



Review of Broward County Aviation Department Purchasing Card Transactions

Office of the County Auditor

Audit Report

**Robert Melton, CPA, CIA, CFE, CIG
County Auditor**

Audit Conducted By:
Jenny Jiang, CPA, Audit Manager
Abbey Tenn, Audit Staff

**Report No. 18-12
November 8, 2017**



Office of the County Auditor

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

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Honorable Mayor and Members, Board of County Commissioners:

We have conducted a review of the purchasing card transactions for the Broward County Aviation Department.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department and other County agencies, including the Purchasing Division and Enterprise Technology Services Division, contacted during the course of our review.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Mark Gale, Director, Broward County Aviation Department
Brenda Billingsley, Director of Purchasing

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INTRODUCTION

Scope and Methodology

We conducted a review of purchasing card (P-Card) transactions for the Broward County Aviation Department (BCAD). Our objectives were:

- To determine whether P-Cards have been utilized and transactions have been properly processed and accounted in accordance with the policies and procedures established for the County's P-Card program.
- To determine any opportunities for improvement.

To determine whether P-Cards have been utilized and transactions have been properly processed and accounted in accordance with the policies and procedures established for the County's P-Card program, we reviewed County Administrative Policies and Procedures (CAPP) Volume 10, Chapter 5 and Appendix titled Purchasing Card Policies and Procedures Program Manual (P-Card Manual); interviewed BCAD and Purchasing Division staff; reviewed PeopleSoft System (PeopleSoft) documentation, and reviewed P-Card transactions on a test basis.

Our review included tests of records and other review procedures as we considered necessary in the circumstances. The review period included P-Card transactions from October 1, 2016 through March 31, 2017. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that the P-Card transactions reviewed at BCAD have been generally processed and accounted in accordance with the policies and procedures established for the County's P-Card program. However, we noted some opportunities for improvement, which are included in this report.

Background

The P-Card is a credit card designed to provide County employees with an efficient and reliable way to make non-recurring, low dollar purchases.

Broward County's P-Card Program is administered by the Purchasing Division. The Director of Purchasing has the authority to delegate the purchase of specific items or classes of items below the mandatory bid amount¹ and has authorized the P-Card Program.²

The P-Card can be used for all purchases of \$3,500 or less. P-Card may also be authorized as a travel card to pay certain approved expenses during County authorized travel. All P-Card purchases must be for non-luxury, non-personal, and County business purposes.

P-Card purchasing limits are \$3,500 per single transaction (including shipping, installation, warranty, handling, etc.), \$6,000 per day and \$20,000 per month. "Splitting" of purchases to exceed the procurement card limits is not allowed.

Delegation of Purchasing Authority is governed by Broward County Purchasing Code Section 21.15. Appendix A of the County Administrative Policies and Procedures, Volume 10, Chapter 5, is the P-Card Manual, which outlines policies and responsibilities to ensure accountability for the P-Card Program. Our review focused on the policies established in the P-Card Manual, effective February 15, 2017.

Participant Responsibilities

The Purchasing Division's P-Card Administrator is responsible for the overall administration and oversight of the P-Card Program, including:

- maintaining P-Card Program policy and procedural guidance for agency participants;
- serving as the primary contact between the County and the Bank;
- providing training for P-Card Program participants;
- providing support to participating agencies;
- suspending card holder privileges when Card Holders and/or Approvers fail to comply with P-Card Program policies and procedures;
- cooperating with audit and investigative authorities with respect to identifying and mitigating suspected, alleged, or confirmed instances of waste, fraud or abuse related to the P-Card program;
- conducting routine quarterly transaction reviews and investigations of potential P-Card violations and issuing the appropriate sanctions; and
- providing quarterly transaction reports to the Office of the County Auditor identifying all individuals whose P-Cards have been revoked and/or reinstated.

The Agency Director is responsible for a thorough review of monthly expenditures, ensuring that all transactions conform to the policies and procedures. Roles within divisions include a P-Card Coordinator, Approver, and Holder.

¹ Section 21.8.b.41, Administrative Code - The mandatory bid amount is \$50,000.

² Section 21.15, Administrative Code

The P-Card Coordinator is designated by each agency Director to manage all P-Card Program activities within the participating agency, in cooperation with the Purchasing Division. The P-Card Coordinator is responsible for requests to the Purchasing Division for new P-Card orders, cancellations, reinstatements, name changes, approver changes, and alerting the P-Card Administrator to cancel or transfer an account when a Card Holder is leaving the participating agency.

