

## Purchasing Card Program Audit Report 202324-08

July 18, 2024

### Executive Summary

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The Florida Department of Highway Safety and Motor Vehicles (Department) participates in the state's Purchasing Card (PCard) program established by the Florida Department of Financial Services (DFS), the Florida Department of Management Services (DMS), and Bank of America. The PCard program's goal is to increase efficiency, promote cost savings, and reduce paperwork by using PCards in lieu of purchase orders for various everyday purchases up to \$2,500. As of October 20, 2023, the Department had 991 PCard holders. PCard purchases for the 2022-23 Fiscal Year totaled \$4,117,588, with an average of \$352 per purchase.

The purpose of this audit was to review and evaluate the Department's PCard program and determine compliance with applicable laws and Department policy and procedure. Our review included Department practices and transactions from May through October 2023. We reviewed accountholder agreements and training, management oversight processes, and documented processes and procedures. We conducted testing on samples of accountholders and separated members to determine whether accountholders were appropriate and timely deactivated and tested a sample of transactions to determine compliance with applicable state laws, guidance, and Department policy.

We determined the Department has established a system of internal controls which are generally effective in mitigating key risks associated with the PCard program and ensuring compliance with Chapters 112, and 287, Florida Statutes (F.S.), and Rules 60A and 69I, Florida Administrative Code (F.A.C.). However, improvements should be made to ensure compliance with the State of Florida Purchasing Card Policy Manual and the DFS Reference Guide for State Expenditures. Key control areas where improvements should be made include strengthening PCard oversight processes and improving directive controls.

Purchasing and Contracts management should strengthen oversight processes to ensure PCards are timely deactivated after member separations, new-user documentation is received, reviewed, and retained, and monthly scoped compliance reviews are conducted and documented in compliance with state guidance and Department policies, and revise Department policies to provide specific guidance for the PCard use review process and required training courses. Management should also update Department policies to reflect the changes to spending limits and the types of purchases considered allowable and unallowable, revise Department policies to provide



consistent and specific timeframes required for transaction approval, and implement a process to ensure policies and procedures are periodically reviewed and updated.

Purchasing and Contracts management agreed with the findings and recommendations and will begin implementing corrective action.

## **Background and Introduction**

Chapter 17, F.S., gives the Chief Financial Officer the authority to prescribe rules necessary to fulfill constitutional duties, which includes procedures or policies for processing state payments. The DFS Statewide PCard Administrator is responsible for overseeing the state's PCard program which includes establishing statewide policies for the PCard program and monitoring agency PCard program activities. The state contracts with Bank of America to provide PCard services, and in 2019 began using Bank of America's online PCard system, Works, for user and PCard maintenance and transaction processing and approval.

In conjunction with DFS, DMS, and Bank of America, the Department participates in the state's PCard program to facilitate purchases of low dollar amounts and standardized items and to permit authorized staff to purchase items quickly in the event of an emergency. Within the Department, the PCard program processes are divided between two sections within the Division of Administrative Services: the Bureau of Purchasing and Contracts (BPC) and the Bureau of Accounting (BOA).

Within the BPC, the PCard Administrator is responsible for the overall administration of Department PCards. This includes developing the Department's PCard policies and guidelines, issuing PCards to authorized members, maintaining accountholder files, canceling PCards upon member separation, carrying out program oversight, and serving as a liaison between the Department accountholders, DMS, DFS, and Bank of America. Within the BOA, an accountant is responsible for reviewing and approving PCard transactions, including verifying PCard receipts and any supporting documentation and ensuring PCard transactions are processed and approved in a timely manner.

To ensure compliance with state purchasing laws outlined in Chapters 112 and 287, F.S., Rules 60A and 69I, F.A.C, and state guidance provided by the State of Florida Purchasing Card Policy Manual, and the DFS Reference Guide for State Expenditures, the Department has established internal control procedures including the FLHSMV Purchasing Card Guidelines, FLHSMV Purchasing Card Program Plan, and the FLHSMV Bureau of Purchasing and Contracts Manual.



Out of approximately 3,751 Department members, 991 were PCard holders as of October 20, 2023, meaning approximately 26% of Department members are PCard holders. PCard purchases for the 2022-23 Fiscal Year totaled \$4,117,588, with an average of \$352 per purchase.

## PCard Issuance

PCards are issued to members with the approval of their immediate supervisor and their Bureau Chief. The Department's PCard Administrator issues PCards after members have completed PCard training and upon receipt of the following completed and approved forms:

- Purchasing Card Program Works User Agreement;
- Purchasing Card Program User Profile Information Form; and
- Purchasing Card Program Account Holder Agreement.

