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**Audit of Orange County  
Procurement Card  
Program Administration**

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**Phil Diamond, CPA  
County Comptroller  
Orange County, Florida**

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**Report 486  
July 2020**

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Received from Phil Diamond, County  
Comptroller

## County Audit Division

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### Orange County Comptroller's Office

#### Mission

The mission of the Orange County Comptroller's Office is to serve the citizens of Orange County and our customers by providing responsive, ethical, effective, and efficient protection and management of public funds, assets, and documents, as specified in the Florida Constitution and Florida Statutes.

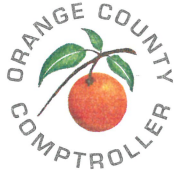
#### Vision

The vision of the Orange County Comptroller's Office is to be recognized as a highly competent, cohesive team leading the quest for continuing excellence in the effective safeguarding and ethical management of public funds, assets, and documents.



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**OFFICE OF THE COMPTROLLER**

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July 16, 2020

Jerry L. Demings, County Mayor  
And  
Board of County Commissioners

We have conducted an audit of Orange County's administration of its procurement card program. The audit focused on the Procurement Division's administration of the program. Individual purchases were not reviewed as part of this audit. The period audited was January 2018 through December 2018.

We conducted this 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.

A response to our recommendations was included from the Procurement Manager. We appreciate the cooperation of Procurement Division personnel during the course of the audit.

Phil Diamond, CPA  
County Comptroller

- c: Byron Brooks, County Administrator  
Randy Singh, Deputy County Administrator  
Anne Kulikowski, Director, Administrative Services  
Carrie Mathes, Procurement Manager, Procurement



## EXECUTIVE SUMMARY

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### Why This Audit Is Important

Procurement Cards provide an efficient, cost-effective method of acquiring and paying for goods and services. During fiscal year 2019, the County had approximately 600 cardholders that purchased over \$15 million in goods and services. However, P-Cards bypass normal procurement controls which increases the risks of fraud and waste of public monies. Based on the additional risks, it is imperative that the Procurement Division's administration of the procurement card program includes safeguards to reduce these risks.

### The Objective of Our Audit

The objective of this audit was to ensure that the Procurement Division's controls are adequate to effectively administer the procurement card program.

### What We Found

#### **Procurement Did Not Ensure All Cardholders Were Assigned an Approver (Page 7)**

Five cardholders were not assigned a Transaction Approver. As a result, \$20,273 in purchases were not approved. Another cardholder was assigned to approve his own purchases totaling \$4,044. In total, \$24,317 in purchases were made without independent review or approval.

#### **Purchasing Limits Were Increased Without the Procurement Manager's Approval (Page 8)**

The prior Procurement Manager did not approve 17 of the 23 P-Card limit increases as required in the Procurement Procedures Manual. Ten of the 17 cards were increased to \$15,000 per transaction rather than the specified \$1,500.



## EXECUTIVE SUMMARY

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### **Procurement Cards Were Not Deactivated Timely (Page 10)**

Ten purchasing cards were not deactivated for more than 13 days after the cardholders terminated employment. One card remained open for 39 months after the employee's termination date.

### **Unused Purchasing Cards Should Be Deactivated (Page 10)**

Although 41 cards were not used for over a year, they were not deactivated. In addition, 18 of the 41 cards had not been used in over two years. The total monthly credit exposure for the 41 active, unused cards was \$1,387,500.

### **Overall Evaluation (Page 6)**

Based on the results of our testing, the Procurement Division's controls were adequate to effectively administer the procurement card program. However, we did note opportunities for improvement.

### **Management's Response (Page 13)**

The Division Manager concurred with all of our recommendations and has reported that she has already taken steps to address the issues.



## INTRODUCTION

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### Background

In November 2000, Orange County established a procurement card program. The program has two types of cards — procurement cards (P-Cards) and travel cards (T-Cards): P-Cards provide a more efficient method of making purchases without the added expense of following the traditional purchasing process. T-Cards are used to pay for allowable travel expenses for employees who do not have a P-Card.

