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Excellence...Always

Paula S. O'Neil, Ph.D.
Clerk & Comptroller
Pasco County, Florida

April 28, 2016

The Honorable Kathryn Starkey, Chairman, and
Members of the Board of County Commissioners
Pasco County Board of County Commissioners
8731 Citizens Drive
New Port Richey, FL 34654

Dear Chairman Starkey and Members of the Board:

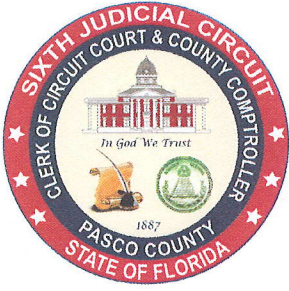
Enclosed is Audit Report No. 2014-04, an audit of the Purchasing Card Program. The objective of this audit was to assess the internal controls over the Purchasing Card Program, and to determine compliance with related policies and procedures.

Based on results of the completed audit, 20 audit comments and two observations were identified. All comments, observations, and recommendations were discussed with management in Purchasing, and their verbatim responses were included in this report.

The results of the audit were as follows:

Compliance:

1. Several transactions were unauthorized and/or prohibited purchases. These transactions resulted in violations of the purchasing card policy.
2. Purchase documentation was not sent to Financial Services in accordance with the purchasing card policy. Consequently, payments were not always in compliance with the Florida Prompt Payment Act.
3. Purchases were not always exempted from sales tax. As a result, some purchases were not in accordance with F.S. 212.08.
4. Cardholder accounts were not always closed in accordance with purchasing card policy, which increased the risk of fraudulent charges being made.
5. Available funds were not always verified by Fleet cardholders in accordance with the purchasing card policy. As a result, numerous purchases were declined.



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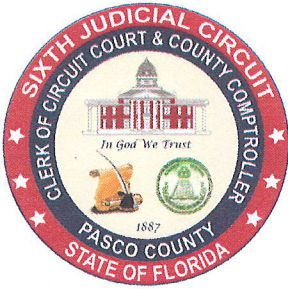
Pasco County Board of County Commissioners

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Control Activities:

6. There were some purchasing cards with transactions posted on or after the date the cardholder was terminated. As a result, some purchases were not authorized and it was not determined if all the purchases were for a county purpose.
7. Numerous transactions were considered questionable. As a result, it was not determined if these purchases were valid.
8. Some cardholders had duties that were not always segregated. As a result, inappropriate transactions could have been approved for payment and been undetected.
9. High risk merchant category codes were not all restricted, which increased the risk of unauthorized or prohibited purchases.
10. For some transactions, there was no supporting documentation on file in Financial Services. As a result, payment and or purpose for numerous transactions could not be verified.
11. Purchases did not always exclude reward points. As a result, it was undetermined if the reward points were accrued to the County or for personal gain.
12. Purchasing card transactions by vendor were not always reviewed. Consequently, purchases may not have been in compliance with the Purchasing Ordinance.
13. Declined transactions were not always reviewed. As a result, attempted misuse or fraudulent activity may have been undetected.
14. There were numerous cardholders with no purchase activity, which increased the exposure of misuse and unauthorized transactions.
15. User access to the *Works* system was not always appropriate, and increased the risk of unauthorized use.
16. Purchasing forms were not updated or reviewed on a regular basis. Consequently, information on file was not always accurate and cardholder accountability was weakened.
17. There was no documentation for one profile that was adjusted. As a result, the reason for adjustment was undetermined.



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April 28, 2016
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18. Original receipts were not always retained by departments. Consequently, some purchasing records may not have been in compliance with record retention requirements.
19. Monthly cardholder statements were not always reviewed and or reconciled. As a result, fraudulent or erroneous charges may have gone undetected.
20. The purchasing card policies were not revised since 2004. As a result, policies may not have reflected changes made in practice and lacked detail in some areas.

Observations:

21. A transaction was charged to the wrong line item on the purchase order. Consequently, account balances were inaccurate.
22. One account reflected an incorrect cardholder status in the *Works* system.

The recommendations made in this report were provided to improve the control environment. During the course of this audit, management implemented some of the Inspector General's recommendations.

We appreciate the cooperation and professional courtesy received from the management and staff of the Purchasing Division during this audit. Please let us know if you wish to discuss any comments and or recommendations.

We request the Board to receive and file this report.

Sincerely,

*Paula S. O'Neil, Ph.D.
Clerk & Comptroller*

PSO/pm

Office of Paula S. O'Neil
Clerk & Comptroller
Pasco County, Florida

Pasco County Board of County Commissioners
Purchasing Card Audit

May 24, 2016



Department of Inspector General

Patrice Monaco-McBride, CIG, CIGA, CGFO
Inspector General

Erika Hendricks, CIA, CIGA, CFE, Senior Auditor

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Report No. 2014-04

Department of Inspector General
P.O. Box 724
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Executive Summary

Background Information

At the request of the former Purchasing Director, the Division of Inspector General (IG) completed an audit of the Purchasing Card program. The former director requested a report of compliance with policies and procedures, and invited the IG to provide recommendations for improvement where appropriate. This audit project commenced in June, 2014, but due to a subsequent high profile project that required all IG resources, it was placed on a *hold* status in October 2014 by the Inspector General.

In December 2001, the Purchasing Card Program was implemented to provide an efficient and cost effective method of purchasing and paying for goods and services. This program provided the flexibility to purchase small routine materials and supplies in a timely and cost-effective manner for departments throughout Pasco County (County). The Purchasing Director was responsible for the administration of the Purchasing Card Program and the establishment of policies and procedures.

The County had an agreement with FIA Card Services, N.A., a subsidiary of Bank of America Corporation, for VISA purchasing card services using a cooperative agreement administered by the Hillsborough County Board of County Commissioners. The County also utilized *Works*, a Bank of America web-based application to electronically manage and monitor the Purchasing Card Program.

The purchasing card was designed only for official and authorized county purchases that were for day-to-day, unique, unscheduled, non-recurring purchases that did not exceed \$2,500. The County's Purchasing Handbook (PR388 Purchasing Card) prohibited the following purchases:

- Personal items
- Cash advances
- Items stocked in Central Stores
- Capital equipment
- Medical services
- Purchases involving Florida State Contracts
- Purchases involving annual awards, bids, and quotes established or solicited by the Purchasing Department
- Purchases from vendors for whom a separate (non-credit) blanket purchase order had been established and was active

All purchases over \$2,500 were required to be made by a separate purchase order in accordance with the Pasco County's Purchasing Ordinance. Purchases that were expected to exceed an aggregate total of \$2,500 within a 12-month period required solicitation of quotations, formal bids, or proposals. Splitting purchases among multiple transactions or cardholders to stay within the single purchase limit was a violation of the purchasing card policy.

Approximately \$4 million was spent annually using purchasing cards, and there were about 20,000 transactions processed per year. Single transaction dollar and billing monthly cycle dollar limits were set for each cardholder. Generally, purchases were limited to \$2,500 per transaction (single purchase limit) and the cycle limit was \$5,000. Some departments were considered *super users* with a cycle limit between \$15,000 and \$25,000.

