

**City of Tampa
Internal Audit Department
Audit Program Guide
Purchase Card Program
00-17**

| Budget Hours | Audit Procedures | Done By | W/P Ref. |
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| <i>Background</i> | | | |
| | The City became a “participating entity” to the State of Florida’s VISA Purchasing Card Agreement with the Bank of America in August 1997. It (the City) launched a pilot program in December of 1997 and subsequently implemented the program City wide in June of 1998. The goal of the Purchase Card Program (PCP) was to enhance the purchasing process for small dollar purchases by decreasing paperwork, reducing employee time and effort and minimizing receipt delays. | | |
| <i>Statistics</i> | | | |
| | Fiscal Year 1999 PCP Purchases: \$ 657,980 FY 2000 YTD PCP Purchases (January 31, 2000): \$ 370,050 The above data was derived from the monthly purchasing card statements as provided by the Purchasing Department. | | |
| <i>Planning the Audit</i> | | | |
| | <ol style="list-style-type: none"> 1. Print Quality Control Package and process Auditor Assignment and Independence Statement page. 2. Prepare and send an entrance letter to applicable personnel in the area under review. 3. Prepare a planning program and include a time budget for the preliminary survey work. 4. Conduct an in-house review of the following: <ol style="list-style-type: none"> a) Financial Data b) Internal Policy & Procedures Manuals c) Applicable Rules, Laws and Regulations, and d) Prior internal audit reports and management comments 5. Schedule and hold an entrance conference with the Auditee. Obtain the name of the departmental contact person and secure a place from which to conduct the fieldwork portion of the audit. 6. Begin Preliminary Survey by interviewing the appropriate personnel in the Auditee Department. Document the interviews with narratives in the work file. 7. Review and document Internal Control System. (Include control points, such as the location within the system of approvals, authorizations, segregation of duties, supervision, reconciliations, computer-generated error and edit listings, exception reports, etc.) 8. After gaining an understanding of various functions, conduct several transaction walk-throughs. Revise documentation as necessary. 9. Prepare a survey memo listing the strengths and weaknesses of the system. Discuss the areas of greatest risk and exposure to the City. Also, include suggested audit objectives and test procedures. Discuss with Audit Supervisor and the Deputy Director. 10. Prepare the audit program and include a time budget and estimated | | |

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| | <p>completion date. Index the preliminary survey file and turn in for review. The Planning Checklist page of the Quality Control Package should be completed by the Audit Supervisor.</p> <p>11. Clear review notes and revise the audit program, if necessary.</p> | | |
| Audit Scope | | | |
| | <p>Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of the Purchase Card Program administered by the Purchasing Department from June 1, 1998 to January 31, 2000.</p> | | |
| Audit Objectives | | | |
| | <ol style="list-style-type: none"> 1. Determine if internal controls for purchase card administration are reasonable. 2. Determine if controls are in place to reasonably prevent purchase card misuse and abuse. 3. Determine if card-issuer billing reports are being reconciled on both the departmental and PCP Coordinator level. 4. Determine if internal controls for card deactivation are adequate. | | |
| Objective 1: Determine if internal controls for purchase card administration are reasonable. | | | |
| | <ol style="list-style-type: none"> 1. Obtain a copy of the State of Florida Purchasing Card Program Agreement and The City of Tampa's Purchasing Card Application. 2. Determine if each document has been adequately reviewed by legal counsel thereby minimizing risk and exposure to the City of Tampa. 3. Review each document and ensure that the contractual obligations undertaken by the City and card-issuer are being fulfilled. 4. Obtain a copy of the PCP Policies and Procedures 5. Review the polices and procedures to ensure adequate documentation relating to the rights and responsibilities of the cardholder, department manager and PCP Coordinator. 6. Determine if adequate controls exist to prohibit one person from controlling all phases of card issuance. 7. Obtain a listing of all purchase cardholders from the Purchasing Department. 8. Calculate a sample size and selections using a confidence level of 95%, an expected error rate of 5% and a desired precision of +/- 5%. Match the sample to the cardholder "Purchasing Card Acknowledgment" form kept on file. Check to ensure proper approval/authoritative signature and cardholder signature. 9. Obtain a listing of all purchase cardholders from the Bank of America. Agree listing to that one previously provided by the Purchasing Department. 10. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management. 11. Summarize and conclude. | | |
| Objective 2: Determine if controls are in place to reasonably prevent purchase card misuse and abuse. | | | |
| | <ol style="list-style-type: none"> 12. Determine the spending limits assigned to each cardholder. 13. Determine if the Merchants Category Code limitation is applicable to all | | |

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| | <p>purchase cards.</p> <p>14. Judgmentally select a number of monthly departmental card statements; review and document selected transactions to ensure purchases were made within defined limits.</p> <p>15. Utilizing the judgmental sample previously selected, ascertain if segregation of duties are adequate in the selected departments so that no one person will control all phases of Purchase Card usage (transaction initiation, authorization for payment and reconciliation) and to reduce the likelihood of errors and irregularities going undetected.</p> <p>16. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management.</p> <p>17. Summarize and conclude.</p> | | |
| <i>Objective 3: Determine if card-issuer billing reports are being reconciled on both the departmental and PCP Coordinator level.</i> | | | |
| | <p>18. Utilizing the judgmental sample previously selected, determine if reconciliations are performed on a monthly basis.</p> <p>19. Conduct an independent reconciliation of the selected sample, ensuring the department has adequate supporting documentation.</p> <p>20. Determine if the reconciliation was completed on a timely basis and subsequently approved by an authorized individual.</p> <p>21. Judgmentally, select a number of monthly reconciliations prepared by the PCP coordinator.</p> <p>22. Conduct an independent reconciliation of the selected months, agreeing department totals to the card-issuer summary billing report.</p> <p>23. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management.</p> <p>24. Summarize and conclude.</p> | | |
| <i>Objective 4: Determine if internal controls for card deactivation are adequate.</i> | | | |
| | <p>25. Utilizing the cardholder listing previously obtained, determine if cardholders are still employed by the City and still assigned to the department approving the issuance.</p> <p>26. Determine if cards have expiration dates; if so, are the default expiration dates reasonable.</p> <p>27. Discuss any audit findings with the Audit Supervisor, Deputy Director and Audit Director. After receiving their approval discuss audit findings with Auditee management.</p> <p>28. Summarize and conclude.</p> | | |
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| <i>Audit Wrap Up</i> | | | |
| | <p>29. Complete and index working papers.</p> <p>30. Prepare a preliminary draft of the audit report.</p> | | |

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| | 31. Clear review notes. 32. Forward draft to auditee and request responses within 10 working days. 33. Incorporate auditee responses into the final audit report. 34. If requested, schedule and hold exit conference. 35. Quality Control Checklist of the Quality Control Package to be completed by the Deputy Director. 36. Present the audit report to the Mayor. | | |
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