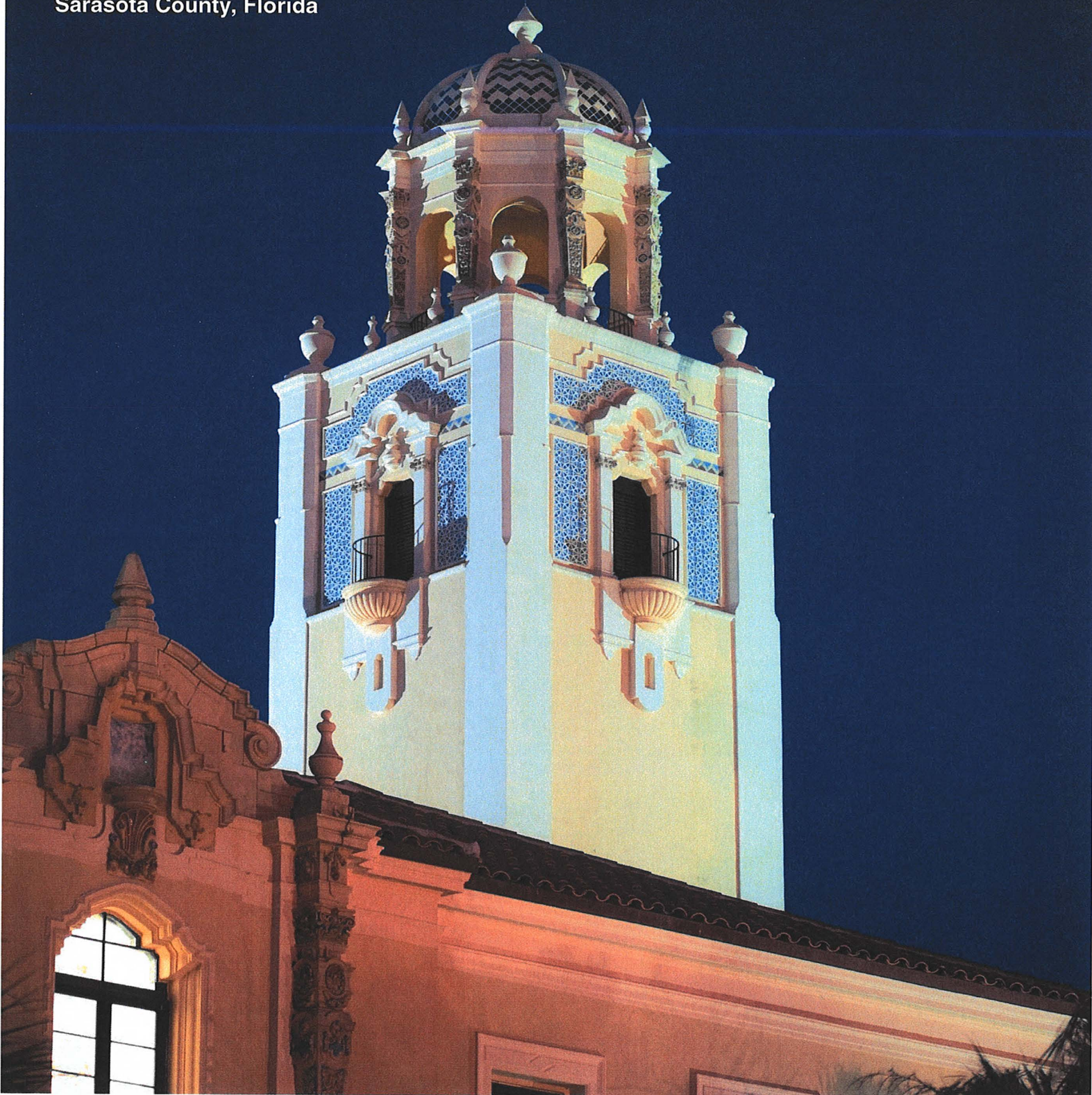


AUDIT OF PURCHASING CARDS PROGRAM

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EXECUTIVE SUMMARY

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

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

- Annual Refresher Training
- Issuance of Purchasing Cards
- Itemized Receipts
- Timely deactivation of P-Cardholders

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 the audit is very narrow and is performed to test controls, identify 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 Manager of General Services & Procurement is responsible for establishment of organizational policies governing the use of P-Cards and the administration of the Clerk of the Circuit Court's P-Card Program. A Procurement Manual has been established by the Manager of General Services & Procurement in order to explain and facilitate an understanding of the policies, procedures, roles and responsibilities related to the P-Card Program.

Purchasing Card Process

P-Cards are assigned to authorized employees after a Department Director or Department approving official makes a request and the Manager of General Services & Procurement approves the request. P-Cards are set with a single transaction limit of \$10,000. As of December 31, 2022, there were a total of 42 active P-Cards assigned to the Clerk of the Circuit Court employees. Between the post dates of January 01, 2022 and December 31, 2022 (audit period) there were a total of 5,151 purchasing card transactions totaling \$966,297.13.

The purchasing card application is a web-based application. The Clerk 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 the Procurement 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.

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 Finance Department receives the reconciliation packet and performs the final verification of receipts and charges, prior to payment to the bank.

Objectives, Scope and Methodology

The objectives of this audit were to determine if internal controls are operating effectively related to the Clerk of the Circuit Court Purchasing Card Program and if purchases made on the Clerk's 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 Clerk of the Circuit Court Procurement Manual.

