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**Audit of the Orange County  
Comptroller's Procurement  
Card Program**

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

[www.occompt.com](http://www.occompt.com)



**Report 485  
May 2020**

## 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.



# TABLE OF CONTENTS

<b>TRANSMITTAL LETTER</b> .....	<b>1</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>2</b>
<b>INTRODUCTION</b> .....	<b>4</b>
Background.....	4
Audit Scope.....	5
Audit Objectives .....	5
Audit Methodology .....	5
Overall Evaluation.....	6
<b>RECOMMENDATIONS FOR IMPROVEMENT</b> .....	<b>7</b>
1. The Review and Approval of Purchasing Card Transactions Should be Automated.....	7
2. Procurement Cards Should be Deactivated In a Timely Manner .....	8
3. Full Card Numbers Should Not be Recorded on Any Documentation .....	9
4. Efficiency Could be Improved in the Purchasing Card Process.....	10
<b>ACTION PLAN</b> .....	<b>13</b>
<b>APPENDIX — MANAGEMENT’S RESPONSE</b> .....	<b>14</b>



**OFFICE OF THE COMPTROLLER**

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May 21, 2020

Phil Diamond, Orange County Comptroller

We have conducted an audit of the Orange County Comptroller's Procurement Card Program. The audit was limited to a review of procurement card transactions between January 2018 and June 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 received from the Chief Deputy Comptroller and is included in the Appendix.

We appreciate the cooperation of the Comptroller personnel during the course of the audit.

Christopher J. Dawkins, CPA, CIA  
Director of County Audit

- c: Orange County Board of County Commissioners
- Eric Gassman, Chief Deputy Comptroller
- Barry Skinner, Assistant Comptroller
- Robin Ragaglia, Director of Finance and Accounting



## Why This Audit Is Important

Procurement Cards (P-Cards) are an important component of the overall purchasing program used by the Comptroller's Office. P-Cards provide an efficient, cost-effective method of acquiring and paying for lower cost purchases. However, there are additional risks associated with these purchases. Based on this increased risk, it is important to ensure that the Comptroller's Office has adequate policies and procedures to manage and monitor the P-Card program.

## The Objective of Our Audit

The objectives of this audit were to determine whether internal controls over the P-Card process were adequate, and to ensure purchases were in compliance with the Comptroller's purchasing card policies and procedures.

## What We Found

### **The Comptroller's Manual Procurement Card Process Contributes to Delays and Missing Approvals (Page 7)**

As a result of the Comptroller's manual P-Card process, the time required to review and approve transactions is increased. Cardholder and/or management approvals were missing from some of the monthly P-Card packets. Further, 17% of the packets were not approved until after the statement due date.

### **Procurement Cards Were Not Deactivated Timely (Page 8)**

Three P-Cards remained active approximately four months after the cardholders were no longer employed. Two additional accounts remained open for over three years without any charges.

### **The Full 16-digit Card Number Was Recorded on Documentation (Page 9)**

A copy of each P-Card was kept in the P-Card Coordinator's files. The full card number was also written on each cardholder's Acknowledgement Receipt Form.

**The Purchasing Policy Requires Pre-Approvals for Immaterial Purchases  
(Page 10)**

According to the current Comptroller Purchasing Policy, all transactions — regardless of amount— require approval by the Assistant Department Head or above prior to purchase. Our analysis of 217 purchases requiring preapproval found that 98% were under \$1,000 and 47% were below \$100. Requiring preapproval for these immaterial purchases decreases the efficiency of the process. In addition, 21% of the transactions tested were not approved prior to purchase as required in the policy.

**Overall Evaluation (Page 6)**

Based on the results of our testing, internal controls were adequate over the P-Card process and the transactions materially complied with the Comptroller's purchasing card policies and procedures. However, we did identify opportunities to improve the overall efficiency of the P-Card Program.