The total number of debit transactions for the period 6/30/2013 through 6/30/2014 were summarized below:

Number of Active Cards (as of 6/30/14)	Total Number of Debit (charge) Transactions	Average Amount of Debit (charge) Transactions	*Net Total Amount Spent
366	19,255	\$ 241.22	\$ 4,493,179

*Net Total Amount Spent was total debit charges minus total credit refunds.

Of the 366 purchasing cards, the following limits were established:

Single Transaction Limit	Number of Cards
\$2,500.00	362
no limit	<u>4</u>
Total	366

Billing Cycle Limit	Number of Cards
\$ 5,000.00	338
\$ 15,000.00	16
\$ 25,000.00	10
\$100,000.00	<u>2</u>
Total	366

Objective

The overall objectives of the audit were to evaluate the adequacy of internal controls over the Purchasing Card Program, and determine compliance with internal policies and procedures. Specifically, the objectives were to:

- Determine whether the internal controls in place for the Purchasing Card Program were reasonable and adequate, including controls to prevent and detect card misuse and abuse.
- Verify that purchasing card transactions were in compliance with applicable laws, regulations, County ordinances, and the County’s procurement policies and procedures.

Scope and Methodology

The audit period was from June 30, 2013 through June 30, 2014. The nature and scope of the audit was intended to provide objective and relevant assurance, and to contribute to the effectiveness and efficiency of governance, risk management, and control processes of the Purchasing Card Program. Although the audit team exercised due professional care in the performance of this audit, this did not mean that unreported noncompliance or irregularities did not exist. The deterrence of fraud, and/or employee abuse was the responsibility of management. Audit procedures alone, even when carried out with professional care, did not guarantee that fraud or abuse was detected. The audit was neither designed, nor intended, to be a detailed study of every relevant system, procedure, or transaction.

To achieve our objectives, the procedures performed included, but were not limited to, the following:

- Reviewed internal policies and procedures related to the Purchasing Card Program, the County's Purchasing Ordinance, and Florida Statutes.
- Reviewed and tested cardholder information related to policies and procedures, such as issuance of purchasing cards, deactivation of purchasing cards, established card limits, documentation on file, and purchasing card training.
- Selected five departments to observe the process for reconciling and processing transactions for payments. Departments with both high and low activity based on the dollar amounts of transactions for the audit period were selected for testing, which included, Facilities Management, Fiscal Services, Fleet Maintenance, Parks and Recreation, and Utilities (Fiscal Customer Service). The County Attorney's Office was also selected.
- Analyzed purchasing card transactions for unusual activity during the audit period and purchases that were prohibited:
 - Purchases made on weekends and holidays
 - One-time purchases
 - Purchases close to the single transaction limit (\$2,500)
 - Purchases with sales tax
 - Purchases made by accounting clerks
 - Split transactions
 - Purchases with merchant category codes that appeared uncommon, or risky (i.e. hotels, restaurants, department stores, groceries store, medical services, etc.)
- Selected the following samples of purchasing card transactions during the audit period to test and review supporting documentation. A total of 384 transactions were selected for testing.
 - A statistical random sample of the whole transaction population that was based on a 95% confidence level and a 10% margin of error, resulted in a total of 96 transactions randomly selected for testing.
 - Judgmental samples based on transactions identified with unusual activity as noted above. A total of 288 were selected for testing.

- Reviewed and tested documentation related to transactions declined during the audit period.
- Reviewed documentation related to purchasing transactions summarized by vendor and department that totaled more than \$25,000 for fiscal year 2014 (as of 6/30/14).

Statutory Authority and County Guidelines

To conduct this audit, the Division of Inspector General relied on the following authoritative guidelines to serve as criteria:

- Pasco County Ordinance, Article IV. Finance, Division 2- Purchasing
- Pasco County Purchasing Handbook, PR388 Purchasing Card
 - Sec. 2-94. Responsibility for purchasing
 - Sec. 2-95. Purchasing Director
 - Sec. 2-101. Unauthorized purchases
 - Sec. 2-102. Subdividing contract or purchase
 - Sec. 2-107. Emergency purchases
 - Sec. 2-111. Open market procedures
 - Sec. 2-122. Competitive sealed bids
- 2014 Florida Statutes, Title XIV, Chapter 212: Tax on Sales, Use, and Other Transactions
 - 212.08(6)- Exemptions; Political Subdivisions
- 2014 Florida Statutes, Title XIV, Chapter 218: Financial Matters Pertaining to Political Subdivisions
 - 218.73- Timely Payment for non-construction services
 - 218.74(2)- Procedures for calculation of payment due dates
- Rule 1B-26.003, Florida Administrative Code
 - State of Florida, Electronic Records and Records Management Practices

Overall Evaluation

The purpose of this report was to provide management independent, objective analysis, recommendations, and information concerning the activities reviewed. It was not an appraisal or rating of management. The Division of Inspector General would like to express our gratitude for the cooperation and professional courtesies extended to the audit team by the Purchasing Department. We would also like to commend management and staff for their responsiveness in taking corrective action for comments that were brought to their attention during the audit. The audit comments were summarized in the table below.

No.	Description	Page Reference
Comments (compliance):		
1.	Several transactions were unauthorized and/or prohibited purchases. These transactions resulted in violations of the purchasing card policy.	9
2.	Purchase documentation was not sent to Financial Services in accordance with the purchasing card policy. Consequently, payments were not always in compliance with the Florida Prompt Payment Act.	11
3.	Purchases were not always exempted from sales tax. As a result, some purchases were not in accordance with F.S. 212.08.	12
4.	Cardholder accounts were not always closed in accordance with purchasing card policy, which increased the risk of fraudulent charges being made.	13
5.	Available funds were not always verified by Fleet cardholders in accordance with the purchasing card policy. As a result, numerous purchases were declined.	14
Comments (control activities):		
6.	There were some purchasing cards with transactions posted on or after the date the cardholder was terminated. As a result, some purchases were not authorized and it was not determined if all the purchases were for a county purpose.	15
7.	Numerous transactions were considered questionable. As a result, it was not determined if these purchases were valid.	17
8.	Some cardholders had duties that were not always segregated. As a result, inappropriate transactions could have been approved for payment and been undetected.	18
9.	High risk merchant category codes were not all restricted, which increased the risk of unauthorized or prohibited purchases.	19

