

Purchasing Cards

Internal Audit Report

November 7, 2022



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EXECUTIVE SUMMARY

Why We Did This Audit

Our objective was to evaluate the internal controls in place when making purchases using a purchase card (P-card), including whether transactions were properly approved and for authorized purchases.

This audit was included in the 2022-2023 Annual Audit Plan.

Observations and Conclusion

Audit Results at a Glance			
Results and Observations	Risk / Impact Rating		
	Significant	Moderate	Minor
IA-Internal Audit or M-Management	IA – 3	IA – 2	IA – 1
D- Deficiency or O-Opportunity	D – 3	D – 2	D – 1

We concluded the designed procedures over the p-card program are effective, but they were not followed consistently by those involved in p-card transactions. Good controls without good execution are not effective in reducing risk. We noted:

- Procurement's review of P-card transactions is not documented in a routine or uniform manner.
- Half of work location supervisors tested had not taken the Canvas approver training.
- Nine percent of card transactions had not been approved by the cardholder's supervisor.
- \$27,160 (or 0.15%) of items should not have been allowed on P-card, including \$2,876 (or 0.016%) considered personal.

- Six percent of card transactions had no receipt. The largest 10 transactions without receipts were missing a cardholder explanation and none received violation notices.
- Work locations do not always notify Procurement Services of cardholder terminations/ transfers in a timely manner.

Results and Recommendations

We made several recommendations to address our findings as listed below:

- Procurement should audit a percentage of the population within 30-60 days of transaction purchase date and document it in Smartsheet.
- Cardholder supervisors should complete the Canvas approver training.
- All card transactions should be approved by the cardholder's work location supervisor, and that review should include checking to see that a receipt has been uploaded for each transaction.
- All card transactions should be reviewed by the work location supervisor to ensure the purchase is work-related AND not a prohibited item.
- All card transactions include a receipt, or an explanation for a missing receipt.
- Procurement should be notified of cardholder terminations/transfers within 24 hours of the employee's status change.

This report has been discussed with management and they have prepared their response which follows.

DEFINITIONS:

Risk / Impact Ratings

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes and/ or noncompliance with Florida Statutes or School Board Policies (high impact and high likelihood)

We categorize risk/ impact as:

- *Minor*
- *Moderate*
- *Significant*

Observations Categories

Opportunity	A process that falls short of best practices or does not result in optimal productivity or efficient use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

We categorize our observations as opportunities or deficiencies.

Criteria for Observations Sourced to Management

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

None of the findings in this report are sourced to management.

None of these findings were sourced to management.

BACKGROUND:

OCPS' P-card program allows employees to make purchases directly from vendors, without going through the traditional purchase requisition and purchase order process. This saves time for work location staff, Procurement Services, and Accounts Payable.

To reduce the risk of card misuse, cardholders must sign the Purchasing Card Visa agreement, pass an online training in Canvas, and upload copies of their receipts. Bank of America (WORKS) is the application that records all P-card transactions, and also where cardholders upload receipts and code their expenses to a general ledger account, and where supervisors approve those transactions. Supervisory review is the primary control that ensures p-card purchases are allowable and authorized. Procurement Services performs oversight and monitoring of the p-card program and is a second-tier control function.

Procurement Services creates cardholder profiles, sets credit limits, and sets single-transaction limits in WORKS. They also use WORKS to restrict certain merchant codes (e.g. car washes). The P-card Program Procedures Manual, August 2018, indicates most P-card credit limits are set at \$2,500 per person and \$999 per transaction. There are four types of purchase cards.

Table 1 – Types of purchasing cards

Type of Card	Description
P-card	For routine operating expenses, mostly from the General Fund.
A-card	For expenses permitted from discretionary funds.
T-card	For employee travel purchases.
Fuel card	For certain departments with district-owned vehicles with justification and Executive Cabinet approval.

Source: Purchasing Card Program Procedures Manual, August 2018

P-cards save time for small dollar purchases.

Cardholders must be trained and sign a Purchasing Card Agreement.

Supervisory review is the primary control. Procurement Services oversight serves as a second-tier control.

P-card transactions are generally limited to \$2,500 per person, per month, and \$999 per transaction.

There are four types of purchase cards.

