

# Credit Card Compliance & Usage



Town of Trumbull



July 10, 2025

Office of Internal Audit

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## Executive Summary

The Town of Trumbull issues a credit card to several select departments for use when necessary, urgent, and another form of payment is impracticable. The number of credit cards issued is limited and authorized through the Director of Finance. The credit card limit for each department is determined by Finance, and regularly reviewed, as appropriate for the department's expenditure level. It is the department's responsibility to make sure their credit card is secured in a safe location. A Town Department that was not issued a credit card may contact the Purchasing department to process purchase orders that require payment by credit card only.

The Town of Trumbull provides funding for individual Department operations through the Town's general fund. The Department approves their credit card transactions in accordance with the Town's applicable Purchasing or Travel Policy, review the monthly transactions on the credit card bill, and provides Finance with the approved sales receipt for each transaction. Finance reconciles the monthly credit card bills to the approved sales receipts provided by the departments and processes payment to the credit card Merchant.

The focus of this audit was to assess the design of key operational and financial processes related to the use of Town assigned credit cards, verify the allowable expense to prevent fraudulent transactions, detect erroneous charges, review and identify any process or internal control gaps, and assess compliance of the Town's established policies and procedures.

This audit was conducted for the Fiscal years 2022 – 2025, covering the periods July 2021 - June 2025.

Internal Audit (IA) identified the following areas for improvement:

- A documented uniform credit card policy and acknowledgement sign off is needed.
- Replacement card guidelines should be implemented.
- Sales Receipts for meals do not provide sufficient detail for related expense.
- Payment confirmation or invoice for online purchases were missing.
- Unnecessary items purchased on cards reduced the authorized credit limit needed for urgent use.

I would like to express my appreciation to the various Town Department Managers, their staff and Finance department staff for their time, assistance, and cooperation during the audit. Their contributions were essential to the success of this audit.

## Authorization

Internal Audit (IA) conducted this audit under the authority of Chapter VII, Section 1C of the Town of Trumbull Charter and in accordance with the Annual Audit Plan approved by the Town of Trumbull Board of Finance.

## Objective, Scope, and Methodology

The objective of the Town's Individual and Department Credit Card audit was to:

- determine that efficient and effective processes are in place to ensure credit card transaction/usage were following the Town's Travel and/or Purchasing policy,
- verify credit card transactions are reasonable, allowable, and necessary,
- ensure financial accuracy and protect against fraud or financial losses.

### Scope and Methodology

In accordance with the goals set forth in the Town's Annual Audit Plan, IA conducted an audit of the Town of Trumbull's Individual and Departmental Credit Card incurred expenditures. The audit was conducted in conformance with Generally Accepted Government Auditing Standards and the Institute of Internal Auditors' (IIA) Global Internal Audit Standards. The standards require that IA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. IA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The scope of the audit was for **FYs 2022 – 2025 covering the periods July 2021 - June 2025.**

Internal Audit focused on an examination of the credit card issuance, cardholder transactions, monthly reconciliations, accurate ledger posting, and that policies are aligned with current processes. Internal Audit performed the following audit procedures to achieve our objective:

- Obtained the posted Munis credit card vendor transactions report and compared it to the credit card merchant's monthly statements for completeness, accuracy, and timeliness.
- Reviewed the Credit card merchant's Accounts Payable files to determine compliance with applicable Town policy and verify receipts are approved and provided to Finance.
- Interviewed department managers to grasp their understanding of reasonable and necessary purchases, safeguarding of cards on hand, sales receipt processing, and preventive measures are in place to avoid fraudulent transactions.
- Obtained list of authorized users to verify only authorized users are charging transactions.
- Reviewed support documentation and Merchant statements to detect erroneous charges and ensure the monthly statements are reconciled for authorized purchases.

## Background

The Town of Trumbull authorizes, and issues select Town Departments a credit card to pay for necessary purchases that are needed as a matter of urgency to complete the job or require payment in the form of credit card only. Each Department is responsible following the Town's applicable Travel or Purchasing policy, reviewing their transactions on the credit card statement, and sending all sales receipts related to credit card purchases to Finance. Finances reconciles and processes the monthly credit card account payment for all authorized purchases.

### Discretionary Credit Card

The Town of Trumbull's Selectman's Office, Finance, and Chief of Police are the only designated department's that are authorized to have an individual credit card for discretionary use. Discretionary use of the credit card follows the Town's Travel Expense Policy guidelines. The authorized individual card holder is responsible for safeguarding their assigned credit card.