No.	Description	Page Reference
10.	For some transactions, there was no supporting documentation on file in Financial Services. As a result, payment and or purpose for numerous transactions could not be verified.	19
11.	Purchases did not always exclude reward points. As a result, it was undetermined if the reward points were accrued to the County or for personal gain.	20
12.	Purchasing card transactions by vendor were not always reviewed. Consequently, purchases may not have been in compliance with the Purchasing Ordinance.	21
13.	Declined transactions were not always reviewed. As a result, attempted misuse or fraudulent activity may have been undetected.	21
14.	There were numerous cardholders with no purchase activity, which increased the exposure of misuse and unauthorized transactions.	23
15.	User access to the <i>Works</i> system was not always appropriate, and increased the risk of unauthorized use.	24
16.	Purchasing forms were not updated or reviewed on a regular basis. Consequently, information on file was not always accurate and cardholder accountability was weakened.	25
17.	There was no documentation for one profile that was adjusted. As a result, the reason for adjustment was undetermined.	26
18.	Original receipts were not always retained by departments. Consequently, some purchasing records may not have been in compliance with record retention requirements.	26
19.	Monthly cardholder statements were not always reviewed and or reconciled. As a result, fraudulent or erroneous charges may have gone undetected.	27
20.	The purchasing card policies were not revised since 2004. As a result, policies may not have reflected changes made in practice and lacked detail in some areas.	28
Observations:		
21.	A transaction was charged to the wrong line item on the purchase order. Consequently, account balances were inaccurate.	29
22.	One account reflected an incorrect cardholder status in the <i>Works</i> system.	29

Conclusion

The internal controls over the Purchasing Card Program required some improvement to reduce the risk of misuse within the program and ensure compliance with County purchasing policies and applicable laws. The recommendations made in this report were offered to strengthen the control environment. All comments, observations, and recommendations were discussed with management in the Purchasing Department, and their responses were included in this report.

Audit Comments & Recommendations

Compliance: Since compliance with agreements, contracts, laws, rules, regulation, policies and procedures is expected, recommendations were not provided.

Transaction Testing

1. Several transactions were unauthorized and/or prohibited purchases. These transactions resulted in violations of the purchasing card policy.

For 15 transactions, it appeared the purchases were unauthorized, split, and/or prohibited according to the purchasing card policy:

- One transaction for Fleet Maintenance showed the invoice amount as \$2,500, but the receipt showed a charge for \$2,499.99. According to the receiver submitted to Financial Services, the vendor undercharged the purchasing card by \$.01. It appeared the purchase exceeded the cardholder's single transaction limit of \$2,500 and the policy was circumvented by undercharging the cardholder \$.01 to prevent the purchasing card from being declined. This was a violation of the policy.
- Three transactions for Development Services, Fleet Management, and Office of Emergency Management, that totaled \$789.42 were purchases made after the cardholder's termination dates. These purchases were unauthorized. See comment #6 below for details.
- Documentation provided by Accounts Payable revealed a purchase on 4/26/14 by Animal Services in the amount of \$30.49. The documentation indicated it was an inadvertent charge by the cardholder's son for gas in a personal vehicle. The amount was reimbursed to the Pasco County Board of County Commissioners by the cardholder on 5/22/14, or 26 days after the purchase. This was considered a personal item, which was prohibited according to the policy.
- One transaction by Code Compliance was \$117 for uniform items. According to documentation obtained from the department accounting clerk, there was a separate purchase order in place for that vendor to purchase uniforms. This was a violation of the policy. This was 1 of the 22 transactions reflected as unpaid in FASBE (see comment #10 below).

- Two transactions by Risk Management that totaled \$126.50 were for medical services. The services included drug screen collections, breath ethanol, and copies of medical records. Medical services were prohibited purchases according to the policy. These were 2 of the 22 transactions reflected as unpaid in FASBE (see comment #10 below).
- Two separate transactions by Emergency Management for \$2,670.90 were included on the Decline Report because they exceeded the single transaction limit of \$2,500. On the same day (7/3/13), two separate transactions were posted in favor of the same vendor in the amounts of \$718.90 and \$1,952. According to the department accounting clerk, the items were purchased to be in compliance with an EMS audit, and was intentional. As a result of this audit, the former Purchasing Director was notified, and subsequently took action and informed the Fire Chief of the violation.
- One transaction by Utilities totaled \$2,786, was included on the Decline Report because of the single transaction limit of \$2,500. On the same day (9/4/13), two separate charges were made by the cardholder in the amount of \$1,393 each. It appeared that this was done to circumvent the purchasing card from being declined and stay within the established transaction limit for the purchasing card. This may have been an intentional violation of the policy and Purchasing Ordinance.
- Two transactions by Utilities, each for \$1,515, were included on the Single Transaction Limit Audit Report. On the same day (4/3/14), two charges were made by the cardholder. According to the department accounting clerk, these items were purchased for the "Fab Shop" and no truck numbers were associated with these two purchases. As a result, compliance with policy could not be determined.
- Two transactions were made on the same day to the same vendor by Parks and Recreation, in the amounts of \$1,974.80 and \$1,903.10. According to the department accounting clerk, the charges were for two different park employees, for four different types of equipment to be used at five different park sites, with three different amounts approved over a period of five days. The accounting clerk explained that this was a circumstance of coincidence that the charges occurred at the same time with the same vendor. Furthermore, the backup documentation should have been submitted with the partial receiver. The IG verified that there was no evidence of prior approval attached to the payment.

Management Response:

The Purchasing Department agrees that P-Card purchases should be monitored for transactions that do not comply with Policies and Procedures. The Purchasing Card Administrator will randomly audit transactions for the purposes of confirming compliance to established procedures for card use.

Corrective Action Plan:

A revised P-Card Policy and Procedures Manual has been developed which addresses transaction auditing, and specific consequences for misuse.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

2. Purchase documentation was not sent to Financial Services in accordance with the purchasing card policy. Consequently, payments were not always in compliance with the Florida Prompt Payment Act.

According to the purchasing card policy, all purchase documentation must be received by Financial Services within three days of the transaction posting date. Of the 299 transactions in the test samples that were verified as paid, a total of 286 (96%) were not received by Accounts Payable in accordance with the policy. The following was noted:

- 71 out of 286 (24%) transactions had documentation that was received by Accounts Payable within 4 to 10 days.
- 176 out of 286 (62%) transactions had documentation that was received by Accounts Payable within 11 to 30 days.
- 34 out of 286 (12%) transactions had documentation that was received by Accounts Payable within 31 to 100 days.
- 5 out of 286 (2%) transactions had documentation that was received by Accounts Payable within 101 to 337 days.

During the audit, management implemented new policies and procedures to reduce the number of invoices not processed in a timely manner.

Management Response:

The Purchasing Department agrees that documentation is not sent in timely into Financial Services and process improvement in this area is needed. However, it should be noted that the current policy requiring all documentation to be received within three days of the posting date is not feasible in the manual format that we currently operate under. The Finance Department and the Purchasing Department collaboratively agreed upon a 10 day deadline from the transaction posting date. The Purchasing Department has met with each department to identify operational efficiencies to ensure documentation is received in Financial Services within 10 days from transaction date. The County has made great improvements in this area and continues to make process improvements. In April 2015, only 65% of invoices were processed and sent to the Finance Department within 10 days, by the end of FY15 85% of receipts were being processed within 10 days. The increase in transaction processing time resulted in a reduction of past due amounts of 88% in FY15.

In addition, Tyler Munis will assist in this process as it moves a manual process to an electronic one. Once we are live with Tyler, and the process becomes automated, a 3 day turnaround time will be feasible.

Corrective Action Plan:

The Purchasing Department will continue to provide on-going assistance, support, and training to departments to ensure the 10 day turnaround time until we are live with Tyler Munis.

