Final Audit Follow-Up

As of September 30, 2008

CITY OF
TALLAHASSEE
OFFICE OF THE CITY AUDITOR

Sam M. McCall, CPA, CGFM, CIA, CGAP
City Auditor

City P-Card Audit
(Report #0805, Issued January 03, 2008)

Report #0910   **March 6, 2009**

Summary

The departments and offices reviewed as part of the City P-Card Audit have completed 88 of the 93 (95%) action plan steps identified for that audit. In view of these successful efforts to date, the 5 remaining steps are referred to management for final resolution and disposition. Actions taken to date should significantly improve controls over City P-Card activity and help ensure that City P-Cards are used for authorized and valid purposes.

In audit report #0805 we audited a cross section of City cost centers (departments and offices). Our audit showed, for the most part, that transactions were proper and controls were in place. No instances of fraud or activities for personal gain were identified for the items tested. However, risks were identified at several locations that increased the likelihood that (1) unauthorized transactions could occur and not be timely detected and/or (2) goods and services are not procured efficiently and in accordance with controlling rules, regulations, and guidelines. Action plan steps were developed to address and mitigate those risks.

Five City cost centers along with the Department of Management and Administration (DMA) and the Office of Treasurer-Clerk's Record Management Division (RMD) had a total of 93 action plan steps. Of those 93 steps, 88 (95%) have been completed. The remaining five steps have been referred to management for final resolution and disposition. These steps include:

- Completing redaction of cardholder account numbers from P-Card support previously (prior to our initial audit) stored in EDMS. (Two steps – one each at NCS and UBCS)
- Ensuring that staff consistently uses the obtained stamp to mark vendor invoices as "Paid by City P-Card." (NCS)
- Reminding staff to always obtain and retain detailed receipts for food purchases. (UBCS)
- Continuing to remind applicable administrative staff to properly and accurately code transactions to the most appropriate accounts. (ISS)

Scope, Objectives, and Methodology

The initial audit and this subsequent follow-up were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Original Report #0805

The scope of report #0805 included a review of P-Card activity within a representative cross section of City cost centers (departments and offices). Five separate City cost centers were reviewed. P-Card program oversight and administrative duties within the Department of Management and Administration (DMA) and the Office of Treasurer-Clerk's Records Management Division (RMD) were also examined. The audit addressed activity during the sixteen-month period October 2005 through January 2007. The five cost centers reviewed, along with the two department /offices that provided oversight and/or performed administrative activities are shown in the following table.

Audited Cost Centers	
No.	**Cost Center**
1.	Neighborhood & Community Services (NCS)
2.	Utility Business & Customer Services (UBCS)
3.	Information Systems Services (ISS)
4.	Human Resources (HR)
5.	Parks and Recreation (PR)
6.	Department of Management and Administration (DMA) (Note A)
7.	Treasurer-Clerk's Records Management Division (RMD) (Note A)
Note A: Performs oversight and administration activities	

The objectives of the audit were to determine, for selected departments and offices, whether the City's P-Card program was operating efficiently, effectively, and in accordance with good business practices. Determinations were made as to whether: (1) purchases made with City P-Cards were proper and documented to show the public purpose served and (2) adequate controls were in operation to reasonably ensure those purchases were in accordance with controlling rules, regulations, and guidelines.

Report #0910

This is our first and final follow-up on action plan steps identified in audit report #0805. 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 September 30, 2008. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Previous Conditions and Current Status

In report #0805, we identified risks that needed to be addressed in regard to P-Card activity. Those risks indicated the need to take actions that:

- Control access to P-Card account information;
- Ensure appropriate management and supervisory reviews;
- Ensure proper segregation of incompatible duties or provide compensating controls;

- Provide physical security over P-Card account numbers;
- Ensure transactions are properly executed;
- Document events such as payment of invoices and receipt of items, and better account for activity through more appropriate coding of transactions;
- Ensure appropriate reviews of cardholder monthly statements by cardholders and their supervisors;
- Ensure proper and adequate records are maintained; and
- Enhance and update written procedures and policies.

A total of 93 action plan steps were developed to address the identified risks. An overall summary of the current status of those steps is as follows:

Status of Steps Due as of September 30, 2008			
Cost Center	Total Tasks Due	Completed	Action Initiated But Not Completed (Referred to Management for Completion)
DMA	4	4	
TC-RMD	2	2	
NCS	20	18	2
UBCS	19	17	2
ISS	19	18	1
HR	12	12	
Parks & Rec.	17	17	
Total	**93**	**88**	**5**

In summary, the seven cost centers (departments/offices/divisions) have completed 88 of the 93 action plan steps (95%) identified for this audit. The five steps not completed are being referred to management to ensure proper resolution and disposition. Table 1 below provides a description of each of those 93 action plan steps and their status.