## PCard Use

PCards may only be used for official, state-related purposes. Account holders must adhere to Department policy and state laws which require the following practices:

- Select vendors following all purchasing rules regarding PRIDE, certified minority vendors, recycled products, quotes, etc.;
- Ensure goods and services purchased are allowable;
- Tell vendors that the purchase will be made using the FLHSMV PCard issued through the State of Florida;
- Inform vendors that the purchase is tax-exempt and confirm that state sales tax was not charged; and
- Ensure vendors understand that charges cannot be billed until the items are received.

According to the Department's PCard Guidelines, examples of allowable purchases include:

- Travel, including airfare, lodging, and vehicle rental;
- Vehicle repairs and parts;
- Urgent office repairs (e.g., emergency plumbing repairs to restore water service to a building); and
- Office supplies, consumable equipment supplies, or equipment not related to information technology (IT) (e.g., toner cartridges, chair mats).



According to the Department's PCard Guidelines, examples of disallowable purchases include:

- Cash advances;
- Fuel purchases (only allowed for rental vehicles);
- Food and beverage;
- Computer hardware or software;
- All non-work or personal use items and services; and
- Uniforms and uniform accessories.

The Department has implemented spending limits which permit a defined amount per transaction and billing cycle, and per transaction for certain types of purchases. Most Department PCard accountholders have a transaction limit of \$2,500 and a billing cycle<sup>1</sup> limit of \$10,000. Members may receive higher spending limits if necessary due to their job duties and with proper approval. Additionally, if members need to make a one-time purchase that is above their spending limits, they may request a higher limit temporarily from the PCard Administrator.

## **Transaction Processing and Review**

The PCard transaction (i.e., purchase) approval workflow takes place within Works. After using their PCard to make a purchase, the purchase will appear in the accountholder's Works queue. The accountholder has five working days to upload legible receipts and supporting documentation. Once completed, the transaction moves to their supervisor's queue where the supervisor reviews the transaction and supporting documentation. Once the supervisor has approved the transaction in Works, this moves the transaction to the final review queue of the accountant in the BOA. The accountant reviews purchases to ensure they are allowable expenditures, that all receipts and necessary supporting documentation are attached, and that the transaction is timely approved for payment.

## **PCard Administration Oversight**

Twice a year, the PCard Administrator generates a report on each Division's PCards which includes information such as the date the PCard was issued, and the date last used. The PCard Administrator provides the report to Division Directors for their review and determination of whether cards unused for a year or more should be deactivated, and if not, to justify keeping the accounts open.

In accordance with the State of Florida Purchasing Card Manual and the Department's Purchasing Card Program Plan, the Department's PCard Administrator is responsible

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<sup>1</sup> Works uses billing cycles of approximately 28 days.



for performing or coordinating a scoped compliance review process monthly. The purpose of the review is to provide reasonable assurance that internal controls are in place to prevent and detect errors, misuse, abuse, or inappropriate purchases, monitor purchasing card transactions to ensure purchases comply with state law, are valid obligations of the state, and transactions in Works are supported by receipts and other required documentation.

## **PCard Cancellation**

When members separate from the Department, the Department's Bureau of Personnel Services sends email notifications to the PCard Administration team. Upon receiving a notification, it is the PCard Administrator's responsibility to immediately cancel the card in Works. Additionally, upon member separation, the immediate supervisor is responsible for collecting and shredding the member's PCard.

## **Conclusion**

We determined the Department has established a system of internal controls which are generally effective in mitigating key risks associated with the PCard program and ensuring compliance with Chapters 112 and 287, F.S., and Rules 60A and 69I, F.A.C. However, improvements should be made to ensure compliance with the State of Florida Purchasing Card Policy Manual and the DFS Reference Guide for State Expenditures. Key control areas where improvements should be made include strengthening PCard oversight processes and improving directive controls.

## **Findings and Recommendations**

### ***Improved PCard Oversight Processes***

**Finding No. 1:** PCard oversight processes should be strengthened.

As stated in the State of Florida Purchasing Card Policy Manual and the FLHSMV Purchasing Card Program Plan, the FLHSMV PCard Administrator and Back-Up PCard Administrator (located in the BPC) are responsible for the following:

- Issuing, maintaining, and canceling member PCards, including monitoring separation notifications for immediate card cancellations and elimination of roles in Works;
- Maintaining accountholder files;
- Developing and maintaining the Department's PCard Plan and policies and guidelines;



- Ensuring all PCard users are trained; and
- Performing or coordinating the scoped compliance review process.

