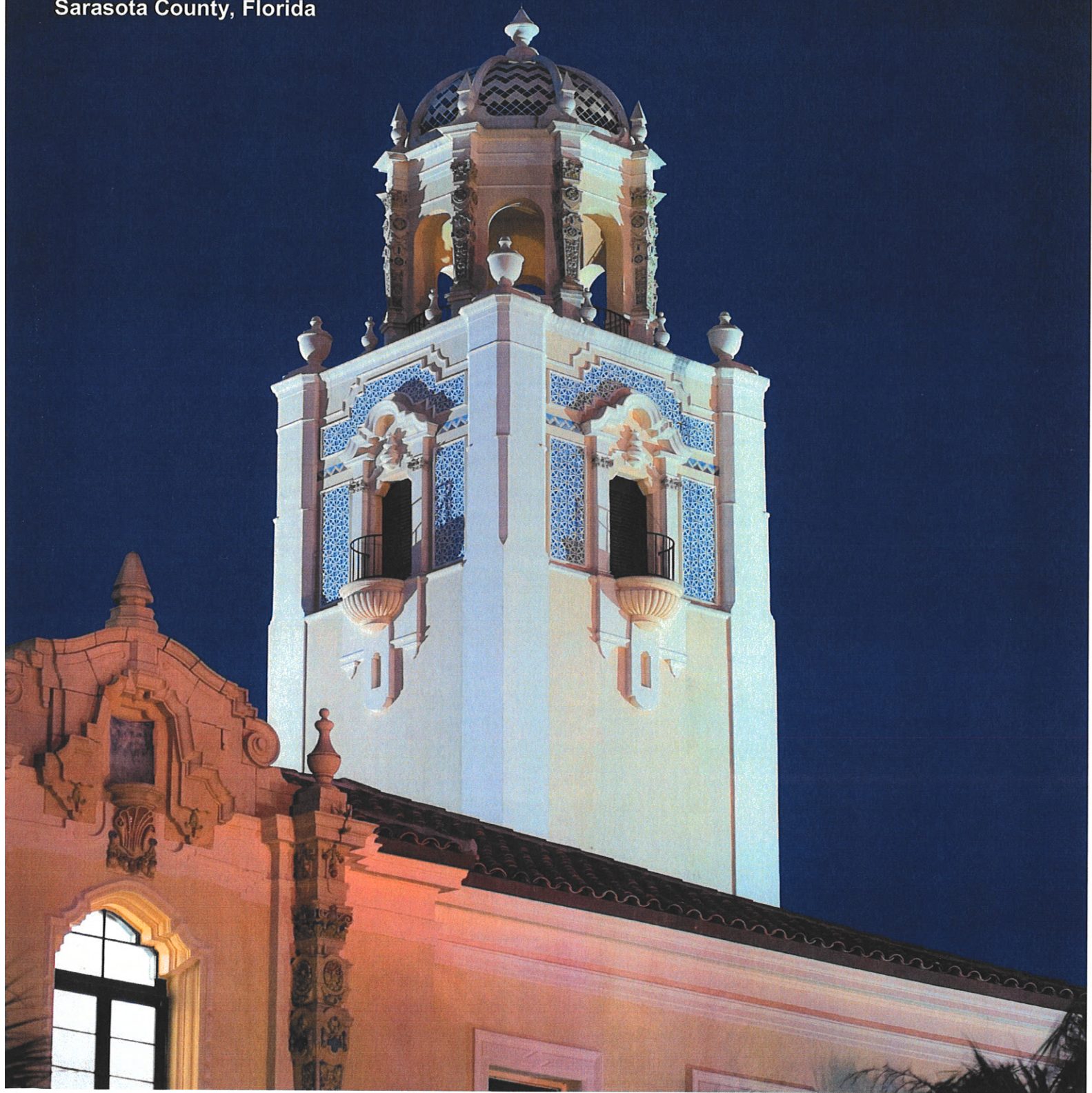


AUDIT OF PURCHASING CARD PROGRAM

September 2023

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CONTENTS

Executive Summary	2
Background and Objectives	3
Opportunities for Improvement and Management Responses	8

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted a continuous independent audit of the Purchasing Card Program (P-Card). The purpose of the audit was to review internal controls and test compliance with applicable laws, ordinances, and policies and procedures related to purchasing cards.

