



AUDIT REPORT



DATE December 21, 2020

NO. 2020-008

PROCUREMENT CARD PROGRAM

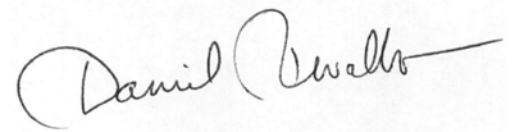
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

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

We have completed an audit of Procurement Card Program. The purpose of this audit was to review compliance with procurement card guidelines, internal controls, the transaction review process and determine procurement card activity is reliable, complete, and traces to the general ledger.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follows the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

The Internal Audit Division conducted an audit of the Charlotte County Procurement Card Program. The audit considered program activity between June 5, 2018 and May 4, 2020. Through methods of inquiry, observation and data analysis procedures, the Internal Audit Division was able to conclude that current controls are generally adequate and appear to be operating as intended. In addition, transactions reviewed appeared proper in nature, supported and traceable to the general ledger.

Based upon the results of our review, we offer a summary of recommendations. These recommendations are discussed in detail later in this report:

1. **We recommend** the County ensure employees are aware that splitting transactions to circumvent their single transaction limit is prohibited.
2. **We recommend** the County ensure employees do not engage in prohibited transactions as identified in the Procurement Card Program and travel policy.
3. **We recommend** the County ensure procurement card inventory is adequately controlled to limit the number of dormant or rarely used procurement cards.

BACKGROUND

Charlotte County utilizes the Procurement Card Program for expediting small purchases in the most cost effective, efficient manner. The current "Procurement Card Guidelines" are included as part of the Charlotte County Purchasing Manual, which was last approved by the County Administration Office on April 15, 2019.

The procurement card system helps streamline procurements and disbursements by allowing the cardholder to place orders directly with a vendor. When a cardholder makes a purchase, the vendor requests authorization from the procurement card system. The system then validates the transaction against preset criteria established by the cardholder's department head and the Purchasing Division.

Current policy supports a single transaction limit of \$1,000 for general employees and \$5,000 for supervisory personnel. Exceptions do exist for procurement cards with lower limits and established specifically for the payment of utility bills, library books, Charlotte County Utilities inventory items, animal shelter bills and in special cases where the Senior Manager of the Purchasing Division determines an adjustment is appropriate and within the County's best interest.

The Purchasing Division is ultimately responsible for administering the Procurement Card Program. They ensure proper coordination between Bank of America, the County's financial institution, the Clerk of Courts' Comptroller Division, and the various County departments. County department management heads are responsible for the monthly review of all procurement activity and billing statements for those individuals reporting to them. Department heads may designate departmental representatives for various tasks; however, they remain ultimately responsible. Cardholders are responsible for proper card use and for safeguarding their card from theft or loss, etc.

Charlotte County utilizes the Works application from Bank of America to manage procurement card transactions. The Works application is a Web-based and electronic card payment management service that automates, streamlines, and integrates existing payment authorization and reconciliation processes while providing management reporting and spending controls. The County uses the application to order new procurement cards, modify single transaction limits and credit limits, review and report information from procurement card transactions, suspend or revoke procurement cards, and electronically approve transactions by cardholders.

AUDIT OBJECTIVES

1. Assess the County's system of internal control over procurement cards and procurement card processing and determine its effectiveness and adequacy.
2. Determine compliance of the Procurement Card Program with applicable laws, policies, procedures, procurement guidelines, and best practices.
3. Review the transaction review process to ensure that procurement card activity traces to the general ledger.