Table 1
Action Plan Steps from Report #0805
Due as of September 30, 2008, and Current Status

Action Plan Steps Due As of September 30, 2008	Current Status
Department of Management and Administration **(Program Administration and Oversight)**	
Adequately restrict access to sensitive information	
• Inappropriate system access to PeopleSoft tables containing cardholder account numbers will be removed from those employees to whom that access was inadvertently provided.	✔ As reported in the initial audit, access to tables in the PeopleSoft P-Card module containing cardholder account numbers were immediately removed from those employees to whom access should not have been granted.
Improve physical controls over cardholder account information	
• With the assistance of the Treasurer-Clerk's Records Management Division (RMD) staff, portions of monthly bank invoices that contain cardholder account numbers will be removed from the EDMS contracts and payments module and scanned into the EDMS P-Card module, with access restricted to only applicable DMA P-Card management and oversight staff.	✔ Portions of monthly bank invoices containing cardholder account numbers have been removed from the EDMS contracts and payment module and re-scanned into the EDMS P-Card module. Additionally, access to the P-Card module was restricted to only applicable DMA P-Card management and oversight staff.
Enhance processing of information	
• DMA Accounts Payable staff will enhance their review and processing procedures to include review and checking of travel and training documents for proper and complete redaction of cardholder account numbers. When un-redacted cardholder numbers are found on those records, DMA Accounts Payable staff will either complete the proper redactions and notify the applicable departments/offices of such actions, or return the documents to the submitting City department/office for them to complete the proper redactions.	✔ DMA placed additional emphasis on proper redaction of P-Card numbers on all documents as part of their P-Card training provided to the various City administrative staff. Also, DMA Accounts Payable staff reviews have been enhanced to check for proper and complete redaction of cardholder account numbers on travel and training documents. DMA Accounts Payable staff usually completes the redaction of cardholder account numbers when found on travel and training records. Alternatively, they return these records to the applicable department/offices for them to redact the numbers.
Ensure a comprehensive written policy	
• The current City P-Card policy (APM 603) will be revised to (1) provide for the electronic storage of P-Card records in the EDMS P-Card module, as required by City Commission Policy 146 – Records Retention, (2) address and require redaction of cardholder account numbers and other sensitive data on records scanned into EDMS, regardless of whether they are scanned into the P-Card module or the contracts and payments module, and (3) make direct reference to both City Commission Policy 146 – Records Retention and the related Treasurer-Clerk RMD "EDMS Business Rules."	✔ The current City P-Card policy (APM 603) has been revised to address that P-Card account numbers and other sensitive information records should be redacted, and P-Card records stored in accordance with applicable City record retention policies and procedures. Those would be the policies and procedures of the Treasurer-Clerk's RMD (e.g., EDMS Business Rules and City Commission Policy 146).

Office of the City Treasurer-Clerk
(Electronic Records Retention)

Adequately restrict access to sensitive information	
• With the assistance of ISS, the inappropriate EDMS system permissions of the three applicable employees will be removed.	✔ As reported in the initial audit, EDMS system access inappropriately granted to the three City employees has been removed.
Enhance availability of written procedures and guidelines	
• The Treasurer-Clerk's RMD "EDMS Business Rules" will be added to the Treasurer-Clerk's website on CityNet.	✔ The EDMS Business Rules has been added to the Treasurer-Clerk's Records Management Division website.

Neighborhood and Community Services

Enhance managerial review of P-Card activity	
• Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	✔ Staff has been designated by management to extract the department P-Card activity reports from PeopleSoft P-Card module on a monthly basis. After the reports are edited and formatted by the administrative service manager, they are distributed to the various division heads for their review and determination of the reasonableness of their divisions' P-Card activities.
Segregate incompatible duties	
• The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	✔ Receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders has been re-assigned to a staff that has no coding capability.
Improve physical security over P-Card records	
• P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	✔ P-card records with sensitive cardholder information are now maintained securely in a locked file cabinet. When not in sealed envelopes, those P-Card records are no longer left on employee desks or in inboxes.
• Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	✔ Even when delivered in person, P-Card monthly statements and related support are now being transmitted between staff in sealed envelopes.
• P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	■ P-Card administrative staff has been instructed by management to ensure that cardholder account numbers are completely redacted from all P-Card support before scanning and storing those records into EDMS. However, as of the end of our follow-up audit fieldwork, cardholder account numbers still had not been redacted from all P-Card records that were stored in EDMS prior to our initial audit. NCS management should take actions to complete redaction of those numbers.

