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Purchasing Card Program

August, 2011

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BACKGROUND

For a number of years the district has had a Purchasing Card Program (P-card program) in order to improve efficiency in processing low-dollar purchases from vendors that accept the Visa credit card. Experience over this time period as well as findings from past audits have revealed challenges in the areas of cardholder and supervisor training, compliance with procedures, and adequacy of program administration and oversight. Various revisions to the program occurred over the years to address these areas of challenge, but the primary areas of concern continued to be in the areas of cardholder accountability, supervisor oversight, and program management.

On May 27, 2010, Superintendent Blocker signed Management Directive A-13, Purchasing Card Oversight and Use. At his Leadership Summit on June 14, 2010, the Superintendent announced several Management "Non-Negotiables," including expectations for increased oversight and compliance with P-card procedures as outlined in Management Directive A-13. The presentation at the Leadership Summit and Management Directive A-13 emphasized the role of the supervisor in certifying expenditures, the requirement for pre and post approvals of P-card purchases, the requirement for escalation of infractions to senior officials for action, mandatory training for cardholders and the role of the Procurement Department in program oversight.

Beginning in the fall of 2010, two additional cards were added to the P-card program. One is the T-card, used for travel, and the other is the School Activity Card, or A-card, which is restricted to certain school-based funds and the donation funds.

P-card program procedures are documented in the Purchasing Card Program Manual (Manual). Web-based instruction is available for the P-card program, as well as specific instruction for the T-card and the certification process.

OBJECTIVE, SCOPE & METHODOLOGY

OBJECTIVE:

To determine whether the Purchasing Card program is operating in accordance with Management Directive A-13 and the Purchasing Card Program Manual and whether the control processes put in place over the past year are functioning effectively

SCOPE:

This audit covered operations of the P-card program from October 27, 2010, through February 27, 2011.

METHODOLOGY:

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to achieve the objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

FINDINGS AND RECOMMENDATIONS

Monthly P-card Transactions

As part of his administration of the P-card program, the Purchasing Card Administrator reviews P-card transactions for unknown vendor names. When an unknown or questionable vendor name is identified, the Purchasing Card Administrator sends an email to the cardholder requesting copies of the invoice or receipt for the purchase and the Record of Charge Card Use form. He does not request a copy of the credit card bank statement because his requests are often made between billing periods and the questioned transaction might not yet appear on a statement. The Purchasing Card Administrator represented to us that he has had no instances where the Record of Charge Card Use form was not signed by either the cardholder or the cardholder's supervisor. Our results differed from his.

During the audit period there were 1,116 cards listed in the P-card inventory records provided to us by the Procurement department. We selected 45 cards for testing.

Our testing did not reveal any improper purchases. However, of the 45 cards tested, eleven, or 24%, did not have the signature of the cardholder and/or the supervisor on the Record of Charge Card Use form. The Record of Charge Card Use form is a required part of P-card documentation that indicates the pre and post purchase approvals of the supervisor. Sixteen cards, or 35%, were missing cardholder and/or supervisor signatures on the credit card bank statements. Additionally, one transaction had no receipt or other supporting documentation.

We are not certain as to the reason why the Purchasing Card Administrator had no exceptions and we had a number of them. However, it is reasonable to believe that cardholders know the Purchasing Card Administrator expects all documentation to be in order when he requests copies and they make sure it is before they send it to him.

We recommend continued emphasis on compliance and on training employees, both cardholders and supervisors, in the P-card procedures. We also suggest that the Purchasing Card Administrator consider making surprise inspections of P-card documents as a way of determining whether compliance is occurring as transactions take place or only when he makes a request for documentation. He might also consider including the credit card bank statement in the documentation he reviews.

Monthly Certification Procedures

The certification process currently in place is not effective in achieving the objectives of Management Directive A-13. Supervisor oversight is a key control in the P-card program. The supervisor acts as a certifier of P-card purchases made by the cardholders he supervises. Evidence of performing this oversight is documented by signatures on the Record of Charge Card Use form discussed above and by an on-line certification of P-card transactions each month. The on-line certification process involves comparing the transactions on the monthly credit card bank statement with those on the Record of Charge Card Use form, along with a review of the vendor invoices or receipts related to those transactions. The certification procedure is a significant part of the P-card accountability and oversight processes of Management Directive A-13.

