



Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

1115 Manatee Avenue West, Bradenton, Florida 34205 - Phone (941) 749-1800 – Fax (941) 741-4082
P.O. Box 25400, Bradenton, Florida 34206 - www.manateeclerk.com

MEMORANDUM

TO: Jan Brewer, Financial Management Department Director

FROM: Angelina “Angel” Colonnese, Clerk of the Circuit Court and Comptroller

DATE: June 20, 2019

RE: Purchasing Card Program Follow-up Audit

The Internal Audit Department has completed a follow-up audit of the Purchasing Card Program based on the Clerk of the Circuit Court’s original audit report dated September 4, 2015. This follow-up audit consisted of reviewing and testing the management action plans included in the original audit report to ensure that corrective actions have been implemented. The scope of the follow-up audit included the one-year period ending September 4, 2018, during which there were approximately 22,000 purchasing card transactions.

The County purchasing card program, administered by the Procurement Division of the Financial Management Department, has been in operation since 2001. The program is designed to improve efficiency in the processing of small dollar purchases. Purchasing cards are to be used only for authorized County purchases that serve a public purpose, and each accountholder (individual to whom the County has issued a purchasing card) is required to attend mandatory training on the rules of the program. In addition, all transactions are reviewed and approved by the accountholder’s designated approver, as well as the Clerk of the Circuit Court’s Finance Department.

During the audit period, purchasing card transactions were governed by the Manatee County Purchasing Division Administrative Standards & Procedures Manual (Purchasing Manual), which included the Purchasing Cards procedure. Subsequent to our audit test work, on May 1, 2019, the County Administrator approved a new Procurement Administrative Standards & Procedures Manual (Procurement Manual), which replaces the former Purchasing Manual. The Procurement Division has also drafted a more detailed Purchasing Card Manual, to be presented to the County Administrator for approval.

We are pleased with the corrective actions taken by management since the original audit. Supporting documentation for purchasing card transactions is being submitted to the Finance Department in a timely manner, and the Procurement Division has updated the Purchasing Cards procedure to enhance information related to program rule violations and fraudulent charges. Additionally, since the individual purchase limit was increased to \$2,500, purchasing card usage has increased and split transactions no longer appear to be an issue. However, our testing did identify several areas that still require management’s attention. During the March 20, 2019, exit meeting, your management staff, together with the Internal Audit Department, discussed the areas where further attention is needed and agreed on the following corrective action plans:

“Pride in Service with a Vision to the Future”

PRICE QUOTATIONS

As stipulated in the Purchasing Manual, quotations are to be obtained, or documentation of noncompetitive or sole source purchases are to be maintained, for purchases exceeding \$2,500. We reviewed the purchasing card transactions made during the audit period to ensure compliance with this policy. We found that further clarification was needed regarding the requirement for price quotations. It has been the practice of the Procurement Division to not require quotations or sole source documentation for certain purchases, such as conference registrations, membership fees, and training. While this appeared to be an appropriate exception to the documentation requirements, it was not stipulated in the Purchasing Manual. Additionally, the Purchasing Cards procedure stated that quotations were not required for purchases less than \$2,500, and the Purchasing Manual required quotations for purchases exceeding \$2,500, which left a discrepancy for purchases of exactly \$2,500.

We tested all purchasing card transactions made during the audit period that exceeded \$2,500. For the 10 transactions identified where quotations would have been required, we evaluated whether the departments had maintained evidence of quotations or completed an authorized Sole Source/Noncompetitive Request Form. We found that 2 of the 5 (40%) competitive purchases tested, and 3 of the 5 (60%) sole source/noncompetitive purchases tested, lacked the required supporting documentation. Additionally, we found that the Procurement Division had not been monitoring departments to ensure that they obtained quotations or used the Sole Source/Noncompetitive Request Forms when required.

Management Action Plan

The new Procurement Manual documents categories of purchases that are exempt from the County's solicitation requirements. Additionally, the draft Purchasing Card Manual clarifies that quotations are not required for any purchases up to \$2,500. Both manuals include a procedure for monitoring whether departments are following the requirements included in the manuals, which would include quotation and sole source documentation.

Training for accountholders and Departmental Proxy Reconcilers will be provided to reemphasize the documentation requirements.

The estimated implementation date is September 30, 2019.

VENDOR CERTIFICATES OF INSURANCE

The Purchasing Manual and Purchasing Cards procedure required that a current certificate of insurance be obtained from vendors for any services performed on County property. In addition, according to the Procurement Official, certificates of insurance are also required when vendors deliver goods to County locations; however, this additional requirement was not documented in the Purchasing Manual or the Purchasing Cards procedure, and therefore, was not included in our audit testing.

Using the same samples obtained for split transactions and price quotation testing, we reviewed 176 purchasing card transactions to determine whether certificates of insurance were required and obtained from the vendors. We identified 8 purchases which required certificates of insurance for services performed on County property. We found that certificates were not on file for 4 of the 8 vendors. Additionally, the Procurement Division did not monitor departments to ensure they were maintaining certificates of insurance for services procured using purchasing cards.

Management Action Plan

The new Procurement Manual and draft Purchasing Card Manual include a requirement for vendor certificates of insurance to be obtained and maintained at the department level for purchasing card transactions when a supplier delivers goods to or provides services at County locations. In addition, both manuals include a procedure for monitoring whether departments are following the requirements included in the manuals, which would include obtaining vendor certificates of insurance.