Ensure proper execution of and accountability for transactions	
• Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	✔ At staff meetings and trainings, cardholders were instructed not to share their P-Cards or account information. In addition, written procedures developed for department P-Card activities prohibit sharing P-Cards and account information among employees.
• In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	✔ Cardholders were also instructed that in the event they allow others to use their P-Card or account numbers (e.g., emergency situation), they should document the reasons as part of the P-Card transaction support. In addition, written procedures developed for the P-Card activities stipulated this requirement.
• Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	✔ Employees were instructed not to split purchases in order to circumvent their assigned transaction and spending limits. They were reminded to request an increase in transaction and/or spending limit as needed. In addition, written procedures developed for department P-Card activities prohibit splitting of P-Cards transactions to circumvent spending/transaction limits.
• Purchases exceeding the $10,000 threshold will be made through the PeopleSoft Financials purchase requisition process or through the City's check request process. As provided by the City P-Card policy, P-Cards will not be used for purchases of $10,000 or more.	✔ We noted from our review and inquiry that P-Cards were not used to make purchases exceeding the $10,000 threshold. Such purchases were properly made through the PeopleSoft Financials purchase requisition process.
• As necessary and to preclude future instances of card sharing and circumvention of transaction/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments.	✔ As warranted, management increased some cardholder transaction/credit limits in order to deter card sharing and to help prevent cardholders from circumventing their transaction/spending limits.
• To also preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	✔ As warranted, management issued additional purchasing cards to employees in order to deter card sharing.
• A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	✔ A standard procedure for documenting receipt of goods and services purchased online or over the phone has been adopted. Employees were instructed to obtain and retain packing slips and/or order confirmation (e.g., emails) for shipment of goods. Our follow-up review showed that employees are complying with this requirement.
• P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	✔ P-Card coders have been reminded to always code transactions correctly and accurately to appropriate accounts in the PeopleSoft P-Card module. Our follow-up review showed that transactions are being coded to appropriate accounts.

• The department will comply with the City's cell phone policy by (1) providing each applicable employee the invoices showing their usage and charges, (2) requiring those employees to identify those calls for which reimbursement is due the City, and (3) taking appropriate actions to collect any identified amounts due the City.	✔ NCS created a standard form that is sent along with monthly cell phone bills to all cell phone users within the department. In completing the form, the cell phone user identifies any personal phone charges on the bill. If any, the total personal phone charges are reimbursed by the cell phone user to the City. The form is completed and signed by all cell phone users even when there are no personal charges. Our review showed that applicable staff is complying with this requirement.
• Cardholders and applicable administrative staff will be reminded of the requirements to: (1) timely cancel P-cards of terminating employees, (2) not purchase insurance coverage when traveling on City business, (3) not pay state sales taxes, (4) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, (5) use competitive procurement methods (e.g., obtain documented quotes) when applicable, and (6) obtain adequate and detailed receipts for food purchases that specify the items purchased.	✔ Staff was reminded of the noted requirements through various staff meetings and through the recently distributed internal procedures.
Reduce the risk of duplicate payments	
• A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	■ Stamps indicating "Paid By City P-Card" were acquired and distributed to applicable staff within the department. However, our review showed that the stamps are not consistently being used to mark all paid vendor invoices. NCS management should reinforce to staff the importance of applying that stamp to paid P-Card invoices.
Ensure proper reviews of monthly cardholder statements	
• Applicable P-Card administrative staff will maintain records that track the status of individual monthly statements received from DMA. Those records will be used to reflect when statements are received, transmitted to cardholders, received back from cardholders and their supervisors after their review and approval, and scanned into the EDMS P-Card module.	✔ Through inquiry and from our follow-up review, we determined that NCS is now maintaining a spreadsheet to track the status of individual monthly statements received from DMA and distributed to cardholders. Among other things, the sheet is used to track the date the statement was sent to the cardholder, expected return date, and actual return date.
• Applicable P-Card administrative staff will follow up on instances when cardholders and/or their supervisors do not return signed and dated monthly statements (and related support) for scanning into EDMS.	✔ In instances when a cardholder does not return the monthly statement on or before the due date, the designated P-Card administrative staff will send an e-mail reminder (follow-up) to the applicable cardholder. If no response is received, the administrative staff will notify the Administrative Service Manager who will, in turn, follow up with the cardholder.
• Cardholders and their supervisors will be reminded they are required to review, sign and date, and then return their monthly statements to applicable P-Card administrative staff.	✔ All cardholders and their supervisors were instructed to always review, sign/date, and then return their monthly statements along with other support to the applicable P-Card administrative staff.

