

OFFICE OF THE CITY AUDITOR AND CLERK
INTERNAL AUDIT



PURCHASING CARDS FOLLOW-UP AUDIT

AUDIT #20-14

Audit Conducted by:
Hayden Gaston, CIA, Manager, Internal Audit

Audit Reviewed and Approved by:

Shayla Griggs, City Auditor and Clerk

You can obtain copies of this report by contacting us at:

Office of the City Auditor and Clerk

1565 1st Street
Sarasota, FL 34236

(941) 263-6442

Or download and view an electronic copy by visiting:

www.sarasotagov.com

Contents

- Summary..... 1**
- Background.....1**
- Objective1**
- Scope.....1**
- Overall Evaluation.....1**
- Audit Observations..... 2**
- Original Audit Comment and Observation/Recommendation 2
- Original Audit Comment and Observation/Recommendation 2

Summary

Background

We have conducted a follow-up audit of Audit #17-04, City Purchasing Cards performed during fiscal year 2017. The purpose of the follow-up audit is to determine the implementation status of our previous recommendations. The original audit objectives were to:

- 1) Determine whether transactions made with City Purchasing Cards are in compliance with applicable City rules and regulations; and
- 2) Determine whether internal controls for the administration and monitoring of the Purchasing Card Program are reasonable, adequate, in place and functioning as intended.

Objective

The objective of the follow-up audit was to review and evaluate the conditions reported in the Purchasing Cards Audit (Audit 17-04), dated May 1, 2017, to determine if corrective actions occurred and are effective, corrective actions appear to be continuous; and that corrections are monitored to ensure the control weakness are not repeated.

Scope

The follow-up audit procedures were applied to the records, documents and controls in effect during the period of July 1, 2019 through September 30, 2019. Follow-up audits limit the scope to observations and recommendations presented in the original audit report.

Overall Evaluation

We found that Management had fully implemented corrective action on the original audit findings and we have therefore closed those issues.

Audit Observations

The original audit observations and the status of the observations after follow-up testing are identified below. The original audit report (Audit 17-04, issued May 1, 2017) can be viewed on the City Auditor and Clerk's website under Internal Audit – Reports.

Original Audit Comment and Observation/Recommendation

Observation #1 Training

Training on proper usage of the purchasing card is provided to all cardholders prior to initial card issuance; however, no further training is required of cardholders after card issuance.

To encourage proper spending habits and promote awareness of Administrative Regulation No. 024.A015.0707, periodic purchasing card refresher training sessions should be required of cardholders.

Current Status

Closed – Follow-up testing determined purchasing card refresher training is being required of cardholders. In addition to refresher training, Purchasing also sends quarterly newsletters or emails that will include reminders on proper purchasing card use.

Original Audit Comment and Observation/Recommendation

Observation #2 Deactivation of Cards

Purchasing cards were not deactivated in a timely manner with respect to a cardholder's employment termination date.

While the auditor verified that the terminated employees' purchasing cards were not inappropriately used after their respective leave dates, timely deactivation of purchasing cards effectively ensures that misuse will not occur.

To eliminate the potential that a purchasing card could be used after a cardholder's employment termination date, the deactivation of a purchasing card should either occur prior to or coincide with the cardholder's termination date.

Current Status

Closed – Follow-up testing determined all active cardholders were also active employees. Additionally, notifications are sent from Human Resources indicating employees that have terminated from service.

Original Audit Comment and Observation/Recommendation

Observation #3 Cardholder and Department Director Approval of Purchases

Administrative Regulation No. 024.A017.0308 section 3.1 requires open transactions to be approved by the cardholder within 5 business days and for the Department Director to approve the transaction within 3 business days of the cardholder having approved the transaction.

Audit testing identified 68% compliance by cardholders and 76% compliance by Department Directors with the timeliness of approvals.

To prevent purchasing card misuse and for adequate enforcement of Administrative Regulation No. 024.A015.0707 section 3.1, identify the cardholders that are in noncompliance. Determine the cause, if any, for the noncompliance and possible solutions or consequences to help the cardholder and or Department Director achieve timely approval of transactions.

Current Status

Closed – Follow-up testing determined transactions are being approved on a timelier basis. Audit testing identified 80% compliance by cardholders and 90% compliance by Department Directors with the timeliness of approvals. Additionally, of the cardholders that did not approve their transactions within 5 days 42% is attributed to 4 cardholders.