Training for accountholders and Departmental Proxy Reconcilers will be provided to reemphasize the vendor insurance documentation requirements.

The estimated implementation date is September 30, 2019

ACCOUNT CLOSURES

When an accountholder terminates employment with Manatee County, it is the responsibility of the Departmental Proxy Reconciler to notify the Purchasing Card Administrator immediately. This ensures that the purchasing card account can be closed to prevent any unauthorized use. We tested all employees with a purchasing card account that separated from employment with the County during the audit period. Of the 33 employees identified who had an active purchasing card account at the time of separation, 16 accounts were closed within 1 day of leaving; however, 17 (52%) accounts were not closed timely, ranging from 4 to 105 days. The average number of days to close accounts was 13 days. Eight (8) of the late closures were due to Departmental Proxy Reconcilers not notifying the Purchasing Card Administrator immediately, and 9 of the late closures were due to the Purchasing Card Administrator not closing the account immediately.

Management Action Plan

The Procurement Division has clarified the account closure procedures in the draft Purchasing Card Manual. Once notified of termination by a Departmental Proxy Reconciler, the Purchasing Card Administrator will immediately close the account in the Works Application and review for any pending transactions before deactivating the user. The notification requirement will also be emphasized with Departmental Proxy Reconcilers.

The estimated implementation date is September 30, 2019

MERCHANT CATEGORY CODES

All merchants (vendors) that accept credit cards are assigned a Merchant Category Code (MCC) to identify the types of goods or services they provide. The MCCs are established by payment card organizations (MasterCard, Visa, etc.). The Procurement Division is responsible for determining which MCCs should be allowed or prohibited for purchases, and the Bank of America Works system is programmed to control whether purchases are permitted based on those MCCs.

The Procurement Division has established 10 custom groups of MCCs and has assigned each accountholder to a group based on the purchasing needs of their departments. The Purchasing Card Administrator maintains a spreadsheet for each group which lists the MCCs and identifies which ones are allowed or prohibited/blocked. The Procurement Division has not been periodically evaluating new MCCs to determine whether they should be allowed or prohibited, as evidenced by several MCCs that were not added to the Procurement Division's spreadsheets. This increases the risk that an accountholder could make a purchase which would not be appropriate.

Management Action Plan

The Procurement Division will request a list of all MCCs from Bank of America and will update the MCC spreadsheets accordingly. The Procurement Division has added an MCC monitoring requirement in the draft Purchasing Card Manual. In addition, the Purchasing Card Administrator will contact Bank of America to verify any new MCCs annually.

The estimated implementation date is September 30, 2019

RULE VIOLATION TRACKING AND PROGRAM MONITORING

The Purchasing Card Administrator has been using an Excel spreadsheet to summarize rule violation statistics for each County department monthly. Program rule violators are tracked to ensure that the proper parties are notified, as required in the Purchasing Cards procedure.

We tested the accuracy and completeness of the spreadsheet, as well as whether the Purchasing Card Administrator notified the required parties of any rule violations. Our testing found several errors in the spreadsheet, including formula errors and a missing department. We also noted that 14 out of 225 (6%) late sign-off violations were not included on the spreadsheet. Additionally, the Procurement Division did not document when verbal warnings were given to accountholders.

Since the original audit, the Procurement Division updated the Purchasing Cards procedure to list specific monitoring reports that should be analyzed by the Purchasing Card Administrator. We performed additional test work to verify that these procedures were being followed. Of the 7 monitoring procedures required during the audit period, we found that 4 had not been performed.

| | Control | Frequency | Test Result |
|---|---|------------------|--------------------|
| 1 | Monitor vendor spending exceeding \$25,000 | Annually | Not completed |
| 2 | Review cards not used for over three months | Monthly | Not completed |
| 3 | Review list of separated employees from HR and verify the card account has been deactivated | Monthly | Completed |
| 4 | Review split transaction audit report | Weekly | Not completed |
| 5 | Review declined transaction report | Weekly | Completed |
| 6 | Review federal and state debarred suppliers | Monthly | Not completed |
| 7 | Complete random departmental P-Card audit | Quarterly | Completed |

Management Action Plan

According to Management, the formula errors have been corrected and all departments are now listed in the rule violation spreadsheet. Additionally, the Procurement Division will ensure that all late sign-off violations are included in the spreadsheet. The Procurement Division has also updated its monitoring procedures in the draft Purchasing Card Manual. Split transactions will be now be reviewed monthly rather than weekly, and verbal warnings will be documented through a follow-up email to be sent by the Purchasing Card Administrator. The Purchasing Card Administrator will review the reports as specified in the Purchasing Card Manual.

The estimated implementation date is September 30, 2019

We would like to thank you and your staff for the attention given to the audit findings and the cooperation given to the Internal Audit staff. Another follow-up audit will be scheduled after implementation of the management action plans.

AMC/LJS/JEB

cc: Board of County Commissioners
Cheri Coryea, County Administrator
John Osborne, Deputy County Administrator
Karen Stewart, Acting Deputy County Administrator
Mitchell Palmer, County Attorney
Dan Wolfson, Finance Director, Clerk of the Circuit Court