

Houston P-Card Program

Expenditure Trends and Insights

BUDGET & FISCAL AFFAIRS COMMITTEE

November 2, 2026

Presented by:

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OFFICE OF CITY CONTROLLER CHRIS HOLLINS

This review focuses on key aspects of the City's Purchasing Card (P-Card) policy and spending activity

With an average spend of **$24.4 million annually and hundreds of users**, P-Card purchases represent a significant component of the City's procurement activity. This level of expenditure underscores the **importance of robust oversight, transparent reporting, and effective controls** to ensure fiscal responsibility and safeguard public funds.

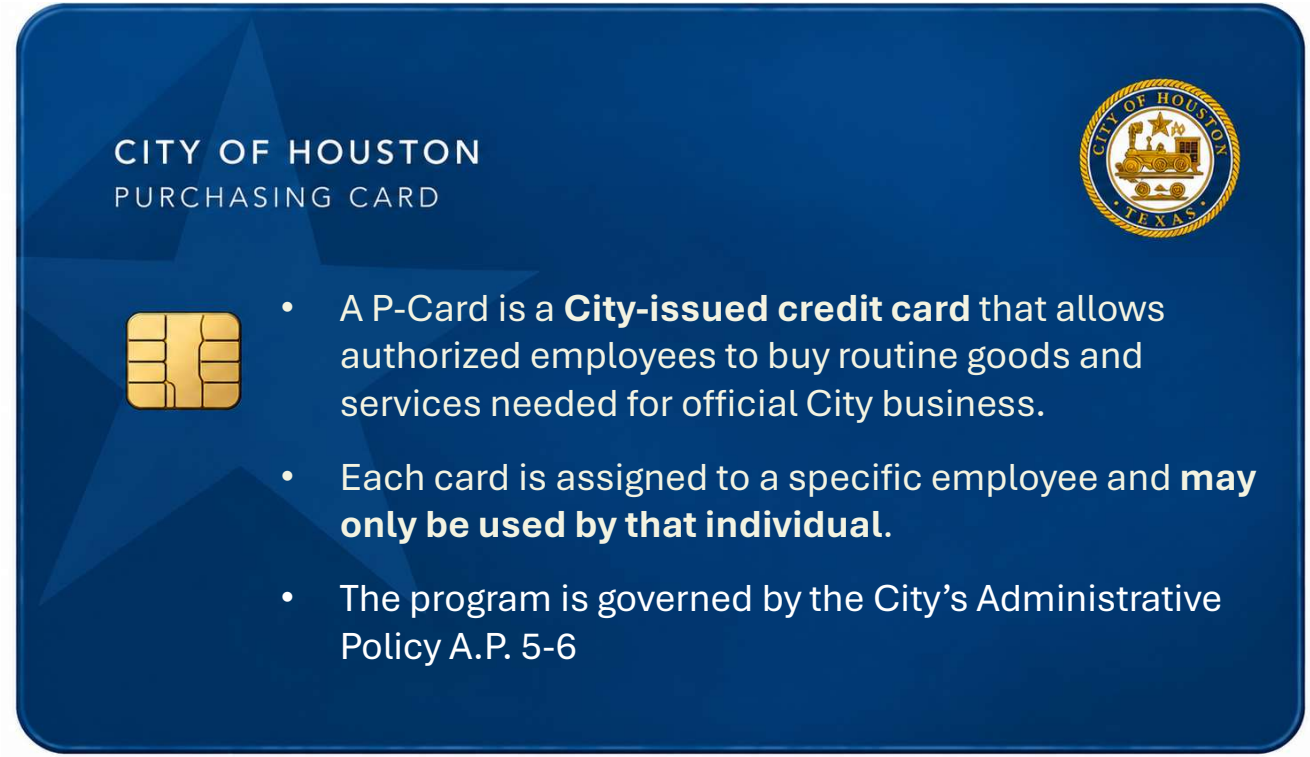
This presentation will focus on:

- What a P-Card is;
- Key aspects of the City's P-Card Policy;
- Five-year P-Card spend activity and trends; and
- Observations and opportunities

This presentation does not:

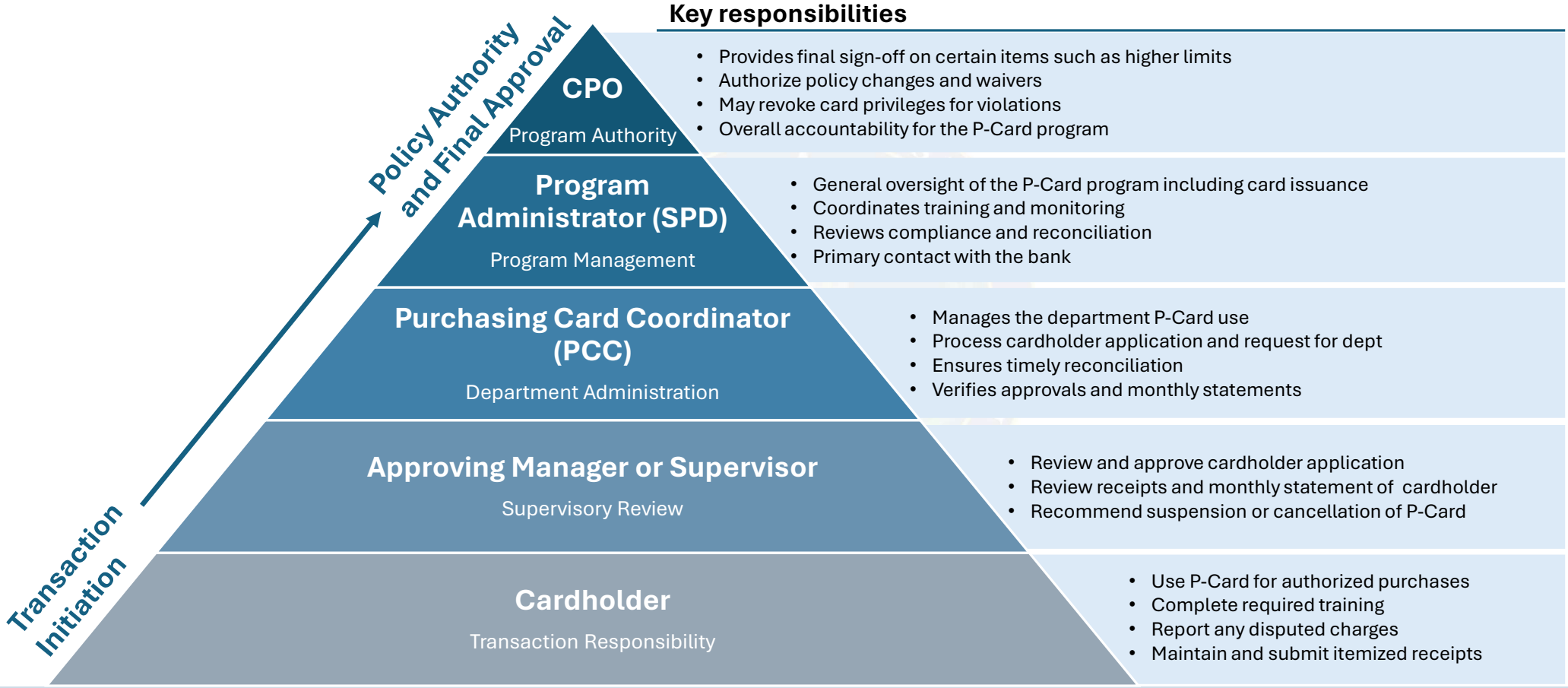
- Verify exception approvals or assess the adequacy of supporting documentation and receipts – these steps would require an audit

What is a P-Card?



Note: A.P. 5-6 was updated on April 3, 2026, providing greater flexibility in P-Card usage, expanding the Chief Procurement Officer's discretionary authority, and clarifying purchasing and oversight responsibilities.

City policy governs P-Card use and oversight



Source: City of Houston Administrative Procedure 5-6, Purchasing Card Policy and Procedures, effective April 3, 2026, Section 5

P-Card spending limits must follow the City Charter and Texas procurement laws



$3,000

Maximum per Single Transaction



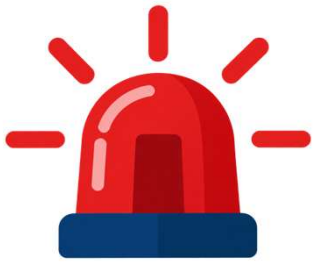
$10,000

Maximum per Month

Splitting a purchase into smaller or repeated transactions to get around the spending limit **is not allowed**. If someone does this or approves it, the City can take away their P-Card and impose **serious disciplinary action, including suspension**.