The P-Card Approver is responsible for ensuring Card Holder compliance with requirements of the P-Card Program and ensuring that Card Holders enter the correct budget line item number, and attach receipts and supporting documentation in PeopleSoft.

P-Card Holders are responsible for a diligent review of all P-Card transactions to ensure that all transactions conform to policies and procedures, including:

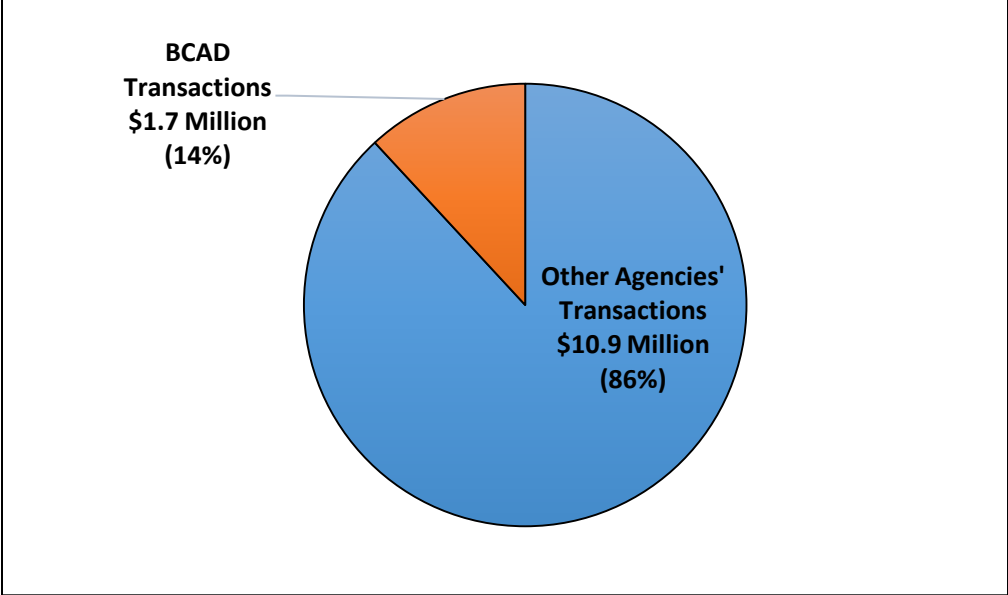
- the items purchased meet County business needs;
- the use of approved purchasing contracts first;
- the price paid for goods and services is fair and reasonable;
- verification that funds exist to cover the purchase and correctness of the budget line item the purchase will be charged against;
- purchase from Broward County Certified Small Business Enterprises (SBE) and/or local Broward County businesses when feasible; and
- receipt of all orders at the Card Holder's Broward County work place to allow proper receipt and inspection.

Each assigned individual must complete the online tutorial and sign an agreement to abide by all P-Card policies and procedures. Any violation of P-Card rules may result in disciplinary action and/or revocation of the P-Card. Any misuse of the P-Card shall constitute immediate revocation of the P-Card.

P-Card Transactions October 2016 through March 2017

For the six-month period of October 2016 through March 2017, Broward County P-Card transactions totaled approximately \$12.6 million, consisting of approximately 30,000 transactions and 950 P-Cards according to PeopleSoft. For this six-month period, BCAD P-Card purchases totaled approximately \$1.7 million, consisting of approximately 2,300 transactions and 70 P-Cards. As shown in Exhibit 1, BCAD P-Card transactions are 14% of all County P-Card transactions for the six-month period.

Exhibit 1 – October 2016 through March 2017 P-Card Transactions



Source: Prepared by Office of County Auditor based on information obtained from Broward County's PeopleSoft financial system.

OPPORTUNITIES FOR IMPROVEMENT

Our review disclosed certain policies, procedures, and practices that could be improved. Our review was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Florida Communications Services Tax Should Not Be Paid on P-card Purchases.

We noted 41 transactions from October 2013 to July 2017 totaling \$64,605 were paid for AT&T teleconference services, which included Florida communications services taxes of \$6,775. BCAD has used AT&T teleconference services for many years, therefore, the total taxes paid by P-cards to AT&T may have been significant.

Section G.31 of the Purchasing Card Policies & Procedures Program Manual states that “All purchases shall be exempt from state and local taxes, in accordance with state law.” We further consulted with Purchasing Division and Enterprise Technology Services Division. They confirmed that Florida communications services tax is an exempt item. Therefore, the County should not pay such tax on P-card purchases.

