

**PURCHASING DEPARTMENT
PURCHASING CARD PROGRAM
AUDIT 18-04
DECEMBER 18, 2018**



CITY OF TAMPA

Bob Buckhorn, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

December 18, 2018

Honorable Bob Buckhorn
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Purchasing Card Program, Audit 18-04

Dear Mayor Buckhorn:

Attached is the Internal Audit Department's report on Purchasing Department - Purchasing Card Program, Audit 18-04.

The Purchasing Department has already taken positive actions in response to our recommendations. We thank the management and staff of the Purchasing Department for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: Dennis Rogero, Chief of Staff
Sonya Little, Chief Financial Officer
Ernest Mueller, Chief Assistant City Auditor
Gregory Spearman, Purchasing Director
DeAnna Marshall, Purchasing System Manager

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/s/ Debbie Abbott

Auditor

/s/ Christine Glover

Audit Director

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BACKGROUND

The City uses purchasing cards (p-cards) to streamline processes, reduce paper, improve management, and reduce the cost of small dollar purchases (purchases up to \$1,999.00). The Visa Purchasing Card is issued by Bank of America to authorized City of Tampa employees for the purpose of making small dollar purchases previously handled under open purchase orders or through spot quotations from vendors. The card may be used to purchase non-restricted commodities in person at the vendor site, over the telephone, via fax, by mail, and over the Internet.

Data specific to p-card usage is collected in the Works system which is maintained by Bank of America, and financial data is uploaded into Oracle for payment.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY 2018 Audit Agenda. The objectives of this audit were to determine:

1. The adequacy of the internal control system in place over p-cards.
2. Compliance with the system of internal controls over p-cards.

STATEMENT OF SCOPE

The audit period covered FY17 and FY18 activity that occurred from October 1, 2016, to May 31, 2018. Tests were performed to determine whether the Purchasing Department personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. It also included testing City of Tampa departments to ensure they were maintaining prescribed documentation. Original records as well as copies were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

We achieved our objectives by utilizing the following methods:

- Performed data analytics for emergency purchases, special purchase authorization, high dollar value recurring purchases, sales tax paid on purchases, monthly spending per card number, cards with no activity, card limit increases, timeliness of reconciliations, card replacements, and timeliness of canceled cards.
- Reviewed transactions for split purchases to ensure documentation was maintained in compliance with policy.
- Reviewed the February 2018 p-card inventory to ensure card status was accurate in the Works system.
- Reviewed emergency purchases to ensure documentation was maintained in compliance with policy.
- Reviewed documentation to ensure cardholders attended training on p-card usage.

- Reviewed documentation for cardholders that also performed monthly reconciliations for compliance with policy.
- Reviewed reconciliations for October, November, and December 2017, to determine compliance with policy.
- Reviewed a list of transferred and terminated employees obtained from the Human Resources Department to ensure cards had been canceled in Works.
- Reviewed a list of active card numbers and cardholders to ensure cardholders had only one card and were currently employed with the City of Tampa.

Using a sampling calculator, a statistical sample was selected based on the criteria of 90% confidence level and 10% error rate. Judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude:

1. The internal control system in place over p-cards is adequate.
2. Compliance with the system of internal controls was misinterpreted for the maintenance of training acknowledgement records. Also, compliance with the system of internal controls for the review of reconciliations could be improved.

TRAINING ACKNOWLEDGEMENT FORMS

STATEMENT OF CONDITION: A new applicant must complete training before a p-card is issued to them. At the completion of training they sign a Training Acknowledgement Form (Form) and receive the card. For testing purposes, a sample was selected using a 90% confidence level and 10% maximum error rate. One-third of the sample reviewed did not have a Form on file.

CRITERIA: The State of Florida's General Schedule, GS1-SL: Financial Account Authorization Records, Item GS1-SL-084 states: "This record series consists of an authorization to maintain a bank, purchasing card (p-card), credit card...and the names of those authorized to access the account. Retention: 5 fiscal years after authorization superseded, expired or canceled."

CAUSE: Incorrect interpretation of Record Retention period. Purchasing Department staff thought the five-year record retention period began when the forms were signed.

EFFECT: There is no evidence that cardholders had signed a Training Acknowledgement Form.

RECOMMENDATION 1: Forms should be maintained for the record retention period, which is five years after card authorization ends.

MANAGEMENT RESPONSE: Purchasing Management agrees that the record retention period of five years was misinterpreted as beginning upon completion of training. We are taking corrective action by obtaining signed statements from the identified cardholders confirming that training was received at the time the cards were issued.

It is our standard procedure to hold all new purchasing cards until cardholders attend training at which time cards are distributed and the training acknowledgement form is signed. Paper forms were maintained in 2004, when the majority of the acknowledgement forms that are absent would have been signed. Currently we scan and keep all forms electronically which makes keeping forms for longer periods of time easier and more efficient. We have recently secured the electronic folder where the forms are kept to restrict access strictly to the Purchasing Systems Team.

Completed Date: August 20, 2018.

RECEIPT APPROVAL

STATEMENT OF CONDITION: P-card receipts and reconciliations are not always being reviewed and signed off by authorized signers.

Cardholders turn in p-card receipts to the Department Reconciler who performs monthly reconciliations on card expenditures. At that point, the authorized signer should have signed the receipts. It is the responsibility of the Reconciler to maintain the receipts that have been approved by the authorized signer with the reconciliation package.

One month of transactions was reviewed for purchases; and reconciliation packages were reviewed for months of October, November, and December, 2017. Some reconciliation packages had manager signatures on receipts, some had signatures only on the Works monthly summary (not individual receipts), and some receipts had only the cardholder's signature.

CRITERIA: Purchasing Department policy states "Department Reconcilers are responsible for maintaining original receipts that have been signed by authorized Accounts Payable signature..."

CAUSE: Staff have different levels of understanding of internal controls, and authorized signers may not always be known to the cardholder or reconciler if the list of signers changes.

EFFECT OF CONDITION: This is a breakdown of controls in place to ensure p-cards are used as intended. In situations where the cardholder and reconciler are the same person, errors and discrepancies can occur without detection.

RECOMMENDATION 2: We recommend the Purchasing Department work with Accounts Payable (AP) to ensure cardholders and reconcilers know who their authorized AP signers are and take measures to ensure authorized AP signers are trained in their responsibilities for the p-card program.

MANAGEMENT RESPONSE: Purchasing distributed a memo on October 29, 2018, to Cardholders, Reconcilers, AP Authorized Signers and Directors reminding them of their roles and responsibilities as they relate to the signature approval requirement. Purchasing will reach out to the departments found in the audit to be noncompliant and provide additional training.

Target Implementation Date: March 31, 2019.