Source: City of Houston Administrative Procedure 5-6, Purchasing Card Policy and Procedures, effective April 3, 2026, Section 6

The Chief Purchasing Officer or designee may authorize purchases that exceed the single or monthly limits for:



Emergency Preparedness



Inclement Weather



Disaster



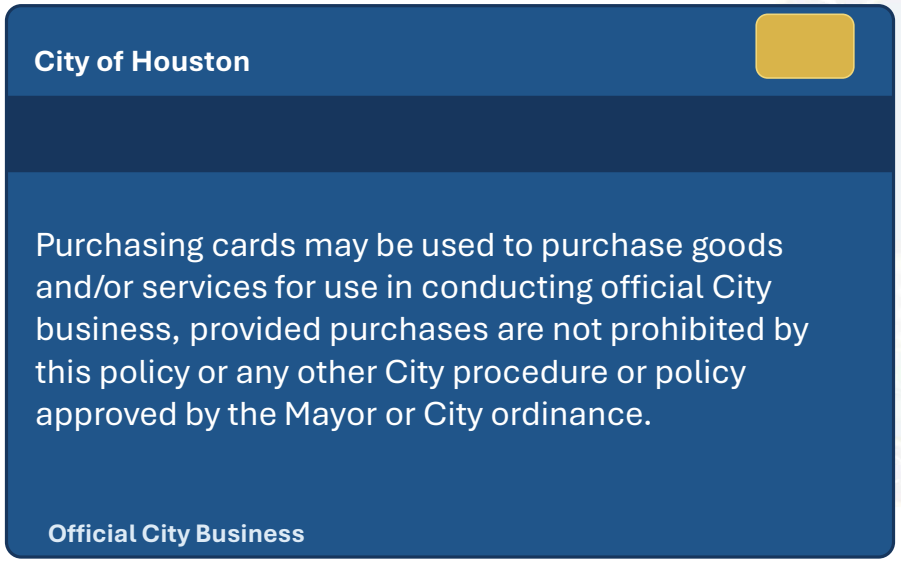
Other Health and Safety Conditions

All approve purchases must be consistent with City policies and procedures for emergency purchases and, if required, submitted to City Council as soon as possible.

Source: City of Houston Administrative Procedure 5-6, Purchasing Card Policy and Procedures, effective April 3, 2026, Section 6.3.

Purchases allowed with the P-Card

Routine City purchases are allowed within assigned limits. Certain categories require **additional approval** or policy compliance.



Special Purchase Categories

01 Furniture
Furniture purchases must follow AP 7-4. Obtain approval from the General Services Department (GSD) before buying. If GSD states approval isn't required, provide documentation confirming that determination.

02 Food
The cardholder must be on the approved food profile. Department Directors submit additions or removals to the CPO in writing.

03 Travel
All travel-related purchases must comply with AP 2-5 for authorization and reimbursement.

Source: City of Houston Administrative Procedure 5-6, Purchasing Card Policy and Procedures, effective April 3, 2026, Section 7.

Purchases prohibited with the P-Card

Section 8 prohibits personal or high-risk uses and limits several categories to approved channels or written authorization.

Not allowed
May result in suspension of the P-Card

- x **Cash advances**
  No cash withdrawals or advances
- x **Personal expenditures**
  No purchases for personal use
- x **Rolling stock**
  No motorized or wheeled transport units
- x **Payment applications**
  No Venmo, PayPal, Zelle or similar apps
- x **Personal memberships or profiles**
  City memberships may be used – never save the P-Card to a personal profile

Limited exceptions

01 **Gift cards**
Allowed only when a purchase order cannot be used and the CPO approves the purchase

02 **Tolls**
Allowed only for City-owned vehicles; must include license plate number and upload documentation

03 **Amazon**
Purchases must use the City's Amazon Business Prime account

04 **Technology**
Requires written approval from the HITS CIO or the federated department CTO

When limited exception applies, retain the required approval and supporting documentation.

Source: City of Houston Administrative Procedure 5-6, Purchasing Card Policy and Procedures, effective April 3, 2026, Section 8.

The February 2025 EY report noted several concerns with P-Cards

In February 2025, Ernst & Young released an efficiency study of City of Houston operations that included a review of the City's P-Card Program.

