether Authority policies and procedures have been followed; and



3. Evaluated MARTA's policies and procedures with respect to P-Cards and credit cards, the compliance with such policies and procedures, and made recommendations for improvements.

## II. Evaluation of the GM's Assistant's P-Card Activity

### A. Procedures Performed

In order to investigate the facts and circumstances surrounding the alleged violation of P-Card policies by the GM's Assistant, we performed the following procedures:

- > Interviewed the following MARTA personnel (listed in alphabetical order):

Davis Allen, Assistant General Manager ("AGM") and Chief Financial Officer

Nnennaya C. Anyaebosi, Special Projects Auditor

Ted Basta, Chief, Business Support Services

Cynthia Beasley, Director of Accounting

Lisa DeGrace, Director, Contracts & Procurement Materials

Rip Dentamore, Project Manager, Supply Chain Management

Chris Dorsey, Special Projects

Dwight Ferrell, Deputy General Manager

Pam Foster, Purchase Card Administrator

Ben Graham, AGM Information Technology

Forrest Graham, Legal Intern, assigned to GM's staff

Lila Herron, Information Technology Analyst

Jonnie Keith, AGM Internal Audit



**Donna Morgan, Assistant P-Card Administrator**

**Liz O'Neill, AGM Legal Services**

**Gary Pritchett, AGM Contracts, Procurement, Materials and Administrative Services**

**Charles Pursley, General Counsel**

**Dr. Beverly Scott, GM and CEO**

**Michael Sule, Purchasing Card Supervisor**

**B.K. Trivedi, Manager of IT Audit**

**Russell Walker, Supervisor of Accounting**

**KC Worku, Manager of Operational Audit**

- > **Analyzed the relevant policies and procedures.**
- > **Gathered and analyzed other documents such as P-Card approval forms, email correspondence, receipts, P-Card transaction reports, and P-Card Administration review reports.**
- > **The WORKS system is Bank of America's proprietary electronic P-Card recordkeeping system, to which users like MARTA have access. We obtained from WORKS a report of the GM's Assistant's P-Card charges during the period from February 2008 to August 2009.**
- > **Evaluated each of the charges and the supporting documents (where available) that were provided.**
- > **Discussed the transactions with MARTA personnel to gain additional information about the nature of the expenditures.**



- > Based on our analysis, we categorized the transactions as follows:
  - a. Transactions which, based on the available documentation and representations from MARTA personnel, appear to be related to Authority business;
  - b. Those transactions for which, due to a lack of supporting documentation or other information, the business purpose can not be determined. Many of these transactions were with similar vendors to those transactions with a documented business purpose; and
  - c. Transactions which, based on available information, do not appear to be related to Authority business.

## **B. Findings & Observations**

### **1. Summary of Key Events**

The GM's Assistant used her P-Card from February 2008 (soon after her employment at MARTA commenced) until the card was suspended in August 2009. In addition to purchasing much of the GM's travel, the GM's Assistant also purchased employee meals for working sessions, office supplies, travel arrangements for herself and other employees, books and other miscellaneous items.

P-Card use is governed by the P-Card Procedure. Some of the relevant sections are included below.

- > Section D.1 of the P-Card Procedure defines the Approving Official duties. Selected duties include:



*"...the MARTA Official (AGM) responsible for approving the selection of employees and the card...limits..."*

*"...Delegate authority to review and approve Cardholder's Reconciliation Package... to Director [or] Manager..."*

*"...Take appropriate disciplinary action when incidents of card abuse are found..."*

- > Section D.2. defines the Authorizing Official and related responsibilities. Selected duties include:
  - a. *"... The MARTA Director...responsible for selecting and designating employees to be Cardholders and determining....spending limits..."*
  - b. *"...Review and approve the Cardholder's [Monthly Reconciliation Package] to verify all transactions were necessary and in accordance with these procedures..."*
  - c. *"... Report any abuse..."*
  
- > Section D. 4 defines The Purchase Card Administrator ("PCA") and related responsibilities. Selected duties include:
  - *"... Monitor and oversee daily aspects of the Card program..."*
  - *"... Provide training..."*
  - *"... Conduct... desk audit of all files annually..."*

