



Review of Water and Wastewater Services Procurement Card Transactions

Office of County Auditor Audit Report

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Office of the County Auditor

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Honorable Mayor and Members, Board of County Commissioners:

We have conducted a review of the procurement card transactions for the Water and Wastewater Services Division of the Public Works Department.

We appreciate the cooperation and assistance provided by the Water and Wastewater Services Division and other County agencies, including the Purchasing Division and Accounting 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
Brenda Billingsley, Director, Purchasing Division
Alan Garcia, Director, Water and Wastewater Services Division

TABLE OF CONTENTS

- INTRODUCTION..... 1
 - Scope and Methodology 1
 - Overall Conclusion..... 1
 - Background..... 2
- OPPORTUNITIES FOR IMPROVEMENT 5
 - 1. Procurement Card Transactions Should Be Reviewed to Ensure Expenditures Are Recorded In the Correct Accounts..... 5
 - 2. Procurement Cards Should Be Canceled Upon Termination of Employment 6

INTRODUCTION

Scope and Methodology

We conducted a review of procurement card transactions for the Water and Wastewater Services (WWS) Division. Our objectives were:

1. To determine whether procurement cards have been used and accounted for properly in accordance with the policies and procedures established for the County's procurement card program.
2. To determine any opportunities for improvement.

To determine whether procurement cards have been used and accounted for properly in accordance with the policies and procedures established for the County's procurement card program, we reviewed County Administrative Policies and Procedures (CAPP) Volume 10, Chapter 5 and appendix titled Procurement Card Program Manual; interviewed WWS, Purchasing Division, Accounting Division, and Enterprise Resource Planning (ERP) staff; reviewed the ERP PeopleSoft system documentation; tested procurement card transactions; and consulted with the County Attorney's Office regarding electronic records retention.

To determine opportunities for improvement, we interviewed staff from the WWS, Procurement and Accounting Divisions; obtained reports and reviewed financial documentation; reviewed policies and procedures as stated in the Procurement Card Program Manual; and selected and tested transactions.

Our review included such tests of records and other review procedures as we considered necessary in the circumstances. The review period was May 1, 2016 through July 31, 2016. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that procurement cards have been used and accounted for properly in accordance with the policies and procedures established for the County's procurement card program.

Opportunities for improvement are included in this report.

Background

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

Due to the high volume of transactions for small dollar purchases, there are a number of benefits associated with the procurement card program. These include:

- reduction in the number of small dollar transactions processed by the Purchasing Division which allows Purchasing Division staff to concentrate on high dollar, more complex transactions,
- reduction in the number of vouchers processed by Accounts Payables, (e.g., one wire transfer is processed monthly to the procurement card issuer in lieu of thousands of checks to individual vendors),
- reduction in the processing time to purchase small dollar items, and
- reduction in the time vendors receive payment.

In addition to operational benefits, the County's procurement card issuer currently rebates 1.73% of purchases to the County. Rebates for calendar year 2016 totaled \$434,379.

Purchasing Card Program

Pursuant to Section 21.15 of the Administrative Code, the Director of Purchasing has the authority to delegate the purchase of specific items or classes of items below the mandatory bid amount and has authorized the Procurement Card Program.

The procurement card must be used for all purchases of \$3,500 or less, unless approved by the Purchasing Division Director or the vendor does not accept credit cards. Procurement cards may also be authorized as a travel card to pay certain approved expenses during authorized County travel. All procurement card purchases must be non-luxury, non-personal, and county business.

Procurement card limits are \$3,500 per single transaction (including shipping, installation, warranty, handling, etc.), \$6,000 per day and \$20,000 per month. The Director of Purchasing may authorize additional spending limits to individual cardholders to meet specific circumstances or emergencies. "Splitting" of purchases to exceed the procurement card limits is not allowed.

Participant Responsibilities

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

- maintaining Procurement Card Program policy and procedural guidance for agency participants;

- serving as the primary contact between the County and the Bank;
- providing training for Procurement Card Program participants;
- providing support to participating agencies;
- suspending Cardholder privileges when Cardholders and/or Approvers fail to comply with Procurement 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 procurement card program;
- conducting routine quarterly transaction reviews and investigations of potential procurement card violations and issue the appropriate sanctions;
- providing quarterly transaction report to the County Auditor's Office identifying all individuals whose procurement cards have been revoked and reinstated.

The director for each participating agency is responsible for a thorough review of monthly expenditures ensuring that all transactions conform to the policies and procedures. Roles within agencies include a Purchasing Card Coordinator, Approver, and Cardholder.

A Purchasing Card Coordinator is designated by the agency director to manage all Procurement Card Program activities within the participating agency, in cooperation with the Purchasing Division. The Purchasing Card Coordinator is responsible for requests to the Purchasing Division for new procurement card orders, cancellations, reinstatements, name changes, approver changes, and alerting the Purchasing Card Administrator to cancel or transfer an account when a Cardholder is leaving the participating agency.