The audit found that the process for monitoring and review of Purchasing Card supporting documentations has been greatly improved. Procurement worked with Enterprise Information Technology (EIT) department to create an EIT Approval Form to ensure the approval of telephone, computer hardware and computer software related purchases are properly documented. Additionally, beginning in June 2019, the P-Card Administrator has expanded the spend analysis, which now includes total transactions, total spend, flagged transactions, violations of policy, P-Card profile changes, top ten spenders, and split transactions. In addition to the Procurement Official, the spend analysis is also being presented to the Office of Financial Management Director and County administration.

The audit also found that some areas of the P-Card Policies and Procedures are not consistently being followed throughout the County in regards to:

- Financial disclosure
- Purchases Prohibited on the P-Card
- Timely Notification of Changes in Status of Employment for P-Cardholders
- Emergency Purchases
- Compliance with State of Emergency P-Card Training
- Payments for products and services already under Contract
- Issuance of Purchasing Cards

Non-compliance with Florida statutes regarding financial disclosure could result in fines. Non-compliance with P-Card Policies and Procedures results in a higher risk of inappropriate transactions and authorized spend limits.



BACKGROUND AND OBJECTIVE(S)

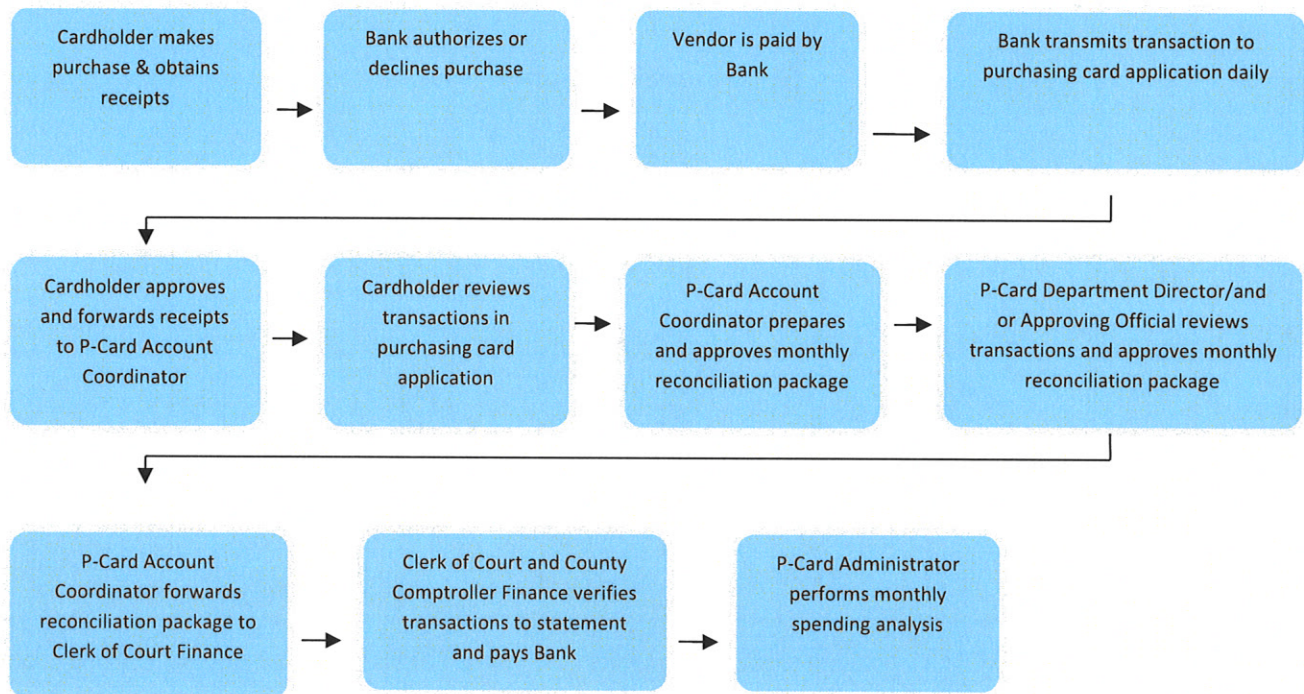
The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of the purchasing card program. The scope of a continuous audit is very narrow and is performed on a recurring basis. A continuous audit provides for regular testing of controls, identifies risks, and results in timely notification of gaps and weaknesses to allow for managements' follow-up and remediation.