The program is administered by the Procurement Division. Procurement's responsibilities include:

- Developing and maintaining policies;
- Establishing card limits;
- Issuing and cancelling cards;
- Providing initial and ongoing training to all cardholders and transaction approvers; and,
- Notifying cardholders of disciplinary actions.

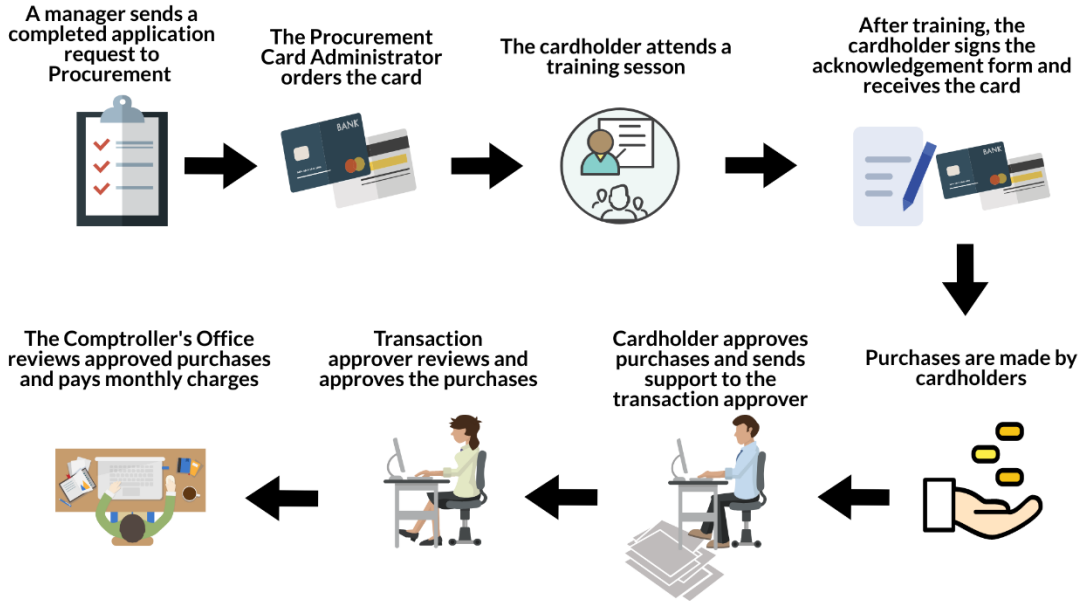
### **Procurement Card Process**

Division managers submit an application to Procurement for each card request. Procurement verifies the application is complete and requests a card from the issuing bank. Prior to receiving the card, all new cardholders attend a mandatory training which addresses policies and procedures for using the card. At the end of the billing cycle, cardholders submit their billing statements and supporting documentation to their designated transaction approver for review and approval. The transaction approvers forward the statement packages to the Comptroller's Office for final processing and payment.