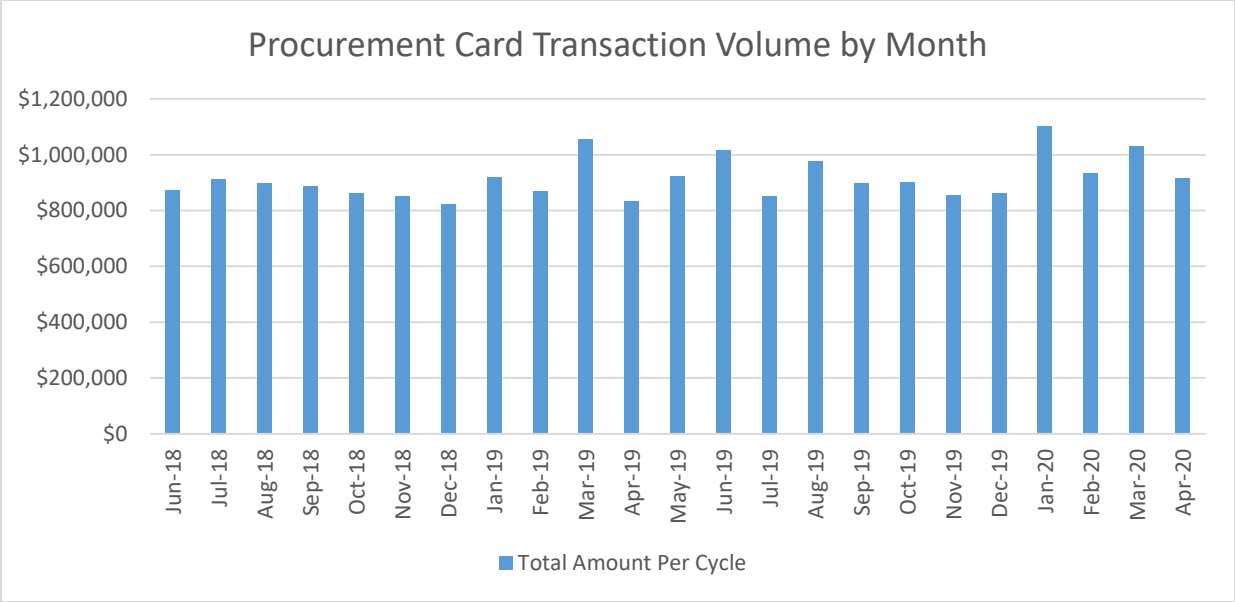
AUDIT SCOPE AND METHODOLOGY

The Internal Audit Division's audit scope consisted of all procurement activity within the period June 5, 2018 through May 4, 2020. Internal Audit reviewed and obtained an understanding of the 2019 approved Charlotte County Purchasing Manual containing the P-Card Guidelines, performed a walkthrough of the P-Card Administrator's functions, and interviewed County and Clerk of Court personnel involved in the program. We reviewed and tested documentation relating to sales tax exemption, split transactions, prohibited purchases, deactivation of P-Cards, P-Card training, issuance of P-Cards and evaluated the internal controls related to P-Card processes, including policies and procedures, issuance of P-Cards, deactivation of P-cards, etc. The County's Purchasing and Human Resources Divisions and the Clerk's Comptroller Office Division provided P-Card transaction and other information in electronic format exported into Excel.

Internal Audit used CaseWare IDEA Data Analysis Software to import the transaction file, extracted data from the entire period and analyzed the data in various ways in order to meet specific audit objectives and to determine an overall adherence to the Procurement Card Guidelines. Analysis performed considered County Divisions.

As of May 5, 2020, there were 366 active P-cards at the end of the period.

Transactions totaled \$21,030,917 for the 23 month period.
(78,326 transactions for an average of 3,405 transactions per month)



Departments with the highest transaction volume (in dollars) included:

Fleet Management	10,593	\$3,372,348
Fiscal Services	15,875	\$3,354,278
Utilities – Inventory	4,429	\$3,146,206
Community Services	9,674	\$1,990,295
Utilities	5,873	\$1,449,275

It should be noted that these statistics are in line with statistics from Procurement Card Audits in previous years.

Analysis included but was not limited to the following: 1) Weekend Transactions, 2) Cardholder Transaction Limits, 3) Vendor/Merchant Categories, 4) Underutilized Cards, 5) Duplicate Payments, 6) Disputed Transactions, 7) Declined Transactions, 8) Employee Card Use Violations, and 9) Terminated Employees, etc.

The Internal Audit Division also reviewed the Procurement Card records maintained by the Purchasing and Comptroller Divisions to ensure transactions were properly supported, reasonable in nature, as well as reviewed and approved by supervisory personnel as described within the Procurement Card Guidelines.

COMMENTS AND RECOMMENDATIONS

1. Employees split transactions to circumvent their procurement card's single purchase limit.

Seven employees each split a transaction to circumvent the \$1,000 single transaction limit on their procurement card.

