

**CITRUS COUNTY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER**

**Follow-Up Audit of the
Citrus County Purchasing Card Program**

FINAL REPORT

April 17, 2016

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CliftonLarsonAllen

April 17, 2016

Ms. Angela Vick
Clerk of the Circuit Court and Comptroller
Citrus County, Florida
110 N. Apopka Ave.
Inverness, Florida 34450

Dear Ms. Vick:

We have conducted a follow-up audit of the Citrus County (the County) Board of County Commissioners (BOCC) Purchasing Card (P-Card) Program. The purpose of the follow-up audit was to determine the implementation status of recommendations included in our Citrus County Purchasing Card Program report, dated January 6, 2015 (herein referred to as the original audit).

We determined that all five recommendations included in the original audit report have been implemented. The status of each recommendation is described in this follow-up report.

We appreciate the cooperation of the County's Department of Management and Budget during follow-up audit procedures.

Respectfully submitted,

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I. SCOPE AND METHODOLOGY

CLA conducted the follow-up audit of the County's P-Card card program, the purpose of which is to determine the implementation status of the recommendations of the audit report dated January 6, 2015.

The objective of the original audit was to evaluate the adequacy of the controls in the following areas:

- Ascertain whether internal controls over the issuance and use of P-Cards are adequate.
- Assess whether purchases made with the P-Cards are in compliance with the Board of County Commissioner's relevant policies and procedures.
- Report on the adequacy of internal controls and make recommendations for strengthening any inadequate controls and/or for improving operations going forward.

To determine the current status of the recommendations, CLA interviewed incumbent management to document the specific actions taken to improve the conditions identified, and assess the extent to which the recommendations for improvement have been implemented. As applicable, CLA performed necessary walkthroughs and observations to verify the changes made. Follow-up fieldwork took place between March 15 and March 30, 2016.

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II. SUMMARY OF RESULTS

Overall, CLA commends management for the actions taken and the procedural changes made to further strengthen controls around P-Card use, monitoring and administration. Through these actions, management has incorporated a more proactive approach regarding appropriate use in the pursuit of County business, as well as accountability for noncompliance with related policies and procedures.

We determined that management has adopted all five recommendations included in the January 6, 2015 audit report. Relevant actions included:

- Updates to the governing documents, Administrative Regulation (A.R.) 9.17-1, *Purchase Card Program*, and the Purchasing Card Policies and Procedures Manual, to incorporate audit recommendations.
- Producing monthly and quarterly reports to identify exceptions and potentially undesired purchases.
- Raising accountability level around P-Card use and administration by adding an item to the weekly Directors' meeting to discuss items noted in the Clerk's Financial Services Department's monthly P-Card deviations report.

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III. STATUS OF MANAGEMENT ACTION PLAN

The following table presents a summary of the implementation status of original audit recommendations, as documented during the follow-up audit.

Implementation Status as of March 2016

Number	Recommendation	Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	We recommend the County take a deeper look at the appropriateness of the purchases noted above ¹ . Going forward, the County should consider the benefit of implementing a periodic exception report that helps identify purchases made from vendors that are not contracted for items that should have been procured through a contract vendor. This may be accomplished by extracting activity under the MCC codes associated to the contracted categories (office supplies and uniforms).	X				
2	We recommend the County perform further analyses to determine whether the cards identified as having low usage cards are still active. Then, the County should determine whether these card assignments are justified. P-card processing and reconciliation is a time-consuming task, both for the incumbent County department, and the Clerk’s Finance Department. Reducing the number of credit cards may reduce the risk of misuse and may decrease staff workload.	X				
3	While the system has controls in place to automatically decline transactions that are not authorized and, ultimately, avoid an undesirable procurement, we recommend the County produce a monthly report to analyze any unusual reasons for declined transactions to detect what could be an attempt of fraud. Further, the	X				

¹ “Noted above” refers to the “purchases of office supplies and uniform items from sources other than the contract vendors” described in the related report observation (Observation 1.). See page 8.