Provide adequate internal guidance for P-Card operations	
• Written procedures will be updated and revised to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current $1,000 capitalization threshold for tangible personal property.	✓ NCS revised its internal P-Card procedures to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current $1,000 capitalization threshold for tangible personal property.

UTILITY BUSINESS AND CUSTOMER SERVICES

Enhance managerial review of P-Card activity	
• Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	✓ As designated by the department director, the administrative service manager generates a report from the PeopleSoft P-Card module on a monthly basis. The manager reviews the report to ascertain, among other things, the volume and reasonableness of monthly P-Card activities of the department.

Segregate incompatible duties	
• The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	✓ Receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders has been re-assigned to a staff that has no coding capability.

Improve physical security over P-Card records	
• P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff is temporarily away from their workstations.	✓ P-Card records with sensitive cardholder information are now maintained securely in a locked file cabinet. Those P-Card records are no longer left exposed on desks or in inboxes at employee workstations.
• Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	✓ Even when delivered in person, P-Card monthly statements and related support are now being transmitted between staff in sealed envelopes.
• P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	■ P-Card administrative staff and cardholders were reminded to ensure that card account numbers are completely redacted from P-Card support scanned and stored in EDMS. However, our follow-up review showed that cardholder account numbers are still not completely redacted from all P-Card support recently and previously (prior to our initial audit) scanned and stored in EDMS. UBCS management should take actions to ensure proper redaction of cardholder account numbers.
• Cardholders will be instructed to redact P-card account information on all records scanned into and stored on shared network drives.	✓ Cardholders were instructed during training and at staff meetings to always redact their card numbers from P-Card transaction support before scanning those records into any shared network drive.

Ensure proper execution of and accountability for transactions	
• Management will reinforce to cardholders and their supervisors the requirement that all transactions must be reviewed, and that those supervisory reviews must be documented on both the standard "Visa Charges" form and the cardholder monthly statements.	✓ Cardholders and their supervisors now document the review of their P-Card activity by signing and dating their monthly P-Card statements, as well as the standard "Visa Charges" form.

• Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	✔ During staff meetings and P-Card trainings, cardholders were instructed not to share their P-Cards or account information. In addition, written procedures developed for the P-Card activities within the department prohibit sharing P-Cards and account information among employees.
• In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	✔ Cardholders were instructed that, in the instance they allow others to use their P-Card or account numbers (e.g., emergency situation), they should document the reasons as part of the P-card transaction support.
• Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	✔ Employees were instructed not to split purchases in order to circumvent their assigned transaction and spending limits. Our review showed no splitting of transactions.
• As necessary and to preclude future instances of card sharing and circumvention of transaction/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments	✔ As warranted, management increased some cardholder transaction/credit limits in order to deter card sharing and to deter cardholders from circumventing their transaction/spending limits.
• To also preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	✔ Management continues to assess the department P-Card needs to ensure that P-Cards are issued only to those who need to make P-Card purchases.
• Cardholders and their supervisors will be reminded that competitive procurement practices will be used for applicable purchases exceeding the $1,000 threshold. Documentation will be retained (e.g., evidence of competitive quotes) for those purchases.	✔ Management reminded cardholders and their supervisors to always obtain and document at least three quotes for purchases exceeding the $1,000 threshold. Our follow-up review showed that employees are obtaining and documenting required quotes for transactions exceeding the $1,000 threshold.
• P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	✔ P-Card coders have been reminded to always code transactions correctly and accurately to appropriate accounts in the PeopleSoft P-Card module. Our follow-up review showed that transactions are being coded to appropriate accounts.
• Cardholders and applicable administrative staff will be reminded of the requirements to: (1) not pay state sales taxes, (2) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, and (3) obtain adequate and detailed receipts for restaurant purchases that specify the items purchased.	■ Cardholders and applicable administrative staff were reminded at staff meetings and during trainings to (1) not pay Florida sales taxes, (2) to make appropriate efforts to recover paid Florida sales taxes, and (3) always obtain adequate and detailed receipts for food purchases. However, our follow-up review showed that a detailed receipt was not obtained for a restaurant purchase. Management should ensure that adequate support is obtained for food purchases.
Reduce the risk of duplicate payments	
• A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	✔ Stamps indicating "Paid By City P-Card" were acquired and distributed to all applicable staff within the department. The stamps are being consistently used to mark all paid invoices.