We noted the following with respect to the implementation of these procedures as it relates to the GM's Assistant's P-Card:





- > A key internal control for P-Card use is the monthly supervisory-level review made by the "Authorizing Official." In the case of the GM's Assistant, no such person was appointed, allowing unmonitored spending to occur.
- > The initial issuance of the GM's Assistant's P-Card was approved by the CFO as "Approving Official." The CFO indicated that he didn't intend to be responsible for reviewing and approving the GM's Assistant's card activity. The CFO did not designate an Authorizing Official.
- > Interviews with the PCA indicate that the typical procedure where no Authorizing Official is designated is to assume the Approving Official wishes to serve in both capacities, or follow-up with the Approving Official for clarification. In this instance, neither occurred. The Purchase Card Maintenance Form, prepared by the CFO, went to the PCA, who performs the account data entry in the WORKS system. Interviews with the PCA indicate she was aware that the GM's Assistant reported to the GM and not to the CFO. She further assumed that the GM would not review her Assistant's monthly activity. If an Authorizing Official is not inputted into the WORKS system, it automatically defaults to the PCA, and this is what happened in the case of the GM's Assistant.
- > The P-Card Procedure also requires that the Cardholder submit a Reconciliation Package to the Authorizing Official within five days after the billing cycle ends. This package should contain (i) a listing of the purchases generated by the WORKS system, (ii) the statement, (iii) original receipts, and (iv) an Approval Form to be signed by Cardholder and Authorizing Official.
- > The GM's Assistant did not prepare the required Reconciliation Packages, except for one package in July 2009. The PCA identified this noncompliance as early as July 2008. Once the GM's Assistant's noncompliance was identified, escalation of the matter within the Procurement department was not timely. Interviews with the



personnel involved indicated that an unacceptable deference to positions of authority was a contributing factor to the protracted nature of this issue.

- > The P-Card Procedure also provides for request-based audits by the Office of (Internal) Audit to ensure that only authorized purchases are being made. Internal Audit was informed that the GM's Assistant did not provide her Reconciliation Packages as required by P-Card Procedure, and thus included her in its audit commenced in the summer of 2009. The GM's Assistant did not provide her Reconciliation Packages to Audit. The 2009 Internal Audit of the P-Card expenditures has not been issued as of the date of this report.
- > On or about July 2009, the Chief of Business Support Services reviewed and approved the GM's Assistant's Reconciliation Package for the billing cycle ended July 15, 2009.
- > The GM's Assistant's P-Card was suspended in August 2009 by the PCA, for her failure to provide her Reconciliation Packages as required by the policy. There was no documented personnel action when the GM's Assistant's P-Card was suspended.
- ''''■p > The Chief of Business Support Services was notified of the card suspension by email in September 2009. The GM was not notified until August 2010.
- > After the card was suspended, the PCA department continued to request the pre-suspension Reconciliation Packages over a period of several months.
- > According to interviews with the Chief of Business Support Services, he asked the GM's Assistant for receipts on several occasions, culminating in personal attempts to locate receipts in the employee's office in August 2010, at which time four Enterprise Rent-A-Car transactions were identified which did not appear related to MARTA business.



- > The Chief of Business Support Services asked the AGM of Procurement to research the Enterprise Rent-A-Car transactions. The AGM of Procurement indicated he was able to obtain a receipt from the vendor, which reflected the GM's Assistant's signature. PwC understands that the Chief of Business Services informed the GM of the Enterprise activity in August 2010.
- > We understand that the GM confronted her Assistant, and unable to obtain a satisfactory response regarding the Enterprise charges, immediately terminated the Assistant
- > No statement was obtained from the GM's Assistant in connection with her dismissal. We were unable to arrange an interview with the GM's Assistant.