Pursuant the Charlotte County 2019 Purchasing Manual, Procurement Card Guidelines, Dollar Limits and Conditions state, "Transactions shall not be split to prevent rejection due to the single purchase limits established."

We recommend the County ensure employees are aware that splitting transactions to circumvent their single transaction limit is prohibited.

2. Prohibited uses (taxi fares) were identified on procurement cards.

Eleven taxi fare transactions occurred from June 20, 2018 through February 29, 2020. Two of these transactions occurred from 5 months in 2020, 5 in calendar year 2019, and 4 from 6 months in 2018.

Pursuant the Charlotte County 2019 Purchasing Manual, Procurement Card Guidelines, Prohibited Uses of Procurement Cards, "Travel expenses related to food, hotel room incidentals, fuel, tolls, non-mandatory valet parking, **taxi** or any other incidental expenses are prohibited on a procurement card."

We recommend the County ensure employees do not engage in prohibited transactions as identified in the Procurement Card Program and travel policy.

3. We identified underutilized procurement cards.

There were 366 active procurement cards as of this audit. Of these cards;

- 13, or 3.6% were used only once in the 23 months under review.
- 76, or 20.8% were used 7 times or less during the 23 months under review.
- 12, or 3.3% were used for a total of \$100 or less in the 23 months under review.
- 60, or 16.4% were used for a total of \$1,000 or less in the 23 months under review.
- 50, or 13.7% were used 7 times or less and for a total of \$1,000 or less during 23 months.

Procurement cards are issued for employee travel. The employee may only have one travel trip. Purchasing pulls a report out of Works to determine if there is no activity on a card for a period of time usually 12 months. Purchasing notifies the cardholder, has them review or justify if the card is still needed and if not Purchasing cancels the card. This is not in the Charlotte County 2019 Purchasing Manual, Procurement Card Guidelines.

While Purchasing reviews and cancels dormant procurement cards, and maintains support, there is no documented procedure for cancelling procurement cards due to inactivity. Dormant cards increase the risk of misuse as employees may misplace the card without knowing, and excess cards increase the risk of not identifying inappropriate transactions.

We recommend the County ensure procurement card inventory is adequately controlled to limit the number of dormant or rarely used cards.

ACKNOWLEDGEMENT

We would like to thank the Charlotte County Purchasing Division and Clerk of the Circuit Court Comptroller Division for their assistance in the completion of this audit.

Audit completed by:

Orlando Solarte

Senior Internal Auditor

Charlotte County Clerk of Court and Comptroller



MEMORANDUM

DATE: December 2, 2020

TO: Dan Revallo, Director Internal Audit
Charlotte County Clerk of the Circuit Court and County Comptroller

FROM: Kimberly A. Corbett, Senior Division Manager – Purchasing

SUBJECT: Procurement Card Program Audit Report Response

The Internal Audit Division conducted an audit of the Charlotte County Procurement Card Program. The audit identified three (3) findings noted below and the County's response is noted with the finding:

1. Employees split transactions to circumvent their procurement card's single purchase limit.
Response: The seven employees that were identified in the audit report were contacted via e-mail requesting an explanation of the charges. Once that the explanation was received by Purchasing the employee was put on notice of the violation and was provided the information in the guidelines that, "Transactions shall not be split to prevent rejection due to the single purchase limits established."
2. Prohibited uses (taxi fares) were identified on procurement card.
Response: Upon discussions of the use of the procurement card for these transactions, the County will be reviewing and updating the current travel policy to accommodate those instances when taxi cabs or alternative transportation is required and will stipulate that these will be an authorized usage of the procurement card.
3. Identified underutilized procurement cards.
Response: Purchasing reviews and cancels procurement cards that have not been used over a twelve-month period due to inactivity. Upon the next update of the Purchasing Manual this procedure will be documented in the Purchasing Manual under the Procurement Card Policy Section.

I hope this adequately addresses the comments and recommendations noted in the Procurement Card Audit. If there is any additional information required, please feel free to contact me.

Sincerely,

Kimberly A. Corbett
Kimberly A. Corbett, C.P.M., CPPB
Senior Division Manager of Purchasing

Cc: Gordon Burger, Budget & Admin. Services Director
Orlando Solarte, Internal Audit

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