



## Purchasing Card Program

Audit Report 201516-02

April 6, 2016

### Executive Summary

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The Department of Highway Safety and Motor Vehicles (Department) has established a Purchasing Card Program (P-Card Program), in conjunction with the Department of Management Services, Department of Financial Services, and Bank of America, to allow small-dollar purchases without using MyFloridaMarketPlace. The P-Card Program's goal is to increase efficiency, promote cost savings, and reduce paperwork for the Department by using P-Cards in lieu of Purchase Orders for various everyday purchases up to \$2,500.00.

The P-Card Program is divided into two sections within the Division of Administrative Services; the Bureau of Purchasing and Contracts and the Bureau of Accounting. Within the Bureau of Purchasing and Contracts is the Purchasing Card Program Administrator (PCPA) who is responsible for the overall administration of P-Cards. This includes issuing P-Cards to authorized members, maintaining cardholder files, cancelling P-Cards upon member separation, and serving as a liaison between the Department cardholders, the Department of Management Services, the Department of Financial Services, and Bank of America.

The Bureau of Accounting is responsible for approving and paying P-Card transactions, including verifying P-Card receipts and any supporting documentation, ensuring P-Card transactions are processed in a timely manner in the FLAIR Purchasing Card Module, and performing monthly reconciliations of P-Card receipts.

As of October 30, 2015 the Department had 1,114 P-Card holders. Between May 1 and October 30, 2015, P-Card purchases totaled \$1,491,825.

Our review determined the following items require management attention:

- Submission of P-Card acknowledgment receipts could be improved;
- Monitoring cardholders with increased spending limits should be strengthened;
- Oversight of P-Card transactions could be strengthened;
- Timely cancellation of P-Cards could be improved; and
- Timely completion of monthly P-Card reconciliations is needed.

## Background and Introduction

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The Department has established a P-Card Program in conjunction with the Department of Management Services, Department of Financial Services, and Bank of America, to allow small-dollar purchases without using MyFloridaMarketPlace. The P-Card Program's goal is to increase efficiency, promote cost savings, and reduce paperwork for the Department by using P-Cards in lieu of Purchase Orders for various everyday purchases up to \$2,500.00.

The P-Card Program is divided into two sections within the Division of Administrative Services; the Bureau of Purchasing and Contracts and the Bureau of Accounting. Within the Bureau of Purchasing and Contracts is the Purchasing Card Program Administrator (PCPA) who is responsible for the overall administration of P-Cards. This includes issuing P-Cards to authorized members, maintaining cardholder files, cancelling P-Cards upon member separation, and serving as a liaison between the Department cardholders, the Department of Management Services, the Department of Financial Services, and Bank of America. The Bureau of Accounting is responsible for the approval and payment of P-Card transactions, which includes verifying P-Card receipts and any supporting documentation, ensuring P-Card transactions are processed in a timely manner in the FLAIR Purchasing Card Module, and performing monthly reconciliations of P-Card receipts.

P-Cards may only be used for official, state-related purposes, and are issued to members with approval from their supervisor, Bureau Chief, or Division Director. The requesting cardholder must complete online training with a passing score before the card is issued. When a purchase is made, the cardholder must provide receipts and supporting documentation as required by Department policies.

Out of 4,156 Department members, 1,114 are holders as of October 30, 2015. This means roughly 27% of Department members are P-Card holders. Between May 1, 2015 and October 30, 2015, 7,554 purchases were made using a P-Card totaling \$1,491,825 with an average of \$197 per purchase.

## Findings and Recommendations

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During our review of the Department's Purchasing Card Program, we identified the following issues which require management attention:

### *Acknowledgment Receipts*

**Finding 1:** Submission of P-Card acknowledgment receipts could be improved.

The Department's Purchasing Card Program Plan and Guidelines both state that when a new or replacement card is issued, the cardholder is required to sign and date an acknowledgment receipt and return it to the PCPA as evidence of receipt.