2. Analysis of P-Card Activity

Based on the procedures we performed, our findings regarding the activity on the GM's Assistant's P-Card are as follows:

- > The following table summarizes the charges on the GM's Assistant's P-Card during the period February 2008 through August 2009, when the card was suspended:

Table 1

Description	Number of Transactions	Amount
Books	19	S 1,189.18
Meals	108	20,636.16
Miscellaneous costs	41	6,952.41
Office supplies	123	11,684.78



Travel - GM	80	29,852.17
Travel - GM's Assistant	17	8,519.29
Travel - Other MARTA employees	64	25,669.80
<b>Total</b>	<b>432</b>	<b>\$104,503.79</b>

- > As depicted in the table above, a large portion (\$64,041 or 61%) of the total charges related to travel for the GM, the GM's Assistant and other MARTA employees.
- > The next largest category of expenditures is meals, which represents \$20,636, or 20% of the total expenditures. While some of the meal charges relate to catering for specific events, many relate to meals brought in to MARTA offices and consumed by employees during long meetings that run through meal time and sometimes after normal business hours.
- > We grouped the transactions on the GM's Assistant's P-Card into the following categories:
  - a. Transactions which, based on the available documentation and representations from MARTA personnel, appear to be related to Authority business;
  - b. Those transactions for which, due to a lack of supporting documentation or other information, the business purpose can not be determined. Many of these transactions were with similar vendors to those transactions with a documented business purpose; and
  - c. Transactions which, based on available information, do not appear to be related to Authority business.



The following table shows the number and dollar amount of the transactions in each category:

**Table 2**

<u>Description</u>	<u>Number of Transactions</u>	<u>Amount</u>
Transactions which appear to be related to Authority business	400	\$ 96,115.49
Those transactions for which the business purpose can not be determined	40	4,788.42
Transactions which, based on available information available, do not appear to be related to Authority business	12	3,599.88
Total	452	SI 04,503.79

- > As indicated above, there are 12 transactions, totalling \$3,600 (including the 4 charges to Enterprise totalling \$2,548) which, based on the information received to-date, do not appear to be related to MARTA business. These transactions are listed in the table below.

**Table 3**

<b>Purchase Date</b>	<b>Vendor</b>	<b>Item Price</b>	<b>Comments</b>
4/30/08	Enterprise Rent-A-Car	\$ 701.45	Personal Expense
6/9/08	Enterprise Rent-A-Car	1,220.51	Personal Expense
6/16/08	Enterprise Rent-A-Car	500.00	Personal Expense
7/1/08	Enterprise Rent-A-Car	125.52	Personal Expense



8/22/08	Borders Books 01005339	148.17	According to the receipt one book appears to be non-business related. The cost of this book was \$7.96
10/29/08	See Sees Candies MO	117.98	No Documentation
4/5/09	Borders BKS&MU01003839	137.65	According to the receipt one book appears to be non-business related. The cost of this book was \$16.79.
5/2/09	Hudson News SEA TAC AR	51.31	No documentation
5/2/09	Best Buy 00004705	254.99	No documentation
5/14/09	CITGO 58 Q39	25.39	Gas purchase; no related rental car; no documentation regarding business purpose.
5/29/09	Hilton Hotels Deposit	298.98	No documentation
2/6/09	Center For Competitive	279.00	No documentation
<b>Sub-Total</b>		<b>\$3,860.95</b>	
Adjustments for portion of book purchases that were business related:			
	August 2006 Borders Book Purchase	(140.21)	(\$148.17 less \$7.96)
	April 2009 Borders Book Purchase	M20.86)	(\$137.65 less \$16.79)
Net purchases <b>that do not</b> appear to be related <b>to Authority business</b>		<u>S3,599.88</u>	