Ensure proper reviews of monthly cardholder statements	
• Management will require that cardholders and their supervisors properly and timely sign and date monthly cardholder statements.	✔ The department implemented procedures whereby each cardholder statement must be reviewed and signed by both the cardholder and the cardholder's supervisor. Our follow-up review of the monthly statements showed that they had been properly reviewed and approved by the cardholders and their supervisors. Their signatures indicating review/approval were properly dated.
Ensure adequate documentation is retained	
• Cardholders and P-Card administrative staff will be reminded to obtain and retain (through scanning into EDMS) adequate support for each P-card purchase.	✔ Cardholders and P-Card administrative staff were reminded to always obtain and retain adequate support for each P-Card purchase. Our follow-up review showed that adequate support was obtained and stored in EDMS.
Provide adequate internal guidance for P-Card operations	
• Written procedures will be updated and revised to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current $1,000 capitalization threshold for tangible personal property.	✔ The department revised its internal P-Card procedures to reflect (1) the processes relating to the PeopleSoft P-Card module and (2) the current $1,000 capitalization threshold for tangible personal property.

Information Systems Services

Enhance managerial review of P-Card activity	
• Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	✔ The department director reviews all cardholder monthly statements to ascertain, among other things, the volume and reasonableness of department P-Card activities before signing those statements. Occasionally, at the department director's request, the administrative assistant generates a report from the PeopleSoft P-Card module showing department P-Card activity. The report is provided to the director for his review.
Segregate incompatible duties	
• The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	✔ Receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders has been re-assigned to staff that has no coding capability.
Improve physical security over P-Card information	
• Except when delivered in person, support for P-Card purchases (invoices, receipts, etc.) will be transmitted from cardholders to P-Card coders in sealed envelopes. Those records will no longer be placed in an unsecured common area.	✔ P-Card monthly statements and related support are now transmitted between staff in sealed envelopes.
• P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	✔ P-card records with sensitive cardholder information are now maintained securely in a locked file cabinet. When not in sealed envelopes, those P-Card records are no longer left on employee desks or in employee inboxes.

• P-Card records, including monthly statements and related support, will continue to be scanned into EDMS. Those records will no longer be stored in unlocked file cabinets or drawers that are accessible to all ISS employees.	✔ P-Card records are now being consistently scanned and stored in EDMS. The records are no longer being stored in unlocked file cabinets or drawers that are accessible to all ISS employees.
Ensure proper execution of and accountability for transactions	
• Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	✔ During staff meetings and P-Card trainings, cardholders were instructed not to share their P-Cards or account information. In addition, written procedures developed for the P-Card activities within the Office prohibit sharing P-Cards and account information among employees.
• In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	✔ Cardholders were also instructed that, in the event they allow others to use their P-Card or account numbers (e.g., emergency situation), they should document the reasons as part of the P-Card transaction support. In addition, written procedures developed for the P-Card activities stipulated this requirement.
• Employees will be instructed to not split purchases in order to circumvent their assigned transaction or spending limits.	✔ Employees were instructed not to split purchases in order to circumvent their assigned transaction and spending limits. In addition, written procedures developed for the P-Card activities within the department prohibit splitting of P-Card transactions to circumvent spending/transaction limits. Our follow-up review showed no evidence of split transactions.
• Purchases exceeding the $10,000 threshold will be made through the PeopleSoft Financials purchase requisition process or through the City's check request process. As provided by the City P-Card policy, P-Cards will not be used for purchases of $10,000 or more.	✔ We noted from our review and inquiry that P-Cards were not used to make purchases exceeding the $10,000 threshold. Such purchases were properly made through the PeopleSoft Financials purchase requisition process.
• As necessary and to preclude future instances of card sharing and circumvention of transaction/spending limits, applicable cardholder transaction and spending limits will be revised to allow those employees to make purchases commensurate with their job assignments.	✔ Management occasionally reviews cardholders' credit limits. Where appropriate and as needed, the department director will increase transaction and/or credit limits. In addition, cardholders were reminded that, rather than splitting purchases, they should request transaction/credit limit increases or request that one of the administrative staff (usually with a higher spending limit) make the purchases on their behalf.
• Future food purchases will be made only for authorized City functions and events in accordance with the City Manager's Food Guidelines.	✔ Our follow-up review showed that food purchases were made only for authorized City functions and events in accordance with the City Manager's Food Guidelines.
• P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	■ P-Card coders were reminded to always code transactions correctly and accurately to appropriate accounts in the PeopleSoft P-Card module. However, the result of our follow up review showed that one of the two transactions reviewed was not coded to the appropriate account. ISS management should emphasize the importance of properly and accurately coding of transactions.