Target Completion Date:

On-Going

3. Purchases were not always exempted from sales tax. As a result, some purchases were not in accordance with F.S. 212.08.

The County was exempt from paying State of Florida sales tax. There were seven transactions in our test samples that included sales tax. According to the invoices, sales tax was paid using the purchasing cards. Credits for the sales tax amount were not obtained in a timely manner for four of the seven transactions. The following was noted:

- One transaction by Fleet Maintenance included \$81.57 for sales tax. A credit was not obtained from the vendor.
- One transaction by Sewer Maintenance included \$16.17 for sales tax. Credit was obtained from the vendor 40 days later.
- One transaction by Zoning Code Compliance included \$26.87 for sales tax. Credit was obtained from the vendor 27 days later.
- One transaction by Animal Services included \$39.90 for sales tax. Credit was obtained from the vendor 19 days later.
- One transaction by Zoning Code Compliance included \$2.07 for sales tax. Credit was obtained from the vendor three days later.
- One transaction by Fiscal Customer Service included \$21.00 for sales tax. Credit was obtained from the vendor the next day.
- One transaction by Emergency Services included \$8.36 for sales tax. Credit was obtained from the vendor the same day.

Management Response:

Three of the seven transactions received a credit for the sales tax in a timely manner (same day to three days).

After additional review of the remaining transactions, it was determined that the sales tax charged on Card 8249 in the amount of \$26.87 was for a purchase at Walmart.com. Walmart.com's policy has always been to charge the sales tax upfront on all purchases and credit the tax after the fact upon verification of the correct tax-exemption documentation. The credit process can take anywhere from 3-14 days. We have documentation from the cardholder on 8/1/13 (date of purchase) acknowledging that tax was charged and a credit would be received. When the credit was not received within 2 weeks, the cardholder contacted Walmart.com requesting the credit again. The final credit was eventually processed after an additional 2 weeks. Due to the fact that the original sales tax charge was out of our control, and the fact that the cardholder attempted to receive the credit the day of the transaction and 13 days after the transaction, failure to receive a timely credit was of no fault of the cardholder, but was a result of vendor delay.

For the remaining three items, the Purchasing Department agrees that departments should take steps proactively to ensure that sales tax is not charged, and promptly to ensure a credit is issued for those circumstances where it was charged.

Corrective Action Plan:

This topic will be addressed in the upcoming training which will be provided to all p-card users and is addressed in the revised P-Card Policies and Procedures Manual.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

Cardholder Testing**4. Cardholder accounts were not always closed in accordance with purchasing card policy, which increased the risk of fraudulent charges being made.**

The purchasing card policy stated that department heads must immediately notify the accounting clerk and the purchasing director of a cardholder termination or resignation (including transfer). The purchasing director was also required to notify the bank to cancel such cards within 24 hours after termination or resignation. The following was noted:

- Of the 40 cardholders terminated during our audit period (6/31/13 and 6/31/14), a total of 15 cardholders did not have their cards closed in a timely manner. Cards were deleted 3 to 27 days after the cardholder's termination date.
- Of the 13 inactive cardholder files reviewed, six did not include documentation from the department notifying Purchasing that the employee was terminated or transferred. For two cardholders, notification was received from the department that the employee transferred or was terminated, but was not received in a timely manner.

Management Response:

The Purchasing Department agrees that p-card cancellations should be carefully monitored. Department heads are required to immediately notify the Purchasing Coordinator of terminated/transferred employees. Because this method of notification can be hindered or delayed, the Purchasing Coordinator now receives a monthly report from the Human Resources Department that summarizes staff changes and terminations. The Purchasing Department will take the steps necessary to close cardholder accounts that were not reported. This report is prepared and delivered to the Purchasing Department on a monthly basis, and therefore, if a supervisor fails to report an employee termination, closing an account could take up to 30 days from the date of termination.

As we move forward with going live with Tyler Munis, this process will once again become automated. A workflow will be set up within the Tyler Munis system which will immediately send a notification to the Purchasing Card Administrator when an employee is terminated. This will ensure a quicker response time and prevent unauthorized transaction that could potentially occur if a card remains active after an employee leaves the County.

Corrective Action Plan:

Department heads will be reminded of their responsibilities to notify the Purchasing Coordinator, as indicated in the revised manual of terminated/transferred employees with a p-card in an upcoming training designed specifically for management/leadership team with p-card oversight. Moving forward, failure to report terminations in a timely manner will result in disciplinary action according to the revised P-Card Policies and Procedures Manual.

Target Completion Date:

As of July 2015, The Purchasing Coordinator has begun matching the monthly report from HR to the list of active cardholders to determine if there have been any cardholders who have not been reported. The P-Card training for Management is planned to occur during the fourth quarter of FY16. The automated notifications of all terminations will be implemented once we are live with Tyler Munis.

Reconciliation Testing**5. Available funds were not always verified by Fleet cardholders in accordance with the purchasing card policy. As a result, numerous purchases were declined.**

According to the purchasing card policy, cardholders were responsible for verifying fund availability with the accounting clerk. During our observations, it was noted that cardholders were not required to verify the funds available prior to making a purchase in the Fleet Department. Of the 962 transactions declined for accounts having insufficient funds available, 801 (83%) were from the Fleet Department.

Management Response:

While the declined transactions gives the appearance that available funds are not verified, the verification process is occurring. Funds are encumbered in advance on a Bank of America Purchase Order and the account clerk is verifying available funds against the PO balance instead of the available credit on the p-card.

It should be noted that part of this issue is that Fleet staff, being such higher users of the card, do not have the appropriate limits set on their cards to meet the operational needs of the department. The Purchasing Department has already identified this as an issue and has worked with the Department Head to determine which employees need a higher limit to meet the needs of the department. This improvement should significantly decrease, if not eliminate, the declined transactions for the Fleet Management Department.

Corrective Action Plan:

Since funds are available via the encumbered PO, it should be noted that the process of verifying available funds is occurring. The number of declined transactions due to insufficient funds will be addressed via the adjustment to account limits to ensure cardholders have an appropriate credit limit to meet the operational needs of the department.

Target Completion Date:

Fleet's credit limits were adjusted appropriately as of February, 2016.

Control Activities: Listed below are comments that represent opportunities to strengthen the internal controls. For each comment, a recommendation has been included.

6. There were some purchasing cards with transactions posted on or after the date the cardholder was terminated. As a result, some purchases were not authorized and it was not determined if all the purchases were for a county purpose.