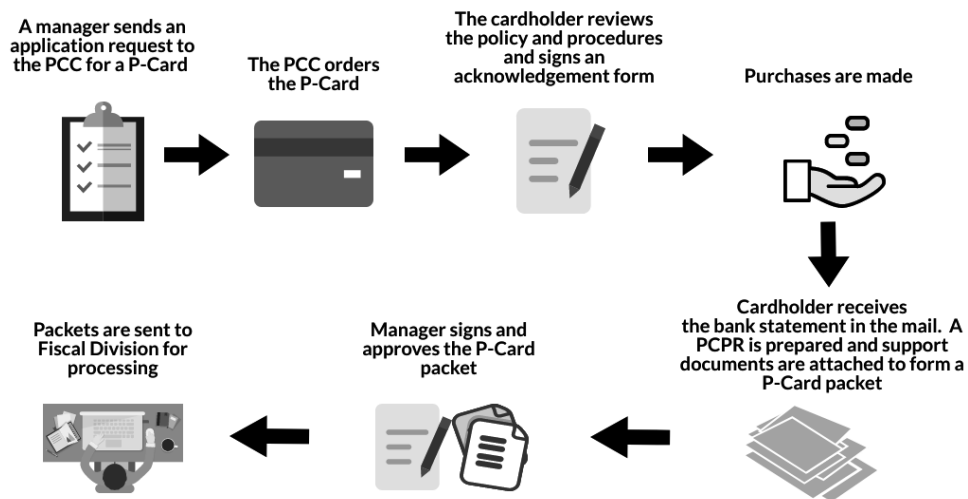


# INTRODUCTION

## Background

In November 2000, the Orange County Comptroller established the Procurement Card (P-Card) Program, which is administered by the Comptroller's Fiscal Division. P-Cards provide a more efficient method of making purchases without the added expense of following the traditional purchasing process. The Comptroller's Policies require cardholders to sign cardholder agreements acknowledging their understanding of the conditions and requirements for using the card. Single transaction limits are set at \$5,000<sup>1</sup> with total purchases restricted to \$25,000 per billing cycle.

## Procurement Card Process



### Procurement Card Coordinator

A Procurement Card Coordinator (PCC) in the Comptroller's Fiscal Division administers the program, including:

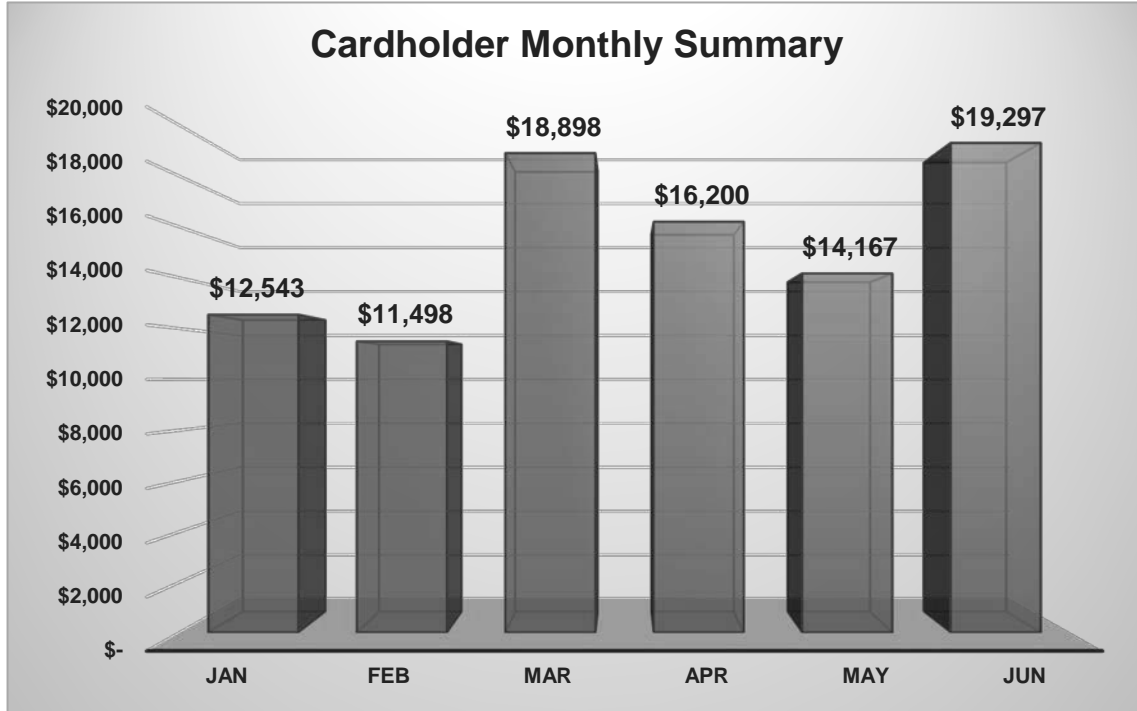
- Training cardholders on appropriate use, reporting, and monitoring transactions;
- Ordering, issuing, and canceling P-Cards;
- Reviewing all statements and support documents; and,

<sup>1</sup> One cardholder has a higher single transaction limit of \$10,000 and \$25,000 per billing cycle.



