

**CITRUS COUNTY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER**

**Internal Auditing Services for the
Purchasing Card Program**

**FINAL REPORT
January 6, 2015**

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January 6, 2015

Ms. Angela Vick
Citrus County Clerk of the Circuit Court and Comptroller
110 N. Apopka Avenue
Inverness, Florida 34450

Dear Ms. Vick:

As requested by the Citrus County Clerk of the Circuit Court and Comptroller (the Clerk and Comptroller), we have completed our engagement to evaluate the Citrus County (the County) Purchasing Card (P-Card) Program. The general objective of the engagement was to examine and evaluate the adequacy and effectiveness of the internal controls and procedures over the County's Bank P-Card program to determine whether P-Card transactions are in compliance with established policies and procedures. The engagement's specific objectives were to –

- Ascertain whether internal controls over the issuance and use of P-Cards are adequate.
- Assess whether purchases made with the P-Cards are in compliance with the Board of County Commissioner's relevant policies and procedures.
- Report on the adequacy of internal controls and make recommendations for strengthening any inadequate controls and/or for improving operations going forward.

We appreciate the assistance and contribution of management and staff of the County's Department of Management and Budget, as well as the staff of the Clerk and Comptroller's Finance Department.

Our report is intended solely for the Clerk and Comptroller's management, the Board of County Commissioners of Citrus County (BOCC), and BOCC management, and is not intended for any purpose other than to assist you with the items mentioned above. Consequently, our report is limited for your information and use only and should not be used by anyone else. In addition, our report is based on

current circumstances. We have no responsibility to update our report for events and circumstances that occur after January 6, 2015.

Respectfully submitted,

CliftonLarsonAllen LLP

A handwritten signature in blue ink that reads "Michael E. Carter". The signature is written in a cursive style with a large, stylized 'C' at the end.

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I. OVERVIEW OF THE COUNTY'S PURCHASING CARD PROGRAM

Overview

Since 2007, the County implemented WORKS™, a Bank of America desktop tool designed to electronically manage the Bank of America purchasing card program. WORKS™ provides 24-hour access to detailed transaction data, account setup and maintenance, spending control modification, dispute initiation, transaction reconciliation, authorizing specific merchants, and statement and transaction review. Before WORKS™, the County used another Bank of America program, called EAGLS™.

The program was designed to increase efficiency in purchasing low dollar transactions from vendors who accept Visa cards. Utilizing the P-Card program eliminates issuing individual vendor checks and reduces purchase order requests; the program is also designed to increase the efficiency of P-Card administration and accounting tasks.

As of September 30, 2014, there were 136 active P-Cards, consisting of 99 individual cards and 37 emergency P-Cards. The County establishes emergency P-Cards for designated County staff to use in the event of a natural or other disaster, or other unforeseen circumstances. These P-Cards are kept secure by the Assistant County Administrator/Designee until such time that they are needed.

Each designated cardholder has two pre-set purchase limit values, a single purchase limit, and a 30-day purchase limit, which are established by the cardholder's Department/Office/Division Director. These preset purchase limits are as follows:

- \$500/single purchase and \$2,500/monthly purchases, or
- \$1,000/single purchase and \$5,000/monthly purchases, or
- \$2,500/single purchase and \$10,000/monthly purchases, or
- \$2,500/single purchase and \$25,000/monthly purchases, or
- \$10,000/single purchase and \$50,000/monthly purchases

Most cardholders have the \$2,500 per single purchase and \$25,000 monthly purchases limits.

During the 22 month audit period ending July 31, 2014, there were 8,130 P-Card transactions totaling \$2,122,412, of which 129 were declined transactions (which netted 8,001 total actual transactions). Individual transactions ranged from \$0.02 to \$8,625.

The following tables show the departments and the vendors with the five highest number of transactions and five highest total amounts registered during the audit period.

