



GREGORY C. HARRELL
CLERK OF COURT AND COMPTROLLER – MARION COUNTY, FLORIDA

**Procurement Card Review
October 2021 – December 2021**

Report No. 2022-06

June 28, 2022

Issued To:

The Honorable Board of County Commissioners
Mounir Bouyounes, County Administrator

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ABBREVIATIONS

Marion County Board of County Commissioners	BCC
Marion County Board of County Commissioners Issued Procurement Card	PCard
Marion County Board of County Commissioners Procurement Policies and Procedures Manual	Procurement Manual
Microsoft Excel	Excel
Procurement Services Business Service Specialist	BSS
Procurement Services Department	Procurement
Segregation of Duties	SOD
Truist Enterprise Spending Platform	ESP
Tyler Munis Enterprise Resource Platform	Tyler

EXECUTIVE SUMMARY

On January 29, 2019, the Internal Audit Director informed Department Directors and senior management that the Internal Audit Department was implementing a continuous audit of Marion County Board of County Commissioners issued Procurement Card (PCard) transactions. This is the second review under the continuous audit plan.

We reviewed the following areas:

- Employees who paid for travel with a PCard did not receive reimbursement for the same travel expense. (No Exceptions)
- Purchases were exempt from paying Florida state and local sales tax. (No Exceptions)
- Receipts were accounted for and legible. (No Exceptions)
- All purchases were approved in the Tyler Munis Enterprise Resource Platform (Tyler) software. (No Exceptions)
- Marion County Board of County Commissioners Procurement Policies and Procedures Manual (Procurement Manual) process was followed for purchases that required quotes. (No Exceptions)
- Orders were shipped to the Marion County Board of County Commissioners (BCC) location.
- Purchases were for a business purpose, especially from high-risk vendors.
- Controls over the PCard process.

Overall, we found that the controls were well designed, functioning as intended, and that the purchases reviewed were for allowable expenses. We found opportunities for improvement to strengthen internal controls by documenting additional procedures in the Procurement Manual and implementing appropriate segregation of duties (SOD) (Table 1). Procurement Services Department (Procurement) Management concurred with our recommendations and provided a management response for each observation.

Table 1 Overview of Opportunities for Improvement			
#	Summary	Recommendation	Management Response
1	Documentation of a business purpose for PCard purchases and review of its reasonableness should be required.	Procurement Management should: <ul style="list-style-type: none"> • require the PCard holder to document business purpose. • provide appropriate oversight, such as performing random checks of the purchase documentation, to ensure the Procurement Services Business Service Specialist (BSS) perform an adequate review. 	Concur (To be implemented in August 2022)

Table 1 Overview of Opportunities for Improvement			
#	Summary	Recommendation	Management Response
2	There should be appropriate SOD of key processes.	Procurement Management should assign an individual separate from the PCard invoice data entry to perform the PCard transactions export/import process.	Concur (Implemented)
3	All PCard purchase deliveries should be shipped to a BCC location.	Procurement Management should update the Procurement Manual to include that all orders placed with a PCard for delivery are required to be shipped to an appropriate BCC location.	Concur (To be implemented in August 2022)
4	Procedures in place upon separation of employment should be documented in the Procurement Manual.	Procurement Management should update the Procurement Manual to reflect the process in place when employees separate from employment with the BCC.	Concur (To be implemented in August 2022)

It is important to emphasize that this audit does not guarantee that all areas for improvement were noted. Noncompliance or irregularities not included in this report could exist because this audit did not include a review of all the transactions between October 1, 2021 through December 31, 2021.

We would like to thank Procurement and the PCard holders for their cooperation and assistance throughout this review.

BACKGROUND

The BCC contracted with Truist Bank for the service and application of the PCard program. The purpose of the PCard is to add efficiency to the purchasing process by enabling BCC staff to make purchases of approved commodities and services directly from a vendor. Procurement provides training to all PCard holders and informs each PCard holder that the Procurement Manual is available on the Intranet to ensure the expectation of having a PCard is clear.

The BCC, Procurement, and the Clerk of Court monitor the performance of the PCard program; however, the ultimate responsibility for compliance with the Procurement Manual is at the individual PCard holder and department management level.