AREA OF CONCERN	FINDING
Potential transaction splitting	Transactions appeared to be divided into smaller payments, potentially to remain below established limits
Large round-dollar transactions	Unusually large, round-dollar purchases were identified as transactions warranting further review
Prohibited vendors	Purchases involving vendors identified as prohibited, including Amazon, were flagged
Third-party payment platforms	P-Card activity involving prohibited payment platforms such as PayPal was identified
Incomplete purchase descriptions	Nearly half of FY2024 item descriptions were blank or vague, limiting spending analysis
Monitoring and oversight	There were multiple opportunities for stronger controls, standardized monitoring, and centralized follow-up

Source: EY, City of Houston Enterprise Assessment Report (2024), Forensic Data Analysis, pp. 218–219. | Summary paraphrases EY findings.

P-Card purchases represent approximately $122M in Citywide spending since FY2022

Though declining, P-Cards remain a significant and recurring Citywide purchasing method

Five-Year Average P-Card Spending

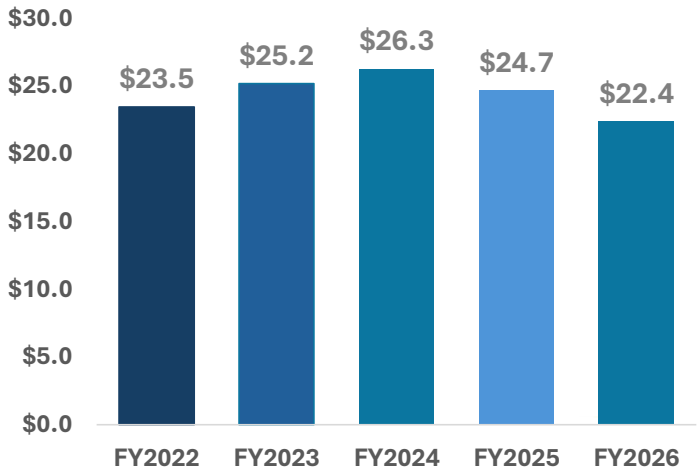
$24.4M

Per year

↘ 15%

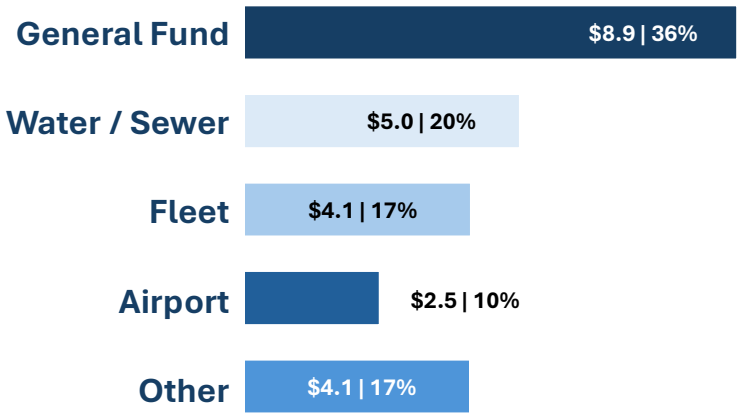
Since FY2026

Total P-Card Spending by Fiscal Year
$ Millions



Four funds account for 83% of P-Card spending

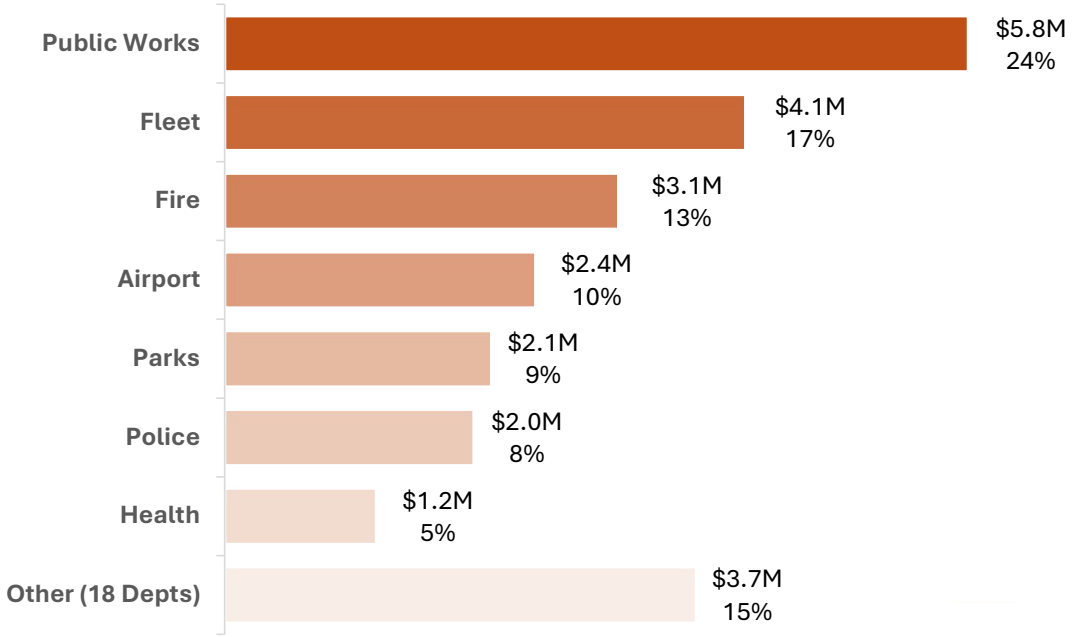
P-Card Spending by Fund (Five-Year Average)
$ Millions