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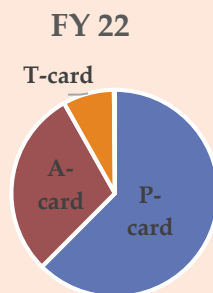
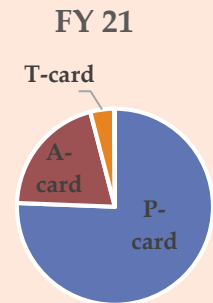
The district records about \$473,000 P-card transactions each month. The average purchase is about \$160. OCPS receives 0.55% cash back on P-card purchases. The district received rebates totaling \$230,531.10 for FY 2021 and FY 2022

The average amount of purchases on the P-card is \$472,879 per month. The average purchase is \$161.

Table 2 – P-card Transactions – Last Two Fiscal Years

	FYE 2021 ¹		FYE 2022 ²	
# of P-cards	449	50%	464	45%
# of P-card transactions	36,441	70%	34,249	63%
\$ Amount of P-card transactions	\$6,803,209	76%	\$5,442,788	62%
# of A-cards	325	36%	352	34%
# of A-card transactions	14,283	28%	17,279	32%
\$ Amount of A-card transactions	\$1,830,246	20%	\$2,559,361	30%
# of T-cards	120	13%	208	20%
# of T-card transactions	793	2%	2,132	4%
\$ Amount of T-card transactions	\$352,993	4%	\$697,943	8%
# of Fuel cards	13	1%	12	1%
# of Fuel card transactions	296	1%	276	1%
\$ Amount of Fuel card trans	\$11,640	0%	\$13,753	0%

Source: Bank of America WORKS Data



OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

To evaluate the internal controls in place when making purchases using a P-card, including whether transactions were properly approved and for authorized purchases.

Scope

P-card transactions for all four types of cards from July 1, 2020 through May 31, 2022. This covered 105,749 transactions totaling \$17,711,933.

There were 105,749 transactions totaling \$17,711,933 during our audit period.

¹ Includes card ending in 4877 for Pandemic Relief: 216 transactions totaling \$1,417,216.

² For FYE 22, the period reported is 7/1/21 to 5/31/22.

Methodology

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No material deficiencies were noted in this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness.

Details of our audit methodology included:

- Interviewing Procurement personnel and conducting walkthroughs of WORKS, Canvas, and Smartsheet.
- Reviewing the Purchasing Card Program Procedures Manual and identifying internal controls for testing.
- Completing cardholder, and supervisor, training programs in Canvas and testing a sample of the population for compliance.
- Testing transactions for uploaded receipts and supervisor approval.
- Testing to determine whether Procurement is actively monitoring P-cards, including for prohibited purchases.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: We concluded the designed procedures over the p-card program were effective, but they were not followed consistently by those involved in p-card transactions. Good controls without good execution are not effective in reducing risk.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing.

No material deficiencies were noted in this audit.

We concluded the designed internal controls are effective, but they were not followed consistently by those involved in p-card transactions.

1) *Procurement's review of P-card transactions is not documented in a routine or uniform manner. **Significant Risk, Deficiency***

Best Practice:

The Purchasing Card Program Procedures Manual, August 2018 (P-card Manual) Section 12.0 states, "a random sampling of purchase card expenditures shall be conducted monthly to ensure compliance with Purchasing Card Procedures and that purchase transactions are for official OCPS use only." During our audit, Procurement informed us they look at about 100 transactions each month.

Audit Result:

Procurement Services' monitoring and review serves as a vital second-tier control over authorized use of p-cards. When it is not performed, unauthorized purchases are not detected and cardholders and supervisors are not notified of violations.

We reviewed Procurement Services' Smartsheet, where the Purchasing Card Administrator downloads monthly card transactions and makes comments. There was no data available for 2020, before Smartsheet was implemented.

We noted the number of "Audit Comments" made and organized the results by month according to the "Transaction Audit Date." The data in the department's Smartsheet indicates Procurement is not testing 100 transactions each month, and there was a four-month gap between January 13 and June 9, 2022 when there was no evidence of any review. However, department management informed us the Smartsheet data is incomplete and does not record all monitoring activity.

Without documentation, we were not able to determine whether the department is performing its monitoring in accordance with the P-card Program Procedures Manual. We noted this same issue in our previous audit in 2017.

The Purchasing Card Program Manual states random sampling shall be conducted monthly to ensure compliance.

Procurement Services' monitoring and review serves as a vital second-tier control.

Documented Procurement review activity falls short of program expectations.

Management informed us the Smartsheet data is incomplete and does not record all monitoring activity.