There were three cards with activity posted after the cardholder's termination date, totaling \$1,654.82. For two cards assigned to Fleet Management and Office of Emergency Management, purchases were made on and/or after the cardholder's termination date, but prior to the card being deleted from the *Works* system. For one card assigned to Development Services, it appeared a debit transaction was posted after the cardholder's termination date and after the card was deleted. Credits were also processed after the card was deleted and/or employee was terminated. According to management, the following was noted:

- Five transactions by Fleet Management, totaling \$1,176.86, were made on or after the cardholder's termination date (2/28/14). All of the invoice order dates, except for one, were between 2/26/14 and 2/28/14, and the vendor did not process the transactions for payment until 3/3/14 for some of the purchases. The remaining transaction was incorrectly charged by the vendor. It appeared the vendor processed the transaction for payment using a different card that was likely on file, rather than the card used by the parts clerk that originally ordered the part. The transaction was processed for payment under the terminated cardholder. There were also three credits, totaling \$247.04, processed that were unrelated to the purchases posted after the cardholder's termination date.
- One transaction by Office of Emergency Management, totaling \$725, was made on 10/19/13 after the cardholder's termination date (10/18/13). This transaction had not been paid according to FASBE and the IG was unable to verify the invoice detail to determine if the purchase was for a proper public purpose. A copy of the invoice was requested from the department, but the accounting clerk could not provide any documentation.
- One transaction by Development Services, totaling \$46.66, was made on 1/29/14 after the cardholder's termination date (1/3/14) and after the card was deleted (1/7/14). There was also a credit from the vendor for \$46.66 on the same day. According to the supporting documentation obtained from the department accounting clerk, the card was used to pay hotel expenses on 12/30/13 for two employees with approved travel requests. It appeared the hotel charged the card in error when one of the employees checked out (1/29/14), and a credit was issued the same day.

Recommendation:

- Develop policies and procedures to identify and address purchases posted after a cardholder's termination date. All items identified as such should be physically verified to determine if the purchase was for a county purpose. Appropriate action should be taken against terminated employees with unauthorized purchases.

- Establish policies and procedures for cardholders to discontinue use of the purchasing card two weeks prior to final date of employment (when applicable). This will allow sufficient time for receipts to be submitted and for outstanding charges to be processed upon resignation notification.
- Contact Bank of America to determine why a deleted card from the *Works* system had activity that was not declined.
- Establish policies and a process for responding to vendors who charge a card on file without proper authorization.

Management Response:

The Purchasing Department agrees that internal controls need to be increased and therefore have revised the P-Card Policy and Procedure Manual to do so.

Regarding the transaction involving Ms. Lopez, the Purchasing Department reviewed the subject transactions and gathered more detailed information from the respective department's designated accountants. The designated accountants indicated that this particular charge was initially processed in December 2013, prior to Ms. Lopez' last day of employment. Ms. Lopez' card was used to pay for two (2) employees' approved travel expenses. The receiving hotel used the card to hold the reservation, and charged the card when the two (2) employees checked out, which was after Ms. Lopez' last day of employment. Hotels operate under authorization codes and are able to charge transactions against the same authorization code at any time, even after a card has been cancelled. This is to protect the hotel from various circumstances. This transaction was charged against a pre-approved authorization code and therefore it is not unreasonable that the transaction was charged to a cancelled card.

Regarding the transactions involving Mr. Hernandez, the Purchasing Department reviewed the subject transactions and gathered more detailed information from the respective department's designated accountants. The designation accountants indicated that, with the exception of one (1) invoice, all of the order dates are between February 26th and February 28th, and the vendor apparently did not process the transactions for payment until March 3rd.

Mr. Hernandez' remaining invoice had an order date of March 3rd; however, on the same day, it appears that the same transaction was charged against the wrong credit card along with other transactions from several previous days. Because the subject part on the remaining invoice was ordered on the next business day by another parts clerk, it appears that the vendor processed the transaction for payment using a different card that was likely on file, rather than the card used by the parts clerk that originally ordered subject part on the remaining invoice.

The Purchasing Department reviewed each of the identified instances and the documentation provided by the tending departments. The Purchasing Department finds each of the identified transactions to be appropriate and for official purposes. It is important to note that payments were processed for each of the identified transactions, which were supported by a receipt and the prescribed backup documentation.

Corrective Action Plan:

The revised P-Card Policy and Procedures Manual addresses identifying purchases posted after a cardholder's termination date to determine the purchase has a valid, public purpose; encourages discontinued use of a p-card two weeks prior to final date of employment when applicable to allow sufficient time for outstanding receipts and charges to be processed, and has

procedures in place for notifying vendors who charge a card on file without proper authorization and may result in discontinued p-card use with that vendor.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

7. Numerous transactions were considered questionable. As a result, it was not determined if these purchases were valid.

- A total of 29 transactions had a purchase date that occurred on a weekend (18) or holiday (11) and the cardholders were not working on the purchase, invoice, and/or order date according to the Board Payroll System. One of these transactions was for Fiscal Customer Service. The cardholder was authorized to purchase two hand sanitizers per email attached to payment; however, four hand sanitizers were purchased. As a result, it was not determined that these purchases were for a county purpose.
- There were three transactions for Fleet Maintenance, for the amounts of \$1,438.50, \$959, and \$479.50 that appeared to be possible split transactions because they were from the same cardholder that occurred on the same day to the same vendor, and totaled more than \$2,500. According to the three invoices, the same part was purchased and shipped to the D&E Barn for stock on 1/13/14. Per Fleet, items were ordered on 11/1/13 and 1/16/14, but this was not noted on the invoices. It was not determined if these were split transactions based on the response received from the department accounting clerk and the supporting documentation attached to the payment.

Recommendation:

- Review transactions to determine if purchases were for a county purpose.
- Develop and implement policies and procedures that prohibit or limit cardholders from using the purchasing card to make county purchases when they are not working. This will help protect the County from any legal overtime issues that may apply.

Management Response:

All transactions have been reviewed and approved and therefore determined to have had a public purpose. Of the 29 transactions that occurred on holidays or weekends 13 of them were made by hourly employees. Of the 13, 7 of them were processed with vendors who are typically paid over the phone, therefore the vendor could have run the card on these days, as opposed to the cardholder physically using the card on these days. 2 of the 13 transactions were for on-line purchases, one of them being a SunPass automatic refresh, which are out of the cardholder's control. It was determined that 4 of the purchases were made by hourly employees at walk-in locations. While these purchases were authorized and for a public purchase, they should not have been made by an hourly worker while they were not working.

The fleet transactions were not determined to be split transactions. According to the account clerk, and as indicated in the audit report, were 3 separate invoices for non-stock parts for 3 different jobs.

Corrective Action Plan:

Effective immediately, the Purchasing Department will revise the initial cardholder training curriculum to emphasize that hourly/non-exempt employees (N-Grade) should not utilize their p-cards when not working. Additionally, a new training will be developed specifically for department heads and supervisors. This training will go into additional detail with supervisors the importance of limiting or prohibiting the use of p-cards for hourly employees when they are not working to protect the County from any legal overtime issues. Any training that is developed for non-cardholders (account clerks, reviewers/approvers) will highlight this as something to monitor when reviewing/approving transactions. Additionally, this information has been incorporated into the revised P-Card Policies and Procedures Manual.

Target Completion Date:

Immediately. All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

8. Some cardholders had duties that were not always segregated. As a result, inappropriate transactions could have been approved for payment and been undetected.

Out of the 299 transactions verified as paid in the test samples, a total of 24 (8%) had receivers there were prepared and/or approved by the cardholder. The cardholder was the same person who prepared the partial receiver and/or authorized payment on the receiver. In five additional instances, the receiver did not indicate who prepared the partial receiver and it was undetermined if was prepared by the cardholder.