Table 1: General Ledger Cost Centers (Departments) With the Five Highest Number of Transactions

Department (General Ledger Cost Center)	Number of Transactions	Amount
Library Services (6212)	767	\$311,185.61
Fleet Management (550)	616	\$175,432.48
Facilities Maintenance (2670)	608	\$190,855.45
Animal Control (5106)	567	\$293,165.21
Tourism (2122)	534	\$159,191.90
Totals	3,092	\$1,129,830.65

Table 2: General Ledger Cost Centers (Departments) With the Five Highest Transaction Total Amounts

Department (General Ledger Cost Center)	Number of Transactions	Amount
Library Services (6212)	767	\$311,185.61
Animal Control (5106)	567	\$293,165.21
Facilities Maintenance (2670)	608	\$190,855.45
Information Systems Services (2150)	324	\$185,736.75
Public Utilities (9000)	489	\$181,804.68
Totals	2,755	\$1,162,747.70

Table 3: Vendors with the Five Highest Number of Transactions

Vendor Name	Number of Transactions	Amount	Average per Transaction
Office Depot	691	\$47,047	\$68
Baker-Taylor (books, periodicals, newspapers)	345	\$192,333	\$558
Lowe's	271	\$31,225	\$115
Florida Department of Law Enforcement – Check of Criminal History on the Internet (FDLE CCHINET)	196	\$4,704	\$24
MWI Veterinary Supply Inc.	168	\$126,664	\$754
Totals	1,671	\$401,973	

Table 4: Vendors with the Five Highest Transaction Total Amounts

Vendor Name	Number of Transactions	Amount	Average per Transaction
Baker-Taylor (books, periodicals, newspapers)	345	\$192,333	\$557
Dell K-12 Solutions (computers, computer peripheral, equipment, software)	150	\$154,248	\$1,028
MWI Veterinary Supply Inc.	168	\$126,664	\$754
Thomson West TCD (Professional Services – libraries’ online database and law library updates)	43	\$87,496	\$2,035
CDW Government (Information Technology Services for Government)	56	\$50,093	\$895
Totals	1,671	\$401,973	

Prohibited purchases

The County’s Purchasing Card Policies and Procedures Manual expressly prohibit the following purchases. The policy also describes certain conditions that represent exceptions to the rule, along with the procedures followed in such instances.

Table 5: Prohibited Purchases

PROHIBITED PURCHASES	EXCEPTIONS
Alcohol or prescription drugs	Tourism-see A.R. 2.09
All goods/services specifically restricted by all departments.	None (Prohibited)
Capital outlays in excess of \$1,000.	When authorized by the Office of Systems Management to purchase computer equipment for the County. The Office of Systems Management will report the capital outlay asset to the Fixed Asset Clerk to add to the capital asset inventory.
Cash advances including use of the card, card number or account number at Automated Teller Machines (ATMs), inside bank branches or at cash advance, quasi-cash and money transfer locations such as Western Union, Telecheck, etc.	None (Prohibited)
Computers, laptops, servers, data plans, software or applications (i.e. “apps”) for non-County entity issued devices, including but not limited to, smart phones (e.g. iPhone, Android, Blackberry), or tablets (e.g. iPad, Kindles, etc.)	None (Prohibited). Any items meeting the definition of hardware, software, services, or connectivity must be approved and ordered by the Office of Systems Management per Administrative Regulation (A.R.) 16.10 and the Office of Systems Management Technology Approval List.

