



# AUDIT REPORT



**DATE** July 24, 2018

**NO.** 2018-004

## PROCUREMENT CARD PROGRAM

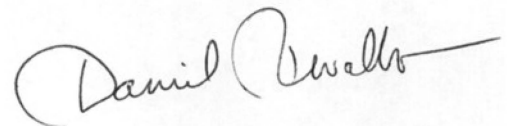
INTERNAL AUDIT DIVISION  
ROGER D. EATON  
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER  
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton  
Charlotte County Clerk of the Circuit Court and Comptroller  
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We have completed an audit of the 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, includes comments that were addressed, and follows up on prior audit comments found in our Procurement Card Usage Travel Expenses audit report issued on April 18, 2017.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal line 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 within the 2017 calendar year. Through methods of inquiry, observation and analysis procedures, the Internal Audit Division was able to conclude that current controls are adequate and appear to be operating as intended. In addition, transactions reviewed appeared proper in nature, supported and traceable to the general ledger.

Procedures performed by the Internal Audit Division identified five (5) active cardholders within the procurement card system that had previously terminated employment with the County. These individuals did relinquish their cards at the time of termination; however, the cards and required documentation were not forwarded to the Purchasing Division for notification and closure. Upon discovery, we notified the Purchasing Division, the accounts were closed, and Purchasing took steps to increase controls.

## **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 May 13, 2016.

The procurement card system helps streamline procurements and disbursements by allowing the cardholder to place orders directly with a vendor. When a purchase is made, 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 established specifically for the payment of utility bills, library books, CCU 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 the County's financial institution, Bank of America, the Clerk of Courts' Comptroller Division and the various County departments. County department heads are responsible for the monthly review of all procurement activity and billing statements for those individuals reporting to them. Department heads may designate department 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.

## AUDIT OBJECTIVES

The objectives of this audit were to determine the following –

1. Compliance with procurement card guidelines,
2. The adequacy and effectiveness of the procurement card system of internal control,
3. The adequacy of the transaction review process, and
4. Procurement card activity is reliable, complete and traces to the general ledger.

## SCOPE AND METHODOLOGY

The Internal Audit Division’s audit scope consisted of all procurement activity within the 2017 calendar year, with a significant focus on the October 1, 2017 to December 31, 2017 period. The primary documents utilized in determining overall compliance with the Procurement Card Guidelines included a complete transaction file for the year as well as a complete procurement cardholder listing.

Utilizing IDEA Data Analysis Software, the Internal Audit Division imported the transaction file, extracted data for the October 1, 2017 to December 31, 2017 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 all County Divisions.

Transactions totaled \$2,357,939 for this period (9,213 individual transactions).

Total monthly aggregate purchases were as follows:

October 2017	\$906,695
November 2017	\$784,469
December 2017	\$666,775

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

Fleet Management	1,364	\$507,437 (a)
Fiscal Services	2,017	\$381,735 (b)
Utilities-Inventory	510	\$263,779
Facilities Management	900	\$197,480
Community Services	865	\$166,959

(a) Fleet Management’s total includes \$137k for non-dealer automotive repair shops, \$97k for automotive tire stores. Internal Audit verified contracts are in place, and procurement cards expedite small purchases in the most cost effective and efficient method.

(b) Fiscal Services’ total includes \$193k for telecommunications charges and \$126k for utilities charges. Per procedure, cards are specifically established for payment processing of utility bills.

## SCOPE AND METHODOLOGY (CONTINUED)

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 Department also reviewed the Procurement Card records maintained by the Purchasing and Comptroller Divisions to ensure transactions were properly supported, reasonable in nature, and reviewed and approved by Supervisory personnel as described within the Procurement Card Guidelines.

## COMMENTS

Procedures performed by the Internal Audit Division identified five (5) active cardholders within the procurement card system that had previously terminated employment with the County. These individuals did relinquish their cards at the time of termination; however, the cards and required documentation were not forwarded to the Purchasing Division for notification and closure.

**As a result of this comment** the Charlotte County Purchasing Division immediately corrected the five instances identified and established an additional control where they receive weekly lists of terminated employees from Human Resources as an added level of control to ensure the cards of employees terminating employment are promptly addressed. **Corrective action implemented.**

## FOLLOW UP ON PRIOR COMMENTS

As part of our 2018 Procurement Card audit, we followed up on recommendations reported in our Procurement Card Usage Travel Expenses audit report issued April 18, 2017. The results of our follow up to recommendations and responses are as follows:

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

**Status: Corrective action implemented.** The developed formal policy was reviewed.

2. **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.

**Status: Corrective action implemented.** Procedure states a travel request form must be approved and authorized by the appropriate authority. Administration further states Management has advised employees to ensure that the travel expense voucher form must be signed by the traveler and the authorizer of the allowed travel. Additionally, transactions were audited without exception.

## **CONCLUSION**

Based upon our audit analysis procedures and the procurement card records reviewed, we are satisfied that the Procurement Card Program is working in accordance with approved guidelines.

## **ACKNOWLEDGEMENT**

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

Audit performed by:

Misti Payette

Internal Auditor