During our review of the Department's current P-Card process, we determined when new or replacement P-Cards are received from Bank of America, a phone call or email is sent to the member letting them know it is ready to pick up. Members will sign and date the acknowledgment receipt prior to receiving their P-Card. For members located in field offices, the P-Card and acknowledgment receipt are mailed.

We randomly sampled 50 cardholder files to determine if they contained all required documentation and signatures. This included the cardholder agreement form, training certification, and acknowledgment receipt. The agreement form and training certificate was available for all 50 cardholders; however, the acknowledgment receipt was not available for seven cardholders located in field offices. No follow-up action was taken to ensure their P-Cards were received.

## **Recommendation**

We recommend the Bureau of Purchasing and Contracts establish a process to ensure P-Card acknowledgment receipts are submitted, as required.

## **Management Response**

We agree that a more proactive approach is necessary for employees who do not timely return their P-Card acknowledgment form. The P-Card Administrator will, therefore, create a spreadsheet specifically related to tracking the return of all acknowledgment forms. When a form has not been received by the administrator within seven (7) calendar days of mailing of a new or replacement p-card, the administrator will contact the cardholder and/or supervisor via e-mail and phone regarding return of the acknowledgment form. The P-Card Administrator will review the spreadsheet daily and will also utilize the Outlook Calendar to ensure deadlines are met.

## ***Increased Spending Limits***

**Finding 2:** Monitoring cardholders with increased spending limits should be strengthened.

The Department's Purchasing Card Plan states single transaction limits on the P-Card will be limited to a maximum of \$2,500. It also states certain cardholders may be granted individual transaction authority to exceed this limit based on their purchasing needs by the Division Director, or other authorized management.

OIG staff reviewed all P-Card holders with increased spending limits as of October 30, 2015 for proper approval. It was determined that five members had increased spending limits, and for three of the five members proper approval did not exist.

In two instances, cardholders were temporarily given increased spending limit approval, due to a storm event. However, this approval was to expire 30 days from the date of the Executive Order. After audit inquiry, and five months after the temporary approval expired, the two cardholders limits have been reduced. For the other cardholder, no documentation could be provided for the increased spending limit and the P-Card was canceled after audit inquiry.

## **Recommendation**

We recommend the Bureau of Purchasing and Contracts establish a process to periodically review P-Card holders with increased spending limits to ensure the limits are still appropriate.

## **Management Response**

The Bureau will establish a procedure for reviewing all increased spending limits to determine whether the increase is still required and, if not, when the spending limit should return to standard levels. This will include use of a spreadsheet of all P-Card holders whose spending limits have been increased noting the increased limit amount, date of increase, why the limit was increased, and date by which the limit should be decreased, if appropriate. The spreadsheet will be reviewed on the first working day of the month. An email will be sent to the supervisor of the card holder requesting a reply as to whether the raised limit is still appropriate. If not, the limit will be reduced by the end of the next business day.

## ***Supervisory Oversight of Transactions***

**Finding 3:** Oversight of P-Card transactions could be strengthened.

The Department's Purchasing Card Program Plan states the cardholder's supervisor will serve as a transaction approver to provide oversight and approval of P-Card transactions to ensure they are in compliance with law and are valid obligations of the state.

During our review of the Department's current P-Card process, we determined cardholders are submitting receipts or invoices directly to the Bureau of Accounting for approval, without documented supervisor oversight or approval of transactions. To

approve purchases, the Bureau of Accounting only requires cardholders to submit a receipt or invoice with the cardholder's signature, date goods or service was received, and justification for the purchase.

## Recommendation

We recommend the Bureau of Accounting establish a process that provides documentation of supervisory approval of P-Card transactions prior to submission to the Bureau of Accounting.

## Management Response

We appreciate your input and have discussed this recommendation extensively. As part of our discussion, Division staff re-examined documentation regarding the original intent of the P-Card program, as this is essential to understanding the adequacy of the Division's current processes.