### 3. Other Observations on P-Card Activity

- > The GM's Assistant's individual charge limit was \$3,000; one transaction for \$3,740 was divided into two individual charges to avoid the \$3,000 per-transaction spending limit.<sup>1</sup> Splitting purchases to circumvent the single purchase limit is expressly prohibited by the P-Card Procedure.
- > Separate from the requirement to prepare monthly Reconciliation Packages, individuals are also required to complete an Expense Report for Authority related travel. The Expense Report can contain a combination of credit card, P-Card, cash advances and payments, and government per diem rates.
- > \$4,517 of charges related to the GM's Assistant's travel was not traceable to any of her Expense Reports. The charges were otherwise supported by documentation and explanations regarding the nature of the travel.
- > \$29,852 of the GM's travel expenses were paid by the GM's Assistant's P-Card. Of this amount, \$11,851, in 41 individual charges, could not be traced the GM's Expense Reports. The charges were otherwise supported by documentation and explanations regarding the nature of the travel. The GM's Assistant was responsible for the compilation of the GM's Expense Report. The AGM of Internal Audit is responsible for the review of the GM's Expense Reports prior to these reports being submitted to the MARTA Chairman for final approval. This failure to include all travel related charges in the GM's expense reports limited the Board's oversight control.

<sup>1</sup> A similar issue related to another employee was cited in a 2006 Internal Audit Report.



4. Analysts of GM Credit Card Activity

During our work, PwC became aware that the GM's Assistant also had the ability to make purchases using the GM's Authority credit card. We understand that the credit card does not fall under the purview of the procurement department.

MARTA has authorized a VISA credit card with a \$50,000 credit limit for its GM, issued through Bank of America. During the period we analyzed, the card was most typically used for the GM's travel, but books and Authority working meals were also part of the monthly purchases. At the end of each monthly credit card cycle, the GM's Assistant compiled a Credit Card Detail Form, summarizing the monthly activity and business purpose. The AGM of Internal Audit reviews the credit card transactions, and the CFO approves the credit card payment, which is made by the Authority.

We were told that the GM's Assistant had a photo copy of the GM's credit card.

**Procedures Performed with respect to the GM's credit card**

We requested credit card statements for the period from January 2009 to September 2010, and evaluated the credit card transactions by analyzing the supporting documentation and Expense Reports.

Findings & Observations

- > During the period from January 2009 to September 2010<sup>2</sup>, we identified the following:
  - (i) Thirty-one (31) instances, totalling 52,585, in which travel expenses could not be traced to one of the GM's Expense Reports.

<sup>2</sup> Except with respect to tracing purchases to the GM's Expense Reports, in which case we tested the period January 2009 to June 2010.





- (ii) Of these travel expenses, there were 8 instances, totalling \$733, which did not have receipts on file. The available information from the credit card statements indicated these were most likely business related expenses for items such as checked bag fees.
- (iii) There were 19 instances of charges for food and books, totalling \$1,662, which did not have receipts on file. The food and book charges were generally consistent with other supported charges and were consistent with the GM's policy of providing food for working meetings.
- > There were several instances in which late payment fees were incurred for failure to timely pay the credit card bill. We understand that the GM's card was temporarily deactivated by the issuer at one point for non-payment. Interviews with accounting staff indicated late payments were the result of the GM's assistant failing to provide accounting with the approved statement package on a timely basis.
- > Other than the observations identified above, the GM's credit card activity indicated: (i) travel appeared to be related to Authority business; (ii) purchases of books and publications had content broadly consistent with Authority business; and (iii) employee meals were purchased from vendors within proximity of MARTA headquarters, and the food quantities were consistent with the GM's practice of providing food for small groups during lengthy meetings.
- > Based on the procedures performed, we did not identify any personal charges on the GM's credit card, with the exception of hotel room service charges, which were adjusted as described below. MARTA typically reimburses travel meals using government per diem rates. Therefore these room service charges were properly deducted from the allowable per diem rates in calculating and reimbursing the GM's travel costs.



### **III. Evaluation of Activity on Other P-Cards**

#### **A. Background**

As of June 30,2010, there were approximately 140 Authority issued P-Cards, with a fiscal 2010 expenditure of over \$2.6 million, in over 13,000 individual transactions conducted with over 1,400 vendors.

The Authority has experienced at least six historical incidents in recent years by Cardholders:

- Three employees (including the GM's Assistant) have been dismissed from the Authority for personal use of their P-Cards.
- Two employees were identified for inadvertent personal use of the P-Card; the employees reimbursed the Authority.
- One employee's P-Card privileges were suspended for allegedly using the P-Card to make capital expenditures.