The Purchasing Card Approver is responsible for ensuring Cardholder compliance with requirements of the Procurement Card Program and ensuring that Cardholders enter the correct budget line item number, and attach receipts and supporting documentation in PeopleSoft.

The Purchasing Cardholders are responsible for a diligent review of all procurement card transactions to ensure that all transactions conform to the policies and procedures, including:

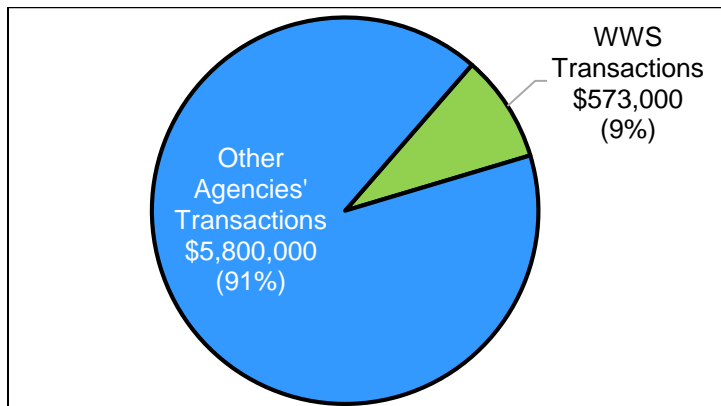
- the use of approved procurement contracts first;
- the price paid for goods and services is fair and reasonable;
- verification that funds exist to cover the purchase and correctness of the budget line item the purchase will be charged against;
- purchase from Broward County Certified Small Business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

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

Calendar Year 2016 Purchasing Card Transactions

For the three-month period May through July 2016, Broward County procurement card transactions totaled \$6.4 million, consisting of 15,171 transactions and 950 procurement cards. For this three-month period, WWS procurement card purchases total approximately \$573,000 consisting of 1,332 transactions and 86 procurement cards. As shown in Exhibit 1, WWS procurement card transactions are 9.0% of all County procurement card transactions for the three-month period.

Exhibit 1 – May, June, and July 2016 Procurement Card Transactions



Source: Prepared by Office of County Auditor based on information obtained from 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. Procurement Card Transactions Should Be Reviewed to Ensure Expenditures Are Recorded in the Correct Accounts

During our review, we noted 10 percent (5 out of 50) of the items, representing 2.8 percent (\$941 out of \$33,143) of the expense, in our sample of transactions were recorded to the incorrect budget line. If these sample items are representative of the population, as much as \$64,000 may have been charged to incorrect expenditure accounts, and, thus, may have been classified improperly during calendar year 2016. The five transactions are described below:

Date	Description	Amount	Account Charged	Correct Account
6/1/2016	UPS Delivery Charge for shipment to Data Flow Systems	\$29.05	540050 RM-Equipment Maintenance	522010 Freight – Postage Cost
7/25/2016	Silk Plants	\$237.42	560220 Building Improvements	552320 Office Equip-Furniture less than \$1,000
5/19/2016	Training	\$555.00	511010 Fleet Services-Rental Costs Chargeback	556310 Training
7/7/2016	Fire Extinguisher Maintenance	\$29.90	512710 Prof Services - Security	540060 RM-Fire System Maintenance
7/6/2016	Gate Maintenance	\$90.00	512710 Prof Services - Security	540030 RM-Building Maintenance

Section B.3.5 of the Procurement Program Manual states that the Cardholder is responsible to verify that funds exist to cover the purchase and to charge the expenses to the correct budget line item that the purchase will be charged against. Section B.4.11 states that the Approver is responsible to verify the correct budget line item to be charged.

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 WWS management implement procedures to ensure Cardholders 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: Management concurs and will establish a procedure and provide guidelines with a chart of accounts to each procurement card holder. Approvers will be reminded to ensure the accuracy of the actual expenditure account.

2. Procurement Cards Should Be Canceled Upon Termination of Employment

Cardholders' procurement cards are not always canceled immediately upon termination of employment. We noted two Cardholders who terminated employment in 2016; however, the procurement cards were not cancelled until six days and 25 days later. When an employee's employment terminates, the Purchasing Card Coordinator must immediately notify the Purchasing Card Administrator who is required to cancel the card.

Section D.4 of the Procurement Card Program Manual states:

“When an employee terminates employment, the Purchasing Card Coordinator must notify the Purchasing Card Administrator immediately and collect the Procurement Card from the Purchasing Cardholder, cut it in half, submit a Cancellation Memorandum to the Purchasing Card Administrator (with the Procurement Card on the face of the memo or as an attachment), and submit all pieces of the Procurement Card to the Purchasing Card Administrator . . .”

Although we noted no unauthorized purchases for these two cards, allowing the procurement card to remain active after termination of employment exposes the County to attempted misappropriation of funds or other misuse of the card.

We recommend WWS management implement procedures to ensure procurement cards are cancelled on or before the last day of the Cardholder's employment.

Management's Response: Management concurs and will reinforce with staff the established 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 is now included in the WWS refresher training for all Approvers.