Recommendation:

Key duties should be adequately divided, or segregated among different staff to reduce the risk of error or inappropriate actions. Assigning one full individual responsible for all aspects of a process could result in errors or misappropriations being concealed and undetected. Establish a policy that prohibits cardholders from preparing and approving their own transactions for payments. Separation of duties should be established in all departments to help ensure that unauthorized or inappropriate transactions are not approved for payment.

Management Response:

The Purchasing Department agrees that segregation of duties is a key control to ensuring the effectiveness of a p-card program. P-card roles and responsibilities requires that transaction approvers confirm cardholder transactions for legitimacy and compliance with County policies. Specific instructions on the reviewer's responsibilities are outlined in the revised P-Card Policies and Procedures Manual.

Corrective Action Plan:

Effective immediately, the Purchasing Department will revise the initial cardholder training curriculum to highlight the segregation of duties requirements. Additionally, new trainings will be developed specifically for non-cardholders (accounting clerks, reviewers/approvers) to ensure they are properly informed of the program's requirements and their individual responsibilities.

Target Completion Date:

Immediately

9. High risk merchant category codes were not all restricted, which increased the risk of unauthorized or prohibited purchases.

All merchants that accepted credit cards were assigned a Merchant Category Code (MCC) that identified the type of goods and/or services provided. There were a total of 204 MCC identified from the transactions during the audit period. The Purchasing Card Administrator had the ability to restrict purchases at certain MCCs. Purchasing cards used at restricted merchants would be declined at the point of sale. The *Works* system grouped these MCCs into five categories: cash, travel, and entertainment, general purchase, vehicle/fleet, and unusual (i.e. liquor stores, antique stores). There were no restrictions on the use of Merchant Category Codes (MCC), except for cash advances.

Recommendation:

Develop a list of restricted Merchant Category Codes that are considered high risk to the County and prohibit MCC groups from users purchasing card profiles. Restricting certain codes helps protect the County against unauthorized or prohibited purchases.

Management Response:

The Purchasing Department agrees that high risk MCC groups should be blocked. Previously, there were 936 open MCC codes. The Purchasing Department identified high risk codes that should be blocked to minimize risk to the County. A total of 257 high risk or unnecessary codes have already been blocked since the audit was performed. It should be noted that unnecessarily blocking too many codes can cause an excessive amount of additional work on staff because it is difficult to determine what MCC codes merchants utilize, and over-blocking codes will result in increased declined transactions, thus resulting in inefficient operations.

Corrective Action Plan:

257 codes have already been blocked. The Purchasing Card Administrator will continue to monitor codes and block those that are unnecessary or pose potential risk to the County.

Target Completion Date:

On-Going

10. For some transactions, there was no supporting documentation on file in Financial Services. As a result, payment and or purpose for numerous transactions could not be verified.

Of the 324 transactions included in the test samples, a total of 21 (6%) appeared to be unpaid according to FASBE. Three of the 21 transactions netted to zero with corresponding debits and credits. As a result, not all of these transactions were verified and some may have been unauthorized.

Recommendation:

- Departments need to reconcile cardholder's transactions monthly to ensure all transactions are paid in a timely manner, and prevent any unauthorized transactions from being overlooked.
- Establish policies and procedures for submitting documentation of any credits processed, including credits and debits that net to zero, to Financial Services.

Management Response:

After additional review of these transactions, the following was determined:

- *The receiver with all required documentation for the transaction on card number ending in 7037 in the amount of \$1,267.88 was sent to the Finance Department on 11/21/13.*

The Purchasing Department agrees that procedures regarding documentation are necessary.

Corrective Action Plan:

The revised P-Card Policy & Procedures Manual includes specific instructions for the reconciliation of p-card purchases, document retention, missing documentation, and credit receipts. As we move forward with the implementation of Tyler, we will be able to pull reports to determine the transactions that have not been processed and easily identify the transactions that either do not have receipts uploaded to them yet, or transactions that were rejected due to lack of proper documentation.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years. It is anticipated that we will be live with Tyler Munis as of July 1, 2016.

11. Purchases did not always exclude reward points. As a result, it was undetermined if the reward points were accrued to the County or for personal gain.

For one Parks & Recreation transaction, totaling \$699, the cardholder accrued 669 reward points for the purchase according to the invoice. It was not determined if the reward points were accrued to the county or for personal gain.

Recommendation:

Develop and implement policies and procedures that address accruing reward points or coupons from county purchases. Personal gain by making purchases with the county purchasing card should be prohibited.

Management Response:

After reviewing the transaction in question, the reward points were automatically earned with the purchase. The department did not request to be enrolled in a rewards program. Additionally, the department never utilized this vendor again to redeem any additional points or use points. If the vendor were to be used again, all reward points would be utilized to support future County, not personal purchases.

The Purchasing Department agrees that since taxpayer funds are used to support County purchases, any rebate associated with p-card purchases regardless of form (cash, checks, gift cards, reward points, merchandise, discounts, etc.) belongs to the County and should be used to support future County purchases.

Corrective Action Plan:

The revised P-Card Policy & Procedures manual addresses rebates and rewards points.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

12. Purchasing card transactions by vendor were not always reviewed. Consequently, purchases may not have been in compliance with the Purchasing Ordinance.

No evidence was provided for the audit period that documented reviews were routinely performed by the Purchasing Department to monitor purchasing card transactions by vendor to ensure proper procurement practices were utilized. For fiscal year 2014 (as of 6/30/14), there were a total of nine vendors that were paid more than \$25,000 (by department). There were also a significant amount of vendors with department transaction amounts totaling more than \$2,500.

Recommendation:

Establish a more effective system to track or monitor how much departments purchase from vendors that do not have contracts with the county. This would help ensure departments complied with County policies and procedures and the County received the best value.

Management Response:

The Purchasing Department agrees that spend by vendor should be monitored. This information will be reviewed to ensure compliance with the Purchasing Ordinance thresholds, and to determine if better pricing could be obtained through issuance of a competitive solicitation process.

Corrective Action Plan:

The Purchasing Card Administrator will run appropriate spend reports by vendor and distribute to the buyers to determine if better pricing could be obtained through establishing a competitive solicitation. This information has been incorporated into the revised P-Card Policies and Procedures Manual.

Target Completion Date:

The Purchasing Card Administrator has already begun to monitor this information. All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

13. Declined transactions were not always reviewed. As a result, attempted misuse or fraudulent activity may have been undetected.

No evidence was provided that documented declined transactions were reviewed by the Purchasing Department for the audit period. There were a total of 1,112 declined transactions, totaling \$544,503.01, which represented approximately 5% of the 20,433 total purchases.