PROHIBITED PURCHASES	EXCEPTIONS
Employee gifts (i.e. gift cards, store value cards, calling cards, pre-paid cards, or similar items)	None (Prohibited)
Entertainment costs such as: movies, concerts, theme parks, athletic events, etc.	Parks & Recreation purchase of licenses for "Movies in the Park." Any entertainment cost associated to the Visitors and Convention Bureau (see A.R. 2.09).
Parties such as birthdays, holidays, anniversaries, baby showers, and retirements, and associated items such as plates, cups, food, decorations, flowers, etc.	Any such activity associated to the Visitors and Convention Bureau (see A.R. 2.09).
Food/meals for consumption by County employees.	Citrus County Ordinance Article IV, Finance Section 2-108, authorizes certain such expenditures. Any such cost associated to the Visitors and Convention Bureau (see A.R. 2.09).
Fuel, oil products, maintenance and repairs to County vehicles.	If Wright Express does not work for County issued vehicle, employee must complete a <i>P-Card for Fuel Certification form</i> .
Mechanical repairs and maintenance of personal vehicles.	None (Prohibited)
Membership for personal benefit or social club dues.	None (Prohibited)
Personal purchases of any kind (<i>personal purchases</i> are defined as purchases of goods and services intended for non-work related use or use other than official County business. All purchases must be for the official benefit and/or use of the County) outside the scope of a department's responsibilities.	None (Prohibited)
Space heaters, fans, coffee pots, toasters, water dispensers, or similar appliances.	If pre-approved by the County Administrator/Designee.
Telephone calls.	Business calls can be charged to the hotel room and paid for by the P-Card, as long as the employee is on approved travel.
Tobacco products, including but not limited to electronic cigarettes.	None (Prohibited)
Weapons, ammunition, chemical ammunition.	None (Prohibited)

Internal Controls

Following is a description of Citrus County's practices associated to the eight controls typically found in similar P-Card operations –

1. The organization has policies and procedures in place for credit card procurements.

The County's *Purchasing Card Policies and Procedures Manual* (P-Card Manual) provides general guidance on the use of the County's P-Cards. Additionally, Administrative Regulation (A.R.) 9.17-1, *Purchase Card Program*, establishes the appropriate uses of the County's P-Card, including procedures associated to employee travel, and A.R. 10.03-1, *Emergency Disaster Purchasing Card Policy*, establishes guidelines for using emergency P-Cards in the event of a major hurricane or other natural disaster.

Procurement of technology-related items is regulated through A.R. 16-10, *Purchase of Computer Hardware*, which establishes procedures that ensure all purchases of computer and telecommunications equipment conform to existing guidelines. The policy also establishes that any item meeting the definition of hardware, software, services, or connectivity must be approved and ordered by the Systems Management department. The Office of Systems Management will report the purchased capital outlay asset to the Fixed Asset Clerk.

Additionally, A.R. 2.09-1, *Travel and Purchasing Policies for the Visitors and Convention Bureau*, establishes guidelines outside the more traditional policies established for County employee travel and purchasing based on the unique nature of operations within the Citrus County Visitors and Convention Bureau.

2. Procurement card policy includes parameters such as maximum amount to be purchased, types of items to be purchased, and authorized vendors.

Individual cardholder spending limits vary per single transaction and per monthly transaction. The maximum limits for most cardholders are \$2,500/single purchase and \$25,000/monthly purchases, unless authorized by the County Administrator/Designee. However, the maximum preset purchase limit is \$10,000/single purchase and \$50,000/monthly purchases. Cardholders with spending limits

less than \$2,500 must use purchase orders for acquisitions over \$2,500. Further, Administrative Policy prohibits splitting purchases to stay within the single purchase limit.

P-Card procurements can only be made for approved items and from approved merchants. Both features are programmed in WORKS™, and the system declines transactions that do not qualify. If a cardholder wants to purchase from a merchant that does not exist in the system, the cardholder must submit a written request to the Purchasing Card Administrator for approval and inclusion as an approved vendor in WORKS™.

3. Credit card assignments are made within reasonable business parameters in terms of how often a P-Card is needed.

The purpose of the County's P-Card program is to provide an efficient and cost effective method of procurement of goods and services by eliminating the need for centrally-issued and approved purchase orders, and central processing of payment requests. Procurement responsibility is delegated to the authorized cardholder(s) within each Department/Office, enabling them to place orders directly with vendors. Since P-Card processing and reconciliation of the 136 currently active P-Cards is a time consuming task both for the incumbent County department and the Clerk and Comptroller's Finance Department, and since a smaller number of cards can reduce the risk of misuse, CLA identified P-Cards that may not be justified due to low usage (see Observation 2, page 13).