The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review internal controls and test compliance with applicable ordinances and policies and procedures related to purchasing cards.

Background

A Purchasing Card (P-Card) is a payment mechanism for small purchases of \$10,000 or less that require a minimum of one quote and are awarded without competition. The Procurement Official is responsible for establishment of organizational policies governing the use of P-Cards and the administration of the County's P-Card Program. A P-Card Manual has been established by the Procurement Official in order to explain and facilitate an understanding of the policies, procedures, roles and responsibilities related to the P-Card Program. There were two Purchasing Card Manuals during the audit period: P-Card Manual effective March 20, 2022 was in effect for the period of January 01, 2022 through July 14, 2022, and P-Card Manual effective July 14, 2022 was in effect for the period of July 15, 2022 through December 31, 2022. All purchases made on P-Cards are subject to the policies and procedures contained in County Ordinance No. 2016-019, Article VI, Chapter 2 (the Procurement Code). Ordinance No. 2016-19 was passed and duly adopted by the Board of County Commissioners on March 22, 2016, with an effective date of April 15, 2016.

Purchasing Card Process



P-Cards are assigned to authorized employees after a P-Card Department approving official makes a request and the P-Card Administrator approves the request. P-Cards are generally set with a single transaction limit of \$10,000 and a monthly transaction limit of \$50,000; however limits do vary based on activity and need of each department. As of December 31, 2022, there were a total of 352 active P-Cards assigned to County employees with monthly transaction limits totaling \$21,705,027. Of the 352 P-Cards assigned to County employees, the County utilizes the following transaction limits:

Number of P-Cards	Single Transaction Limit
27	Suspended to Credit Limit of \$1*
4	\$5,000
314	\$10,000
2	\$20,000
4	\$25,000
1	\$80,000

** P-Cards may be suspended when one of the following circumstances occurs: (1) the P-Card is to be cancelled, (2) the P-Cardholder is disciplined, or (3) the P-Card is used infrequently and the suspension is lifted when purchases need to be made.*

Number of P-Cards	Monthly Transaction Limit
27	Suspended to Credit Limit of \$1*
4	\$25,000
315	\$50,000
6	\$100,000

** P-Cards may be suspended when one of the following circumstances occurs: (1) the P-Card is to be cancelled, (2) the P-Cardholder is disciplined, or (3) the P-Card is used infrequently and the suspension is lifted when purchases need to be made.*

Between the post dates of January 01, 2022 and December 31, 2022 (audit period) there were a total of 21,832 purchasing card transactions totaling \$8.6 million.

The purchasing card application is a web-based application. The County utilizes the application to order new P-Cards, modify single transaction limits and credit limits, review and report information from P-Card transactions, suspend or revoke P-Cards, and electronically approve transactions by cardholders.

Cardholders making purchases must adhere to the cardholder responsibilities listed in chapter 2 of the P-Card Manual. They are required to utilize the County’s tax exempt status, collect itemized receipts for each purchase, record the account number or project to be charged, and review and approve charges in the purchasing card application at least monthly. During the monthly review process, the Cardholder signs the billing statement within the reconciliation packet, to acknowledge the transactions purchased on the Cardholder’s P-Card.

The P-Card Account Coordinator reconciles purchases made on P-Cards for their specified group of Cardholders. The P-Card Account Coordinator reviews monthly statements with Cardholders, verifies account codes for each transaction, matches receipts to monthly statements, and compiles a reconciled packet to the Department approving official and Department Director for review and approval. The reconciliation packet contains a statement of acknowledgement that states “I certify that I am authorized to approve this expenditure and that the funds are being spent for a public purpose, in conformance with County Purchasing procedures and vendor contracts, and without overspending the applicable account or fund of the County budget.” This statement is signed, at a minimum, by the Department Head or Representative, and

additionally may be signed by the Department approving official and the P-Card Account Coordinator.

