

# Audit

## Follow Up

As of March 31, 2003



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City Auditor

### ***“P-Card Controls at the Airport”***

***(Report #0301, Issued October 22, 2002)***

***Report #0401***

***November 4, 2003***

#### **Summary**

***The Aviation Department has completed all 12 action plan steps due for completion as of March 31, 2003. These action plan steps were developed as part of our previously issued audit report #0301, P-Card Controls at the Airport. The remaining action plan step (due for completion subsequent to March 31, 2003) includes provision of additional training to department P-Card holders. The Aviation Department plans to prepare for and provide that training once all issues identified in both the original and follow up audit processes have been communicated to and addressed by department management.***

In audit report #0301, issued October 22, 2002, we identified issues relating to management’s oversight of the P-Card program, weaknesses in the internal controls over P-Card usage, and non-compliance with City procurement policy. The Aviation Department was responsive to the issues identified in the audit and has completed all action plan steps due to date. Completion of these action plan steps and continued emphasis in implementation should help ensure proper procurement of goods and services in accordance with controlling rules and regulations and good business practices.

#### **Scope, Objectives, and Methodology**

##### **Report #0301**

The scope of report #0301 addressed the use and administration of City P-Cards by the Aviation Department. The audit focused on internal controls, departmental procedures, and compliance with citywide policy. The audit was conducted at the request of the Assistant City Manager for Development and

Transportation Services and the City Attorney, subsequent to identification of suspected P-Card misuse by an Aviation Department employee. Audit efforts concentrated on activity subsequent to procedural revisions made in March 2002 in response to the alleged misuse.

The objectives of the audit were to:

- Review department controls over the use of City P-Cards,
- Evaluate department compliance with P-Card policies and procedures,
- Identify weaknesses in the department’s internal control structure that precluded timely detection of the alleged P-Card misuse, and
- Make recommendations to address and remedy identified issues and weaknesses.

##### **Report #0401**

The purpose of this audit follow up is to report on the progress and/or status of the efforts to complete the recommended action plan steps due as of March 31, 2003. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards and the Standards for the Professional Practice of Internal Auditing, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

#### **Previous Conditions and Current Status**

In report #0301, we identified issues that needed to be addressed by the Aviation Department in regard to the P-Card program. These issues included, for example, management oversight, compliance with City and departmental policies and procedures, and efficiencies in procurement practices. Thirteen action plan steps were developed to address identified risks, twelve of which were due as of March 31, 2003. All twelve action plan steps due (100%) as of that date have been completed. Table 1 provides a summary of the action plan steps and their status.

**Table 1  
Action Plan Steps from Report #0301 and Current Status**

| Action Plan Steps   | Current Status  |
|---|---|
| <b>Improve Management’s Oversight of Purchase Card Activity</b>   |   |
| <ul style="list-style-type: none"> <li>The Aviation Department director will reinforce to managers responsible for reviewing and approving P-Card purchases that they must be cognizant that inappropriate purchases are a possibility regardless of the level of trust placed in the cardholders and that they must diligently review purchases for inappropriate/unauthorized items.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ In memorandums dated October 25 and November 8, 2002, and in a meeting held on the latter of those two dates, the department director and assistant director emphasized to managers the issues identified in the initial audit and the actions to be taken, including the inherent possibility of inappropriate purchases and managers’ roles in precluding and/or detecting such purchases.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Managers responsible for the review and approval of P-Card purchases will not approve transactions for further processing until adequate supporting documentation has been obtained and completed in accordance with departmental procedures. In the event that it is not possible to obtain or complete adequate supporting documentation (within the time period stipulated in the departmental procedures), the manager will provide a written explanation to the Finance and Administrative Division; departmental procedures will be revised to clarify this responsibility.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Departmental procedures were revised to specifically state that managers responsible for the oversight and initial processing of P-Card transactions are required to ensure that adequate supporting documentation is obtained and/or properly completed. The revised procedures also state that written explanations must be provided as to the status of supporting documentation in the event that such documentation is not obtained within the period stipulated by those procedures.</li> </ul>  |
| <ul style="list-style-type: none"> <li>In addition to the periodic suspense file reports already provided to divisional managers, a report identifying all outstanding items in the formal suspense file will be provided to the Assistant Aviation Director at the end of each month.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ The department’s P-Card procedures were revised to clearly state that outstanding items (P-Card transactions) still unresolved “after two days of the final monthly notice (e.g., to division managers) will be reported to the Assistant Director of Aviation.” As of the end of our follow up fieldwork, no such reports had been necessary as outstanding items had been successfully resolved prior to the “two day” deadline.</li> </ul>  |
| <ul style="list-style-type: none"> <li>Summary activity reports available through the Infospan system will be generated on a regular basis and provided to applicable managerial staff.</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Summary reports are generated monthly and distributed to management (director, assistant director, and division managers) via e-mail. Revised procedures provide that these monthly reports be reviewed by management for oversight purposes and to identify unusual activity.</li> </ul> <p>(Note: We commend management for this action. Based on risks identified in our separate and subsequent City P-Card audit, we recommend that reports generated directly from the Infospan system be provided to management, as opposed to generating the reports from Infospan and then exporting the reports to another software [EXCEL] before providing them to management. That process will eliminate the risk of transactions being intentionally deleted from the reports before submission to management.)</p> |
| <b>Improve Internal Controls Over P-Card Usage</b>  |   |
| <ul style="list-style-type: none"> <li>Departmental P-Card procedures will be revised to require cardholders to provide justification (in the space provided on the Request for Purchases Form) for purchases where the public purpose is not apparent based on the items purchased.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Departmental P-Card procedures have been revised to require justification for the purchase to be provided when the public purpose is not readily apparent based on the items purchased.</li> </ul>   |