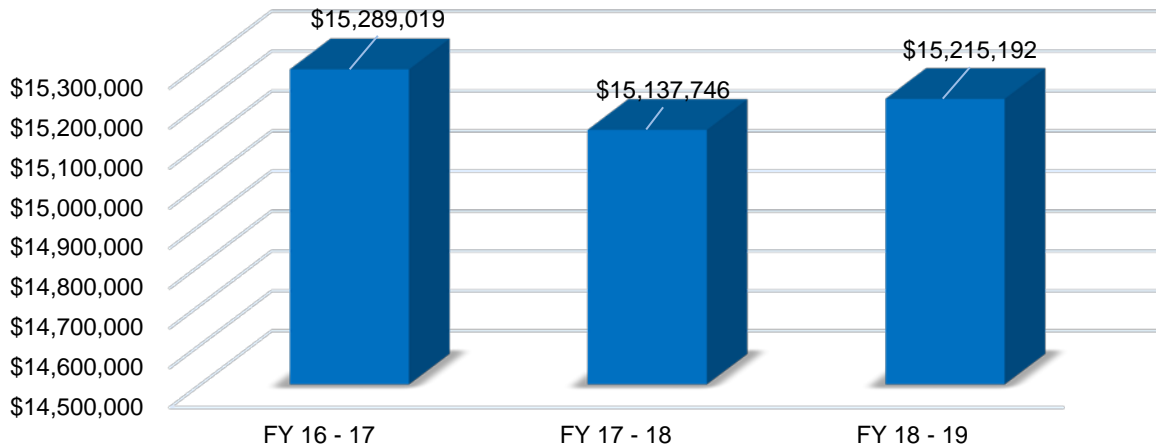
# INTRODUCTION

## Procurement Card Process



During fiscal year 2019, the County had approximately 600 cardholders with purchases totaling \$15.2 million.

### Total Purchasing Card Transactions







## INTRODUCTION

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### **Audit Scope**

The scope of this audit was limited to the Procurement Division's administration of the procurement card program. Individual purchases were not reviewed as part of this audit. The audit period was January 2018 through December 2018.

### **Audit Objective**

The objective of this audit was to ensure that the Procurement Division's controls are adequate to effectively administer the procurement card program.

### **Audit Methodology**

To test the Procurement Division's administration of the procurement card program, we:

- Ensured that all open cards were issued to current employees and identified any open cards that were not being used;
- Verified applications for new transactions approvers and cardholders were properly approved;
- Verified that new transaction approvers and cardholders attended training;
- Reviewed card limits for all open cards to ensure spending limits complied with established policy; and,
- Verified that procurement cards and accounts for terminated employees were deactivated in a timely manner.

### **Overall Evaluation**

Based on the results of our testing, the Procurement Division's controls were adequate to effectively administer the procurement card program. However, we did note opportunities for improvement.

**1. Transaction Approver and Cardholder Profiles Should Be Periodically Reviewed**

Transaction Approvers (Approvers) are responsible for reviewing cardholder purchases. The Approvers verify each purchase is adequately supported and is for a valid public purpose.

During our review, we identified the following issues:

- Seven out of 84 Approvers were also cardholders. One of the seven approved his own purchases, totaling \$4,044.
- Five of the 583 active cardholders were not assigned to an Approver. During our audit period, these five cardholders made 275 purchases totaling \$20,273. None of these transactions were reviewed or approved by a designated Approver.
- Three of 583 cardholders had more than one active P-Card. All three cardholders had multiple active P-Cards between eight and 41 months.



The County’s Procurement Procedures Manual originally stated that transaction approvers cannot also be cardholders. After notifying management of these issues, the Manual was modified to read, “It is not recommended for a Transaction Approver to also be a Cardholder. If a transaction approver is also a cardholder they are prohibited from approving their own transactions.”

A fundamental element of internal controls is adequate segregation of duties. With adequate segregation of duties, no employee should be in a position to conceal errors or fraud in the normal course of their duties. For example, unauthorized purchases could go undetected if no independent review occurs. In addition, purchases could exceed the established monthly limits if more than one card is assigned to any one cardholder.



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## Recommendation No 1:

The Procurement Division should:

- A) Ensure all cardholders are assigned a transaction approver;
- B) Verify all transaction approvers assigned a card are not allowed to approve their own purchases; and,
- C) Review card assignments to ensure only one P-Card and one T-Card is assigned per cardholder.

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### ***Management's Response:***

Concur. See [Appendix](#) for full response.

## **2. Exceptions to Standard Limits Should be Properly Documented and Monitored**

The Procurement Procedures Manual specifies purchasing limits of \$1,500 for single transactions and \$37,500 monthly<sup>1</sup>. However, the Procurement Manager can approve an increase to both limits based on specific job requirements.

### **PROCUREMENT CARD LIMIT**

P-Card single transaction limit of **\$1,500** and a monthly spending limit of **\$37,500**.

T-Card single transaction limit of **\$5,000** and a monthly spending limit of **\$37,500**.

