



AUDIT REPORT



DATE April 18, 2017

NO. 2017-002

PROCUREMENT CARD USAGE

TRAVEL EXPENSES

INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and County Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of Procurement Card Usage for Travel Expenses by personnel members of the Charlotte County Board of County Commissioners. The purpose of the audit was to determine that existing controls were sufficient to ensure that procurement cards were properly used, activity was reasonable and transactions were adequately supported in compliance with internal policies and procedures.

The following is a report of the results of our audit. Responses from BCC Management are also included.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "D Mitchell".

Diane Mitchell
Internal Audit Director

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EXECUTIVE SUMMARY

Internal Audit has completed a review of procurement card usage for travel expenses. Our review determined that adequate controls are in place to ensure that charges are properly made in accordance with policies and procedures outlined in the Charlotte County Purchasing Manual.

However, Internal Audit identified unique uses of procurement cards for travel and marketing expenses made by the Tourism Development Department and instances of unapproved vouchers for out of county travel.

BACKGROUND

Charlotte County utilizes a procurement card program for the purpose of expediting purchases in a cost effective and efficient manner. Procurement Card Guidelines are included in the County Purchasing Manual, approved by County Administration on October 29, 2015. Charlotte County also utilizes a Travel Policy, approved by County Administration on January 1, 2016, that describes internal controls for travel and per diem expenses.

Charlotte County Budget and Administrative Services – Fiscal Services Division put together “task sheets”, revised on February 18, 2016, for the cardholder and Fiscal Services that outlines the responsibilities for documentation and oversight of travel expenses, including forms and samples.

The procurement card program simplifies the purchasing and disbursement process by allowing the procurement card holder to place orders or shop directly with a vendor. When a purchase is being made, the vendor requests authorization from the procurement card system. The system validates the transaction against preset limits or criteria established by the cardholder’s department head and the Purchasing Division. In the case of travel expenses, the procurement card replaces the need for cash advance checks.

The current policy provides for single purchase transaction limits of \$1,000 for employees and \$5,000 for supervisory personnel. Individual card holders have specific monthly credit limitations based upon their position within the County organization. Travel exceptions include cases where the Senior Division Manager – Purchasing Division determines that an adjustment to the limit or the opening of a merchant code is in the County’s best interests.

The Purchasing Division is responsible for administering the overall procurement card program. They ensure coordination with Bank of America, the Clerk of the Circuit Court Finance Division and the County departments. The County department heads are responsible for the monthly review and approval of all purchases and billing statements for those persons reporting to them.

The County Department heads may designate a departmental representative(s) for various responsibilities, but the Department head remains ultimately responsible for review and approval. Card holders are responsible for proper card usage and for safeguarding the card from loss or theft.

The Clerk of the Circuit Court Finance Division reviews payments to be made for propriety and deducts improper procurement card expenses from reimbursement amounts, assessing the traveler with the cost of the expense.

Travel and Per Diem expenses for the last three fiscal years are as follows:

2016: \$318,337 2015: \$295,719 2014: \$189,987

Departments with the highest annual Travel and Per Diem expenses are as follows:

Department	2016	2015	2014
Commission Office	\$30,305	\$23,520	\$17,372
Economic Development	\$27,026	\$34,463	\$19,976
IT Operations	\$26,850	\$20,544	\$15,796
Tourism Development Department	\$16,264	\$13,607	\$15,898

It should be noted that Tourism Development, while the fourth highest, is approximately 60% below the next highest department in travel and per diem expenses for 2016.

AUDIT OBJECTIVES

The objectives of this audit were to determine:

1. Compliance with Procurement Card Guidelines, specifically relating to travel expenses and the County’s Travel Policy.
2. The adequacy and effectiveness of internal controls over the procurement card program.
3. The adequacy of the expense transaction review process.
4. Procurement card travel and per diem charges are supported by complete documentation and are properly approved and posted to the general ledger.

SCOPE

We specifically reviewed travel and per diem usage of the procurement card process as defined in the Procurement Card Guidelines, the County Travel Policy, and Fiscal Services' Task Sheets. We selected the four departments with the highest travel and per diem expenses and tested these departments over a three month period. August 2016 through October 2016 was selected to ensure that current information was available, and that most planned travel was completed by the time of testing in order to audit the final expense reports.