The Finance Department receives the reconciliation packet and performs the final verification of receipts and charges, prior to payment to the bank. If questioned items are identified at this stage, they are flagged in the purchasing card application and the Cardholder, P-Card Account Coordinator, Department approving official, and the P-Card Administrator are responsible for resolution.

Objectives, Scope and Methodology

The objectives of this audit were to determine if internal controls are operating effectively related to the Sarasota County Purchasing Card Program and if purchases made on County purchasing cards are in compliance with applicable ordinances, policies, and procedures.

The scope of the audit included a review of purchasing card transactions that were made between the post dates of January 01, 2022 through December 31, 2022.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Reviewed the Sarasota County P-Card Manual, County Ordinance No. 2016-019, and the Procurement Manual.
- Performed a walkthrough of the P-Card Administrators' functions.
- Performed inquiries of county personnel.
- Reviewed and tested documentation related to split transactions, prohibited purchases, purchases made to vendors already under contract, deactivation of P-Cards, P-Card training, issuance of P-Cards, Financial Disclosure, Spend Analysis, requirements for State of Emergency Essential Personnel, and sales tax exemption.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Communicating risk and control information to appropriate areas of the organization, and
- (Standard 2130.A1) The effectiveness of controls related to operations and programs, and compliance with policies and procedures.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were eight *Opportunities for Improvement* identified as a result of the audit:

1. **Compliance with Florida Statute.**
2. **Purchases Prohibited on the P-Card.**
3. **Timely Notification of Changes in Status of Employment for P-Cardholders.**
4. **Emergency Purchases.**
5. **Compliance with State of Emergency P-Card Training.**
6. **Payments for products and services already under Contract.**
7. **Issuance of Purchasing Cards.**
8. **Policies and Procedures are not up to date.**

1. Compliance with Florida Statute.

Observation

The P-Card Manual, section 4.5, states that Cardholders who have a single transaction limit of \$35,000 or higher are required to complete and file an annual Statement of Financial Interests form with the Sarasota County Supervisor of Elections in accordance with the Florida Commission on Ethics. The Annual Statement of Financial Interest form is required by Florida Statute 112.3145(2) (b), which states that each state or local officer and each specified state employee shall file a statement of financial interests no later than July 1 of each year. Florida Statute 112.3145(1) (a) (3) states that a "local officer" means a purchasing agent having the authority to make any purchase exceeding the threshold amount. The threshold amount is defined in Florida Statute 287.017, Category Two, as \$35,000. This threshold amount has remained unchanged since the year 2010.

The Procurement Department has implemented a Standard Operating Procedure for Financial Disclosure in October 2015, which requires the P-Card Administrator to annually review, verify, and edit Cardholder's limits and report them to the County Administration office. The County Administration office then works to ensure all required County employees file the necessary Financial Disclosures.

The auditor identified one cardholder with a single transaction limit of \$35,000 or greater during the audit period and verified that cardholder met the statutory filing requirement by searching for their names on the Florida Ethics Commission website. Cardholder did not file an Annual Statement of Financial Interest with the Florida Ethics Commission.

Recommendation

To ensure compliance with Florida Statute 112.3145(2) (b), the Procurement Department must ensure that annually all Cardholders that meet or exceed the single transaction limit of \$35,000, are identified, documented, and reported to the Department Director to ensure all Financial Disclosure forms are filed timely.

Management Response

Administrative Directive AD 01-070 related to Financial Disclosure Filers was adopted on 06/06/23. AD 01-070 (1) clarifies which job title and functions require financial disclosure (2) clarifies what constitutes a "purchasing agent", and (3) clarifies which job title/employees hold the purchasing authority attributed to purchasing agents, during normal business operations and during emergency activations.