In April 2010, a PCA audit of IT department purchases for the period January 2009 to February 2010 raised several questions, including, among other things: purchases of capital assets which were believed to be in violation of the P-Card Procedure that prohibited the use of P-Cards to purchase such items, and the purchase of assets with questionable business necessity.

Three individuals in the IT department had a P-Card as of September 1, 2010. One of these individuals in the IT department had the largest dollar volume of P-Card spending in the MARTA organization. Larger expenditure categories included: travel, education and certifications, and computer hardware, software, and peripheral devices. This individual's card was suspended as a result of the audit.



**B. Procedures Performed**

In order to evaluate whether the P-Card Procedure was being followed by P-Card holders other than the GM's Assistant, we performed the following procedures:

- > Due to the high volume of transactions, it was not practical to perform a detailed evaluation of all individual P-Card charges.
- > Obtained an electronic listing of the Authority P-Card transactions for (i) fiscal year ended 2010. and (ii) the interim period from July 1 to September 17, 2010, from the WORKS system. PwC scanned the list of vendors for obvious non-Authority vendors, known upscale food vendors, unusual vendors or unusual amounts.
- > Selected eleven other non-IT P-Cardholders and requested and analyzed one monthly Reconciliation Package for each for supporting documentation and Authorizing Official approval.
- > Obtained and analyzed documentation from the annual PCA desk audits for fiscal 2009.
- > Obtained an understanding of the PCA Audit of IT P-Cards, including the related findings and responses from IT department personnel.
- > Analyzed a sample of IT P-Card purchases, primarily made by the Cardholder in the IT department whose card was suspended.
- > Selected a sample of IT related equipment for physical inspection.



C. Findings and Observations

Based on the procedures performed, we have the following findings and observations:

- > We noted over 500 instances (out of more than 13,000 transactions) in fiscal 2010 in which various Cardholders did not complete the purchase description in the WORKS system, as required by the P-Card Procedures. This entry is the primary and contemporaneous record of the reason for, and description of, the purchase.
- > We noted that many Authorizing Officials did not complete the *electronic* signoff within the mandatory 10-day deadline expressed by the P-Card Procedure, and/or did not execute an *electronic* signoff at all.
- > Certain Authorizing Officials did not complete the *manual* signoff of monthly Approval Forms within the mandatory 10-day deadline required by the P-Card Procedure.
- > Certain recurring vendors were used for Authority business purposes, but could also provide an opportunity for personal purchases that could go undetected absent rigorous and timely review by the Authorizing Official (for example, Best Buy, The Apple Store, Amazon, and food vendors, such as Publix and Jason's Deli)
- > With respect to the eleven monthly Reconciliation Packages we selected for testing, the packages included receipts, descriptions of business purpose and approval signatures. The approvals for nine of the eleven, however, were dated beyond the 10-day period allowed by the P-Card Procedure.
- > Based on our analysis of the documentation from the annual PCA reviews for fiscal 2009, we found the following:

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- The PCA reviews indicate that, with the exception of the GM's Assistant, Cardholders were generally providing monthly Reconciliation Packages with receipts, explanations and required approvals.
- In some cases, the PCA questioned the nature of certain expenditures, but the Cardholders were able to provide additional information as necessary. It appears that the communication was between the PCA and Cardholder and that the Authorizing Officials were not involved these discussions.

### **Observations Specific to the IT Department**

As mentioned in the background section above, in April 2010, the PCA audit of IT department purchases for the period January 2009 to February 2010 raised certain questions about the nature of the purchases. Based on the procedures performed, we have the following findings and observations;

- > The IT AGM responded to the procurement department, indicating his position that IT purchases of computer hardware and software deemed capital assets were exempt from the policy prohibiting capital expenditures using the P-Card. The IT AGM also addressed the specific questioned charges by stating that the charges were approved by him and funded from the approved budget. The IT AGM also described the business purpose of each questioned item.
- > PwC understands that the individual with the highest spending was the designated IT procurement specialist during that period, and generally placed orders on behalf of others, rather than making independent purchasing decisions. This individual's card activity was approved by the IT AGM, who was the same person who requested many of the purchases. PwC found the following with respect to purchases made on this P-Card:



- o The purchases were generally well supported with receipts, descriptions and written authorization forms.
  - o In one case, contrary to the P-Card Procedure, another employee signed for the Technology Analyst's P-Card purchase of food on December 22, 2009. The receipt was on file, the purchase approved by the IT AGM, and the business purpose stated in the WORKS system. This was explained as an isolated a convenience case in which the card was used to purchase food for a meeting.
  - o The Technology Analyst's August and September 2010 Reconciliation Packages were not approved by the IT AGM as of October 25, 2010, contrary to P-Card Procedure, but we understand the IT AGM was on medical leave at those times.
  - o An iPad for the GM was authorized by the IT AGM and purchased by the Technology Analyst on August 3, 2010. The GM refused the device because she did not request it. Discussion with the IT AGM indicated this was an attempt to provide latest technology to the GM, at a reduced cost relative to a traditional laptop. The iPad was returned to the IT AGM and was located in his office.
- > Another IT department P-Cardholder purchased a DVD of a popular movie in order to test a system for communication in the Board Room. This DVD was located in the IT AGM's office.
- > We interviewed the IT AGM about selected IT related P-Card purchases. The IT AGM represented that:
- o Spending on travel and other costs associated with employee education and training is necessary to retain and develop the personnel to adequately fulfil the expectations of the IT department.



- o IT is the purchasing authority for IT related hardware and software for the Authority (other than mobile phones).
- c Although the standard technology platform of the Authority is Microsoft based PCs, The IT AGM indicated that the marketing department prefers Apple Macintosh hardware and software for certain functions, and his department needs to support this technology. He also believes MARTA has the need to stay abreast of, and test new technology. Based on these needs. The IT department made several purchases of Apple hardware and software (including MacBooks, iPads and iPhones).
- o Premium priced headsets (one of the purchases cited by the PCA audit) were required for IT personnel that need to communicate on their cell phones from noisy locations, such as MARTA platforms.
- > PwC selected 21 pieces of IT related equipment purchased with a P-Card, and attempted to physically locate the items. PwC was able to physically examine all but four of these items. The remaining items were two DVD players, one MacBook computer, and a desktop scanner. We were shown two DVD players and a MacBook, but were unable to definitively determine if those were the ones associated with the P-Card charges we selected. The scanner was not located. A lack of a clear process for documenting and tracking the assignment of equipment to individuals impeded our ability to determine the existence of such assets, or if they were being used for authority business.

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#### IV. Summary of Key Findings

The following is a summary of our key findings detailed in this report:

- > There was a complete failure of the internal controls with respect to the GM's Assistant's P-Card. This failure allowed personal expenditures to go undetected for over two years.
- > While the majority (approximately 92%) of the charges on the GM's Assistant's P-Card appear to be related to Authority business, the lack of supporting documentation for the remaining charges makes it very difficult, and in some cases impossible, to determine if those charges were for legitimate business purposes.
- > There were 12 transactions, totalling \$3,600 which, based on the information received to-date, do not appear to be related to MARTA business.
- > Certain aspects of the P-Card Procedure are ambiguous and / or confusing and therefore misunderstood by the Cardholders and those responsible for monitoring the program.
- > Despite this potential for misunderstanding of the procedures, based on the work we performed, it appears that most Cardholders and their Authorizing Officials generally do comply with the procedures.
- > The record keeping, and in certain instances, timeliness, with respect to the GM's credit card was inadequate and must be improved.
- > The GM's Expense Reports did not include all travel related expenses.
- > The IT department does not adequately track the assignment of portable electronic devices such as notebook computers, iPads and iPhones.





IV. **Recommendations for Improvements in the P-Card Policies and Procedures**

Based on the procedures performed and related findings and observations detailed in this report, we have several recommendations for MARTA to consider regarding improvements to the P-Card policies and procedures.