4. All procurement cards are accounted for and cards for terminated employees are inactivated.

From time to time, the Purchasing Card Administrator accesses the list of all active credit cards from the credit card vendor's website and compares to credit card statement activity to verify completeness of cards. Unless an issue is noted, the Purchasing Card Administrator does not involve the departments in the verification process.

When an employee who has a P-Card ends his/her employment or is transferred to another department, that employee's P-Card must be cancelled. It is the responsibility of the Department/Office/Division Director to retrieve the P-Card from the employee, destroy it (cut it in

half), and submit the pieces of the card to the Purchasing Card Administrator. The Director shall complete the *Purchasing Card Maintenance Form* requesting that the card be cancelled and submit it to the Management & Budget Office for processing and file documentation of the cancellation request.

If the Department/Office/Division Director is unable to collect the P-Card when an employee leaves, he/she shall immediately notify the Purchasing Card Administrator by telephone, followed by a completed *Purchasing Card Maintenance Form*. The Purchasing Card Administrator will ensure that the card is cancelled immediately upon notification.

5. Individual P-Card statement charges are reconciled against bi-monthly P-Card transaction reports. Any discrepancies found are resolved.

Department/Office/Division directors and designated P-Card representatives are required to review every P-Card expenditure (item purchased, amount, and vendor) to ensure the goods or services were necessary for official County use, and that the purchase complies with all established procedures.

On a bi-weekly basis, the Department/Office/Division card representative obtains from WORKS™ a bi-monthly, detailed transaction report, and matches receipts or any other supporting documentation with the items listed on the bi-monthly report for each cardholder. Likewise, bi-monthly reports are prepared for the Department/Division/Office directors and the Assistant County Administrator, which are signed by the designated P-Card representative and the director's supervisor or the County Administrator, whichever is appropriate. As part of this process, the P-Card representative writes the appropriate fund, cost center and account number on the receipts and records the information in WORKS™. Any unsupported transactions are investigated and resolved.

The P-Card representative then signs the bi-monthly report and submits it to the Department/Office/Division director for signature indicating review and approval. Once the director has signed, the P-Card representative forwards the bi-monthly reports and related receipts to the Department of Management and Budget (DMB)/P-Card Administrator for review and subsequent submittal to the Clerk's Finance Department.

Upon receipt, the Clerk's Finance Department verifies the required approvals of the charges and the completeness of receipts. Discrepancies are documented in a *Deviations Log* and reported to the appropriate department P-Card representative for research and resolution. A consolidated Deviations Log of all departments is submitted to the P-Card Admin for follow up on issues.

6. Individual P-Card billing statements are reviewed and approved by appropriate supervisor prior to submittal to the Clerk's Finance Department for final review.

Bank of America will transmit one consolidated statement for all cardholders to the DMB who then forwards to the Clerk's Finance Department. Bank of America will also transmit individual monthly statements to each Department/Office/Division P-Card representative, who compare the statements to the bi-weekly reports to verify what is on the statement is what was approved with the bi-weekly report, and then distributes to appropriate cardholders for review and signature and/or resolution of any errors. The P-Card representative then secures review and signature of the cardholder's appropriate supervisor before forwarding the cardholder statement(s) to the Clerk's Finance Department.

The Clerk's Finance Department proceeds to reconcile the consolidated statement for all cardholders against the individual cardholder statements received from the Department/Office P-Card Representatives. Any missing or delayed cardholder statements are documented in the *Deviations Log* and reported to the appropriate director and the P-Card Administrator.

7. Credit card activity is independently reconciled prior to payment.

The Clerk's Finance Department performs independent reconciliations of both the bi-monthly transaction reports and the monthly bank statement (see controls above). Specifically, Finance reconciles the cardholder statements with the transaction logs to verify compliance prior to remitting payment to Bank of America. Once all discrepancies have been clarified, Finance interfaces WORKS™ to Pentamation (County's financial accounting system) to record all P-Card transactions in the general ledger.