We reviewed PCard maintenance and oversight processes which included the following activities:

- Reviewing a sample of members who separated from the Department to determine whether their PCards were timely deactivated;
- Reviewing accountholder files for a sample of accountholders and approvers to verify that the required documents were adequately completed;
- Reviewing a sample of three recently completed monthly scoped compliance reviews to determine compliance with State of Florida and Department policies; and
- Reviewing the process for periodically reviewing the number of accountholders and the date of last use.

Overall, we determined the following:

- 12 out of 42 PCards (29%) issued to members who separated between May and October 2023 were not timely deactivated (i.e., within 1 business day). Of those, 5 were deactivated within 2 business days, 4 were deactivated between 3 to 15 business days, 2 were deactivated between 16 to 60 business days, and 1 was not deactivated for more than 80 business days.
- 12 out of the 30 accountholder files (40%) with Works accounts created between May and October 2023 were incomplete.
- The process for periodically reviewing the number of accountholders and the date of last use does not conform to the process specified in Department policy.

We reviewed a sample of three-monthly scoped compliance reviews to determine compliance with the State of Florida Purchasing Card Policy Manual and the FLHSMV Purchasing Card Program Plan. Overall, we determined that none of the monthly scoped compliance reviews complied with the following requirements of the State of Florida Purchasing Card Policy Manual and the FLHSMV Purchasing Card Program Plan:

- Select a representative sample of transactions for review (5%);
- The PCard Administrator will ensure that a representative sample of the monthly paid transactions is reviewed; and
- A scoped compliance review checklist will be completed for all transactions with findings.

Related to the percentage of transactions reviewed, the table below summarizes the result of our review.

Monthly Scoped Compliance Review – Representative Sample Review Summary			
	August 2023	September 2023	October 2023
Total Monthly Transaction Count	1,242	941	1,184
Total Transactions Sampled by PCard Admin	9	9	39
Percentage Sampled	0.72%	0.96%	3.29%
Required # of Sampled Transactions (5%)	62	47	59
Difference	(53)	(38)	(20)

Without up-to-date, comprehensive policies and processes for PCard maintenance and oversight, the Department could experience:

- Undetected misuse of Department PCards;
- Findings of noncompliance related to PCard audits conducted by DFS and other entities;
- Inability to enforce employee accountability; and
- Inadequate records to support PCard issuance.

## Recommendations

We recommend Purchasing and Contracts management strengthen PCard oversight processes to ensure compliance with State of Florida and Department policies. Specifically, management should strengthen processes to ensure the following:

- PCards are timely deactivated in Works after member separations;
- Required new-user documentation is properly received, reviewed, and retained; and
- Monthly scoped compliance reviews are conducted and documented in a manner that ensures compliance with State of Florida and Department policies.

We also recommend Purchasing and Contracts management revise Department policies to provide specific guidance regarding the PCard use review process and required PCard training courses.



## Management Response

The bureau will review and revise Department PCard Guidelines to ensure that PCards are timely deactivated, new-user documentation is properly received, reviewed, and retained, and scoped compliance reviews are following the State of Florida and Department policies.

## *Updated Policies/Procedures*

**Finding No. 2:** Directive controls should be improved.

The DFS Reference Guide for State Expenditures provides guidance to state agencies regarding the requirements applicable to the disbursement of funds from the state treasury, regardless of payment method.

The Department's Purchasing Card Program Plan describes the overall processes utilized in its PCard program. As required by DFS, the Department's Purchasing Card Program Plan has been reviewed and approved by the DFS Statewide PCard Administrator. The FLHSMV Purchasing Card Guidelines provide guidance for Department accountholders, approvers, and accountants, including allowable and unallowable purchases and responsibilities per role (i.e., accountholder, approver, and accountant).

We reviewed a sample of 80 PCard transactions to determine compliance with applicable laws and Department policy, including the following:

- The transaction was an allowable PCard purchase; and
- The transaction was timely completed in Works.

We determined the allowable and unallowable purchases specified in the DFS Reference Guide for State Expenditures and Department procedure differ from current practice. Notable trends in the types of unallowable purchases include the following:

- 14 purchases were IT-related. Upon inquiry, members of the BOA and PCard Administration team advised that ISA had revised its policy regarding certain types of IT-related purchases that were allowable PCard purchases. Based on these changes, 9 purchases could have been allowable PCard purchases; however, management has not formally changed Department procedures.
- 5 purchases were related to lost keys or keys locked in a vehicle. These purchases are unallowable based on the DFS Reference Guide for State Expenditures; however, Department policy does not address these types of expenditures at all.