• A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	✔ A standard procedure for documenting receipt of goods and services purchased online or over the phone has been adopted. Employees were instructed to obtain and retain packing slips and/or order confirmations (e.g., e-mails) for shipment of goods. Our follow-up review showed that employees are complying with this requirement.
• Disputed charges will be timely resolved. Assistance in resolution will be requested from DMA P-Card administrative staff as needed to ensure timely resolution.	✔ In addition to the applicable provision within the department's internal P-Card procedures, at staff meetings and during trainings, cardholders and coders were instructed to timely resolve any disputed charges with vendors. If necessary, assistance in recovering the disputed charges will be requested from DMA P-Card administrative staff.
• Reasonable and documented efforts will be made to recover the $540 in state sales taxes paid.	✔ The $540 Florida sales tax incorrectly paid to a vendor has been recovered.
• The cost of the specialized air conditioning unit will be reported to Accounting Services for capitalization purposes.	✔ The cost of the specialized air conditioning unit has been reported to Accounting Services for capitalization purposes. We confirmed that Accounting Services has capitalized the cost of the item.
• Cardholders and applicable administrative staff will be reminded of the requirements to: (1) timely cancel P-cards of terminating employees, (2) not pay state sales taxes, (3) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made, (4) retain evidence of competitive quotes, (5) properly report fixed asset purchases to Accounting Services, (6) obtain adequate and detailed receipts for food purchases that specify the items purchased, (7) document attendees at authorized events to justify quantities of food obtained, and (8) document that incidental communication costs paid from City funds during travel and training were incurred for authorized City business.	✔ Applicable staff was reminded of the noted requirements through various staff meetings and through the recently distributed internal procedures.
Reduce the risk of duplicate payments	
• A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	✔ Stamps indicating "Paid By City P-Card" were acquired and distributed to all applicable staff within the department. The stamps are being consistently used to mark all paid invoices.
Ensure proper reviews of monthly cardholder statements	
• Management will reinforce to cardholders and their supervisors the requirement that monthly cardholder statements be properly and timely signed and dated.	✔ Management has instructed cardholders and their supervisors to always review, sign, and date monthly statements. Our follow-up review showed this practice is being followed.

Human Resources

Restrict access to sensitive account information

• Cardholders will submit their P-Card records (monthly statements and related support) to the department director's executive secretary in sealed envelopes.	✔ All cardholders have been instructed to submit their P-Card records to the department director's executive secretary or their applicable supervisor in sealed envelopes. Our follow-up review showed that P-Card records are being transmitted in sealed envelopes.
• The sealed envelopes containing cardholders' P-Card records and support will be opened only by the department director (or the cardholder's supervisor) when the director/supervisor initiates the review of the related P-card activity.	✔ Only the director/supervisor now opens the sealed envelopes containing P-Card records.

Enhance managerial review of P-Card activity

• Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders. Management will review those reports to ascertain the volume and reasonableness of monthly P-Card purchases.	✔ A staff designated by the department director now generates a report from the PeopleSoft P-Card module on a monthly basis. The staff reviews the report to ascertain, among other things, the volume and reasonableness of monthly P-Card activity within the department.

Segregate incompatible duties

• The receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders for their review and approval will be reassigned to someone other than staff with P-Card coding permissions.	✔ Receipt of monthly cardholder statements from DMA and distribution of those statements to cardholders has been re-assigned to staff that has no coding capability.

Improve physical security over P-Card records

• P-Card records will be maintained in locked file cabinets when staff (e.g., cardholders or coders) in custody of those records must leave their workstations unattended. Those records will not be left on desks, in inboxes, etc., when applicable staff are temporarily away from their workstations.	✔ P-card records with sensitive cardholder information are now maintained securely in a locked file cabinet. When not in sealed envelopes, those P-Card records are no longer left on employee desks or in employee inboxes.

Ensure proper execution of and accountability for transactions

• Employees will be instructed to not provide their P-Card or account information to other employees to make purchases.	✔ During staff meetings and during P-Card trainings, cardholders were instructed not to share their P-Cards or account information. In addition, recently revised written procedures prohibit sharing P-Cards and account information among employees.
• In the event a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance).	✔ Cardholders were instructed not to share their P-Cards with other employees under any circumstances.
• As necessary and to preclude future instances of card sharing, additional employees will be provided P-Cards in their names so as to allow those employees to make purchases commensurate with their job assignments.	✔ Management continues to assess the department P-Card needs to ensure that P-Cards are issued only to those who need to make P-Card purchases.

• A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	✔ A standard procedure for documenting receipt of goods and services purchased online or over the phone has been adopted. Employees were instructed to obtain and retain packing slips and/or order confirmation (email) of shipment of goods. Our follow-up review showed that employees are complying with this requirement.
• Cardholders and applicable administrative staff will be reminded of the requirements to: (1) not pay state sales taxes and (2) make reasonable efforts to recover state sales taxes when paid and document those efforts when recovery is not made.	✔ Cardholders and applicable administrative staff were reminded at staff meetings and during trainings (1) not to pay Florida sales tax and (2) to make appropriate efforts to recover paid Florida sales taxes. The recently revised internal P-Card procedure addresses this issue.