8. Policies and procedures are in place to restrict the use of emergency P-cards.

Emergency cards are secured in the office of the Assistant County Administrator and are restricted for use only during natural or other disasters, or other unforeseen circumstances.

II. SCOPE AND METHODOLOGY

The assessment covered the 22-month audit period from October 1, 2012 to July 31, 2014. Our methodology included analytical testing of data, various forms of sampling, and inquiry with the P-Card Administrator and with Clerk's Finance Department personnel. Specifically, CLA obtained a report listing all P-card transactions for the audit period and a report of the current cardholders, imported both reports into IDEA and conducted a series of queries and reports to identify any unusual activity during the audit period. Additionally, CLA selected a representative sample of all the transactions during the audit period, and performed tests to address allowability and reasonability of the purchase, and to validate existing procedures.

III. SUMMARY OF RESULTS

We determined that the County, except for the observations and recommendations noted below, maintains reasonable level of controls for ensuring that internal controls over the issuance and use of P-Cards are adequate, and that purchases made with the P-Cards are in compliance with associated Board of County Commissioner's relevant policies and procedures.

The individual County departments are the first and most critical line of defense for assuring that credit cards are being used for allowable purposes. The reviews by the cardholder's supervisor and the Department/Office/Division directors are key in reducing the risk of abuse because they have first-hand knowledge of the purpose and justification of every charge made. The Clerk's Finance Department's independent review is important, but its focus is completeness of supporting documentation, verification of required approvals, and reconciliation of transactions prior to payment, not allowability. The thorough review by the cardholder's supervisor and the Department/Office/Division directors

review is the most effective way for the County to minimize the inherent risk associated with 99 individual cards and an average of 370 charges per month.

While no major exceptions or patterns of misuse were found throughout the audit, CLA observed that the Clerk's Finance Department regularly notes issues related to the P-Card documentation submitted by the departments including unallowed charges, missing receipts, and late submittals of the P-Card bi-monthly reports and individual P-Card bank statements (Observation 4, page 16).

Opportunities for Improvement

To strengthen the process and reduce the number of exceptions even further, CLA recommends that the County develop stricter oversight measures for the departments to thoroughly review charges, to timely submit P-Card records to the Clerk's Finance Department, and for prompt response to noted deviations (see Recommendation 4, page 17).

Other audit observations include:

- Several cardholders may have purchased office supplies, janitorial supplies and uniform items from sources other than the contract vendors (Observation 1, page 12).
- CLA identified 28 cards that were active during the audit period and used 10 times or less. Low P-Card usage may indicate unjustified assignment (Observation 2, page13).
- Transactions declined due to "Bad PIN" with an MCC description of "Financial Institutions – Automated cash disbursements" should be further investigated (Observation 3, page 14).
- Cardholders do not always comply with P-Card procedures. (Observation 4, page 16).
- There are some differences in the 2014 P-Card Manual and Administrative Regulation 9.17-1, *P-Card Program*, related to P-Card policies and procedures (Observation 5, page 18).

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IV. DETAILED RESULTS AND RECOMMENDATIONS FOR IMPROVEMENT

CLA's procedures included a data analytics component and a sample-based component. Through the data analytics component, CLA performed a series of queries of all the data to identify any unusual activity during the audit period. Through sample-based analyses of transactions recorded during the audit period, CLA performed tests to address allowability and reasonability of the purchase, and to validate existing review, approval, and reconciliation procedures.

DATA ANALYSIS-BASED TESTS

CLA obtained a report listing all P-card transactions (8,130, including 129 declined transactions) for the audit period and a report of the current cardholders, imported both reports into IDEA and conducted a series of queries and reports to identify any unusual activity during the audit period. Following is the description and result of the various tests performed through data analytics –

A. P-Card numbers not included in the County's active P-Card listing

CLA ran a query to identify any transactions where the P-card used was not included on the P-Cards master listing.

