

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT
PURCHASING CARD PROGRAM

A U D I T R E P O R T

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT
PURCHASING CARD PROGRAM AUDIT

A U D I T R E P O R T

The Internal Audit Department conducted an audit of the Purchasing Card Program, a function under the Purchasing Division in the Financial Management Department, for the audit period January 5, 2003 through September 4, 2003. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Purchasing Card Program began in May 2001, and the County issued the first visa cards one year later. The program was designed to improve efficiency in the processing of small dollar purchases from a broad variety of vendors in categories approved by the County Administrator and the Clerk of the Court. Each purchasing card is issued to a named individual with the Manatee County Board of County Commissioners clearly shown on the cards as the governmental buyer of the goods/services. The purchasing card transactions are governed under the current Purchasing Rules and Instruction Manual, as well as with the Purchasing Card Program Procedures, which were approved by the Board of County Commissioners on May 1, 2001.

Currently, there are 154 active cards with a total credit limit for the County at \$750,000; however, the County can issue as many cards as are needed. Individuals' cards are customized with purchasing limits and merchant code blocks, as directed by the Department Director and the County Purchasing Card Administrator, restricting use outside of their job function. Users are typically set up with a \$750 single purchase limit and a \$5,000 cycle limit (one month); higher limits can and have been authorized.

PURPOSE/OBJECTIVES:

The main audit objectives included, but were not limited to, the following:

To verify that the administration of the program at each level is effective and efficient.

To verify that there are effective controls to ensure that the cards are being used as authorized.

To verify compliance with the Purchasing Rules and Instruction Manual, as well as with the Purchasing Card Program Procedures.

SCOPE:

The audit scope consisted of reviewing the purchasing card transactions and related policies and procedures for the nine months ended September 4, 2003.

METHODOLOGY:

Substantive testing of individual card transactions was performed, along with observations and discussions with management. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the Purchasing Card Program audit for the period ending September 4, 2003.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain policies and rules, obtained an understanding of internal controls, and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with policies and other rules established by the Board of County Commissioners.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Purchasing Card Program for the nine months ended September 4, 2003, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we did not note any matters involving internal control weaknesses.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Purchasing Card Program's Management Team and the Internal Audit Department. The Management Team included Jim Seuffert, Financial Management Director, and Rob Cuthbert, Purchasing Division Manager.

MANAGEMENT SUMMARY:

The Purchasing Card Program's primary objective is to provide a convenient method of purchasing goods and services. Based on the audit performed, it appears that the purchasing card has achieved this objective by allowing departments to receive products and services almost immediately, allowing for more vendors, particularly with internet purchases, and improving vendor relationships through faster payments. Also, the Purchasing Card Program has enabled the Purchasing Division to achieve getting products and services to the end user as quickly as possible.

Overall, the purchasing card program is useful and working well; however, the audit identified a few areas where improvements can be made. Some of the areas identified have resulted from the user departments not following current procedures. Internal Audit will also issue separate memos to individual departments detailing specific improvements that can be made.

- Purchasing Policies for small purchases were not always complied with regarding the shopping of the purchase and the timely submission of information to Finance. The Management Team through its Management Action Plan will send policy reminders to all of the departments relating to purchasing card purchases. **(See Area for Improvement #1 on page 6.)**
- Improvement can be made to the process followed by departments to ensure that employees return purchasing cards when they terminate services with the County or a department. The Management Team through its Management Action Plan will work with the Human Resources Department to include the purchasing card on the required transfer/termination checklist and will include information in the policy reminders to the departments. **(See Area for Improvement # 2 on page 6.)**
- The documentation and the management of purchasing card misuse can be improved to allow better detection of patterns of misuse. The Management Team through its Management Action Plan will keep a spreadsheet of all misuse, as well as a separate file of the supporting documentation. **(See Area for Improvement #4 on page 7.)**

We appreciate the efforts of management in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plan included in this report, controls will be strengthened, improving accountability.

Financial Management Department
Purchasing Card Program Audit
January 28, 2004
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AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA FOR IMPROVEMENT #1

Subject: Individual Purchasing Card Transactions

Our review of purchasing card transactions by cardholders for small purchases revealed a need to strengthen compliance with obtaining and documenting competition required by the Manatee County's Procurement Policy. In addition, timeliness of submission of required documents to the Finance Department by the departments should be improved to meet the required submission dates. While the Purchasing Division is responsible for setting the policies and procedures for the credit card purchases, it is the departments' responsibilities to comply with the guidelines.

Management Action Plan:

- Management believes the departments may need additional training on the requirements that govern the use of the purchasing credit cards and will send an information letter to all of the departments with purchasing cards that reemphasizes the guidelines relating to the purchasing card. Management intends to send the letter to the departments by March 1, 2004.

AREA FOR IMPROVEMENT #2

Subject: Terminated Purchasing Cards

It is the responsibility of the Department Purchasing Card Administrator to notify the County Purchasing Card Administrator of the date an employee leaves the department so that the card is immediately cancelled. We did not find any transactions that were made by employees who terminated services with the county; however, the timeliness of the cancellation of purchasing cards when employees terminate, transfer or lose their purchasing card privileges can be improved.

Management Action Plan:

- Management will work in conjunction with the Human Resources Department to add the purchasing card to the checklist required to be completed when an employee leaves the County or a department. In addition, Management will send an information letter to all departments with purchasing cards that reemphasizes the importance of communicating to the County Purchasing Card Administrator when a cardholder terminates with the department. Management anticipates having these completed by March 1, 2004.

AREA FOR IMPROVEMENT #3

Subject: Documentation of Card Misuse

Documentation of card misuse is an important tool that allows the County Purchasing Card Administrator to determine if a pattern of violations exists that warrants revocation of a cardholder's purchasing card privileges. The County Purchasing Card Administrator currently maintains a spreadsheet with some information on misuse by cardholder; however, it could be improved by including a detail record of all incidents of misuse.

Management Action Plan:

- Management will have the County Purchasing Card Administrator document and maintain a spreadsheet that contains all incident of misuse including a separate file of the supporting information. Management plans to implement this by April 1, 2004.



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

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MEMORANDUM

TO: Jim Seuffert, Director of the Financial Management Department

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: January 28, 2004

RE: Purchasing Card Program Audit

Enclosed is the Internal Audit Report for the Purchasing Card Program Audit as of September 4, 2003. I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at 749-1800, extension 4170.

RBS/RJO/MEG

Enclosure