Payment of Florida communications services tax resulted in the unnecessary expenditure of public funds. After notifying the Purchasing P-card Coordinator, a claim has been submitted to AT&T for all taxes charged on this account.

We recommend BCAD management:

- A. Coordinate with the Purchasing P-card Coordinator to ensure that all taxes paid by P-cards to AT&T were properly remitted to the County.
- B. Implement procedures to ensure that P-Card Holders do not pay state and local taxes on P-card purchases in the future.

Management’s Response:

- A. Management concurs. Broward County Aviation Department (BCAD) staff has requested a full credit from AT&T for Florida Communication Services taxes paid previously. On October 17, AT&T acknowledged that BCAD will receive credit for the Communications tax. To date, the credit has not been received. Staff continues to be in touch with AT&T to follow-up.
- B. Management concurs. BCAD P-card Holders were reminded to review all transactions and verify that no taxes are included. BCAD P-card Approvers have received a

refresher training session on the proper review of invoices to avoid payment of Florida Communication Services tax in the future.

2. P-Card Transactions Should Be Reviewed to Ensure Expenditures Are Recorded to the Correct Accounts in PeopleSoft.

During our review, we noted that five transactions totaled \$5,328 were recorded to the incorrect account code in PeopleSoft. Upon further review, we confirmed that the P-card Holder for two of the five transactions charged expenses totaling \$13,480 to the incorrect account code of 555420 (Uniform Expense) for the period of April 2016 through January 2017. The five transactions are listed below:

Date	Description	Amount	Account Charged	Correct Account
12/15/2016	Office Supplies	\$481	547160 (Miscellaneous Expense)	552310 (Non-capital purchases of office supplies used in agency operations)
10/24/2016	Operational Supplies	\$113	555420 (Uniform Expense)	555410 (Other materials and supplies used in the conduct of operations)
1/14/2017	Books	\$144	555420 (Uniform Expense)	556130 (Books and Publications)
1/4/2017	Event Registration	\$2,295	552320 (Office Equipment < \$1,000)	519070 (Attendee Registration Fees)
1/4/2017	Event Registration	\$2,295	552320 (Office Equipment < \$1,000)	519070 (Attendee Registration Fees)

Source: Prepared by Office of County Auditor based on information obtained from P-card transactions sampled

Section A.4 of the Purchasing Card Policies & Procedures Program Manual states the following:

- The P-Card Holder is responsible for verifying “funds exist to cover the purchase and correctness of the budget line item the purchase will be charged against” and inputting “the distribution (chart fields), receipt/invoice (attachment), contract number/lines (if any), fixed assets and category must be inputted into PeopleSoft.”
- P-Card Approvers are responsible for “reviewing PeopleSoft budget entries (chart fields) with the designated budget coordinator prior to entering budget codes (chart fields).”

Inaccurate recording of expenditures hinders the agency’s ability to monitor their budget and results in inaccurate financial reporting. This could lead to less-than-optimal decision-making by management and the Board of County Commissioners.

We recommend BCAD management:

- A. Properly classify the \$13,480 to the correct expenditures account.

- B. Implement procedures to ensure P-Card Holders accurately record transactions to the proper expenditure account within the accounting records. Approvers should be required to verify the accuracy of the expenditure account.

Management's Response:

- A. Management concurs. BCAD Finance staff have completed the classification of these expenditures to the correct account.

- B. Management concurs. BCAD staff have formulated a refresher training session for BCAD P-card Approvers to review this process.

3. P-Cards Should Be Canceled Upon Termination of Employment

P-Cards are not always canceled immediately upon termination of employment. We noted one P-Card Holder terminated employment in 2016. However, the P-Card was not canceled until 13 days later. When an employee is terminated, the P-Card Coordinator must immediately notify the County's P-Card Administrator to cancel the card.

Section F.7 of the Purchasing Card Policies & Procedures Program Manual states the following:

“When an employee separates their employment for any reason, the P-Card Coordinator must immediately notify the P-Card Administrator, collect the P-Card from the Card Holder, submit the P-Card Request/Change Form...”

Although we noted no unauthorized purchases for this P-Card after the employee's termination date, allowing P-Card to remain active after termination of employment exposes the County to potential misappropriation of funds or other misuse of the card.

We recommend BCAD management implement procedures to ensure P-Cards are cancelled on or before the last day of employment.

Management's Response:

Management concurs. BCAD has implemented a new procedure to immediately notify the Purchasing Division relative to a P-card held by an employee who has resigned or is separated from County employment. This procedure was reviewed as part of the refresher training for all BCAD P-card Approvers