- Performed a walkthrough of the Manager of General Services & Procurement functions.
- 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, requirements for State of Emergency related purchases, 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 four (4) *Opportunities for Improvement* identified as a result of the audit:

1. **P-Cardholders and Approvers Training**
2. **Issuance of Purchasing Cards**
3. **Itemized Receipts**
4. **Timely Notification of Changes in Status of Employment for P-Cardholders**

1. P-Cardholders & Approvers Training.

Observation

The Procurement Manual, section 22B under Roles and Responsibilities, states that the Cardholder must complete formal p-card training prior to receiving card. It also defines that the P-Card Administrator is responsible for monitoring compliance with all Procurement policies and procedures by providing cardholder training.

The auditor also noted there is not an established requirement and process in place for the completion of annual training by the Cardholders, Account Manager and Director/Approver. Although there is a guide in place for the “End of Month Processing” duties, this is not sufficient evidence to ensure compliance with all Procurement policies and procedures. The lack of a policy and procedure regarding an annual training could lead to non-compliance with relevant requirements within the procurement manual.

Recommendation

Although no instances of non-compliance related to required initial training for p-card holders, to ensure on-going compliance with the Procurement policies and procedures, there should be a requirement that all individuals associated with the p-card process receive an annual refresher training.

Management Response

Annual Refresher training will be developed and targeted toward active p-card holders once a year during a designated In-Service Day. Upon completion of training, each participant will be required to sign a Refresher Training Completion Form.

2. Issuance of Purchasing Cards.

Observation

The Procurement Manual, section 22C, states that the "P-Card Administrator enters the new Cardholder information into the p-card application". And consequently, P-Card Admin approves it and issue the new p-cards. The Procurement Manual, section 22C also states that the cardholder must pick up p-cards in person from the Purchasing Card Administrator. Per the P-Card Manager, the cardholder is also required to sign an "Acceptance Form" prior to receiving their card.

Per review of the entire population nine (9) of the P-Cards issued in 2022, IAD identified that four (4) of the nine (9) P-Cardholders did not complete the P-Card Application, and two (2) of the nine (9) P-Cardholders did not complete the Acceptance Form, which is signed by the P-Cardholders when they pick up their p-card in person.

Recommendation

To ensure compliance with the Procurement Manual, there should be a process in place to monitor and verify that all documentation related to the Issuance of P-cards is completed. In addition, it should be clearly stated in the Procurement manual the specific roles and responsibilities of the P-Cardholder, P-Card Administrator and Director/Offices in relation to the completion and approval of the P-Card Application and Acceptance Form.

Management Response

All requests for the issuance of a new p-card will be required to submit a Purchasing Card Application to the Manager of Procurement and General Services.

Upon completion of new p-card holder training, all P-Card Acceptance forms will be completed and submitted to the Manager of Procurement and General Services for review.

3. Itemized Receipts.

Observation

Procurement Manual section 22E states that all P-Card transactions must be supported by a detailed/itemized receipt including the following information:

- Vendor Name
- Cardholder Name
- Date of Purchase
- Itemized List of the Products/Services Purchased

Additionally, Procurement Manual section 22E states that the p-card is to be used for authorized purchases only, which includes airline tickets and registration fees. Purchases of airline tickets and registration fees both require to have a pre-approval of travel before the P-Card can be used for purchasing. Per the P-Card Manager, a pre-approved travel voucher should be attached as a supporting document in addition to an itemized receipt for P-Card transactions related to airline tickets or registration fees.

Auditor tested a sample of a total of 49 transactions, which included 27 travel related transactions and 22 registration fees related transactions. Out of a total of 49 transactions tested auditor identified ten (10) instances where approved travel voucher was not attached to the purchases of travel related items such as airline tickets or conference attendance registration fees.

Recommendation

To ensure compliance with the Procurement Manual, a process should be implemented to monitor and verify that necessary supporting documentation is attached to the each P-Card purchasing transaction as required by the Procurement Manual.

Management Response

The requirement of a pre-approved travel voucher will be emphasized within both new P-Card holder training and annual refresher training.

Each Account Coordinator will be responsible for ensuring the travel voucher is present within monthly packets prior to submission to Finance for processing.

4. Deactivation of P-Cards.

Observation

Per Procurement Manual section 22M, Human Resource Department will immediately notify P-Card Administrator of terminated employees and collect their P-Cards. P-Card Administrator will notify bank within 24 hours to cancel the card.

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 and verified that management immediately notified the P-Card Administrator of the employment status change. In addition, the auditor reviewed communication from the Human Resource (HR) Department to the Clerk Finance Department to ensure notification of end of employment notification occurred within 24 hours of the end of employment. All communication from HR occurred within the required time frame.

A total of 13 employees who have been issued a P-Card were terminated during the period of January 01, 2022 through December 31, 2022. Out of the 13 employees tested, four (4) were identified where P-Card deletion date was greater than the required 24 hours after the termination of employment date.

Recommendation

To ensure that deactivation of P-Cards is occurring timely, a process should be implemented to ensure all P-Cards are deactivated within a specific period of time and employment end date.

Management Response

Upon notification from Human Resources of a termination and/or retirement, Procurement will review the active P-Card holder list and inactivate card(s) accordingly.

The Manager of Procurement and General Services will review the list of terminated/retired persons on a continual basis to ensure compliance.