In accordance with AD 01-070, Procurement will continue to identify employees who are "purchasing agents" during normal business operations as well as work with Human Resources and department directors to identify employees who are/were "purchasing agents" based on their roles during any declared emergency activations and provide that list to the County's financial disclosure coordinator on an annual basis.

Actual or Expected date of Implementation: 06/06/2023

2. Purchases Prohibited on the P-Card.

Observation

The P-Card Manual, section 5.11, outlines the products and services that cannot be purchased on a P-Card. The auditor identified one transaction related to travel prohibited purchases that were made on the P-Card.

There were a total of 135 purchases that appeared to be for travel related expenses within the audit period. Of those purchases a random sample of 25 transactions were selected. Through the review of supporting documentation, the auditor determined that one transaction appeared to be for airfare seat upgrades that are listed as prohibited purchases in the P-Card Manual.

Recommendation

To ensure that prohibited purchases are not made on P-Cards, ongoing training for Account Coordinators and approving Directors is recommended.

Management Response

All Cardholders, Approvers and Department Directors are required to complete refresher training of P-Card policies and procedures on an annual basis. All Account Coordinators are given an annual refresher as well. The Purchasing Card Program Administrator will ensure that training continues to emphasize prohibited travel related purchases.

Actual or Expected date of Implementation: Annual training released 6/20/2023

3. Timely Notification of Changes in Status of Employment for P-Cardholders.

Observation

The P-Card Manual, section 10.1, requires the Department Director to immediately notify Human Resources of any changes in status of employment, regarding employees that have been issued a P-Card. Human Resources is then to notify the P-Card Administrator. Changes in status of employment include resignation, termination, suspension, and any other status changes outlined in the Personnel Policies that extend past five business days. An Acknowledgement of Returned or Suspended Purchasing Card form must be completed by the Department Director or Designee and returned to the P-Card Administrator. The P-Card Administrator will deactivate or suspend the P-Card within 24 hours of notification of status change.

In order to determine if notification processes and deactivation of P-Cards is occurring timely the auditor focused testing on terminated employees and employees that transferred to new departments. The auditor matched, by last name, all terminated and transferred employees during the audit period to the entire list of Cardholders within the application and verified that management immediately notified the P-Card Administrator of the employment status change. The auditor reviewed each corresponding Acknowledgement of Returned or Suspended Purchasing Card form to verify that the P-Card was deactivated or suspended within 24 hours of notification of employee termination or transfer.

A total of 48 employees that had been issued a P-Card were terminated or had transferred departments during the period of January 01, 2022 through December 31, 2022. The auditor reviewed a random sample of 17 P-Cards in order to determine if notification by management and deactivation of the P-Cards occurred timely. During review, the auditor noted that:

- Four (4) out of 17 cards had no Acknowledgement of Returned or Suspended Card form on file as required by the P-Card Manual. All four cards were deactivated within the period of 2 – 11 months after the termination date of the P-Card holder. Lack of the Acknowledgement of Returned or Suspended Purchasing Card forms indicated that the P-Card Administrator was not notified by the Department Director or Designee after the Cardholder's employment with the County was terminated as required by P-Card Manual. The auditor did not observe any transactions on these P-Cards after the employee's date of termination.
- Two (2) Acknowledgement of Returned or Suspended Card forms were missing a Director's signature on the form as required by P-Card Manual.

Recommendation

To ensure compliance with the P-Card Manual, section 10.1, the Procurement Official should ensure that Department Directors are aware of their ongoing responsibility to immediately notify Human Resources when a cardholder's employment status changes that extend past five business days. Mandate that Department Directors comply with the requirement to complete an Acknowledgement of Returned or Suspended Purchasing Card form upon an employee's separation and provide the completed form to the P-Card Administrator. Create a report or a notification system where the Human Resources department will notify P-Card Administrator of a cardholder's employment status changes on a regular basis to ensure timely deactivation of P-Cards.

Management Response

All directors are informed of their responsibilities to the P-Card program through New Approver's training and the mandatory annual refresher training. We continue to reiterate to all participants in the program the importance of submitting a completed Acknowledgement of Returned or Suspended Purchasing Card form to the P-Card Program Administrator immediately upon an employee's separation.