The State of Florida Purchasing Card Program Guidelines published by the Department of Financial Services, states, in part, the following regarding the program and its benefits:

- Simplifies the purchasing process for the large number of low-dollar purchases, freeing up time for large-dollar purchases;
- Lowers the overall transaction processing cost per purchase;
- Convenience of purchasing without a local, field, or blanket purchase order;
- Expedites the delivery of goods or services to the job site; and
- Reduces paperwork.

In addition, the Government Finance Officers Association, Purchasing Card Programs Best Practices document states: "Auditing every transaction for every cardholder in every period reduces the process savings inherent to P-Cards. A better long-term approach is for an organization to review the cost versus benefit and consider its level of risk tolerance."

Currently, supervisors must approve the issuance of a P-Card to their employee and the signature page outlines the circumstances under which the P-Card is being issued and how it is to be used. Both the P-Card holder and their supervisor currently sign this document acknowledging that the cardholder will follow all State rules, statutes, and policies. The Division of Administrative Services has historically relied on this acknowledgment form as well as the supervisors within the Department to ensure their employees are utilizing the P-Card correctly, without requiring additional submission of documentation from the supervisor for each and every transaction. In addition, the Bureau of Accounting does review purchases for compliance with purchasing guidelines

and if a non-compliant purchase is made, the P-Card Administrator is notified and appropriate action is taken.

Other relevant historical information that further clarifies the State's intent in regard to the P-Card program includes a Comptroller's Memorandum dated June 4, 1999, which explains that changes were made to the statewide program, "...to provide better and faster service to the users of the State purchasing card....and simplify the use of the purchasing card for the acquisition of contractual services." The memorandum goes on to state that, "...the signed purchasing card receipt is sufficient for purchases of contractual services of category two amounts or less." In keeping with this memorandum, the Division's current P-Card Guidelines document requires all receipts to be signed by the cardholder and justification for the purchase to be provided to the Bureau of Accounting prior to payment being made. (Category two is currently \$35,000)

While improving security related to our P-Card program is always desired, requiring that documented supervisory approval of each and every P-Card transaction be provided to the Bureau of Accounting is potentially inefficient, not without cost, and not in keeping with the spirit of the original intent of the program. In addition, the Division of Administrative Services has been made aware that the Department of Financial Services (DFS) has recently signed a new contract for P-Card administration. This contract will result in a new P-Card payment module being deployed statewide by May of 2017 for use by all agencies. It is anticipated that this new system will result in changes to the Division's current P-Card approval and payment processes.

In light of the impending changes from DFS, and base on the current volume of receipts being processed, and the overarching goals of the P-Card program, the Division of Administrative Services proposes the following in response to finding number three:

- The forms signed by the supervisor and cardholder upon application for the P-Card will be modified to ensure that the supervisor is absolutely aware that it is imperative they are monitoring their employee's use of the P-Card to ensure compliance with all State statutes, rules, and policies. The Division will implement this change for all agency P-Card holders between May and December of 2016 as part of a statewide effort to exchange all existing P-Cards for new P-Cards with chip-and-PIN technology;
- To assist Department supervisors in their monitoring of P-Card transactions, the agency P-Card Administrator will provide to each Bureau Chief or Troop Commander a monthly report of the P-Card usage by their employees;
- The existing iLearn for P-Card users will be updated to reinforce the need for supervisor knowledge of P-Card transactions;
- As part of the P-Card best practices, and risk tolerance assessment, Division staff have reviewed P-Card usage Department-wide and the Division intends to

reduce the number of P-Cards currently held throughout the Department in order to reduce its overall financial exposure;

- Level six and eight approvers within the Bureau of Accounting will continue their current functions and any misuse identified by the Bureau of Accounting will continue to be provided to the P-Card Administrator for appropriate action; and
- The DHSMV P-Card Guidelines will be updated to reflect the above mentioned changes.

### ***Timely Notification of P-Card Cancellations***

**Finding 4:** Timely cancellation of P-Cards could be improved.

The Department PCPA is responsible for the issuance and cancellation of all P-Cards. P-Cards may be cancelled following a change in the cardholder's job status or a transfer within the Department. A P-Card must be cancelled following separation from the Department for any reason or cardholder misuse.