## INTRODUCTION

- Prepares the master bill payment packet for all cardholders. During the audit period, there were 23 Comptroller employees assigned P-Cards, with purchases totaling \$92,603.



## Audit Scope

The audit scope was Comptroller P-Card transactions between January 2018 and June 2018.

## Audit Objectives

The objectives of this audit were to determine whether internal controls over the P-Card process were adequate, and to ensure purchases were in compliance with the Comptroller's purchasing card policies and procedures.

## Audit Methodology





## INTRODUCTION

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To ensure that P-Cards were issued appropriately, we verified that all new cardholders were properly approved and all open P-Cards were issued to current employees. In addition, we identified any open P-Cards that had not been used for an extended period of time. We also verified that card limits were in compliance with the Comptroller's policy.

We verified all monthly cardholder statements during the audit period were approved by both the cardholder and appropriate management personnel. We selected a random sample of 20% of the purchases made during the audit period. In addition, we reviewed all purchases greater than \$1,000, any purchases that occurred on weekends and holidays, and all purchases on statements that were not properly approved. For each transaction reviewed, we verified purchases were adequately supported and excluded sales tax when applicable.

### Overall Evaluation

Based on the results of our testing, internal controls were adequate over the P-Card process and the transactions materially complied with the Comptroller's purchasing card policies and procedures. However, we did identify opportunities to improve the overall efficiency of the P-Card Program.

**1. The Review and Approval of Purchasing Card Transactions Should be Automated**

The Comptroller's Office currently has a completely manual procurement card program. Monthly billing statements are mailed from the bank to each cardholder. The cardholder reviews each transaction on the statement and prepares the Procurement Card Purchasing Report (PCPR). The cardholder either handwrites or types each transaction from the billing statement on the PCPR along with the accounting code. The receipts and supporting documents are attached to the PCPR. The cardholder signs both the billing statement and PCPR and forwards the P-Card packet to the appropriate management personnel. The manager reviews the P-Card packet and signs both the PCPR and the billing statement. The P-Card packet is then forwarded to Comptroller's Fiscal Division who enter the transactional information from all cardholders into the Financial System.

Based on our review of 104 P-Card packets submitted during the audit period, we found various problems that occurred, including:

- No management approval on six of the packets;
- Management signed the PCPR but not the statement in five instances;
- Cardholder's signed the PCPR but not the statement in two instances;
- 18 of the P-Card packets submitted to Fiscal for review and payment were not signed before the statement due date.
- Nine of the packets were not dated so we could not determine the date submitted or received by Fiscal.

The bank offers an online application currently used by County personnel to review and approve P-Card transactions. Transactions could be reviewed as they occur rather than reviewing all of the transactions at the end of the month. This will help detect erroneous charges earlier.

An automated procurement card program would also eliminate the need for multiple people to enter the same information. An automated process could help ensure that approvals are received timely so that payments are reviewed prior to the statement due date.



**Recommendation No 1:**

The Comptroller's Office should implement automated procedures for purchasing card transaction review and approval.

***Management's Response:***

*Concur. See Appendix for full response.*

**2. Procurement Cards Should be Deactivated In a Timely Manner**

Based on our review of cardholders no longer employed with the Comptroller's Office, we found that three out of four cardholders were not deactivated in a timely manner. One of the cards remained active for three months and the other two cards remained active for four months. The PCC was never notified that one of the cards should have been closed. In addition, we identified two open accounts that had not been used in over three years.<sup>2</sup>

Card Last 4 Digits	Date Card Last Used	Date of Termination	Date Closed	Months Since Card Last Used	Months To Close Account
6027	10/26/2016	1/31/2017	5/2/2017	N/A	3
0045	7/26/2017	3/30/2018	8/3/2018	N/A	4
5961	12/12/2016	1/2/2017	5/2/2017	N/A	4
Accounts Assigned to Employees and Not Used					
6097	6/25/2015	N/A	N/A	36*	N/A
7070	11/24/2014	N/A	N/A	43*	N/A

\* Number of months between last card last use and June 2018

The Comptroller's current policy states that cardholders must return cards to department managers upon termination of employment. The department manager then notifies the PCC that the cardholder is no longer employed by the Orange

<sup>2</sup> One of the two open accounts did not have an active P-Card assigned.

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County Comptroller. Once the PCC is notified, the PCC should deactivate the P-Card and the cardholder's account.