Human Resources currently provides a weekly list of all terminated employees. In addition, we are working with EIT to create electronic forms with an approval signature process embedded in the On Base application to expedite the notification of employee status changes.

Actual or Expected date of Implementation: 10/1/2023 (anticipated date of electronic forms)

4. Emergency Purchases.

Observation

P-Card Manual Chapter 6 states that the County Administrator may declare the existence of an emergency procurement condition and suspend any or all provisions of the Procurement Code and authorize emergency procurements to maximize the County's eligibility of expense reimbursement. If such declaration is in effect, all procurements made during such declaration must conform with Sarasota County State of Emergency Purchasing Standard Operating Procedures and Federal Emergency Management Agency (FEMA) guidelines that are in effect at the time of the of the procurement. During the state of emergency, purchases made that are over \$10,000 have to be authorized by either the Unit Leader, Branch Director, DOC Manager, Director, Section Chief or Incident Commander as applicable.

The auditor identified a total of 86 transactions related to State of Emergency Purchases during the period of January 01, 2022 through December 31, 2022. Those transactions included 3 Departments, and payments totaling \$ 475,642.35 in the State of Emergency Purchases. Auditor selected a random sample of 78 transactions from the list of the State of Emergency Purchase transactions.

Of the 78 purchase transactions reviewed auditor identified 2 transactions that appeared to be missing appropriate level of approval based on transaction amount. A total amount of \$26,196.85 was not approved by the Section Chief on duty as required by a P-Card manual.

Recommendation

To ensure compliance with the P-Card Manual, all active P-Cardholders making purchases during the declared State of Emergency should be reminded of their responsibility to obtain the necessary level of approval for purchases made that are over \$10,000 as required by the P-Card manual.

Management Response

A new State of Emergency Purchasing training tool was developed by Procurement and released in May 2023. This training incorporates many of the lessons learned from Hurricane Ian and includes process flow charts that stipulate approval requirements for emergency purchases that exceed \$10,000. The training also encourages staff to bundle like purchases resulting from a disaster event. All purchasing cardholders, approvers, directors, and account coordinators are required to complete this training on an annual basis.

The State of Emergency Purchase Process flow chart and a State of Emergency Purchasing Guide are posted on Procurements eNet site (under 'How To'). Both documents stipulate

approval requirements for purchases in excess of the current micro-purchase limit (\$1 Ok).
Actual or Expected date of Implementation: Annual training released 05/31/2023

5. Compliance with State of Emergency P-Card Training

Observation

The P-Card Manual, section 6.7, states the responsibility of the P-Cardholder for completing the State of Emergency Purchasing Card Training. It requires that all Cardholders, Coordinators, Approvers and Directors complete the State of Emergency Purchasing Card Training on an annual basis.

The auditor selected a stratified sample of 100 active P-Cardholders from a total of 314 active P-Cards issued to County employees as of December 31, 2022, and a random sample of 30 P-Card Approvers from a total of 59 active approvers. The auditor also obtained and reviewed the State of Emergency P-Card training records from the County's Human Resources Training & Development.

The auditor was unable to find proof of completed Emergency P-Card training for 3 of the 100 active P-Cardholders, and 2 of the 30 P-Card Approvers.

Recommendation

To ensure compliance with the P-Card Manual, a quality check process should be implemented to verify all P-Cardholders are completing the State of Emergency P-Card training in a timely manner. In addition, it should be reminded to all individuals, during the P-Card Annual Training, of their responsibility to meet the Emergency P-Card training requirements.

Management Response

The State of Emergency Training is now available through WorkDay. Every year a revised training is launched and completion tracked in Workday (by HR) to ensure compliance with this training requirement. This mandatory training requirement is also addressed in the P-Card Policies and Procedures Manual.

We will continue to work with HR to monitor completion and to suspend or revoke cards if necessary.

Actual or Expected date of Implementation: Annual training released 05/31/2023

6. Payments for products and services already under Contract.

Observation

The P-Card Manual, section 5.2, states that “P-Cards are not to be used as a payment method for items available on an active County contract unless on the approved P-Card Preferred Vendor List”. In addition, section “a” states that P-Cards will be allowed as a payment method on items not specifically listed on an existing contract. The Cardholder will be responsible to check the contract and to write on the receipt that it is an “item not on the contract”.