Reduce the risk of duplicate payments	
• A stamp indicating payment by "City P-Card" will be obtained and used to mark each vendor invoice paid by City P-Card.	✔ Stamps indicating "Paid By City P-Card" were acquired and distributed to applicable staff within the department. The stamps are being consistently used to mark all paid invoices.

Ensure proper reviews of monthly cardholder statements	
• Cardholders and supervisors will date their signatures on monthly cardholder statements.	✔ Cardholders and supervisors are now consistently dating their signature on monthly cardholder statements.

Parks and Recreation

Enhance managerial review of P-Card activity	
• Through query of the PeopleSoft P-Card module, department management will obtain records reflecting monthly P-Card activity of department cardholders.	✔ As designated by the department director, the administrative service manager generates a report from the PeopleSoft P-Card module on a monthly basis.
• Once obtained, applicable management staff will review the PeopleSoft report that reflects monthly P-Card purchases. The staff should ascertain the volume and reasonableness of that month's P-Card purchases.	✔ After retrieving monthly reports of the department's P-Card activity from the PeopleSoft P-Card module, the administrative service manager reviews the report to ascertain, among other things, the volume and reasonableness of monthly P-Card activities of the department.

Segregate incompatible duties	
• P-Card system coding permissions will be removed from the employee that receives monthly cardholder statements from DMA and distributes those statements to cardholders for their review and approval.	✔ The staff that receives monthly cardholder statements from DMA and distributes those statements to cardholders no longer has coding capabilities.

Improve physical security over P-Card records	
• Except when delivered in person, monthly statements and related support (invoices, receipts, etc.) will be transmitted between cardholders, supervisors, and P-Card coders in sealed envelopes.	✔ P-Card monthly statements and related support are now being transmitted between staff in sealed envelopes.
• P-Card coders will place purchase support (invoices, receipts, etc.) in locked file cabinets or drawers upon receipt from cardholders. Those records will not remain in unsecured inboxes or on desktops when the coders are temporarily away from their workstations.	✔ Upon receipt from cardholders and prior to coding transactions in the system, P-Card records with sensitive cardholder information are now maintained securely in a locked file cabinet. In addition, staff was instructed not to leave P-Card support with sensitive information on their desks or inboxes when away from their workstations.

• Once coding is completed and prior to scanning into the EDMS P-Card module, P-Card records (monthly statements and related support) will be stored in locked cabinets with access restricted to appropriate P-Card coders and other administrative staff.	✔ After coding transactions in the system and prior to being scanned and stored into EDMS, P-Card records with sensitive cardholder information are now being maintained securely in a locked file cabinet.
• P-Card administrative staff will ensure that cardholder account numbers are adequately and completely redacted on all records that (1) will be scanned into the EDMS P-Card module by department staff and (2) are submitted as payment support for records that will be ultimately scanned into the EDMS contracts and payment module by Treasurer-Clerk staff (e.g., support for travel and training related expenses paid by City P-Card).	✔ P-Card administrative staff and cardholders were reminded to ensure that cardholder account numbers are completely redacted from P-Card records scanned and stored in EDMS. Our follow-up review showed that cardholder account numbers have been completely redacted from all P-Card records recently and previously (prior to our initial audit) scanned and stored in EDMS.
Ensure proper execution of and accountability for transactions	
• Future food purchases will be made only for authorized City functions and events in accordance with the City Manager's Food Guidelines.	✔ The result of our follow up review showed that food purchases were made only for authorized City functions and events and in accordance with the City Manager's Food Guidelines.
• A standard method of documenting receipt of goods and services purchased online or by telephone, and paid for by P-Card prior to receipt of the items, will be developed. Once developed, receipt of all items purchased in that manner will be documented through that method.	✔ A standard procedure for documenting receipt of goods and services purchased online or over the phone has been adopted. Employees were instructed to obtain and retain packing slips and/or other documentation showing receipt of goods. In addition, cardholders are required to sign the visa form to attest that they received the purchased goods or services.
• P-Card coders will be instructed to correctly and accurately code transactions in the PeopleSoft P-Card module.	✔ P-Card coders have been reminded to code transactions correctly and accurately and to the appropriate account in the PeopleSoft P-Card module. Our follow-up review showed that transactions are being coded to appropriate accounts.
• Management will reinforce to cardholders and their supervisors the requirement that all transactions must be reviewed, and that those supervisory reviews must be documented on both the standard "Procurement Card Receiving Forms" form and the cardholder monthly statements.	✔ Management has instructed cardholders and their supervisors to always review their P-Card transactions. Our follow-up review showed that cardholders and their supervisors are documenting their reviews.
• The cost of the playground covering will be reported to Accounting Services for capitalization and tagging purposes. Upon receipt from Accounting Services, a City property tag will be attached to that asset.	✔ The cost of the playground covering has been reported to Accounting Services for capitalization and tagging purposes. Our follow-up review showed that the playground covering has been capitalized and the tag has been appropriately placed on the item.
• Cardholders and applicable administrative staff will be reminded of the requirements to (1) timely cancel P-Cards of terminating employees, (2) properly report fixed asset purchases to Accounting Services, and (3) document participants at work-related events to justify quantities of food obtained.	✔ Applicable staff was reminded of the noted requirements through various staff meetings and through the recently distributed revised internal procedures.