The Purchasing Division currently monitors transaction signoffs and sends email notifications identifying purchases/cardholders that have gone past the 5-day or 3-day approval window. Current Purchasing Card Policy and Procedures Administration Regulation No.024.A015.0319 does provide for disciplinary action for failure to meet the 5-day deadline at the discretion of the Purchasing General Manager and Finance Director.

Original Audit Comment and Observation/Recommendation

Observation #4 City Purpose of Purchase and Receipt of Goods

The cardholder is responsible for certifying transactions in the WORKS system; however, purchases in the WORKS system do not provide evidence that the goods or services were received (receiving document). There is no supporting documentation attached in WORKS that someone other than the cardholder verified the purchase was fully received and is on-site. Scanned or pdf invoices can be easily manipulated and changed to list anything the cardholder wants.

Additionally, not all purchases provide support for what city purpose/program the purchase was made.

Purchasing card transactions should provide support of the purpose/program of the transaction. This not only provides more validity to the purchase, but it also identifies and matches costs to individual projects, if applicable.

The support should also include verified receipt of goods by someone other than the cardholder. This provides stronger controls over verifying that the goods and services purchased have been received and are for City purposes

Current Status

Closed – Follow-up testing determined that department directors or approvers are signing off verifying that the goods/services are for city use and including comments regarding the purpose/program.

Original Audit Comment and Observation/Recommendation

Observation #5 Cardholder Agreement Retention Policy

“Request for Purchasing Card” and “Cardholder’s Understanding” forms are not maintained. These two forms, the first of which requests a purchasing card for the employee signed by the department director and the second of which is the cardholder acknowledging and agreeing to purchasing card policies and procedures are not being maintained by the Purchasing Division to support the authorization of a card or the cardholder’s understanding.

Secondary authorized card users are not being included in the Request for Purchasing Card form.

The “Request for Purchasing Card” and “Cardholder’s Understanding” forms should be maintained in a cardholder file to provide evidence and support for cardholder’s issuance and ownership of the purchasing card. Retaining these forms provides evidence that the cardholder understands the policies and procedures of the card and the cardholder is aware of potential disciplinary action due to abuse or misuse.

Secondary authorized card users should be issued their own purchasing card and complete the same processes as any other cardholder: Request for Purchasing Card, Cardholder Understanding and purchasing card user training.

Current Status

Closed – Follow-up testing determined that the Purchasing Division is retaining cardholder agreements. Secondary users are still not being issued their own purchasing card; however they are signing the Cardholder Understanding forms and are included on the Request for Purchasing Card form.

Original Audit Comment and Observation/Recommendation

Observation #6 Annual Certification of Cardholders

On an annual basis there is a re-authorization of cardholders list provided by the Purchasing Division, of active purchasing cards that must be approved by the Department Director. The list includes the cardholders’ names, credit limit, single transaction limit if any, and any requested changes to the card.

In addition to the items currently included in the re-authorization process each cardholder’s credit utilization during the year could be included to help provide a greater understanding of the cardholder’s uses of the card/monthly limit. This would be another way for department directors to determine if cardholders have excessive limits relative to actual use.

Current Status

Closed – Follow-up testing determined that the Purchasing Division did evaluate the effectiveness of providing this information on the re-authorization forms. The current re-authorization form was determined to be sufficient. The Department Directors approve every cardholder in their Department and re-authorize them on an annual basis. Cardholders with no or very few transactions during the year maintain purchasing cards for emergency situations and therefore including the cardholders use of the card on the annual re-authorization does not provide enough of an added benefit.

Original Audit Comment and Observation/Recommendation

Observation #7 Clarify the Food and Refreshment Policy

Administrative Regulation No. 024.A017.0308, the City's Food and Refreshment Policy, lacks clarity on permissions for events that involve serving of food.

While the Food and Refreshment Policy does not specifically prohibit the department from using funds to host social events, it is not clear that this is an appropriate use of City funds to accomplish City business.

To ensure that City funds are used for appropriate purchases, management should clarify the approval process and spending limitations for social events held for exclusive groups, such as Advisory Boards and donors.

Current Status

Closed – Subsequent to the audit, Administrative Regulation No.024.A017.0308, Policy on Providing Food and Refreshments for City Employees, was adopted. The Administrative Regulation addresses allowable expenditures and approvals for the City providing food and refreshments at various City functions, including Advisory Boards.