During our review, we identified the following card limit issues:

- Twenty-three of the 643 active cards had purchase limits higher than the standard limit. The Procurement Manager did not approve 17 of the 23 limit increases. Ten of the 17 limit increases occurred during the tenure of the

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<sup>1</sup>Orange County increased the P-Card single transaction limits from \$1,500 to \$10,000; and the monthly spending limits from \$37,500 to \$50,000 in October 2019.

prior Procurement Manager. The spending authority for these cards was increased without approval as shown below.

Single Transaction Limit Increased Without Proper Approval		
Division	Single Transaction Limit	Cards Increased
Convention Center	\$15,000	10
Convention Center	\$8,000	3
Parks and Recreation	\$5,800	1
Total		14

Monthly Limit Increased Without Proper Approval		
Division	Monthly Limit	Cards Increased
Fire	\$50,000	1
Community and Family Services	\$55,500	2
Total		3

- Three emergency cards assigned to Fire Rescue had higher single transaction limits of \$37,500. Emergency cards are not issued to specific employees and are intended to be used only in emergency situations. Due to the increased risk associated with cards that can be used by multiple individuals, the spending limits should be reduced to \$1.00 after the emergency situation is over.



Procurement should maintain documentation evidencing the review and approval of policy exceptions. In addition, emergency cards should be monitored to ensure that emergency limits are decreased after the specific emergency has ended.

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## **Recommendation No. 2:**

The Procurement Division should ensure that all purchasing card limit increases are documented and approved by the Procurement Manager. In addition, the Division should develop procedures to monitor emergency cards to ensure temporary limits are reduced when the emergencies are over.

### ***Management's Response:***

*Concur. See [Appendix](#) for full response.*

## **3. Procurement Cards Should Be Deactivated in a Timely Manner**

### **Terminated Employment**

The Procurement Procedures Manual requires each terminated employee to return their procurement card to their designated Approver on or before employment separation. Approvers are required to ensure the card is returned to the Purchasing Card Program Administrator and cancelled.



Based on our review of cardholders and Approvers that terminated employment, we found the following:

- Six of the 583 active cardholders at the time of our review were not current employees. These cards had been open from seven to 39 months after termination.
- An additional 59 cards were deactivated after the cardholders terminated employment during 2018. Of the 59 deactivated cards, four remained open from 13 to 77 days after termination.
- Cardholders and Approvers have online access to review and approve card transactions. Forty-Six of the 761 active accounts belonged to users no longer employed with the County. These accounts remained active from 8

to 37 months after termination. There is no reason for former employees to maintain access to Purchasing Card accounts.

We verified that none of the 61 cards that remained active after termination were used after the employee's termination date. However, Purchasing Cards should be deactivated promptly after termination to prevent unauthorized charges. The Division should periodically reconcile open cards and accounts to current employees to ensure all necessary cards and accounts are deactivated.

**Unused Cards**

The Division does not have a process for identifying unused cards. After reviewing charges for the 643 open cards, we found that 41 had no charges for over a year. Eighteen of the 41 cards had not been used in over two years. The total monthly credit exposure limit for the 41 active unused cards is \$1,387,500.



Procurement should periodically monitor card usage and deactivate unused cards.

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**Recommendation No. 3:**

The Procurement Division should:

- A) Implement additional procedures to identify terminated employees assigned procurement cards;
- B) Ensure that all procurement cards assigned to terminated employees are deactivated in a timely manner; and,
- C) Develop procedures to periodically review card usage to identify cards that should be deactivated.

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***Management's Response:***

Concur. See [Appendix](#) for full response.