- > The Authority should continue to rationalize the number of P-Cards and types of purchases they can be used for. Many of the P-Card purchases we observed could potentially be done on a centralized basis, including office supplies and printer ink. In addition, the Authority may be able open a charge account with local restaurants that could send invoices to be paid by accounts payable.
- > Many of the issues discussed in this report were not the result of inadequate policies, but rather that the policies were not followed. In addition, there was a lack of accountability for this failure to follow the policies. Whatever the revised policies and procedures are, there needs to be more effective implementation of the policies including:
  - o Effective training of Cardholders, those responsible for reviewing approving the purchases, PCA's and internal auditors;
  - o More effective monitoring of expenditures and compliance with the policies; and
  - o Formalized procedures for escalating violations and disciplining offenders.
- > The Authority should undertake a comprehensive review of the P-Card program to identify the Cardholders, their credit limits, and the individual responsible for reviewing and approving the Cardholder's purchases.
- > There exists widespread misunderstanding of the P-Card terminology for "Authorizing Official" and "Approving Official." To avoid ambiguities and misunderstandings, we recommend updating the procedures and forms using more user-friendly nomenclature.



- > The current Purchase Card Maintenance Form does not require naming an Authorizing Official (monthly reviewer). We recommend the form be redesigned to formally designate the person responsible for reviewing and approving the monthly P-Card charges of each Cardholder.
- > The Authority should consider consolidating the arrangement and purchase of all travel to a small number of individuals or an external travel agent, in addition, more detailed records should be maintained such as detailed hotel receipts and airline receipts, itineraries and boarding passes.
- > The Authority should consider redesigning and enhancing the way that P-Card purchases are monitored and audited. For example, ongoing analysis of the spending to identify trends and outliers such as spending patterns by person, recurring vendors, categories of purchases, etc. This data analysis could identify opportunities for establishing contracts with preferred vendors, as well as identify risks areas that should be subject to closer review or audit. Continuous monitoring and risk-based auditing on a more frequent basis will be a more effective use of the limited resources in the PCA group and Internal Audit.
- > Our interviews indicated the lack of a formal process to report Cardholder terminations and transfers to the PCA, so that P-Cards can be collected, cancelled, or the spending limits and Authorizing Official updated as necessary. The P-Card Procedure places this responsibility with the Authorizing Official, which should be more consistently followed; however, we also recommend that the Human Resources department notify the PCA of terminations and transfers.
- > For all meals, the business purpose and names of individuals in attendance should be recorded.
- > Procedures should be implemented that ensure that all travel related expenses are included in the Expense Reports.

- > **Internal Audit should not approve the GM's credit card spending unless all transactions are supported by original receipts and explanations of the business purpose.**
- > **The GM's credit card limit (\$50,000) should be lowered.**
- > **The Authority should consider whether it is appropriate for the person who is directing his or her subordinate to purchase items on a P-Card to also be charged with reviewing and approving the monthly expenditures (as is the case in the IT department).**
- > **When capital assets such as computer hardware and other electronics are purchased, the Cardholder and Authorizing Official should maintain comprehensive, auditable records of the transaction, including business purpose, serial number of the item, and to whom the asset was assigned. This information should also be formally communicated to the appropriate accounting department staff, so that the assets can be properly tracked and accounted for.**
- > **We noted that the Authority has purchased laptops and other portable computer hardware such as iPhones, smart pens and iPads. Such devices inherently pose a greater risk for loss, theft, or personal use. We understand that Authority employees have lost or misplaced laptops in prior years. PwC recommends the Authority closely monitor the growth in portable devices, and institute appropriate control measures, such as a way to track to whom the device was assigned, asset tagging, periodic physical inventories, and Authority-established password protection system, allowing**
  - **only the designated employee to log on to the computer. The Authority should also ensure that it has adequate policies and training regarding the safeguarding of sensitive electronic information.**



It has been our pleasure assisting you with this project. If you have any questions or would like to further discuss the contents of this report, please let us know.

Very truly yours,

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PricewaterhouseCoopers LLP