Public Works leads P-Card spending, averaging $6 million annually

P-Card Spending by Department

All Funds

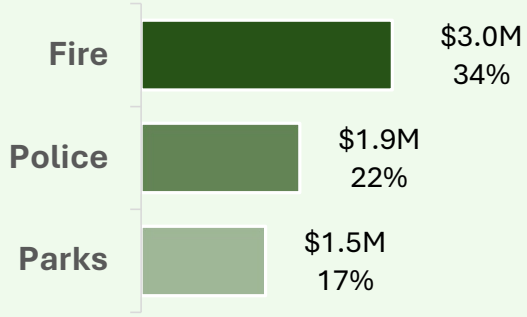


53% of Citywide spending comes from the top three departments

General Fund Spotlight

$8.9M average annual spend

(36% of citywide P-Card spending)

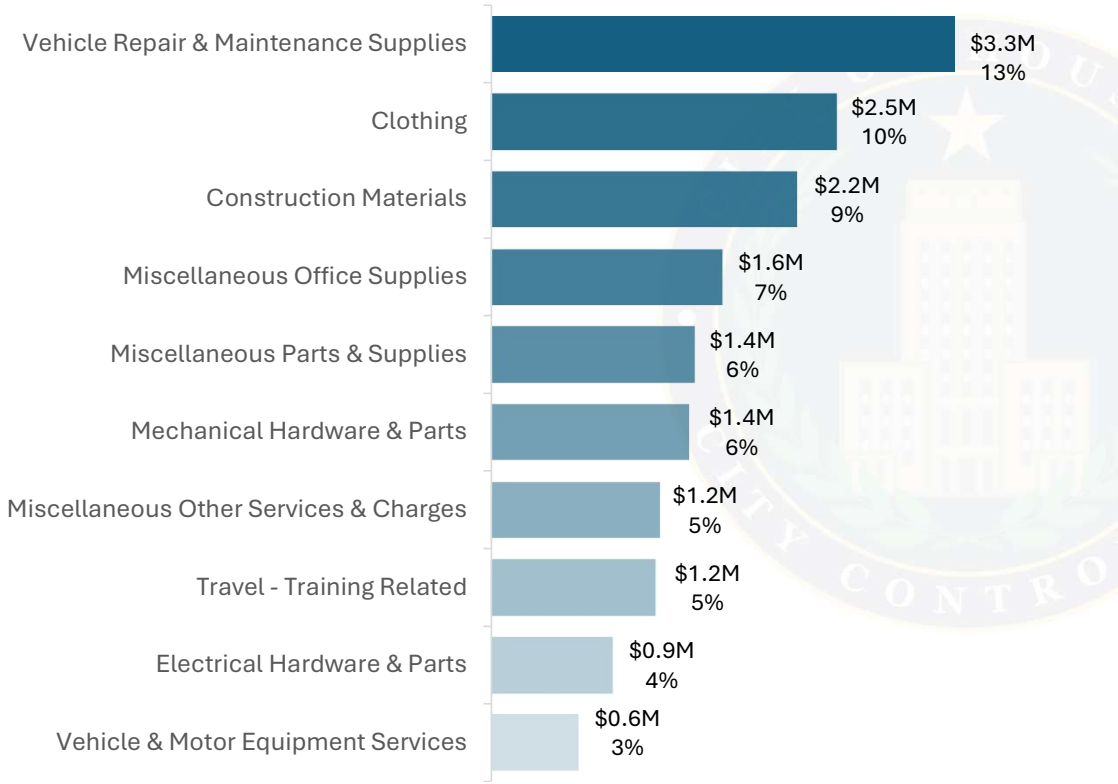


72% of General Fund spending comes from these three departments

Ten categories account for 67% of average annual P-Card spending

P-Card Spending by Category

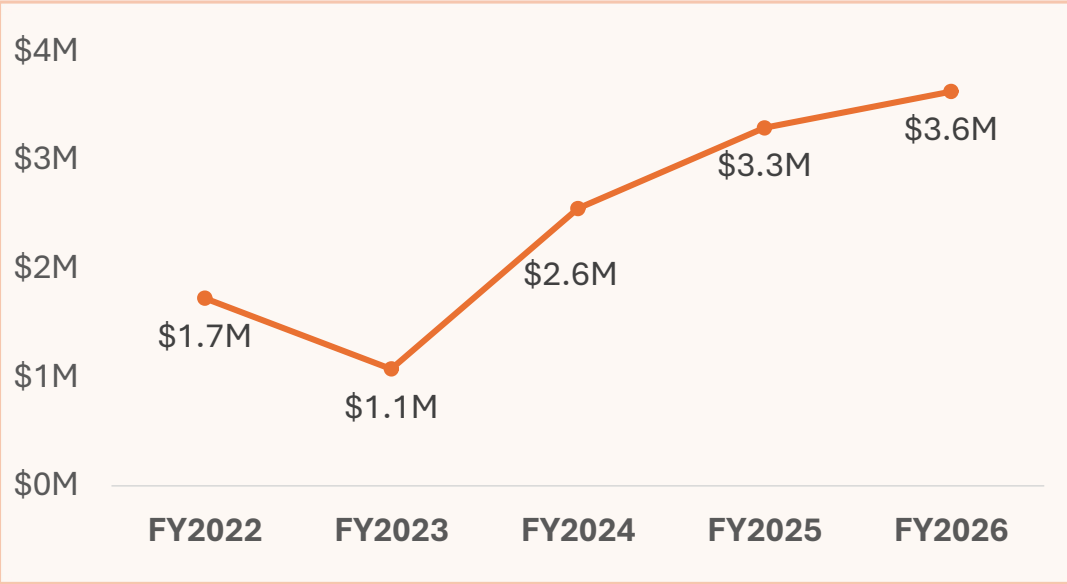
All Funds



- **Ten GL categories account for 67%** of the City's $24.4 million average annual P-Card Spend
- The **remaining 117 categories account for 33%** of total spending, reflecting a broad range of categories.
- Vehicle repair and maintenance supplies, clothing, construction materials, and office supplies are among the largest spending categories

Spending in the clothing category more than doubled from $1.7M in FY2022 to $3.6M in FY2026

Annual spending ($millions)



Growth accelerated in FY2025

Spending increased 61% in FY2025 and another 19% in FY2026

75% or $2.7M

of the FY2026 clothing spend was made by the Fire Department

78% or $2.8M

of the total cost is associated with a single vendor

Given the scale and recurring nature of these purchases, clothing and protective gear should be procured through purchase orders rather than P-cards. According to the Strategic Procurement Division, this practice will not continue in FY2027 and beyond.

A look at the Top 5 cardholders in FY2026

Key observations

- Of the approximately 950 P-Card holders with spending activity in FY2026, the top five accounted for $3.5 million, or 15.6% of total citywide P-Card spending
- One Fire Department cardholder accounts for $2.74M across 24 transactions