**During FY2025 a combined total of \$20,983 was paid to the Merchant cards issued for discretionary use, the Police Department having majority of the charges.** The Police Department periodically makes various necessary purchases using the Chief's credit card (**Table 1**). The Police Chief and Assistant Chief have expense accounts that can be used for meals/food/dry cleaning at their discretion.

**Table 1 – Chief of Police Incurred Expense**

Credit Card Usage - Police Department FY 2025		
Budget Line Item Description	Amount	Charge Description
Materials and Supplies - Office	\$ 788.45	Supplies
Program Supplies	1,232.55	PD Expo/Drone Registration/Tolls/scuba gear/camera equipment
Professional Dev- Inservice	9,178.67	PD Training workshops/Travel
Transportation- Expense A/C	5,107.95	Mtg Food/Dry Cleaning/NewsPaper/Sympathy Flowers-Basket
Uniform Allowance	317.54	Motorcycle Heat protection gear/taser holster
Transportation - Vehicle Repair	556.48	DMV/Vehicle parts
Professional Dev - Assn Dues	1,483.00	PD Mbrshp Dues
Capital Outlay	329.00	AC vehicle gunsafe
Srvc-Ancillary - recruitment suscript	96.00	Word Press Recruitment
Program Expense	354.00	Fitness Room rack
	\$ 19,443.64	

### Purchasing Department Card

The Purchasing agent is provided a credit card for various Town Department subscriptions, IT Licensing, and departmental online purchases that require payments via credit card only. The Purchasing department processes requisitions and purchase orders for such transactions in compliance with the Town's Purchasing policy. The Director of Finance is responsible for safeguarding the Purchasing credit card.

**For FYs 2022-2025, the Purchasing Department had just under \$140,000 charged to the credit card for various Town department expenditures requiring payment via credit card only.**

## Home Depot Accounts

The Town of Trumbull currently has a Home Depot (parent) account for 6 departments that have an assigned separate credit limit (varies by department) and credit cards with a corresponding account number for essential equipment, tools, or supply purchases necessary to complete a current project or job at hand. Each department's designated authorized user is responsible for safeguarding the actual card in a safe secure location. The Authorized user is the only person allowed to have the card on hand and make purchases on their Home Depot account.

Sales receipts for all Home Depot purchases must be approved by the Department Manager and provided to Finance. Finance reconciles the monthly Home Depot credit card statement against the corresponding sales receipts. Charts 1 & 2 below show the FY2022-2025 expenses incurred by year and the respective Department charges for the same period.

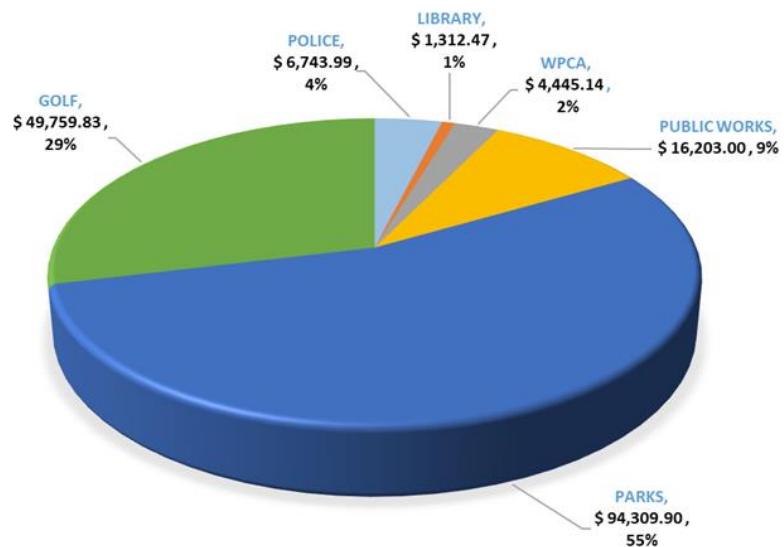
**Chart 1 – Home Depot Expense by Year**

Home Depot Credit Card Expense Incurred  
FY2022 - FY2025



**Chart 2 – Home Depot Expense by Department**

HOME DEPOT CREDIT CARD CHARGES BY DEPARTMENT  
FY2022 - FY2025



## Opportunities for Improvement

During the audit, IA identified certain areas for improvement. The audit was not designed or intended to be a detailed study of every transaction, procedure, or relevant system. Accordingly, the Opportunities for Improvement section presented in this report may not be all-inclusive of areas where improvement might be needed.

### Observations

IA interviewed, in person or email, each department that has an issued credit card to obtain an understanding of their credit card policy and procedures regarding the use and safeguarding of their assigned credit card. As a result, IA determined

**Observation #1: There is no documented uniform credit card policy and no acknowledgement/sign off form for individual department cardholders.**

**Observation #2: Replacement card not issued** - Credit card with former authorized user name is given to replacement staff for use.