Recommendation:

We recommend that Procurement perform its review within 30-60 days of the transaction date, comment on a percentage of the population (e.g. 5%) instead of a fixed number each month (i.e. 100 transactions), and document this review in Smartsheet.

2) *Half of the work location supervisors we tested had not taken the Canvas “approver training.” Moderate Risk, Deficiency*

Best Practice:

The P-card Manual includes a requirement that cardholders pass training before they can have a p-card. Training is also available for cardholders’ work location supervisors, although it is not required.

Audit Result:

There were 656 card applications during our audit period. We tested a random sample of 30 applications in Smartsheet to determine whether a Canvas training certificate of completion was attached. All 30 of the cardholders (100%) had passed the Canvas “cardholder training.”

We then evaluated whether those cardholders’ supervisors had taken “approver training” and noted half of them (50%) had no scores recorded, meaning they had not completed the Canvas approver training course.

Recommendation:

All cardholder supervisors should complete the Canvas “approver training.”

3) *Nine percent of card transactions had not been approved by cardholder supervisors. Significant Risk, Deficiency*

Best Practice:

The P-card Manual Section 5.4 states, “Approver approves all P-card transactions in WORKS and verifies the transactions are legitimate purchases for OCPS and are not prohibited expenditures.”

All cardholders tested had successfully completed “cardholder training.”

Half of those cardholders’ supervisors had not taken “approver training.”

Nine percent of card transactions had not been approved by cardholder supervisors.

Audit Result:

Of the 105,749 transactions in-our audit scope, 96,129 (91%) had a “Manager Signoff” in WORKS and 9,620 (9%) did not. The unapproved transactions involved 310 different cardholders. Forty-six cardholders had more than 50 unapproved transactions. The number of unapproved transactions by cardholder is shown in the following table.

Table 3 – Unapproved Transactions by Cardholder

Number of unapproved transactions	0-50	51-100	101-150	151-200	> 201
Number of cardholders	264	18	12	5	11

Source: Bank of America WORKS Data

Recommendation:

We recommend all p-card card transactions be approved by the cardholder’s work location supervisor, and that review should include checking to see that a receipt has been uploaded for every transaction.

4) *Ninety-nine purchase transactions totaling \$27,160 (0.15% of total p-card purchases) should not have been allowed on a p-card, including \$2,876 (0.016%) considered personal. *Minor Risk, Deficiency**

Best Practice:

The P-card Manual Section 5.4 states, “Approver approves all P-card transactions in WORKS and verifies the transactions are legitimate purchases for OCPS and are not prohibited expenditures.”

Audit Result:

We identified possible prohibited items by doing a keyword search, using the prohibited items listed in the P-Card Manual. We then worked with the P-Card Administrator to confirm 99 transactions as unallowable or personal in nature as summarized in the table below. These items represent 0.15% of the total amount of all p-card purchases during our audit period; gifts are 0.016% of all purchases. Of these 99 transactions, all but eight had been approved by the cardholder’s

Unapproved transactions involved 310 different cardholders.

Forty-six cardholders had more than 50 unapproved transactions.

Ninety-nine purchases totaling \$27,160 should not have been allowed on a p-card, including \$2,876 (0.016%) considered personal.

We used a keyword search to identify prohibited items.

All but eight of the unallowable transactions had been approved by supervisors.

supervisor, indicating a need for training of supervisors. The P-Card Administrator had identified \$261 of these prohibited items in her monitoring.

Table 4 – Items not Allowed to be Purchased with a P-Card

Prohibited Items	Total Noted
Apparel	\$18,960
Food	\$3,251
Gifts (items for personal use)	\$2,876
Information Technology	\$1,983
Wholesale Club Membership	\$90
Total	\$27,160

Source: Bank of America WORKS Data

Recommendation:

We recommend that all p-card transactions be reviewed by the cardholder’s work location supervisor to ensure the purchase is work-related AND not a prohibited item, as defined by the P-card Manual.

5) *Six percent of total p-card transactions (6,045 of 101,480) during our audit period had no receipt attached and none of the transactions we tested had an explanation from the cardholder nor was a violation notice issued. **Significant Risk, Deficiency***

Best Practice:

The P-card Manual Section 10.2 states, “...the Cardholder must explain the reason for the lack of supporting documentation and provide a detailed description of the purchase.” “This explanation must be signed by the Work Location Supervisor as a valid OCPS purchase...” “Receipts not uploaded into WORKS will result in a level 3 violation.”