AUDIT METHODOLOGY

Procurement card packages, that contain cardholder activity and supporting documentation, were pulled from the Clerk Finance Division files. Documentation was reviewed for compliance with internal controls. Support was inspected for the satisfaction of the auditor. Travel receipts were tested for "out of county travel" authorizations and matched with Travel & Per Diem accounting entries.

COMMENTS AND RECOMMENDATIONS

1. Procurement card activity that is unique to Tourism Development is not formally approved by County Administration.

Certain Tourism Development procurement card practices are not governed by County Administration. Specifically;

- Tourism Development is using procurement cards to purchase restaurant food and beverages for Tourism purposes. In addition, in some instances explained as compensating the server for complimentary menu items served, the gratuity given is greater than 20%.
- Tourism Development is also using procurement cards to purchase gas cards as a cost effective measure to reimburse writers, critics and professionals visiting Charlotte County.

Both the County Purchasing Manual and the Administrative Policy, which documents procurement card and travel policies, are approved by County Administration. Current procurement card policies prohibit the purchase of food, beverage and fuel. Neither policy addresses gratuities. The travel policy only includes a per diem or a daily allowance for expenses, namely food, of up to \$46.

The Tourism Development Department operates under Florida Statute 125.0104 (5) for authorized uses of revenue. The Statute is general in nature and does not specifically address the expenses described in our comments.

The effect is that there are no controls or formal policies or procedures in place to govern restaurant and gas card transactions.

We recommend that formal control policy and procedures be developed and implemented to clearly define procurement card usage unique to Tourism Development.

2. Internal Audit identified “Out of County Travel” Vouchers without authorizations.

A review of “out of county travel” vouchers determined that 8 of 33, or 24%, of vouchers reviewed did not contain an authorized approval. Of these, 6 were from Tourism Development and 2 were from Economic Development. Three vouchers did not have the traveler’s signature (2 Tourism Development and 1 Economic Development).

Florida Statute 112.061 (3) Authority to Incur Travel Expenses – states, “(a) All travel must be authorized and approved by the head of the agency, or his or her designated representative, from whose funds the traveler is paid. The head of the agency shall not authorize or approve such a request unless it is accompanied by a signed statement by the traveler’s supervisor stating that such travel is on the official business of the state and also stating the purpose of such travel.”

Per COUNTY ADMINISTRATIVE POLICY–INSTRUCTION FOR COMPLETION OF TRAVEL FORMS: “All travel is governed by F.S. 112.061...Please use the following guidelines to complete the FINAL out of county travel voucher...traveler must sign as to the validity of the expense report he or she is submitting. Approval of the Department Director is required.”

Per the Clerk Finance Division Accounts Payable Supervisor, the Clerks write “See Attached” on the Authorized Approval Line to refer to signatures on supporting documentation. However, this does not approve the validity of the submitted expense report.

We recommend Management ensure that all employees are made aware that expense vouchers must include the signatures of both the Traveler and the Authorizer for proper approval and payment.

CONCLUSION

Our review determined that the procurement card program, in regard to travel expenses, is generally operating in accordance with approved policies and procedures. However, as noted above, there are opportunities for improvement.

ACKNOWLEDGEMENT

We would like to thank the BCC Purchasing Division, the Clerk of the Circuit Court Finance Division and various County Departments for their assistance in the completion of this audit.

Audit performed by:
Dan Revallo
Senior Internal Auditor



MEMORANDUM

DATE: May 31, 2017

TO: Diane Mitchell, Internal Audit Director

FROM: Kelly A. Shoemaker, Deputy County Administrator

SUBJECT: Procurement Card Audit

Thank you for meeting with Hector Flores and I on May 18 to review your draft report. We have taken your comments and recommendations and are working on the following items:

Control policy and procedures specifically for Tourism including gas cards, food and tips
Completion of all travel forms including expense vouchers in their entirety including signatures

We will draft changes to our procurement card policy to address these items. Please let me know if there is anything else you need.

ADMINISTRATION