Department Purchasing Card Guidelines state that a P-Card cancelled, for any reason, must be reported immediately to the PCPA, and the immediate supervisor is responsible for collecting the member's P-Card, cutting it in half, and forwarding it to the PCPA for disposal. The PCPA receives notification via the Personnel Action Alert system, direct email or phone call from the member's immediate supervisor, or an email from Sharepoint when a P-Card cancellation is required.

A review of P-Card cancellations due to separation between May 1, 2015 and October 30, 2015, showed that out of 72 separations, 68 P-Cards were cancelled either prior to separation or within one day of separation. However, four P-Cards (5.5%) were cancelled between three and six days after separation.

Management has made significant improvements to the timely cancellation of P-Cards since a 2014 Auditor General report, which stated 72% of P-Card cancellations were untimely.

### **Recommendation**

We recommend the Bureau of Administrative Services periodically remind P-Card holders and supervisors of P-Card cancellation requirements.

### **Management Response**

While we agree that processes can always be improved and appreciate this recommendation, the Division of Administrative Services has reviewed the cancellation

records related to the employees whose cards were allegedly not timely cancelled and believes that all cancellations were completed within the current policy's timeframe of two working days of formal notice to the P-Card Administrator of a status change.

It is possible that your investigator was working from a different status change date and this was the reason for your finding. This raises concerns regarding the timeliness of notice to the P-Card Administrator of terminations, promotions, reassignments, and transfers from OPS to FTE positions as we discovered that some of these status changes occurred well in advance of the administrator receiving "official" notification of the action. The P-Card Administrator will continue to monitor all official notices from BPS to determine when to cancel P-Cards. In addition, in order to address the issue of "official" notice, a monthly comparison of the active card holders to the Department reporting structure will be done to ensure the cardholder is still active and that the correct org code is being charged.

### ***Monthly Reconciliation***

**Finding 5:** Timely completion of monthly P-Card reconciliations is needed.

The Department's Purchasing Card Plan states Bureau of Accounting personnel are responsible for performing monthly reconciliations of P-Card receipts within 10 days after the close of the business month.

We were informed that due to lack of personnel, the monthly reconciliation process of P-Card receipts has not been performed since October 2015.

The monthly reconciliation of P-Card receipts is an important process to ensure the accuracy and validity of the Department's financial information and that unauthorized charges have not occurred during processing.

### **Recommendation**

We recommend the Bureau of Accounting timely complete monthly reconciliations.

### **Management Response**

The Bureau of Accounting will coordinate with the Bureau of Purchasing to modify the Purchasing Card Plan to indicate that all receipts are reconciled as receipts are submitted and processed in the Purchasing Card module in FLAIR. Additionally, the Bureau of Accounting will ensure that the proper separations of duties are in place between approver and reconciler.

## **Purpose, Scope, and Methodology**

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The purpose of this audit was to review and evaluate the Department's Purchasing Card Program and determine compliance with applicable laws and Department Policy and procedure.

The scope of this audit included a review of the P-Card training course, cardholder files, and all Department purchases made with a P-Card between May 1, 2015 and October 1, 2015.

Our methodology included:

- Reviewing the online P-Card training course;
- Determining cardholder files contained all required documentation;
- Comparing active cardholders to current members;
- Comparing separated members to active cardholders;
- Reviewing the timely cancellation of P-Cards;
- Reviewing approval for cardholders with increased spending limits;
- Reviewing the quality assurance and monitoring process;
- Reviewing the reconciliation process;
- Obtaining an understanding of the Department's requirements for supervisory approval of transactions;
- Testing a sample of purchases for proper documentation and review;
- Reviewing purchases that were in violation of P-Card guidelines; and
- Reviewing cardholder returns to the merchant for proper documentation and review.