Audit Result:

Of the 101,480 positive transactions in-our audit scope, 95,435 (94%) had receipts and 6,045 (6%) did not. We judgmentally selected the 10 largest transactions without receipts and noted none of those 10 cardholders had received a level 3 violation.

The P-card Administrator had identified \$261 of the prohibited items as part of her monitoring.

Six percent of all p-card transactions had no receipt attached.

None of the cardholders for the 10 largest transactions without a receipt incurred a level 3 violation.

Recommendation:

Comply with the P-card Manual by requiring all card transactions include a receipt, or an explanation of a missing receipt, lest a violation be issued.

6) Work locations do not always notify Procurement of cardholder terminations/ transfers in a timely manner. *Moderate Risk, Deficiency*

Best Practice:

The P-card Manual Section 5.1 states, “Work Location Supervisor collects cards immediately from the cardholders at the end of employment, transfer and/ or suspension of card privileges and notifies the P-Card Administrator within 24 hours of cards to be canceled.”

Audit Result:

We tested a random sample of 30 P-card change requests where the reason was “leaving the district” or “transferring work location.” Of those 30 requests, 21 (70%) were created within 24 hours of the termination/ transfer date as required by the P-card Manual. Nine (30%) were created more than 24 hours after the termination/ transfer date. Failure to notify Procurement Services of terminations/ transfer of cardholders increases the risk of unauthorized use of those p-cards.

The interval of time for these requests ranged from 2 to more than 10 days after the termination/ transfer date as shown in the table below:

Table 5 – Timeline for Submitting Change Request

Number of requests	1	1	1	3	3
Number of work days before notification to P-card Administrator	2	3	4	>5	>10

Source: Procurement Services’ Smartsheet

Recommendation:

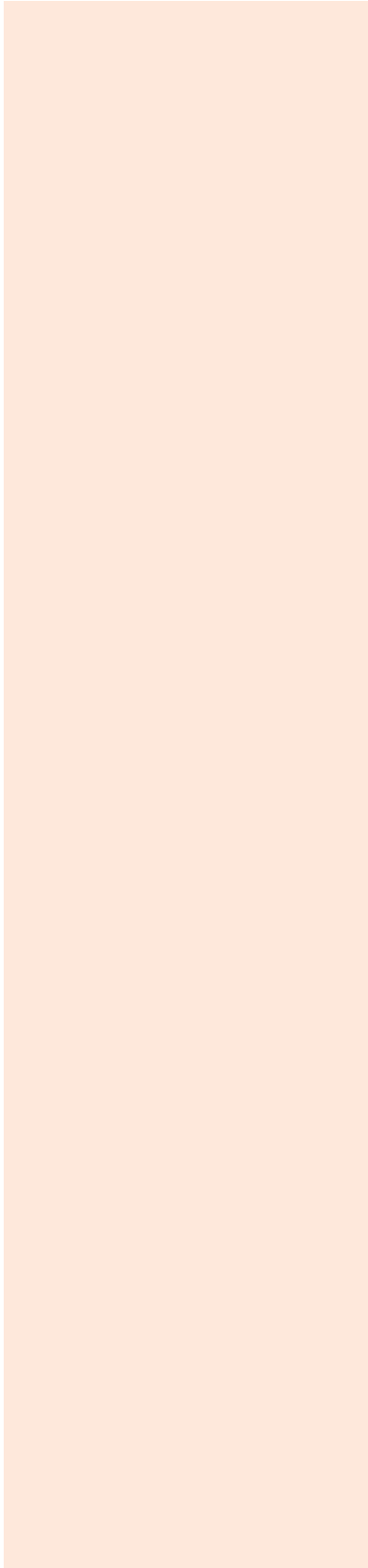
Work Location Supervisors should notify the P-card Administrator of cardholder terminations/ transfers within 24 hours of the employee’s status change in accordance with the P-card Manual. The P-card

Nine cardholder change requests (30%) were created more than 24 hours after the termination/ transfer date.

Delays in notice of cardholder terminations/ transfers ranged from two to more than 10 days.

Administrator should communicate with Work Location Supervisors who submit late requests to remind them of the need to submit them within 24 hours.

We wish to thank Procurement staff for their cooperation and assistance with this audit.