Number	Recommendation	Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
	County should communicate this procedure across the organization to increase awareness regarding the P-Card administration's continuous monitoring role.					
4	We recommend management take additional measures for the Department/Office/Division directors and/or cardholder supervisors to ensure all P-Card transactions are justified prior to a purchase, and for including full documentation of the business purpose for the transactions. Additionally, we recommend management take steps to create greater accountability at the department level for promptly responding to deviations reported by the Clerk's Finance, and for providing accurate, timely reports. Management should also look into measures to improve coding of the transaction's cost center within WORKS™. Additional training will help ensure cardholders understand their obligations and responsibilities.	X				
5a	We recommend management update the P-Card Manual to reflect that emergency P-Cards are to be kept by County Administrator/Designee. Additionally, management should update A.R. 9.17-1 and the P-Card Manual with the review procedures related to County Commissioners' and County Administrator's P-Card activity.	X				

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IV. P-CARD PROGRAM BACKGROUND

The County's P-Card program was designed to increase efficiency in purchasing low dollar transactions from vendors who accept Visa cards. The County uses WORKS™, a Bank of America desktop tool designed to electronically manage the Bank of America purchasing card program. WORKS™ provides 24-hour access to detailed transaction data, account setup and maintenance, spending control modification, dispute initiation, transaction reconciliation, authorizing specific merchants, and statement and transaction review.

Utilizing the P-Card program eliminates issuing individual vendor checks and reduces purchase order requests; the program is also designed to increase the efficiency of P-Card administration and accounting tasks. As of March 15, 2016, there were 136 active P-Cards, consisting of 99 individual cards and 37 emergency P-Cards. The County establishes emergency P-Cards for designated County staff to use in the event of a natural or other disaster, or other unforeseen circumstances. These P-Cards are kept secure by the Assistant County Administrator/Designee until such time that they are needed.

Each designated cardholder has two pre-set purchase limit values, a single purchase limit, and a 30-day purchase limit, which are established by the cardholder's Department/Office/Division Director. These preset purchase limits are as follows:

Prohibited purchases

The County's Purchasing Card Policies and Procedures Manual expressly prohibits the purchase of certain items like computers, entertainment, food and meals for County employees, personal use items, and cash advances. The policy describes certain conditions that represent exceptions to the rule, along with the procedures followed in such instances.

Internal controls

The County has in place the following eight control areas, as typically found in similar P-Card operations:

1. The organization has policies and procedures in place for credit card procurements.
2. Procurement card policy includes parameters such as maximum amount to be purchased, types of items to be purchased, and authorized vendors.

3. Credit card assignments are made within reasonable business parameters in terms of how often a P-Card is needed.
4. All procurement cards are accounted for and cards for terminated employees are inactivated.
5. Individual P-Card statement charges are reconciled against bi-monthly P-Card transaction reports. Any discrepancies found are resolved.
6. Individual P-Card billing statements are reviewed and approved by appropriate supervisor prior to submittal to the Clerk's Financial Services Department for final review.
7. Credit card activity is independently reconciled prior to payment.
8. Policies and procedures are in place to restrict the use of emergency P-Cards.

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V. STATUS OF RECOMMENDATIONS

This section of the report includes a detailed description of the actions taken by management to improve the observations documented in the original audit report. The recommendations herein are those included in the original audit, followed by CLA's description of current state.

Observation 1

Several cardholders may have purchased office supplies and uniform items from sources other than the contract vendors.

Recommendation 1

We recommend the County take a deeper look at the appropriateness of the purchases noted above². Going forward, the County should consider the benefit of implementing a periodic exception report that helps identify purchases made from vendors that are not contracted for items that should have been procured through a contract vendor. This may be accomplished by extracting activity under the MCC codes³ associated to the contracted categories (office supplies and uniforms).

Status: IMPLEMENTED

The P-card Administrator implemented a quarterly process to review purchases with the MCC codes for office supplies and uniforms, which would identify purchases made from vendors that are not contracted for these particular items. The purpose of the review is to determine the appropriateness of the purchase.