A total of 31 cardholders were identified in the audit period database that did not show active card status as of 9/29/14. Further inquiry with DMB showed that all 31 employees had ceased employment with the County before the date of the active card status report (9/29/14) and therefore, they would not appear as active users. **No exceptions noted.**

B. Split purchases to circumvent the Single Purchase Limit (SPL)

To circumvent the established SPL, a cardholder can potentially split the total purchase amount exceeding the SPL into two transactions with amounts that individually meet the SPL. In order to identify potential split purchases, CLA ran a query to identify all vendors that had multiple charges recorded on the same day. CLA then identified the minimum and the maximum dollar amounts of the transactions, as well as the average transaction amount to probe whether the total amount could have exceeded the SPL for any particular procurement during the audit period. **No exceptions noted.**

C. Fuel purchases using P-Cards instead of a County fuel card

Fuel purchases can only be made using Wright Express fuel cards. However, in the rare event that Wright Express does not work, employees must follow a specific procedure to document the event. CLA ran a query to identify fuel purchases made with County P-Cards by looking for transactions corresponding to vendors classified as gas stations-retail, finding no such transactions during the audit period. The only fuel-related transactions CLA found during the audit period were eight purchases of bulk fuel and gas (\$229 average per transaction). **No exceptions were noted.**

D. Purchase from non-contract vendors

Citrus County maintains contracts with vendors for frequently used items such as uniforms, office and janitorial supplies with the purpose of obtaining lower wholesale prices. County personnel should purchase from these vendors; if not, the purchase must be requested and approved by the County Administrator. Following are the vendor contracts in place during the audit timeframe –

- Office Supplies – Office Depot, from October 2012 to current
- Janitorial Supplies – Bestway Industrial Supplies, October 2009 to current
- Uniforms – Cintas, from April 2012 to March 2017 and ServiceWear from September 2013 to current (Prior to ServiceWear it was Unifirst until September 13, 2013)

Observation 1

Several cardholders may have purchased office supplies and uniform items from sources other than the contract vendors.

Office supplies. CLA ran a query of procurements with vendors with Merchant Category Codes (MCC code) of “Stationery, office and school supply stores,” “Stationery, office supplies, printing and writing paper” and “Combination catalog and retail merchant.” CLA found that while the large majority of transactions (approximately 94%) were from the approved vendor, there were transactions from 14 other vendors classified with same MCC code, such as Office Max, Staples and Discount Office Items.

Uniforms: CLA ran a query of procurements with vendors with MCC codes “Men, women and children uniforms and commercial clothing” and “Clothing rental--costumes, uniforms, and formal

wear.” While most purchases were made from contract vendors, CLA found three transactions that may have been from non-contract vendors - Nomorerack.com, Scrubs LLC, and Scrubs LLP.

Recommendation 1

We recommend the County take a deeper look at the appropriateness of the purchases noted above. Going forward, the County should consider the benefit of implementing a periodic exception report that helps identify purchases made from vendors that are not contracted for items that should have been procured through a contract vendor. This may be accomplished by extracting activity under the MCC codes associated to the contracted categories (office supplies, janitorial supplies, and uniforms).

Management Response

The P-card Administrator will implement at least quarterly review of office supply and uniform MCC code purchases.

E. P-Cards with no or minimum number of transactions during the audit period

Observation 2

Low P-Card usage may indicate unjustified assignment. CLA identified 28 cards that were active during the audit period and used 10 times or less, as shown below.

Table 6: P-Cards with Ten or Less Transactions during the Audit Period

Number of Transactions	Occurrences
One	1
Two	4
Three	5
Four	2
Five	2
Six	0
Seven	2
Eight	4
Nine	2
Ten	6

Recommendation 2

We recommend the County perform further analyses to determine whether the cards identified as having low usage cards are still active. Then, the County should determine whether these card assignments are justified. P-card processing and reconciliation is a time-consuming task, both for the incumbent County department, and the Clerk's Finance Department. Reducing the number of credit cards may reduce the risk of misuse and may decrease staff workload.

Management Response

All issued cards are active. Card assignments with low usages are considered justified if they continue the purpose of the P-card program by saving time and costs through minimizing small purchase order issuances and ease travel burdens.