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Departmental P-Card procedures will be revised to require documented approvals of monthly P-Card activity statements by both the cardholder and the appropriate division manager, and to require retention of such approved statements in accordance with public record retention laws.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Departmental P-Card procedures have been revised to require both the cardholders and division managers to sign P-Card monthly statements signifying the completion of their review of those statements. Additionally, procedures include the requirement that the signed statements be retained.</li> </ul>   |
| <p><b>Take Appropriate Actions to Address Other Procurement Issues</b></p>  |  |
| <ul style="list-style-type: none"> <li>• For the two instances noted in the audit where sales taxes should not have been paid, efforts will be made to recover those funds for the City.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Appropriate and reasonable attempts were made to recover the paid sales taxes. Those efforts were successful in one of the two instances. In the other instance, the vendor responded to staff that it could not comply due to system limitations. Aviation staff properly concluded in that instance that the cost of additional efforts to collect the \$3.37 was not warranted.</li> </ul>                         |
| <ul style="list-style-type: none"> <li>• Whenever sales taxes are paid in conjunction with a purchase, the applicable manager responsible for reviewing and approving the purchase will ensure that appropriate efforts are made to recover the funds. In the event efforts to recover paid sales taxes are not successful, a written explanation of the recovery efforts and lack of success will be attached to the documentation supporting the purchase. Departmental procedures will be revised to clarify this responsibility.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Departmental P-Card procedures have been revised to assign responsibility for recovery of state sales taxes to the division in which the charge originated. Additionally, when recovery efforts are unsuccessful, those revised procedures require a written explanation from the division manager for inclusion in the support of that P-Card transaction.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• The Aviation Department has determined under the City "logo policy" that it is no longer appropriate to use a departmental logo on employee business cards or other stationery. Accordingly, future business card purchases will be made through the vendor with which the City has contracted for those services.</li> </ul>  | <ul style="list-style-type: none"> <li>✓ A reminder was e-mailed to Aviation Department managers that business cards should only be purchased from the City's contracted vendor and must be of a design that complies with the City logo policy.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• The Aviation Director will remind division managers of the importance and significance of conducting cost-benefit analyses whenever decisions must be made as to the purchase or rental of items.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ The Aviation Director communicated to division managers the importance and significance of conducting cost-benefit analyses.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• For working lunches or similar business related meetings where food is provided, the department will document attendees and the nature/purpose of the meeting. For events where the attendees are not readily determinable, justification for the amounts purchased and the nature/public purpose of the event will be documented. Departmental procedures will be revised to clarify this responsibility.</li> </ul>  | <ul style="list-style-type: none"> <li>✓ The department has established and distributed procedures for the provision of food at working lunches or other functions. The procedures address documentation and record retention requirements. The procedures reference City P-Card Policy #603. (Note: To enhance the usefulness of these recent procedures, we recommend that they be revised to also reference the City Manager's food guidelines.)</li> </ul> |
| <p><b>Prohibit the Usage of P-Cards By Employees Other Than the Assigned Cardholder</b></p>   |  |
| <ul style="list-style-type: none"> <li>• Departmental procedures that prohibit sharing of P-Cards among employees will be clarified to preclude the use of a P-Card number by an employee other than the employee to whom the P-Card and number was assigned.</li> </ul>  | <ul style="list-style-type: none"> <li>✓ The departmental P-Card procedures were revised to clearly state that sharing of P-Cards among employees is prohibited.</li> </ul>  |

**Table Legend:**

• Issue addressed in the original audit

✓ Issue addressed and resolved

**Conclusion**

The Aviation Department has been successful in completing all the action plan steps that were due to date. The one remaining action plan step involves additional training to departmental cardholders on P-Card usage and related procedures. The Aviation Department plans to prepare and provide that training once all issues identified in both the original and follow up audit process have been communicated to and addressed by department management.

We appreciate the assistance provided by applicable staff during this audit follow-up.

**Response from  
Appointed Official**

**City Manager Response:**

We appreciate the recommendations made by the City Auditor's Office. I am pleased to see that the Aviation Department has completed 100% of the Action Plan steps. I believe these changes enhance the effectiveness of our purchase card program. The Department will revise their procedures to also reference the policy on food guidelines. The Department will have completed its original follow-up training by June 30, 2004. Thanks again for your constructive recommendations.

Copies of this Audit Follow Up or audit report #0301 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([auditors@talgov.com](mailto:auditors@talgov.com)).

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