## ACTION PLAN

NO.	RECOMMENDATIONS	MANAGEMENT'S RESPONSE		
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR
1.	The Procurement Division should:			
A)	Ensure all cardholders are assigned a transaction approver;	✓		
B)	Verify all transaction approvers assigned a card are not allowed to approve their own purchases; and,	✓		
C)	Review card assignments to ensure only one P-Card and one T-Card is assigned per cardholder	✓		
2.	The Procurement Division should ensure that all purchasing card limit increases are documented and approved by the Procurement Manager. In addition, the Division should develop procedures to monitor emergency cards to ensure temporary limits are reduced when the emergencies are over.	✓		
3.	The Procurement Division should:			
A)	Implement additional procedures to identify terminated employees assigned procurement cards;	✓		
B)	Ensure that all procurement cards assigned to terminated employees are deactivated in a timely manner; and,	✓		
C)	Develop procedures to periodically review card usage to identify cards that should be deactivated.	✓		





PROCUREMENT DIVISION  
CARRIE MATHES, MPA, CFCM, CPPO, C.P.M., CPPB, APP, Manager  
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July 6, 2020

TO: Christopher J. Dawkins, Director of County Audit

FROM:  Carrie Mathes, Procurement Manager

SUBJECT: Audit of the Orange County Procurement Card Program  
Administration

In connection with the audit conducted of the Orange County Procurement Card Program Administration covering the period from January 2018 through December 2018, below you will find our responses to the recommendations contained in the report. We were pleased with the overall evaluation that our internal controls were adequate to effectively administer the procurement card program.

**Recommendation No. 1:**

We concur. On January 27, 2020, the Procurement Procedures Manual was updated to prohibit transaction approvers who are cardholders from approving their own transactions.

Additionally, Internal Procedure (IP) 1-89 *PCard/TCard Program Administration* was issued on January 22, 2020. The IP requires that any cardholder who will also be responsible to serve as a transaction approver for others, will be placed into a separate hierarchy in the Cardholder Works system to ensure that the cardholder is precluded from approving their own transactions. The IP also requires the PCard Program Administrator to thoroughly review each pcard/tcard application prior to processing, to ensure a transaction approver has been identified on the document, and that a profile for the applicant does not already exist in Works.

The separate hierarchy was established in the Works system on January 22, 2020.

**Recommendation No. 2:**

We concur. On January 22, 2020, the Procurement Manager signed a memorandum which adopted the pcard threshold profiles report, dated December 13, 2019, as prior exceptions. The memorandum formalized that the profiles identified in the referenced report were established prior to my tenure as Procurement Manager, and acknowledged them as being grandfathered exceptions to the standard pcard threshold profile. The memorandum further





stated that any future requests for pcard/tcard alternate threshold profiles shall be required to follow the procedures as outlined in the Procurement Procedures Manual, Section 11(1)(B).

Additionally, on January 6, 2020, the emergency pcard program document was updated, requiring the card custodian to notify the Procurement PCard Administrator within 24 hours of the card return and confirm the card is securely stored. Upon notification, the Procurement PCard Administrator will reduce the pcard threshold to \$1.00. On January 27, 2020, the Procurement Procedures Manual was updated to further formalize this requirement.

**Recommendation No. 3:**

We concur. Internal Procedure (IP) 1-89 *PCard/TCard Program Administration* was issued on January 22, 2020. The IP formalized that a weekly report of departures will be emailed by the Comptroller's Office PCard team, to the Procurement PCard Administrator. Upon receipt, all cards associated with the report will be closed within two business days. Concurrently, the banking system will be updated to remove the employee's email address, and the password will be reset. Each departed employee's profile will be reviewed monthly to verify if transactions have been approved. The profile will be closed after 90 days, regardless of reconciliation status.

Additionally, the IP formalized that a pcard/tcard usage report will be generated and reviewed monthly by the Procurement PCard Administrator. Unless otherwise authorized in writing by the Procurement Manager, all pcards reflecting no activity for a period of 6-months will be reduced to a \$1.00 transaction limit. Unless otherwise authorized in writing by the Procurement Manager, all tcards reflecting no activity for a period of 12-months will be reduced to a \$1.00 transaction limit. On January 27, 2020, the Procurement Procedures Manual was updated to further formalize this requirement.

We appreciate the professionalism of the auditors and the recommendations to improve the efficiency of our P-Card Program Administration.