CITYWIDE SPEND	TOP FIVE SPEND	SHARE OF CITYWIDE
$22.4M	$3.5M	16%

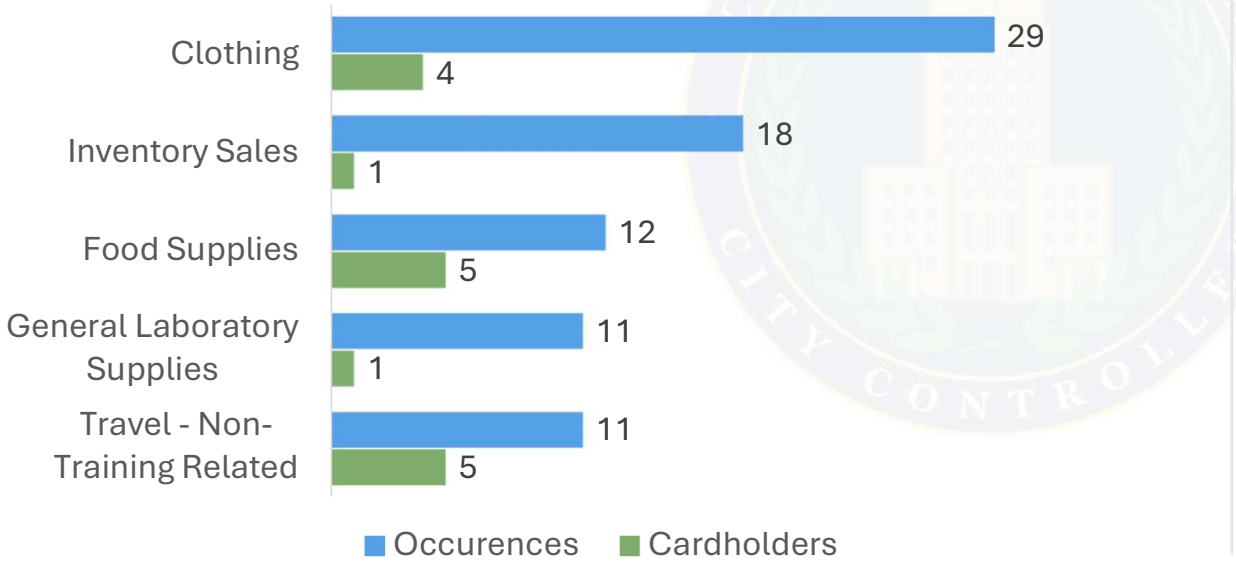
Title	Dept.	FY2026 Spend ($ Millions)	Citywide Share	# of Transactions	Avg. Spend per Transaction
Division Manager	**Fire**	**$2.74**	**12.2%**	**24**	**$114,056**
Customer Service Representative III	Fleet	$0.26	1.2%	759	$343
Management Analyst III	Parks	$0.23	1.0%	40	$5,694
Senior Police Officer	Police	$0.15	0.7%	88	$1,760
Customer Service Supervisor	Fleet	$0.12	0.5%	485	$248

Amounts above standard limits may include approved exceptions. This analysis does not verify exception approvals or establish policy violations.

Five spending categories account for 52% of transactions above the $3,000 limit

155 Transactions above $3,000

81 Transactions in top five categories



Key observations

- Clothing and Inventory Sales together account for 47 transactions (30% of all)
- Inventory Sales and General Laboratory Supplied have 18 and 11 transactions respectively, each associated with a single cardholder

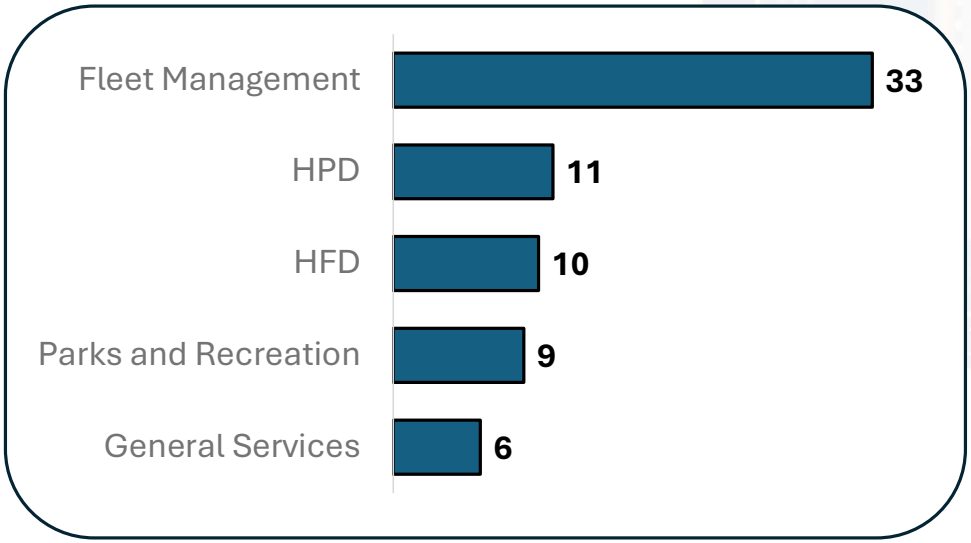
Amounts above standard limits may include approved exceptions.