## Distribution, Statement of Accordance, and Project Team

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### Distribution

Terry L. Rhodes, Executive Director  
Diana Vaughn, Deputy Executive Director  
Steven Fielder, Director of Administrative Services  
Steve Burch, Chief of Accounting  
Lisa Bassett, Chief of Purchasing and Contracts  
Mike Alexander, Deputy Chief of Accounting  
Cricket Lee, Procurement Administrator

Melinda M. Miguel, Chief Inspector General  
Sherrill F. Norman, Auditor General

### Statement of Accordance

Section 20.055, Florida Statutes, requires the Florida Department of Highway Safety and Motor Vehicles' Inspector General to review, evaluate, and report on policies, plans, procedures, accounting, financial, and other operations of the Department and to recommend improvements. This audit engagement was conducted in accordance with applicable *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.

### Project Team

Engagement conducted by:  
Keaton Wilson, Auditor

Under the supervision of:  
David Ulewicz, Audit Director

Approved by:

  
Julie M. Leftheris, Inspector General



## ATTACHMENT - Management Response



Terry L. Rhodes  
Executive Director

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Tallahassee, Florida 32399-0800  
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### MEMORANDUM

DATE: April 4, 2016

TO: David Ulewicz, Audit Director

FROM: Steven Fielder, Division Director 

SUBJECT: Division of Administrative Services Management Response to Purchasing Card Program Audit (201516-02)

The following is our response to the findings and recommendations presented in the report.

#### Finding 1 – Acknowledgment Receipts

Submission of P-Card acknowledgment receipts could be improved.

#### Recommendation

We recommend the Bureau of Purchasing and Contracts establish a process to ensure P-Card acknowledgment receipts are submitted, as required.

#### Management Response

We agree that a more proactive approach is necessary for employees who do not timely return their p-card acknowledgment forms. The P-Card Administrator will, therefore, create a spreadsheet specifically related to tracking the return of all acknowledgment forms and, when a form has not been received by the administrator within seven (7) calendar days of mailing of a new or replacement p-card, the administrator will contact the cardholder and/or supervisor via e-mail and phone regarding return of the acknowledgment form. The P-Card Administrator will review the spreadsheet daily and will also utilize the Outlook Calendar to ensure deadlines are met.

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### **Finding 2 – Increased Spending Limits**

Monitoring cardholders with increased spending limits should be strengthened.

#### **Recommendation**

We recommend the Bureau of Purchasing and Contracts establish a process to periodically review P-Card holders with increased spending limits to ensure the limits are still appropriate.

#### **Management Response**

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- ✓ To assist agency supervisors in their monitoring of P-card transactions, the agency P-Card Administrator will provide to each Bureau Chief or Troop Commander a monthly report of the P-card usage by their employees.
- ✓ The existing ILearn for P-card users will be updated to reinforce the need for supervisor knowledge of P-card transactions.

- ✓ As part of the P-card best practices, and risk tolerance assessment, division staff has reviewed P-card usage agency-wide and the division intends to reduce the number of P-cards currently held throughout the agency in order to reduce its overall financial exposure.
- ✓ Levels six and eight approvers within the Bureau of Accounting will continue their current functions and any misuse identified by the Bureau of Accounting will continue to be provided to the P-card Administrator for appropriate action.
- ✓ The DHSMV P-Card Guidelines will be updated to reflect the above mentioned changes.

#### **Finding 4 – *Timely Notification of P-Card Cancellations***

Timely cancellation of P-Cards could be improved.

##### **Recommendation**

We recommend the Bureau of Administrative Services periodically remind P-Card holders and supervisors of P-Card cancellation requirements.

##### **Management Response**

While we agree that processes can always be improved and appreciate this recommendation, the Division of Administrative Services has reviewed the cancellation records related to the employees whose cards were allegedly not timely cancelled and believes that all cancellations were completed within the current policy's timeframe of two working days of formal notice to the P-card Administrator of a status change.

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#### **Finding 5 – *Monthly Reconciliation***

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##### **Recommendation**

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##### **Management Response**

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