OBJECTIVE, SCOPE, AND APPROACH

The objectives of the audit were to determine:

- that PCard purchases were not fraudulent or misused;
- that purchases were compliant with the Procurement Manual; and
- if there were adequate internal controls over the county's PCard process.

Our scope was PCard transactions between October 1, 2021 through December 31, 2021. We performed data analyses, conducted random sampling, and made inquiries to various employees.

Comparison of Total Transactions to Transactions Reviewed		
October 1, 2021 - December 31, 2021	Population	Sample
Number of Transactions	3,938	197
Dollar Amount of Transactions	\$2,157,588.61	\$139,322.16
Average Transaction Dollar Amount	\$547.89	\$707.22

OPPORTUNITIES FOR IMPROVEMENT

Observation 1 - Documentation of a business purpose for PCard purchase and review of its reasonableness should be required.

We observed that 15 out of 197 purchases did not have business purposes documented for the items that can be commonly used for personal purposes.

The following summarizes the purchases we observed.

- Audio cables
- Batteries
- Bounce house
- Polo shirts
- Publix for food, food items, and Uber gift card
- SD card
- Shipping and certified mail charges
- Tools and caulk

We discussed each purchase with the Procurement Supervisor. The Supervisor agreed that there should have been a better description of why or how the items were necessary for BCC business and that the BSS should have followed up.

Each PCard holder provided an adequate business purpose for each purchase upon our inquiry.

The Procurement Manual requires a documented description for each item but not a business purpose. BSS is responsible for reviewing each PCard receipt for appropriateness; however, the appropriateness of purchases, especially for items which can be commonly used for personal purposes, cannot be determined without knowing the business purpose. For a control to be effectively implemented, it must be effectively designed.

We recommend the Procurement Manual be updated to require the PCard holder to document business purpose. We made the same recommendation in Report 2020-08, published on June 25, 2020. Procurement Management concurred with the recommendation, but it was not implemented.

We also recommend that the Procurement Management provide appropriate oversight such as, performing random checks of the purchase documentation, to ensure the BSS perform an adequate review.

Management Response: Procurement is updating the policies and procedures to reflect the current practice of requiring the PCard holder to document a business purpose. There is a current practice in place for the Supervisor to conduct random checks of the purchase documentation. Procurement will ensure that is documented in the Standard Operating Procedures for that position.

Observation 2 - There should be appropriate SOD of key processes.

The BCC contracted with Truist for the commercial credit card program. PCard transactions are automatically posted to the Truist Enterprise Spending Platform (ESP) software when a purchase is made. Tyler is the BCC's county-wide financial management software. The two software are not compatible, resulting in a manual export/import process of the transactions.

A certain BSS exports the PCard transactions in ESP and downloads the transactions to Microsoft Excel (Excel), converts the Excel transactions to a format recognized by Tyler, and imports the transactions to Tyler. When the transactions are in Excel before being imported to Tyler, they are editable.

The same BSS assigned to perform the export/import process also performs the PCard invoice data entry and receipt upload in Tyler for the Administration, BCC/Commission, and MSTU departments.

A BSS who is assigned to the export/import process should not perform PCard data entry in Tyler under the concept of SOD. If colluded with a PCard holder, such conflicting duties create an opportunity to falsify PCard data and supporting documentation that would be difficult for management and the reviewers to prevent or detect.

Access to ESP is restricted to Procurement Management and a select BSS only. Departmental approvers and Finance staff rely on the data in Tyler to be accurate for review and approval of PCard transactions; therefore, it is important that SOD is maintained.