49 cardholders are responsible for 83 occurrences where monthly transactions exceed $10,000

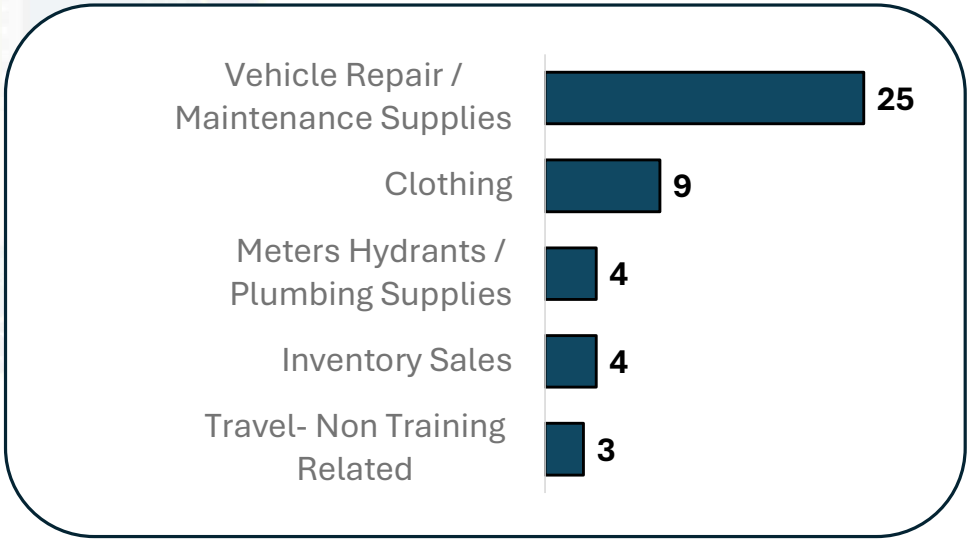
83
Occurrences where a single cardholder spent more than $10,000 in one month

49
Unique cardholders

Top Occurrences by Department



Top Occurrences by Category



Amounts above standard limits may include approved exceptions.

Potential split transactions

Transaction splitting occurs when a purchase is divided into multiple transactions to avoid the City's $3,000 single-transaction limit or other purchasing requirements.

Transaction 1		Transaction 2		Combined Amount
Date: June 4, 2026	+	**Date:** June 4, 2026	=	
Merchant: Frenchy's Chicken		**Merchant:** Frenchy's Chicken		
$2,676.37		**$2,227.64**		**$4,904.01**

Observations: Same individual, vendor and document date. Combined total exceeds $3,000 single-transaction by $1,904.01.

The Strategic Purchasing Division conducts monthly reviews to identify potential transaction splitting. Purchases made under approved contracts or in accordance with AP 4-11 (Travel Policy) are generally excluded from consideration as potential splitting.

Third-party payment platforms

Third-party payment applications, such as PayPal, Venmo and Zelle, act as intermediaries to send or process payments to vendors. AP 5-6 prohibits their use, and the analysis identified a few purchases with PayPal listed in the merchant description.

Example 1	Example 2	Example 3
Department: Neighborhoods	**Department:** Health Department	**Department:** Police
Merchant: PayPal *KYKOEDESIGN	**Merchant:** PayPal *SYLLABUSX	**Merchant:** PayPal *PROJECTPROM
$2,850.00	**$1,385.00**	**$2,995.31**



The Strategic Purchasing Division is aware of this issue and working to resolve it. Preliminary information suggests the PayPal designation may originate from the vendor's payment processing system.

Inconsistent classification of purchases

The analysis identified instances where purchases appear to have been charged to incorrect general ledger accounts.

Example 1	Example 2	Example 3
Department: Police **Merchant:** Virgin Hotels **General Ledger Charged:** Misc Other Services	**Department:** Houston Airport System **Merchant:** Hyatt Place **General Ledger Charged:** Banking Services	**Department:** Legal **Merchant:** The Dump Furniture **General Ledger Charged:** Misc Office Supplies
$896.81	**$538.00**	**$4,507.00**



The issue appears largely attributable to human error. The strategic Purchasing Division plans to consolidate P-Card coordinators to improve consistency in coding and reduce errors.

There remain opportunities to further enhance monitoring, accountability, and data quality

- **Spending patterns:** Transactions above standard limits and concentrated purchasing activity warrant continued monitoring
- **Recurring concerns:** Potential split payments and third-party payment platforms echo issues noted in the FY2025 EY Efficiency Study
- **Data quality:** Potential inconsistencies in general ledger coding highlight opportunities to improve expenditure classification

Next steps: Use the results to prioritize monitoring and targeted audits of policy compliance, approved exceptions, and supporting documentation

THANK YOU!

For additional information contact:

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