- **4 of 6 (67%)** Home Depot cardholders have retired or are no longer employed by the Town, yet their cards were still in use at the commencement of this audit.

**Recommendation:** A clear and precise Credit Card Policy should be documented and implemented, with training provided to Department Managers and authorized users indicating

- the responsibilities and limitations associated with the use of the Town's credit card,
- a uniform procedure for replacement of lost /stolen card or cardholder no longer employed by the Town, and a
- signoff and acknowledgement that the cardholder understands their card usage responsibilities, including penalties for misuse.

**Management Response:** Authorized users understand restrictions on credit card use and follow the Town's Travel & Expense policy where applicable. Purchasing department follows the Town's Purchasing policy for all credit card transactions processed through them. Town Managers maintain fiscal responsibility and transparency with all credit card purchasing including securing the department cards.

**Corrective Action Taken:** The Accounting Manager has begun to order replacement Home Depot cards with the new authorized cardholder's name and is working with each Department to ensure their cardholders are the authorized users.

Internal audit reviewed all transactions listed on the FY 2025 discretionary credit cards' Merchant account statements for reasonableness, authorization, and allowable expenses. The Merchant statement transactions were verified to the department's reconciliation documents. IA selected specific transactions of the discretionary charges for further allowability testing. Internal Audit then reviewed the related support documentation to determine if the respective department provided the required

sales receipt/support documentation to Finance for payment processing. Although IA acknowledges the Chief of Police expenses are discretionary, the following items were noted:

- **3 of 43 (6.9%)** Police Department food/meal transactions (\$358) reviewed were stamp dated in the evening hours with no specific detail to the purpose of the meeting and the attendees. The reconciliation sheet only indicated "Chief's Mtg".
- **1 of the 43** meal transactions (\$45) was missing a sales receipt – the Department did provide a note indicating the date & amount of transaction.
- Workshop/Conference Registration and Amazon supplies are purchased using Chief's card and not processed through the Purchasing department.

**Observation #3: Discretionary Account had insufficient detail on restaurant meal receipts and non-compliant with the Town's Procurement and Travel/Expense Policy.**

**Recommendation:**

- The Town may want to consider providing an annual stipend to the Police Chief/Assistant Chief for personal expenses (meals/dry cleaning) and process all other necessary online orders through the Purchasing department instead of the Chief's credit card.
- Sales Receipts for food/meals should include the meeting purpose and attendees, i.e. bagels & coffee for patrolman training.
- Amazon purchases and Conference/workshop registration and expenses should follow the Town's Procurement and Travel & Expense Policy.

**Management Response:** The Chief of Police and Assistant Chief have an expense account included in the budget for discretionary use. There are times the Chief conducts offsite meetings to discuss Police business prior to attending and/or presenting at a Town Board meeting.

The purchases processed via the Purchasing department for the departments that do not have a credit card were also reviewed for completeness, accuracy, and allowability. IA noted at least 1 transaction a month of necessary departmental online transactions processed via the Purchasing department was reliant on the initial requisition and purchase order as support document, therefor missing the payment confirmation from the respective departments.

**Observation #4: Payment confirmation or invoice for online purchases was not provided to Finance by respective department.**

**Recommendation:** Individual department staff responsible for ordering online purchases should have refresher training regarding forwarding support documentations to Finance for online transactions requiring a credit card payment.

**Management Response:** The Purchasing department processes the order, and the vendor sends a confirmation to the respective department staff. Purchasing does not generally receive the confirmation. The Accounting Manager is aware of the issue and has been working with staff and departments.

**Corrective Action Taken:** Finance's Accounting Manager has immediately implemented a process to remind departments of the invoice/sales confirmations needed for payment processing of their departmental charges via credit card.

IA reviewed the Home Depot credit card statements and found that supplies that can be ordered via the Town's procurement process, i.e. cleaning supplies, toilet paper, etc., were frequently ordered using the Home Depot credit card up to the maximum allowed credit limit.

**Observation #5: Home Depot credit card is used for unnecessary items reducing the amount of open credit needed for urgent use.**

**Recommendation:** The Town should issue a necessary usage guideline for the Home Depot credit card purchases. In doing so the department will remain below their authorized credit limit and avoid insufficient open credit in the event of an urgent need to purchase items from Home Depot.

**Management Response:** This has not been an issue with most departments. Going forward the affected department will follow the Town's Procurement process and/or contact the Purchasing department for general supply purchases. The Accounting Manager and or designee reconcile the Home Depot card and keep track of credit limit issues.