F. Analysis of declined transactions

CLA performed an analysis of the 129 transactions automatically declined by WORKS™ during the audit period due to various reasons as pre-defined in the system. When the transaction is declined, no purchase is made, and per inquiry with the P-Card Administrator, most cases were reasonably inherent to the dynamics of the various operations. For example, a cardholder may attempt to purchase from a vendor that does not exist in the WORKS™ vendor database.

Observation 3

Transactions declined due to "Bad PIN" with an MCC description of "Financial Institutions – Automated cash disbursements" should be further investigated.

The declined transactions analysis showed two transactions declined due to "Bad PIN" with an MCC description of "Financial Institutions – Automated cash disbursements", which could be a cardholder error, or more concerning, an attempt of fraud by the cardholder trying to withdraw cash. The table below summarizes the number of transactions for each declined category.

Table 7: Declined Transactions by Reason

Decline Reason As Defined by Bank of America in WORKS™	Number of Transactions	Decline Amount
Account standard limit is exceeded	64	\$140,522.01
Individual MCCG (Merchant Category Code Group) is excluded	20	\$13,177.45
Closed account; not enough available money	18	\$2,749.26
Not enough available money	8	\$6,822.40
Bank Request: Fraud Strategy 1 ⁽¹⁾	6	\$1,129.20
Closed account	5	\$14.85
Declined by Score 1 (Fraud strategy) ⁽¹⁾	5	\$928.22
Bad PIN	2	\$0.00
Not enough available money; account standard limit is exceeded	1	\$8,000.00

⁽¹⁾ Per Bank of America, these decline codes can indicate a number of things, including: A three-digit security code used; a card swiped too many times; a card cancelled; a vendor that is not an approved vendor, among others.

Recommendation 3

While the system has controls in place to automatically decline transactions that are not authorized and, ultimately, avoid an undesirable procurement, we recommend the County produce a monthly report to analyze any unusual reasons for declined transactions to detect what could be an attempt of fraud. Further, the County should communicate this procedure across the organization to increase awareness regarding the P-Card administration’s continuous monitoring role.

Management Response

The P-card Administrator implemented monthly review of declined transactions prior to the issuance of this report.

SAMPLE-BASED ANALYSES

G. Allowability, review and approval of P-Card transactions.

CLA selected a representative sample of 95 transactions based on 95% confidence and 10% margin of error from the population of 8,001 transactions recorded during the audit period. For each transaction, CLA tested whether –

- There was a valid receipt for the transaction and the account number was documented on the receipt.
- The receipt supporting the transaction was submitted to the Clerk’s Finance Department along with the respective bank statement and the Bi-Monthly Report for Directors. Both the bank statement and the Bi-Monthly Report for Directors were signed by the employee’s supervisor.
- The purchase did not include sales tax.
- The purchase appeared to reasonably serve a County purpose.

Observation 4

Cardholders do not always comply with P-Card procedures.

CLA observed that 88 of the 95 sample selections met the test criteria noted above. Seven selections showed the following –

- Three transactions did not have an account number documented on the supporting receipt as required in the P-Card Manual; however, the transaction was properly coded in WORKS™. Per inquiry with Clerk Finance, this requirement has not been enforced in the past as this information is signed off in WORKS™.
- Two transactions were missing the supporting receipt and the department did not include "Purchasing Card Missing Receipt Form" as required in the P-Card Manual. However, there was either an email or a note explaining the charge. Further, these transactions were not documented in the Clerk’s Finance Department’s exception logs for the corresponding month. Per inquiry with the Clerk’s Finance Department, this step has not been enforced in the past and clarification will be made with DMB as to adjustments going forward.
- One transaction was missing the receipt. Upon inquiry, the Clerk’s Finance Department provided a note describing the item purchased (audio tapes), and that items were returned and account

was credited. This transaction was not documented in the Clerk’s Finance Department’s exception log for the corresponding month. Per inquiry with the Clerk’s Finance Department, this step has not been enforced in the past and clarification will be made with DMB as to adjustments going forward.