Until this audit was initiated, the Accounts Payable Accountant performed spot checks of card certifications. When our auditor requested a listing of all cards that had not been certified or reconciled, the report we were provided was the first of its kind, coming more than a year after

Management Directive A-13 was signed. The report indicated that during the period from October, 2010, through June, 2011, there were several hundred instances where the certifier did not certify the P-card usage for the month. In attempting to work with this report, the Accounts Payable Accountant identified a number of inaccuracies in the data it contained. She is working with ICTS to have it corrected.

Because of the inaccuracies in the monitoring report, the Accounts Payable Accountant is not yet tracking first, second and third violations in order to initiate the progressive sanctions listed in the Manual. Even when the report is corrected, such tracking will be difficult as the current process is cumbersome and time consuming and results in long delays in communicating and correcting non-compliance. This will make it very difficult to enforce the sanctions outlined in the Manual.

There is a lack of understanding among reconcilers that reconciliation is required even when there are no transactions during a billing period. And there appear to be problems with the certification process itself for departments that have cardholders, reconcilers and certifiers who are not located in the same premises. The Food and Nutrition Services department accounts for a large percentage of the instances of non-certification. Many of Food and Nutrition Services' cardholders are in school cafeterias, but the reconcilers and certifiers are located in area or district offices. Additionally, the volume of purchases is great, making review of invoices difficult to accomplish within the required deadlines.

We recommend that efforts to produce timely and accurate reports of cards that have been reconciled and certified be made a priority. We also recommend that the certification process be re-evaluated and revised if necessary to provide appropriate controls for work locations with special concerns. Having timely and accurate reporting of who has and has not certified P-card transactions is critical to compliance with Management Directive A-13. It is also necessary if follow-up on non-compliant personnel is to be accomplished in a timely manner.

P-card Applications, Agreements and Credit Limit Authorizations

Each employee requesting a P-card must complete a P-card application and a P-card agreement. The P-card application is to be approved by the employee's department head who recommends a monthly credit limit for the card. The P-card agreement is signed by the prospective cardholder and by that person's supervisor to signify their agreement to comply with the P-card program guidelines.

We tested 20 cardholder files and found three that had no signed agreements on file in Procurement. One application form did not have the monthly credit limit documented on it.

Additionally, we attempted to verify that the credit limits on the cards we tested were those authorized by the department head, either on the original application or on a subsequent request. We noted several instances where the documentation on file with the Purchasing Card Administrator did not reflect the current credit limit status of the card. The Purchasing Card Administrator explained that many requests for credit limit changes come via email and he did not have all the emails readily available to support some of the items we tested. Without this documentation it is not possible to determine whether the current credit limit is approved and authorized.

We recommend that the Purchasing Card Administrator maintain readily available copies of all cardholder applications and agreements and credit limit changes for all cards.

We wish to thank representatives of the Procurement and Accounts Payable Departments for their cooperation and assistance in the conduct of this audit.

Auditor:
Pringle Simmons, Auditor

MANAGEMENT RESPONSES FOLLOW ON SEPARATE PAGES

DEPARTMENT/SCHOOL: Contract Administration & Procurement Services

ADMINISTRATOR/PRINCIPAL: Kay K. Syed

AREA SUPERVISOR/ASSOC. SUPT.: Michael Eugene

Exception Noted	Management Response	Responsible Person	Outcome Timeline
What Is? What ought to be?	What needs to be done?	Who needs to do it?	When will action be completed? What evidence of completion?
<p>Of the 45 cards tested, eleven, or 24%, did not have the signature of the cardholder and/or the supervisor on the Record of Charge Card Use form. The Record of Charge Card Use form is a required part of P-card documentation that indicates the pre and post purchase approvals of the supervisor. Sixteen cards, or 35%, were missing cardholder and/or supervisor signatures on the credit card bank statements. Additionally, one transaction had no receipt or other supporting documentation.</p>	<p>Procurement will include a reminder on each purchasing card e-mail sent to the district to include the signatures on both the bank statement and Record of Charge Card Use form. In addition, a blast e-mail will be sent to the Bookkeepers reminding them of the procedures.</p> <p>Procurement will continue monthly spot audits to determine if the correct procedure is being followed. Our spot checks show 100% compliance</p>	<p>P-Card Administrator and P Card Coordinator</p>	<p>The blast reminder e-mail was done in September. On a monthly basis Procurement is performing spot audit to ensure the receipt of signed Record of Charge Card Use form and bank statements. In addition Procurement on a weekly basis performs spot audit card transactions for all P-card, and A-card and obtains appropriate receipts for particular transactions.</p>

