



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

PURCHASING CARD PROGRAM

REPORT # 255

JANUARY 2, 2014

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JANUARY 2, 2014

The Honorable Mark Sharpe, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Sandra L. Murman

Dear Chairman Sharpe and Commissioners:

The Audit Team performed an audit of the Purchasing Card Program (Audit Report #255, dated January 2, 2014). Responses to the Audit Team's recommendations were received from the Director of Procurement and have been included in the report after each audit comment and recommendation.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Procurement during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director, County Audit

c: Mike Merrill, County Administrator
Bonnie Wise, Deputy County Administrator
Tom Fesler, Director, Business and Support Services
Bruce Dangremond, Performance Mgmt, Business & Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

The County's purchasing card program is administered by the Business and Support Services Department, Procurement Division (Procurement). In its role, Procurement establishes the organizational policy governing the use of purchasing cards and the individual department directors manage the purchasing process for the cardholders within their respective business units. The following information applies to the six months of purchasing card activity ending March 31, 2013.

Number of active purchasing cards:	729
<i>(112 of these cards are emergency cards or suspended cards with a \$0.00 limit.)</i>	
P-Card expenditures (net):	\$11.5 m
P-Card transaction count:	18,658

Top Vendors	Amount
TFS Fisher Science	\$1.3m
Baker - Taylor	\$749K
Design Lab	\$546K
Office Depot	\$369K

Top Index Code	Amount
Books and Materials	\$1.5m
Fire Suppression/Ambulance Ops	\$1.3m
Special Operations	\$391K
Road Maintenance/Repair	\$347K

OBJECTIVE:

The objective of the audit was to evaluate whether controls are in place to provide reasonable assurance that the risks associated with the County's use of purchasing cards are adequately and effectively mitigated.

SCOPE:

The scope of the audit was to review and evaluate the internal controls and compliance with Procurement’s Purchasing Card policies and procedures. The Audit Team’s review was limited to the historical purchasing card activity for the period from October 1, 2012, to March 31, 2013, and the scope of the audit was limited to the administrative level policies and procedures and not departmental procedures. This scope limitation was a result of the anticipated changes being made to the Procurement Purchasing Card Policy and departmental processes as a result of the Oracle ERP implementation.

OVERALL EVALUATION:

AUDIT COMMENT	DESCRIPTION	PAGE REFERENCE
1	Limiting the issuance of purchasing cards to only necessary staff that make frequent purchases will mitigate the associated inherent risks.	page 3
2	Opportunities exist to strengthen controls to ensure compliance with the Procurement Purchasing Card Policy.	page 5

OPINION:

Overall, Procurement has both preventative and detective controls in place to ensure that the purchasing card activity complies with the Purchasing Card Policy, incorporates applicable administrative directives, and mitigates the risk of inappropriate use. These controls appear to be well designed and consistently applied by Procurement in their administration of the Purchasing Card Program.

The recommendations made in this report represent opportunities to enhance these controls through the use of additional monitoring and analysis of the purchasing card activity and trends.

AUDITED BY:

Peggy Caskey, Director, County Audit
Mark Kolman, Audit Manager
Heidi Pinner, Senior Auditor

AUDIT COMMENTS & RECOMMENDATIONS

AUDIT COMMENT 1

Ensuring that purchasing cards are limited to only necessary staff that make frequent purchases will mitigate the associated inherent risks.

Purchasing cards used for day to day operational purchases are set up with a routine profile in the purchasing card system, WORKS. The County also has an emergency card program in place to activate a separate card profile upon declaration of an emergency situation. Purchasing cards in the emergency card program are given an emergency profile in WORKS, which has a zero dollar available balance until emergency activation.

The audit team reviewed the population of 729 purchasing cards. This test identified 34 active purchasing cards which have had no purchasing activity for more than twelve months.

Further inquiry on these 34 purchasing cards identified that 8 remain open per the request and approval of the department director(s). The remaining 26 are active for use in the event of an emergency.

Per the Procurement Manual, Section 4.1.0 - Card Accounts and Authorized Use, "Purchasing Cards are to be issued to employees who frequently purchase commodities and services and to designated employees for emergency purchases during declared emergencies." The manual does not establish any criteria to determine what level of activity would be considered frequent purchasing.

The inherent risk of theft, loss, or unauthorized use increases as the number of active purchasing cards increases. Limiting the issuance of purchasing cards to only necessary staff that frequently make purchases mitigates this risk.