CLA also noted multiple transactions where the tests were satisfactorily completed, but posed difficulty in tracing the transaction to the cost center, either because the cost center was different or because the cost center description was missing.

In an additional test, CLA selected three of the exception logs maintained by the Clerk’s Finance Department noting records of untimely department submission of P-Card bi-monthly reports and individual P-Card statements. The exception logs also recorded deviations from the established policies and procedures, such as missing receipts, use for non County-related purpose, and charge of sales tax.

Table 8: Review of Exception Logs

Exception Type	November 2012	January 2014	July 2014
Number of instances of delays with bi-weekly report or bank statement submittal	5	9	19
Number of deviations from P-Card policies and procedures	1	0	3

Recommendation 4

We recommend management take additional measures for the Department/Office/Division directors and/or cardholder supervisors to ensure all P-Card transactions are justified prior to a purchase, and for including full documentation of the business purpose for the transactions. Additionally, we recommend management take steps to create greater accountability at the department level for promptly responding to deviations reported by the Clerk’s Finance, and for providing accurate, timely reports. Management should also look into measures to improve coding of the transaction’s cost center within WORKS™. Additional training will help ensure cardholders understand their obligations and responsibilities.

Management Response

The P-card Administrator intends on updating the Administrative Regulation, manual, and related documents to reflect recommendations of this audit. Update will be completed, and countywide training performed. The P-card Administrator has already discussed training and it will be conducted in partnership with the Clerk's Finance Department.

OTHER COMPLIANCE TESTS

H. Test of completeness of transactions within the WORKS™ database.

CLA randomly selected two cardholders and obtained their related card statements for one month within the audit period, respectively, and compared the total charge activity per the statement to the total activity found in the transaction report CLA obtained directly from the WORKS™ database. CLA verified that the list of transactions was complete and the amounts were the same. **No exceptions noted.**

I. Test of timely review, approval and submission of the departments' bi-monthly reports and individual P-Card statement.

CLA selected three months of bank statements and their associated bi-monthly reports and tested for timely submission, review, and approval by the respective cardholder, cardholder supervisor, Department/Office/Division directors, and designated P-Card representatives, as applicable. **No exceptions noted. However, a review of exception logs disclosed needed improvement in this area (see Observation 4).**

J. Review of laws and regulations

Observation 5

There are some differences in the 2014 P-Card Manual and Administrative Regulation 9.17-1 related to P-Card policies and procedures.

- a. According to the P-Card Manual, emergency P-Cards are kept by the Assistant County Administrator, but according to A.R. 9.17-1 (Purchase Card Program), emergency P-Cards are kept by the County Administrator. Per inquiry with management, A.R. 9.17-1 was approved by the board in September 2014 and the P-Card Manual has not been updated yet to adjust from Assistant County Administrator/Designee to County Administrator/Designee.

b. As a result of the 2008 P-Card Audit Report, management decided to implement two policies:

- The County Commissioners' P-Card activity would be reviewed by a Finance Employee.
- The County Administrator's P-Card activity would be reviewed by a Board Chairperson.

CLA however, found that these policies are not reflected in AR 9.17-1 or in the P-Card Manual. Per inquiry with the P-Card Administrator these management decisions occurred before her time and she has no knowledge as to whether they were adopted and/or stopped at a given point. Currently DMB signs off on both the County Commissioners' and the County Administrator's P-Card activity, and the County Administrator signs off on Commissioners' activity.

Recommendation 5

We recommend management update the P-Card Manual to reflect that emergency P-Cards are to be kept by County Administrator/Designee. Additionally, management should update A.R. 9.17-1 and the P-Card Manual with the review procedures related to County Commissioners' and County Administrator's P-Card activity.

Management Response

The P-card Administrator intends on updating the Administrative Regulation, manual, and related documents to reflect recommendations of this audit. We will reflect the County Administrator's P-Card activity will be reviewed by a Board Chairperson and the County Commissioners' P-Card activity will be reviewed by a Finance Employee in the updates. Update will be completed, and countywide training performed.

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