Department / School Name	Procurement and Contracting
Administrator / Department Head	Ledgie Santiago/David Wheeler
Cabinet Official / Area Superintendent	Roberto Pacheco

Audit Result / Recommendation	Management Response Acknowledgment/ Agreement of Condition	Responsible Person (Name & Title) And Target Completion Date (MM/YYYY)	Management's Action Plan
<p><i>Procurement's review of P-card transactions is not documented in a routine or uniform manner.</i> <i>Significant Risk, Deficiency</i> We recommend that Procurement perform its review within 30-60 days of the transaction date, comment on a percentage of the population (e.g. 5%) instead of a fixed number each month (i.e. 100 transactions), and document this review in Smartsheet.</p>	<p>Agree with the recommendation.</p>	<p>Ledgie Santiago - Purchasing Card Administrator June 2023</p>	<p>Procurement Services is currently working with a current data management system provider to build a process to track regular reviews of p-card transactions more efficiently. This will provide a record of when a check is completed with no findings.</p>
<p><i>Half of the work location supervisors we tested had not taken the Canvas "approver training." Moderate Risk, Deficiency</i> All cardholder supervisors should complete the Canvas "approver training."</p>	<p>Agree with the recommendation</p>	<p>Ledgie Santiago - Purchasing Card Administrator June 2023</p>	<p>Currently, the p-card administrator sends all new supervisors an email to notify them that it is recommended that they take the p-card training for administrators.</p> <p>Procurement Services will develop a quick reference guide to be included in that communication to ensure that supervisors understand their role as approvers including prohibited purchase and transaction documentation requirements.</p>



<p><i>Nine percent of card transactions had not been approved by cardholder supervisors. Significant Risk, Deficiency</i> We recommend all p-card card transactions be approved by the cardholder’s work location supervisor, and that review should include checking to see that a receipt has been uploaded for every transaction.</p>	<p>Agree with recommendation.</p>	<p>Ledgie Santiago - Purchasing Card Administrator June 2023</p>	<p>The Procurement Services guide to be developed will include information for the approver to understand the specific actions they must take to approve each transaction for their school or work location.</p> <p>Procurement Services is working on automating notification of unapproved transactions to the supervisor during the monthly transaction review process. This new notification will generate a notice to the supervisor there are unapproved transactions for their action.</p>
<p><i>Ninety-nine purchase transactions totaling \$27,160 (0.15% of total p-card purchases) should not have been allowed on a p-card, including \$2,876 (0.016%) considered personal. Minor Risk, Deficiency</i> We recommend that all p-card transactions be reviewed by the cardholder’s work location supervisor to ensure the purchase is work-related AND not a prohibited item, as defined by the P-card Manual.</p>	<p>Agree with the recommendation.</p>	<p>Ledgie Santiago - Purchasing Card Administrator June 2023</p>	<p>The guide to be developed will include information for the supervisor to understand what allowable purchases are in accordance with the p-card policies and procedures.</p>
<p><i>Six percent of total p-card transactions (6,045 of 101,480) during our audit period had no receipt attached and none of the transactions we tested had an explanation from the cardholder nor was a violation notice issued. Significant Risk, Deficiency</i></p>	<p>Agree with the recommendation.</p>	<p>Ledgie Santiago - Purchasing Card Administrator June 2023</p>	<p>The guide to be developed will include information to ensure that approvers know they must have a receipt attached before they approve the transaction.</p> <p>Procurement Services is working on automating notification of transactions missing receipts through the monthly transaction review process. This new notification will instruct the cardholder to attach</p>



<p>Comply with the P-card Manual by requiring all card transactions include a receipt, or an explanation of a missing receipt, lest a violation be issued.</p>			<p>their receipt by generating a p-card violation/warning notice to the cardholder to include possible consequences for continually non-compliance.</p>
<p><i>Work locations do not always notify Procurement of cardholder terminations/ transfers in a timely manner. Moderate Risk, Deficiency</i> Work Location Supervisors should notify the P-card Administrator of cardholder terminations/ transfers within 24 hours of the employee’s status change in accordance with the P-card Manual. The P-card Administrator should communicate with Work Location Supervisors who submit late requests to remind them of the need to submit them within 24 hours.</p>	<p>Agree with the recommendation, however, this is the responsibility of the work location supervisor.</p>	<p>Ledgie Santiago - Purchasing Card Administrator September 2023</p>	<p>Procurement Services is currently working with Bank of America on a solution that will close cards and accounts in a more automated process that minimizes the need for manual intervention to reduce the possibility of missing terminated employees.</p> <p>Procurement Services will continue receiving daily HR reports of terminations with a target to close the card and account within 30 days due to the volume of daily emails.</p>