<p>We tested 20 cardholder files and found three that had no signed agreements on file in Procurement. One application form did not have the monthly credit limit documented on it.</p>	<p>Review applications to make sure all have the agreement statement.</p>	<p>P Card Administrator and P Card Coordinator</p>	<p>December 2011 100% Compliance Current process: Procurement Administrator receives reviews and monitors all applications for P-card, A-card, and T-card to ensure that all applications are completed in accordance to the Purchasing Card Program Manual. All fields in the application must be filled. Incomplete applications will not be processed and will be returned to the cardholder for further correction.</p>
<p>We attempted to verify that the credit limits on the cards we tested were those authorized by the department head, either on the original application or on a subsequent request. We noted several instances where the documentation on file with the Purchasing Card Administrator did not reflect the current credit limit status of the card. The Purchasing Card Administrator explained that many requests for credit limit changes come via email and he did not have all the emails readily available to support some of the items we tested. Without this documentation it is not possible to determine whether the current credit limit is approved and authorized.</p>	<p>In the current process the Work Location Supervisor sets departmental spending limits using the original application. As deemed necessary by the Supervisor location, this limit could potentially be modified via a change to the original application or an e-mail. Procurement maintains all changes to the applications requesting limit increase or decrease. Due to the volume and age of the requests, this information may have to be brought from the archive files and is not therefore, "readily available".</p> <p>New improved process: Procurement will establish and develop a standard process for how approvals will be requested and a matrix for the levels of approvals required for increase/ or decrease credit limit and single transaction limit. Procurement will update the OCPS Purchasing Cards Program Manual to reflect the modifications. Procurement will also communicate this information with the district.</p>	<p>P Card Administrator and P Card Coordinator</p>	<p>January 2012</p>

DEPARTMENT/SCHOOL:
 ADMINISTRATOR/PRINCIPAL:
 DEPARTMENT HEAD/AREA SUPERINTENDENT:

Finance
Margo Marten, Sr. Finance Director
Richard Collins, Chief Financial Officer

Exception Noted What is? What should be?	Management Response What needs to be done?	Responsible Person Who needs to do it?	Outcome Timeline When will the action be completed? What is the evidence of completion?
<p>Monthly Certification Procedures – Supervisor must monthly certify the P-card purchases made by the cardholders they supervise both manually, by signing the bank statement and the Record of Charge Card Use form, and on line through the certification process on the OCPS website. The certification process needs to be monitored, however during FY2011 the reports used to do this were not accurate and therefore only spot checks could be done.</p>	<p>We must accurately maintain the purchasing card data in the WORKS. In order to do this the card cancelations must be communicated to Procurement immediately so the card can be deactivated timely in WORKS. Additionally, the monitoring reports need to be accurate, easily sorted/filtered, and then the certification should be monitored timely. In September 2011 the reports were corrected. During this process it was determined that some cards should not have been in the list. Those have been deactivated in WORKS and removed from the monitoring report. The active cards should be monitored timely.</p> <p>It was also determined that the bank balances should be automatically loaded in the certification software to make</p>	<p>Maintaining accurate purchasing card data in WORKS – Robert Cole, Purchasing Card Program Administrator, will ensure that all card data in WORKS is accurately maintained so this data can be accurately maintained in the Monthly Certification system.</p> <p>Monitoring of the certifications – Lolita Basco, Sr. Specialist, in AP, and ICTS personnel to make the changes needed for easily sorting and filtering the report in Excel.</p> <p>Revision of the certification software – Jermaine Patterson, Sr. BPS had taken the lead to facilitate the changes with ICTS.</p> <p>Certification process review – Margo Marten, Sr. Finance Director, working with her team and other areas, as needed, to</p>	<p>Robert Cole, Procurement Administrator, has deactivated all cards in WORKS that are no longer active cards.</p> <p>Lolita Basco, Sr. Specialist, has run the reports and is in the process of sending out appropriate e-mail notifications. ICTS is currently working on the download of the report data to Excel to allow for sorting and filtering of the data for more efficient monitoring of the certification process.</p> <p>Jermaine Patterson, Sr. BPS, has met with bank personnel, received files and is actively working with developers in ICTS to make the changes within the certification software.</p> <p>Margo Marten, Sr. Finance Director, has met with her team and others to discuss the changes</p>

	<p>the process more accurate and efficient. This would allow the Certifiers to see that the amount due is zero and eliminate the need to certify statements with a zero balance.</p> <p>After all changes are made to the certification software, the process needs to be reviewed.</p>	<p>provide adequate internal control with efficient operations.</p>	<p>that are proposed with the process change and will meet again as the changes are made to finalize the process, facilitate training and communication.</p> <p>All items should be completed before the end of December.</p>
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