Transactions were declined for the following reasons:

Decline Reasons	Number of Transactions	Decline Amount	% of Count
[0906]	1	\$ 1,740.44	0.1%
Account Standard Limit Is Exceeded	24	\$ 71,486.98	2.2%
Card Activation	14	\$ 2,361.23	1.3%
Closed Account	13	\$ 1,403.24	1.2%
Closed Account; Insufficient Funds	61	\$ 16,994.45	5.5%
Declined By Score 1	12	\$ 10,802.16	1.1%
Invalid Card Verification VAL/CHK	1	\$ 21.71	0.1%
Insufficient Funds	962	\$402,053.36	86.5%
Insufficient Funds; Account Standard Limit Is Exceeded	5	\$ 34,127.01	0.4%
Insufficient Funds; Bad PIN; Individual MCCG Is Excluded	1	\$ 23.00	0.1%
Past Due 061 – 090 Currently	18	\$ 3,489.43	1.6%
Totals	1112	\$544,503.01	

Recommendation:

- Establish written policies and procedures for monitoring declined transactions, and include a requirement to verify funds are available before attempting to make a purchase. Reviews should be performed on a monthly basis and documented. Monitoring declined transactions help detect unauthorized purchases, identify areas of training, and identify cardholders’ that may need their transactions limits increased.
- Review declined transactions for the Fleet Department to determine the primary cause for accounts not having enough available funds, and implement corrective measures.

Management Response:

The Purchasing Department agrees that declined transactions should be monitored to detect possible misuse, fraudulent activity, unauthorized purchases, identify areas of training, and identify cardholders that may need to have their monthly limits increased.

Corrective Action Plan:

The Purchasing Card Administrator will run decline reports monthly. This information has been incorporated into the revised P-Card Policies and Procedures Manual. The Purchasing Department has already met with Fleet to address this issue. As mentioned previously, Fleet is verifying additional funds against the encumbered PO as opposed to available credit on the p-card. The Purchasing Department increased several of Fleet’s cards to appropriate operational limits which will address their chronic transaction decline problem.

Target Completion Date:

The Purchasing Card Administrator has already begun to monitor this information. All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

Cardholder Testing**14. There were numerous cardholders with no purchase activity, which increased the exposure of misuse and unauthorized transactions.**

Of the 366 active cardholders, a total of 43 had no activity during our audit period (6/30/13-6/30/14). Nineteen of the 43 cardholders were department heads, managers, or supervisors. However, the remaining 23 cardholders appeared to be operational level staff. Out of the 23 cardholders, nine did not have activity since the cards were activated.

Recommendation:

- Review the list of cardholders and assess whether these employees still need purchasing cards.
- Develop policies and procedures to periodically monitor cardholders with low or no activity and re-evaluate their need for a purchasing card.
- Consider amending policies and procedures to include a requirement for purchasing cards to be physically inspected at least annually. This will help detect lost or misplaced cards that may not be used on a regular basis.

Management Response:

The Purchasing Department agrees that there are cardholders with credit limits higher than operationally necessary and credit limits should be aligned with actual spending. However, there are circumstances that warrant having P-cards in place, even though the cardholder may have little or no activity (ex. Emergency situations, unique circumstances, etc.). These circumstances will be justified by the cardholder's department head or supervisor.

Corrective Action Plan:

The Purchasing Card Administrator will run monthly spend reports to compare cardholder use against cardholder limits. Cards with no activity for 6 months or greater will be discussed with department head to determine if there is an operational need to keep the p-card active. Canceling or decreasing individual monthly credit limits will be determined based on the analysis performed.

An analysis was done in January 2016 to determine the correct operational limits of all p-card holders. This will continue on an annual basis.

Additionally, a new training is being developed specific for department heads and supervisors. The training will provide guidance and criteria for the supervisory staff in determining whether employees have a true operational need for a p-card.

In addition, the Purchasing Department will conduct an annual inventory of p-cards requiring departments to acknowledge all cards are accounted for and secured to help detect lost or misplaced cards on a regular basis.

This information has been incorporated into the revised P-Card Policies and Procedures Manual.

Target Completion Date:

The Purchasing Card Administrator has already begun to run monthly reports on cards with no activity for 6 months or greater. In addition, an analysis was done on all p-card limits in January 2016. The remainder of the procedures will be implemented with the new manual roll out and training to be completed by July 31, 2016.

15. User access to the Works system was not always appropriate, and increased the risk of unauthorized use.

There were five users listed as accountants or auditors with access to the Banks of America Works system that were no longer employed with the County or Clerk & Comptroller's Office. These employees were terminated between 2009 and 2014. Their access was removed from the system after the IG notified Purchasing.

Recommendation:

- Review all users with access to the Bank of America Works system for accuracy and appropriateness.
- Remove access from users who are no longer employed or do not use Works system.
- Develop policies and procedures to ensure users access is monitored on a regular basis to verify all current users are appropriately authorized.

Management Response:

The Purchasing Department agrees that user access within the Bank of America Works system should be deleted promptly. It is important to note that most individuals only have reporting access and do not have the ability to make any changes or charges within the Works system.

Corrective Action Plan:

The Purchasing Card Administrator has already cross-referenced all cancelled cards with Works user access to ensure current enrollment and accuracy.

The Clerk's Office will be provided instruction on proper notification to the Purchasing Coordinator when there is a change in their staff, as our reporting information will not inform us of employee changes within the Clerk's Office. If the Purchasing Coordinator is not notified, we have no way of knowing that a Clerk employee with Works access has left and access should be cancelled.

Going forward, the Purchasing Card Administrator will ensure that Works access is cancelled in addition to cancelling the card.

Target Completion Date:

Immediate

16. Purchasing forms were not updated or reviewed on a regular basis. Consequently, information on file was not always accurate and cardholder accountability was weakened.

Of the 25 cardholder files tested, the following was noted regarding forms on file in the Purchasing Department:

- A total of 18 Purchasing Card Request Forms were inaccurate and did not accurately reflect the current department head and/or assistant county administrator. Many of these request forms were approved and dated more than 10 years ago.
- Fourteen of the Cardholder Acceptance Forms were signed and dated between three and eleven years ago.

Recommendation:

- Management should review the list of cardholders for each department and submit updated forms to ensure cardholders are properly authorized. Consider a policy requiring annual review of forms to determine the need for any changes.
- Require cardholders to complete renewal training and re-sign the Cardholder Acceptance Form prior to the renewal card being issued to ensure policies and procedures are adhered to and accountability is maintained.

Management Response:

The Purchasing Department agrees that current up to date information is prudent and necessary to maintain a strong and accountable program. However, it is important to note that the purpose of the Purchasing Card Request Form is to capture basic employee and department information necessary for opening an account and as an approval mechanism from the necessary department heads and administrators. Once a card is issued, there is no need to update the Purchasing Card Request Form. Cardholder Acceptance Forms should be updated at card renewal.

Corrective Action Plan:

Management will be required to review and sign the annual inventory of p-cards, thus authorizing the continual possession and use of a p-card by each cardholder.

Refresher training courses will be mandatory to ensure the cardholder and users are reminded of the policies and procedures, and updated on any changes when their card renews every three years. The refresher course will be taken at card expiration time every three years, prior to a new card being issued. A new Cardholder Acceptance Form will be signed at this time.

This information has been incorporated into the revised P-Card Policies and Procedures Manual.

Target Completion Date:

The annual inventory of cards will occur between September 1 – 30, 2016. Refresher training courses will begin as cards expire beginning January, 2017.