RECOMMENDATION:

Consideration should be given to ensuring that purchasing cards that are part of both the emergency card program and have a routine profile, are only active for employees who make frequent purchases of commodities or services.

The Purchasing Card Procedure could also be enhanced if it defined a "frequent purchase" and identified a criteria and procedure for handling exceptions.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Business & Support Services – Procurement enhanced the “Inactive Card Program” on October 9, 2013 to ensure cards that are part of both the Emergency PCard Program and have a “Routine Profile” are being monitored for usage. The Inactive Card Program was initially implemented on July 9, 2003. When cardholders with a “Routine Usage” profile have not used their cards at least once in a three-month period or have never used their cards since issuance, a report is sent to Department Directors / Agency Heads notifying them. Business & Support Services – Procurement requests these cards be relinquished unless the Department Director / Agency Head can provide justification for continued use.

Business & Support Services – Procurement defines a “frequent purchase” as using a card at least once in a three-month period. The enhancement to the Inactive Card Program was launched on October 9, 2013. By January 31, 2014, the Procurement Manual will be updated to include the definition of a “frequent purchase” and the Inactive Card Program process.

TARGET COMPLETION DATE:

January 31, 2014

AUDIT COMMENT 2

Opportunities exist to strengthen controls to ensure compliance with the Procurement Purchasing Card Policy.

As part of the review, the Audit Team tested a random sample of 50 purchasing card transactions and supporting documentation for adherence to the Procurement Purchasing Card Policies and Procedures. The Audit Team reviewed these transactions and documents based on the following risk factors:

1. The purchasing card purchases served a public purpose.
 - Based on the available information, the transactions tested appeared to serve a public purpose. There were no identified exceptions.
 - Procurement's Purchasing Card Violation Log contained a record of instances of personal use detected by established controls, determined to be inadvertent and incidental violations, and addressed with appropriate corrective action.
2. The purchasing card transactions were not split among multiple transactions to circumvent purchasing thresholds.
 - No material concerns were identified during testing.
3. The purchasing card transactions are made by the designated cardholder.
 - No material concerns were identified during testing.
4. The purchasing card transactions are for only policy approved commodities.
 - Automated Merchant Category Code restrictions are in place for prohibited commodities; this control was tested and appears to be working as designed.
 - Exceptions or management overrides of this control were appropriately authorized and documented.

5. The purchasing card transactions are supported by appropriate authorizations and documentation.
- Ninety-four percent (94%) of the fifty transactions tested had appropriate support and authorization.
 - Ninety-eight percent (98%) of the fifty transactions tested had the cardholder's signature on the receipt or invoice.
 - Two of the fifty transactions in the sample were for commodities which required pre-approval. In both instances approval was not obtained until after the purchases were made and submitted to County Finance for payment (1 information technology purchase and 1 public awareness purchase).

Administrative Directive IT-01 states in part that, "To ensure compatibility with existing systems and availability of support, departments are required to seek ITS approval prior to using the Purchasing Cards to purchase Information Technology Equipment, and related peripherals."

Administrative Directive 22 (AD-22): Public Awareness, Awards and Sponsorship Activities states in part that, "All programs established and expenditures authorized by BOCC Policy 01.19.00.00 must be approved in advance by the County Administrator or his/her designee and be budgeted in the end user department."

Transactions which bypass established approval and authorization controls could lead to fraud, waste, abuse or misuse of County funds.

RECOMMENDATION:

Consideration should be given to ensuring that the established approval requirements are met prior to making purchasing card purchases.

Consideration should also be given to enhancing the monitoring of commodities which require additional approvals to ensure that exceptions are detected timely and that appropriate corrective action is taken.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The importance of cardholders following the Purchasing Card Procedures has been strongly reinforced to all cardholders and Department Directors / Agency Heads through of thorough training, Purchasing Card bulletins and reports of infractions with recommended consequences. Additionally, Department Directors / Agency Heads are responsible for taking other appropriate action when employees violate Purchasing Card Procedures.

Business & Support Services – Procurement will issue warnings to cardholders that do not comply with by the Purchasing Card Procedures and relevant Administrative Directives.

By January 31, 2014, an infraction classification of “non compliance of additional approvals required by the Purchasing Card Procedures and relevant Administrative Directives” and action classification of “warning” will be added to the Procurement Manual.

TARGET COMPLETION DATE:

January 31, 2014

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