P-cards should be deactivated promptly after termination to prevent unauthorized charges. In addition, current cardholders and usage should be reviewed to identify any cards that should be deactivated.

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**Recommendation No 2:**

The Procurement Card Coordinator should ensure that all cards are terminated immediately after notification. In addition, Comptroller management should develop procedures to periodically review active cardholder's and card usage to identify cards that should be deactivated.

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***Management's Response:***

*Concur. See Appendix for full response.*

**3. Full Card Numbers Should Not be Recorded on Any Documentation**

During our review of all 23 P-Card request packets, we observed that the PCC keeps a picture of the front of each P-Card in the file. The picture displays the full card number and the expiration date. The full card number is also written on the cardholder's Acknowledgement Receipt form.

Recording the full card number increases the risk of unauthorized personnel obtaining the card number resulting in unauthorized charges on the cardholder's account. Only the last four digits should be maintained in the files or on any documentation.

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**Recommendation No 3:**

Comptroller management should develop procedures to ensure that full credit card numbers are not included on any documentation.

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***Management's Response:***

*Concur. See Appendix for full response.*

**4. Efficiency Could be Improved in the Purchasing Card Process**

**Purchases Requiring Special Authorization**

According to the Comptroller's Purchasing Policies and Procedures, items such as training, publications, and dues and memberships require prior approval by either the Comptroller, Chief Deputy, or County Audit Director prior to purchase. From a sample of 139 transactions, we identified the following purchases requiring special authorization:

Description	Number of Transactions	\$0 - \$1000	\$1001 - \$2500	Smallest Purchase
Conferences/Training	14	11	3	\$75.00
Memberships	5	5	0	\$40.00
Subscriptions	1	1	0	\$19.95
Total Transactions	20	17	3	

Of the 20 transactions requiring special authorization, eight (40%) did not have approval by the Comptroller, Chief Deputy, or County Audit Director before the purchases were made. Two of the eight were approved after the purchase although the policy requires prior approval. After reviewing these transactions, 85 percent of the purchases were below \$1,000 with the smallest purchase at \$19.95.

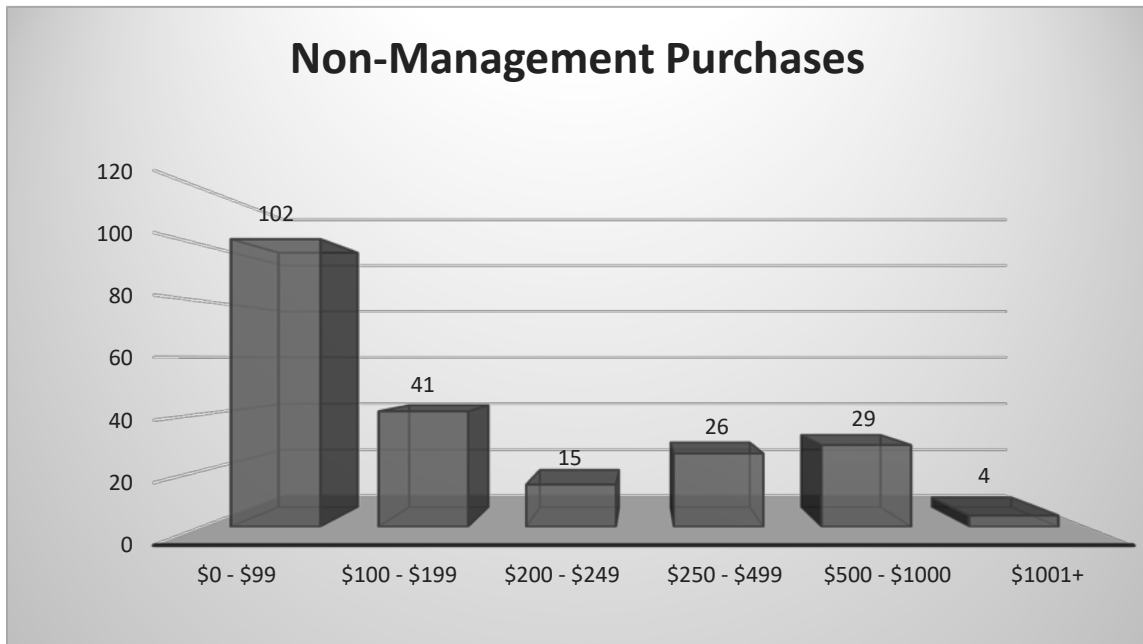
**Prior Approval Required**

In addition to the transactions requiring special authorization, the current policy states that all purchases up to \$5,000 require approval by the assistant department head or above prior to purchase.