We also determined 29 out of 80 transactions (36%) were not completed and approved in Works within 10 calendar days. However, for the sample of 80 transactions, the average approval time was 10 days.

We also reviewed the Department's policies related to PCards to determine if they address appropriate laws, rules, and regulations to ensure compliance. Based on our review, we noted Department policies do not include guidance related to the following:

- Agencies may use the PCard for service direct billings that do not exceed \$75,000 in a state fiscal year; and
- PCards must not be used to pay for employees' personal relocation expenses.

Additionally, upon inquiry, the PCard Administrator advised that current Department policies have not been updated to reflect changes to PCard spending limits that took effect with the transfer to Works in 2019.

Without sufficient, consistent policies, the Department may experience:

- Inability to enforce accountability;
- Inconsistent practices; and
- Findings of noncompliance related to PCard use and untimely processing.

## Recommendations

We recommend Purchasing and Contracts management update Department policies to reflect the changes to spending limits and the types of purchases that are considered allowable and unallowable PCard transactions.

We also recommend Purchasing and Contracts management revise Department policies to provide consistent and specific timeframes that are required for accountholder, supervisor, and accountant approvals of transactions.

We further recommend Purchasing and Contracts management implement a process to ensure policies and procedures are periodically reviewed and updated.

## Management Response

The bureau will update the Department PCard Guidelines and implement a process to ensure the policies and procedures are reviewed and updated annually.



## Purpose, Scope, and Methodology

The purpose of this audit was to review and evaluate the Department's PCard program and determine compliance with applicable laws and Department policy and procedure.

The scope of this audit included Department practices and transactions from May 2023 through October 2023.

The methodology included:

- Reviewing applicable statutes, rules, manuals, and procedures;
- Interviewing appropriate Department staff;
- Reviewing accountholder agreements and training;
- Reviewing Department policies and procedures;
- Reviewing a sample of current accountholders to determine if accountholders are appropriate;
- Reviewing a sample of recently separated members to determine whether their purchasing cards were timely deactivated;
- Reviewing a sample of transactions to determine compliance with applicable laws and Department policy; and
- Reviewing Department purchasing card oversight processes.

## Acknowledgment

We would like to thank the Division of Administrative Services personnel who assisted during the audit and express our appreciation for their cooperation during our examination.



## Distribution, Statement of Accordance, and Project Team

### **Distribution**

Dave Kerner, Executive Director  
Robert Kynoch, Deputy Executive Director  
Jennifer Langston, Chief of Staff  
Kevin Bailey, Director of Administrative Services  
Mark Hernandez, Chief of Purchasing and Contracts  
Mike Alexander, Chief of Accounting

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:  
Bethany Vickerman, Auditor

Under the supervision of:  
Erin Mook, Audit Director

Approved by:

  
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Mike Stacy, Inspector General

## ATTACHMENT - Management Response



Dave Kerner  
Executive Director

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### MEMORANDUM

DATE: 7/11/2024  
TO: Erin Mook, Audit Director  
FROM: Kevin Bailey through Mark Hernandez  
SUBJECT: Management Response to the Purchasing Card Program Audit (202324-08)

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

**Finding 1:** PCard oversight processes should be strengthened.

#### Recommendations

We recommend Purchasing and Contracts management strengthen PCard oversight processes to ensure compliance with State of Florida and Department policies. Specifically, management should strengthen processes to ensure the following:

- PCards are timely deactivated in Works after member separations;
- Required new-user documentation is properly received, reviewed, and retained; and
- Monthly scoped compliance reviews are conducted and documented in a manner that ensures compliance with State of Florida and Department policies.

We also recommend Purchasing and Contracts management revise Department policies to provide specific guidance regarding the PCard use review process and required PCard training courses.

#### Management Response

The bureau will review and revise Department PCard Guidelines to ensure that PCards are timely deactivated, new-user documentation is properly received reviewed and retained, and scoped compliance reviews are following the State of Florida and Department policies.

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**Finding 2:** Directive controls should be improved.

**Recommendations**

We recommend Purchasing and Contracts management update Department policies to reflect the changes to spending limits and the types of purchases that are considered allowable and unallowable PCard transactions.

We also recommend Purchasing and Contracts management revise Department policies to provide consistent and specific timeframes that are required for accountholder, supervisor, and accountant approvals of transactions.

We further recommend Purchasing and Contracts management implement a process to ensure policies and procedures are periodically reviewed and updated.

**Management Response**

The bureau will update the Department PCard Guidelines and implement a process to ensure the policies and procedures are reviewed and updated annually.