Notably, Management and Budget is working on an office-wide project to document all procedures, including the review of the quarterly summary of MCC codes for office supplies and uniforms. A completion date for this project has not been established.

² "Noted above" refers to the purchases of office supplies and uniform items from sources other than the contract vendors described in Observation 1.

³ Merchant Category Code.

Observation 2

Low P-Card usage may indicate unjustified assignment. CLA identified 28 cards that were active during the audit period and used 10 times or less.

Recommendation 2

We recommend the County perform further analyses to determine whether the cards identified as having low usage cards are still active. Then, the County should determine whether these card assignments are justified. P-card processing and reconciliation is a time-consuming task, both for the incumbent County department, and the Clerk's Finance Department. Reducing the number of credit cards may reduce the risk of misuse and may decrease staff workload.

Status: IMPLEMENTED

According to management, an analysis completed of the cards identified as having low usage, indicated that all issued cards are active. Management considers that card assignments with low usages are justified if they continue the purpose of the P-card program by saving time and costs through minimizing small purchase order issuances and ease travel burdens.

Observation 3

Transactions declined due to "Bad PIN" with an MCC description of "Financial Institutions – Automated cash disbursements" should be further investigated.

Recommendation 3

While the system has controls in place to automatically decline transactions that are not authorized and, ultimately, avoid an undesirable procurement, we recommend the County produce a monthly report to analyze any unusual reasons for declined transactions to detect what could be an attempt of fraud. Further, the County should communicate this procedure across the organization to increase awareness regarding the P-Card administration's continuous monitoring role.

Status: IMPLEMENTED

The P-card Administrator implemented monthly review of declined transactions to analyze any unusual rejection reasons. Administrative Regulation (A.R.) 9.17-1, *Purchase Card Program*, was updated to include a section that helps increase awareness regarding the P-Card administration's continuous

monitoring role called "Monitoring of program and training". According to the P-Card Administrator, cardholders are contacted every time an issue is noted in the report to discuss the matter. See also status of Recommendation 4.

Observation 4

Cardholders do not always comply with P-Card procedures.

Recommendation

We recommend management take additional measures for the Department/Office/Division directors and/or cardholder supervisors to ensure all P-Card transactions are justified prior to a purchase, and for including full documentation of the business purpose for the transactions. Additionally, we recommend management take steps to create greater accountability at the department level for promptly responding to deviations reported by the Clerk's Finance, and for providing accurate, timely reports. Management should also look into measures to improve coding of the transaction's cost center within WORKS™. Additional training will help ensure cardholders understand their obligations and responsibilities.

Status: IMPLEMENTED

Management has added an item to the weekly Directors' meeting to discuss items noted in the Clerk's Clerk and Comptroller's Financial Services Department's monthly P-Card deviations report. The purpose of this action is to increase accountability around P-Card use and administration, and decrease noncompliance. There are also plans to enforce the disciplinary sanctions described in A.R. 9.17-1, which go from revoking the card to terminating employees with excess number of P-Card issues reported.

In addition to updates to A.R. 9.17-1, management revised and distributed the P-Card Policies and Procedures Manual to all existing cardholders. The P-Card administrator has discussed P-Card training with the Clerk's Financial Services Department, and expects it to take place before the end of fiscal year 2016.

Observation 5

There are some differences in the 2014 P-Card Manual and Administrative Regulation 9.17-1 related to P-Card policies and procedures.

Recommendation 5

We recommend management update the P-Card Manual to reflect that emergency P-Cards are to be kept by County Administrator/Designee. Additionally, management should update A.R. 9.17-1 and the P-Card Manual with the review procedures related to County Commissioners' and County Administrator's P-Card activity.

Status: IMPLEMENTED

The December 2015 update of the P-Card Manual reflects that –

- Emergency P-Cards are to be kept by County Administrator/Designee until such time that they are needed by the designated employee(s) involved in an emergency situation.
- The County Administrator's purchase will be reviewed by a Board Chairperson. As of March, 2016, the County Administrator did not have an assigned P-Card.
- The County Commissioners' purchases will be reviewed by a Clerk and Comptroller's Financial Services Department employee.

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