17. There was no documentation for one profile that was adjusted. As a result, the reason for adjustment was undetermined.

One cardholder's profile did not appear reasonable based on their job position as an administrative secretary. According to the Active Cardholder Report as of 7/21/14, the cardholder did not have a single transaction limit and had a credit limit of \$25,000. However, as of 9/5/14 there was a single transaction limit of \$2,500 and the credit limit was reduced to \$5,000. Purchasing had no record of the cardholder's account being adjusted.

Recommendation:

Establish policies and procedures for maintaining proper documentation on file for any changes made to a cardholder's account.

Management Response:

The Purchasing Department agrees that accurate records need to be maintained for all account adjustments.

Corrective Action Plan:

As of June 2015, the Purchasing Card Administrator now keeps electronic and paper records of all account adjustments as back-up documentation.

Target Completion Date:

Immediately

Reconciliation Testing

18. Original receipts were not always retained by departments. Consequently, some purchasing records may not have been in compliance with record retention requirements.

During our observations, we noted that in some departments, cardholders submitted their receipts/invoices electronically to the accounting clerks. The original receipts/invoices were not always required to be submitted to the department accounting clerks or maintained by the cardholder. It was also noted that some accounting clerks put the original/invoice in the garbage if it was already received electronically. There was not a standard policy in place for maintaining and/or verifying the original receipts/invoices. As a result, record retention requirements may not have been met and original receipt/invoice detail was not compared to the electronic copy submitted for validity purposes, nor was it included in department level reconciliation or monitoring.

Recommendation:

- Develop policies and procedures for requiring all original receipts and invoices be submitted directly from the vendor to Financial Services. If possible, the vendor should submit all receipts and invoices to Financial Services through the email account that was established (accts.payable@pascoclerk.com).
- Consult with Financial Services to determine the required actions that need to be taken to accomplish submitting receipts and invoices directly to them.

- Update billing information for cardholders and purchase orders to include Clerk & Comptroller's Accounts Payable address.

Management Response:

The Purchasing Department agrees that proper storage and safekeeping of receipts and other documentation necessary to support the business purpose of the purchase is important for verification and auditing purposes.

After discussion with the Clerk's Office Director of Finance, it was determined that the originating department, or the consolidated fiscal team, could keep the original receipt documents on file at their respective locations. The Departments would then be responsible for securing all necessary documentation and providing the appropriate information as requested for auditing purposes.

Corrective Action Plan:

The revised P-Card Policies and Procedures Manual addresses storage and safekeeping of original receipts/documentation.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

19. Monthly cardholder statements were not always reviewed and or reconciled. As a result, fraudulent or erroneous charges may have gone undetected.

During our observations, we noted the department accounting clerks did not always review and/or reconcile the cardholders' monthly statements to the transactions processed for payments. In addition, all departments observed, except for Utilities, did not track which transactions were paid or unpaid in the financial system. In addition, there was one transaction identified during the audit that was submitted for payment in June 2014, and was not paid until April 2016. This transaction went undetected for almost two years.

Recommendation:

Establish policies and procedures on a department level for reviewing and reconciling the monthly cardholder statements to the transactions processed and paid. These reconciliations should be documented and forwarded to the Clerk & Comptroller's Financial Services Division. Reconciliation is a critical internal control that can help identify and correct errors.

Management Response:

The Purchasing Department agrees that the reconciliation process is a critical internal control that can help identify and correct errors. The current reconciliation process needs to be consistent among all departments and enforced. The revised P-Card Policy and Procedures Manual has been updated to include instructions on the reconciliation process from point of purchase to documentation retention, to approval. In addition, it should be noted that current manual reconciliation process will be improved and become much more efficient with the implementation of Tyler Munis.

Corrective Action Plan:

In the interim, until we are live with Tyler Munis the Purchasing Department will send out a reminder email to all Account Clerks highlighting the expectations of the current reconciliation

process. This would also be an appropriate topic to be discussed at an upcoming Clerk/Board Roundtable meeting.

Target Completion Date:

Immediately

Policies and Procedures**20. The purchasing card policies were not revised since 2004. As a result, policies may not have reflected changes made in practice and lacked detail in some areas.**

According to the Purchasing Handbook (PR388), the last revision date was 12/16/04. It appeared the existing policies and procedures were not revisited for relevancy on a regular basis. There were no policies in place that addressed the following:

- Purchasing items from vendors listed on the disqualified vendors list.
- Renewal or refresher training was not required for cardholders. Department accounting clerks and/or directors responsible for reviewing and/or approving purchases were not required to receive any training.
- There was no standard reconciliation process in place for departments that processed purchasing card transactions. Reconciliation procedures varied from department to department.
- Using the purchasing card to purchase the following:
 - Refreshments, snacks, candy, etc.
 - Employee gifts (gift cards, etc.)
 - Parties such as birthdays, holidays, retirements, etc. and associated items such as plates, cups, food, decorations, flowers.
 - Fuel

Recommendation:

Review and update policies and procedures on an annual basis to ensure they are current and relevant.

Management Response:

The P-Card policies and procedures manual has been completely revised to reflect adequate procedures, controls, and best practices to ensure an effective, efficient, purchasing card program. The revised manual reflects each of the recommendations listed above.

Corrective Action Plan:

The manual has already been revised and is going through the final review and approval process.

Target Completion Date:

All p-card holders will be required to attend training on the revised manual by July 31, 2016. On-going/refresher training will be required upon credit card renewal every three years.

Observations: Listed below are items we observed during the audit that were outside the scope of the audit, but were worthy of being brought to the attention of management.

21. A transaction was charged to the wrong line item on the purchase order. Consequently, account balances were inaccurate.

It appeared one transaction by Emergency Services, totaling \$31.09, was posted to the wrong line number on the purchase order. According to the supporting documentation on file, the cardholder purchased refreshments and food, for crews that worked for an extended time period. This purchase was authorized, but charged to the operating supplies account instead of food and dietary.

Recommendation:

Authorized designees approving transactions for payment should also verify that the correct line on the purchase order is indicated. A procedure should be developed to ensure transactions are charged to the correct lines.

Management Response:

It appears that this scenario was an error on part of the account clerk and reviewer as the purchase of food is not typical.

Corrective Action Plan:

New trainings will be developed specifically for non-cardholders (accounting clerks, reviewers/approvers) to ensure they are properly informed of the program's requirements and their individual responsibilities.

Target Completion Date:

FY17

22. One account reflected an incorrect cardholder status in the Works system.

According to the Inactive Cardholder Report, one cardholder was suspended. However, cardholder was suspended due to a medical leave of absence according to documentation on file, not from a purchasing card violation.

Recommendation:

Establish policies and procedures for deactivating and suspending cardholders to ensure cardholder's status is accurately reflected in the Works System.

Management Response:

The Purchasing Department agrees that the suspended status can cause confusion and will utilize other options to address these individualized scenarios.

Corrective Action Plan:

The Purchasing Card Administrator will not utilize a suspended status for situations other than disciplinary reasons. Instead, a profile of OTHER will be created and utilized with a credit limit of \$0.00.

Target Completion Date:

Immediately