14

Ensure proper reviews of monthly cardholder statements	
• P-Card administrative staff will continue the revised processes of (1) reconciling transactions on monthly cardholder statements to related support (vendor invoices, receipts, "Procurement Card Receiving Forms" forms, etc.) and to transactions recorded in the PeopleSoft P-Card module and (2) requiring the return of signed and dated monthly cardholder statements for scanning into EDMS after review and approval by cardholders and their supervisors.	✓ P-Card administrative staff now reconciles P-Card transaction support (such as vendor receipts) to monthly statements obtained from the bank through DMA and to transactions recorded in the PeopleSoft P-Card module. All cardholders and their supervisors are continuing to review, sign, date, and promptly return their P-Card monthly statements to the appropriate administrative staff for scanning into EDMS.
Ensure adequate documentation is retained	
• E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.).	✓ All management e-mails used to request P-Card activity actions (e.g., request for new card, transaction/spending limit increase, card cancellation, etc.) are now being retained.
• Cardholders and P-Card administrative staff will be reminded to obtain and retain (through scanning into EDMS) adequate support for each P-card purchase.	✓ Cardholders and P-Card administrative staff were reminded to always obtain and retain adequate support for each P-Card purchase. Those records are subsequently scanned and stored into EDMS.
Provide adequate internal guidance for P-Card operations	
• Written procedures will be updated and revised to address (1) required processing and coding of transactions in the PeopleSoft P-Card module, (2) receiving, processing, approving, and signing monthly cardholder statements, and (3) completing fixed asset receipt reports and submitting those reports to Accounting Services to ensure the proper recording and tagging of purchased tangible personal property items.	✓ The department revised its internal P-Card procedures to reflect (1) the processes relating to coding of transactions into the PeopleSoft P-Card module, (2) receiving, processing, approving, and signing monthly cardholder statements, and (3) completing fixed asset receipt reports and submitting those reports to Accounting Services to ensure the proper recording and tagging of purchased tangible personal property items.

Table Legend:

• Issue addressed in the original audit

✓ Issue addressed and resolved

■ Actions initiated but not completed; issue referred to management to ensure proper resolution and disposition

Significant Outstanding Issues

As described in Table 1 above, management has been successful in completing the majority (95%) of the action plan steps that were due to date. Only 5 of the 93 action plan steps were not completed. Those five steps, which are being referred to management to ensure proper resolution and disposition, include the following:

- Completing redaction of cardholder account numbers from P-Card support previously (prior to our initial audit) stored in EDMS. (Two steps – one each at NCS and UBCS)
- Ensuring that staff consistently uses the obtained stamp to mark vendor invoices as "Paid by City P-Card." (NCS)
- Reminding staff to always obtain and retain detailed receipts for food purchases from restaurants. (UBCS)
- Continuing to remind applicable administrative staff to properly and accurately code transactions to the most appropriate accounts. (ISS)

Conclusion

Applicable City departments and offices have completed the majority (88 of 93, or 95%) of action plan steps identified for this audit. The five remaining steps are referred to City management for proper resolution and disposition.

We commend applicable City staff for their efforts and appreciate their assistance during this audit follow-up.

Appointed Officials' Response

City Manager Response:

I am pleased to see that 95% of the action plan steps are complete and staff has ensured me that the remaining 5% have already been addressed. Staff's efforts to ensure proper resolution and disposition of identified risk, reflects management's continuous commitment to ensure that adequate procedures and safeguards are in place to increase the effectiveness and security of this program. I appreciate the hard work by the City Auditor's Office and all of the Departments involved in this audit.

City Treasurer-Clerk Response:

We are very pleased that the two action plan recommendations for the Treasurer-Clerk's Office have been completed. The EDMS Business Rules have been added to the Treasurer-Clerk Records Management Division's website and EDMS access for the three unauthorized employees has been removed.