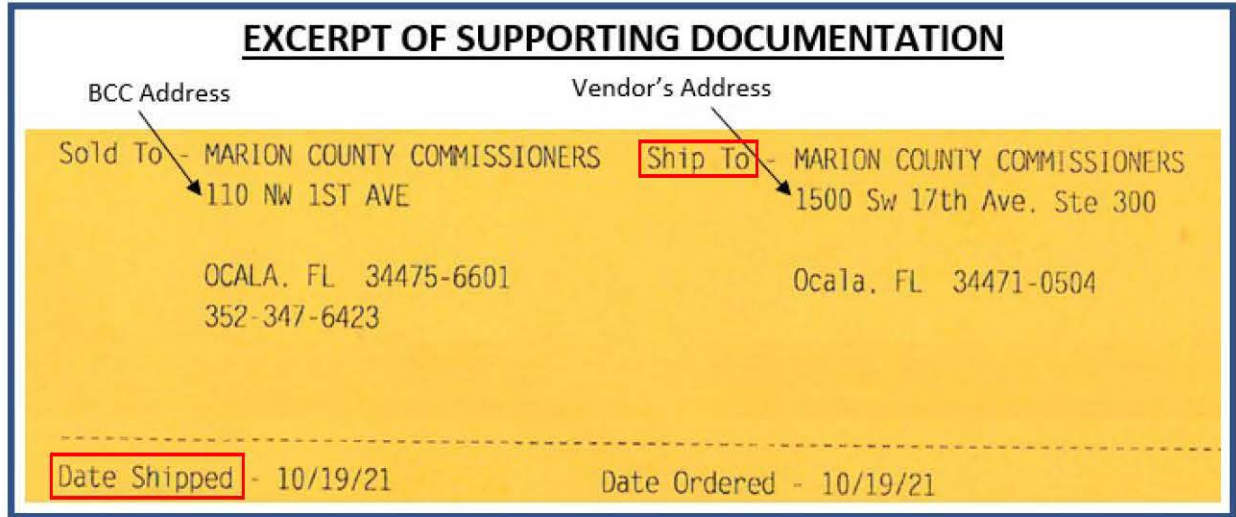
The Association of International Certified Professional Accountants states that fraud risks are far less manageable without the SOD of key processes.

We recommend that Procurement Management segregate the processes of PCard transaction export/import and the PCard invoice data entry into Tyler.

Management Response: This is currently in practice with the Vendor Liaison importing the transactions from the banking application. As a backup, the Director and Procurement Manager also have the ability to import the transactions.

Observation 3 – All orders placed with a PCard for delivery should be shipped to a BCC location.

The supporting documentation for a purchase did not clearly state that the purchase was picked-up by the PCard holder. The supporting documentation (see below) appeared as if the items were shipped to the vendor's address.



The Procurement Manual does not address that all orders are required to be shipped to BCC locations and that vendors should have the BCC's address on file. The Procurement Management asserted that their expectation is that all items must be received at a BCC location when shipped.

To prevent errors and avoid confusion, the BCC's shipping address should be on file with the vendors. If the items were picked up, it should be indicated on the supporting documentation.

We recommend that the Procurement Manual be updated to include:

- All orders for delivery must be shipped to an appropriate BCC location; and
- PCard holders are responsible for updating and making sure that the vendors have the correct shipping address on file. If the vendor cannot change the address, then the delivery method should be documented on the receipt.

Management Response: The Procurement Manual will be updated to include that all orders that are shipped as a result of a PCard purchase will only be shipped to an appropriate BCC location. In addition, the manual update will include requirements for the PCard holders to updating correct shipping addresses on file.

Observation 4 – Procedures in place upon separation of employment should be documented in the Procurement Manual.

When a new PCard is issued, due to system limitations of Tyler, the PCard information cannot be entered into Tyler until there is a purchase associated with the PCard.

When an employee separates from employment, the Department Director is responsible for collecting and turning the PCard over to Procurement. The Department Director may rely on the data in Tyler, which would not include PCard information for unused PCards.

Procurement Management was aware of the risk of the Department Director not knowing whether a PCard had been issued to an employee upon separation and implemented compensating controls to ensure timely cancellation.

Procurement Management receives a weekly report from Human Resources and a real-time Personnel Action Notification from Tyler when employees separate from employment. Procurement Management use the information to check against the ESP data. The ESP data stores PCard information as soon as the PCard is issued, regardless of if there is a purchase associated with the PCard.

We commend Procurement Management for recognizing this risk and implementing compensating controls to mitigate the risk. However, the Procurement Manual does not reflect this verification process. Documentation of procedures strengthens internal controls by specifying responsibilities and adding accountability and ensures that the controls will remain in place and effective.

We recommend that the Procurement Management update the Procurement Manual to reflect the process in place when employees separate from employment with the BCC to ensure a transfer of knowledge.

Management Response: There is currently a process in place for when an employee leaves employment or is transferred to another department. Procurement will further clarify the enhanced process in place which involves notification from HR and Tyler Munis regarding employee status. Procurement will further clarify the specific process taken for the PCard Administrator in the Banking system in order to disable the card.

REPORT DISTRIBUTION LIST

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