The auditor obtained a list of all active contracts and a list of all purchases made on P-Cards during the audit period. Using data analytic software, a comparison was completed between the two spreadsheets based on the vendor name. This comparison produced a total of 21 possible matches.

Upon review of these transactions and related contracts, the auditor determined that 17 of the 21 purchases should not have been made due to the vendor being under an active contract. In addition, 13 of the 21 purchases receipts did not include the written statement “item not on the contract”, as required per section 5.2.

Recommendation

To ensure compliance with the P-Card Manual, all active P-Cardholders should be reminded of their responsibility to not use their P-Cards for items available on an active County contract, and to check the contract and write on the receipt “item not on the contract” for the related items not specifically listed on an existing contract.

Management Response

All cardholders, approvers and department directors are required to complete refresher training of P-Card policies and procedures on an annual basis. All Account Coordinators are given an annual refresher as well. The Purchasing Card Program Administrator will ensure that training continues to emphasize to program participants the importance of their responsibility of not using a P-Card for items available on active County contracts.

Actual or Expected date of Implementation: Annual refresher training 06/20/2023

7. Issuance of Purchasing Cards.

The P-Card Manual, section 3.2, states that the "P-Card Administrator reviews the application related to the issuance of purchasing cards, and if approved, establishes spending limits for Cardholder. An application will be completed and filed as soon as possible". In addition, section 3.3, states that is mandatory for Cardholders to complete P-Card Program training and sign a Sarasota County Cardholder Agreement before receiving a P-Card".

The auditor selected a random sample of 20 P-Cardholders from a total of 149 P-Cardholders whose P-Card was issued in 2022. Consequently, the auditor tested the entire process of the Issuance of Purchasing cards and obtained the related supporting documentation from the P-Card Administrator.

Per review of the physical documentation obtained from the P-Card Administrator, the auditor was not able to find the file for one (1) of the P-Cardholders, which includes the application, agreement and related receipts. In addition, the auditor identified that the P-Card Agreement for two (2) of the P-Cardholders was missing the P-Card administrator signature.

Furthermore, the auditor noted that as part of the process when the P-Cardholder limits are changed, the agreements on file are not required to be updated to reflect the latest limit changes.

Recommendation

To ensure compliance with Chapter 3 of the P-Card Manual, the Issuance of P-Card process should transition into an online process to reduce the likelihood of missing documentation. In addition, the P-Card process around Issuance of Cards can be improved by requiring all P-Cardholders to sign a new agreement when limits are changed. This will ensure all documentation on file is properly up-to date.

Management Response

We agree that an electronic system will improve the process of issuing P-Cards. We have been working with our EIT department to create and implement an electronic form that is to be accessed through OnBase. Cardholders and approvers will insert information and approvals that are necessary to create and issue a Purchasing Card and facilitate updates and changes regarding participants within the program.

Actual or Expected date of Implementation: 10/1/2023 (anticipated date of electronic forms)

8. Policies and Procedures are not up to date.

Observation

All purchases made on P-Cards are subject to the policies and procedures contained in Sarasota County Article VI, Chapter 2 (the Procurement Code), which was passed and duly adopted by the BCC on March 22, 2016, with an effective date of April 15, 2016 and amended in October 2020 and January 2021.

During the review of the P-Card purchases the auditor noticed that policies and procedures related to the administration of the purchasing card program are in need of an update.

Recommendation

To ensure policies and procedures provide the most up-to-date accurate information it is recommended that standard operating procedures related to the administration of the purchasing card program be updated to reflect the most current information.

Management Response

Procurement agrees that standard operating procedures related to the administration of the p-card program should be updated and formally adopted to provide clarity and continuity in program administration. The Purchasing Card Program Administrator will create SOPs documenting program administrative responsibilities. The SOPs will be formally adopted when electronically signed by the Procurement Official.

Actual or Expected date of Implementation: 12/15/23