During the audit period, there were 217 purchases made by personnel that were not an assistant department head or above totaling \$47,663. We selected a random sample of 56 of these transactions, and found that 12 of the 56 (21%) transactions did not have an approval by the assistant department head or above.

**47%**  
of purchases were  
below \$100 that  
required an  
approval

Further review of these purchases, showed that 98% (213 of 217) of the transactions were below \$1,000. Further, forty-seven percent of the purchases were below \$100. The smallest purchase amount was \$1.00 and there were five transactions under \$5.00 that all required management pre-approval.



In addition, purchases from \$1,001 to \$5,000 require a purchase requisition to be completed. All four transactions, ranging from \$1,065 to \$2,067 did not have the required purchase requisition.

The P-Card program should enhance efficiency. All transactions are reviewed and approved at the end of the month with the billing statements. The pre-approval from management appears inefficient for transactions less than \$1,000, especially transactions less than \$100. In addition, the use of purchase requisitions takes away from the intended efficiencies of a purchasing card program.

**Recommendation No 4:**

The Comptroller's Office should consider modifying the purchasing policy to remove the following requirements:

- A) Special authorization for frequent immaterial transactions such as local training, publications, and dues and memberships.
  - B) Approval by the assistant department head or above for P-Card Transactions before the purchase is made.
  - C) Purchase requisitions for P-Card purchases between \$1,001 and \$5,000. An alternative method of pre-approval could be utilized such as email approval from management for these transactions.
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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 Comptroller's Office should implement automated procedures for purchasing card transaction review and approval.	✓		
2.	The Procurement Card Coordinator should ensure that all cards are terminated immediately after notification. In addition, Comptroller management should develop procedures to periodically review active cardholder's and card usage to identify cards that should be deactivated.	✓		
3.	Comptroller management should develop procedures to ensure that full credit card numbers are not included on any documentation.	✓		
4.	The Comptroller's Office should consider modifying the purchasing policy to remove the following requirements:			
A)	Special authorization for frequent immaterial transactions such as local training, publications, and dues and memberships.	✓		
B)	Approval by the assistant department head or above for P-Card Transactions before the purchase is made.	✓		
C)	Purchase requisitions for P-Card purchases between \$1,001 and \$5,000. An alternative method of pre-approval could be utilized such as email approval from management for these transactions.	✓		



**APPENDIX –  
MANAGEMENT’S RESPONSE**



Audit of the Orange County Comptroller's  
Procurement Card Program



**OFFICE OF THE COMPTROLLER**

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May 15, 2020

To: Christopher J. Dawkins, Director of County Audit  
From: Eric D. Gassman, Chief Deputy Comptroller   
Subject: Audit of the Orange County Comptroller's Procurement Card Program

In connection with the audit conducted of the Orange County Comptroller's Procurement Card Program covering the period from January 2018 through June 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 over the P-Card process and that transactions materially complied with the Comptroller's purchasing card policies and procedures.

**Recommendation No 1:**

We concur. A project to automate the procedures for purchasing card transaction review and approval is underway. Also, to address the rare occasion where the card holder or manager is out of the office and the p-card payment is due, we have changed our policy to allow signatures to be obtained within 5 days of an employee's return to work.

**Recommendation No 2:**

We concur. A procedure has been implemented wherein the Procurement Card Coordinator is reviewing a report from Payroll of all terminations and transfers every two weeks to ensure cards are terminated timely. In addition, a listing of all cardholders will be presented to the Chief Deputy Comptroller for review twice a year. This report will be signed by the Chief Deputy Comptroller and maintained by the Procurement Card Coordinator.



Christopher J. Dawkins  
May 15, 2020  
Page Two

**Recommendation No 3:**

We concur. Procedures have been developed to ensure that full credit card numbers are not included in any documentation. In addition, credit card numbers are being redacted from current documentation.

**Recommendation No 4:**

We concur. We have reviewed our policy to consider modifying purchasing policies and have implemented the following changes:

- A) We have removed publications, and dues and memberships from the list of purchases requiring special authorization.
- B) Policy has been modified to allow a department head to give prior authorization up to \$1,000.00 a month to an employee to make routine purchases such as office supplies.
- C) Policy has been modified as follows: "Authorization, when required, may be obtained by email authorization, on an order list (prior to release), on a printout of the best quote, or through the Comptroller's Purchase Order and Travel Authorization systems."

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