



MARION COUNTY FIRE RESCUE PURCHASING CARD AUDIT

Report No. 2020-08

Presented To
The Honorable Board of County Commissioners
Mounir Bouyounes, County Administrator

June 25, 2020

Issued By
David R. Ellspermann, Clerk of the Circuit Court and Comptroller
Sachiko H. León, CPA, CIA, CISA, CRMA, CGAP, Internal Audit Director

ENGAGEMENT TEAM

Heather Ewing, CIA, CFE, Internal Audit Manager
Andrew Gibb, Auditor II
Aracelis Maldonado, Auditor II

REPORT ABBREVIATIONS AND TERMS

Terminology	Abbreviation
Collective Bargaining Agreement Between The Marion County Board of County Commissioners and The Professional Firefighters of Marion County Supervisory Unit (Effective October 1, 2015 to September 30, 2018)	Union Contract
Collective Bargaining Agreement Between The Marion County Board of County Commissioners and The Professional Firefighters of Marion County Rank & File Unit International Association of Firefighters Local #3169 (Effective October 1, 2018 to September 30, 2021)	
Human Resources	HR
Marion County Board of County Commissioners Procurement Policies and Procedures Manual	Procurement Manual
Marion County	County
Marion County Board of County Commissioners	BCC
Marion County Fire Rescue	MCFR
MCFR Logistics Division	Logistics
Procurement Card	PCard
Procurement Services	Procurement
SunTrust Enterprise Spending Platform	ESP

EXECUTIVE SUMMARY

On January 29, 2019, the Internal Audit Director informed the Marion County Board of County Commissioners (BCC) department directors that Internal Audit was commencing a continuous audit of randomly selected procurement card (PCard) transactions. Based on our preliminary assessment, we found that there was a lack of oversight and inadequate separation of duties over the purchasing process within the Marion County Fire Rescue (MCFR) Logistics Division (Logistics). We therefore narrowed our scope from the County-wide audit to MCFR.

Overall, we concluded that the MCFR PCard purchasing process lacked adequate internal controls to mitigate the risk of abuse or misuse of the program. Internal controls, when implemented and enforced, will provide reasonable assurance that the PCard process is being used as intended. We recommend that policies and procedures be enhanced at both the departmental and County level.

It is the responsibility of the department head, the Fire Chief in this case, to provide management oversight and to enforce policies for the operations of the department. The Fire Chief should ensure that departmental policies and procedures over the PCard process are created, implemented, and operate effectively.

Throughout the audit, we communicated our concerns and findings with the departmental management. The Procurement Services (Procurement) Director and Fire Chief agreed with our determination of the lack of adequate internal controls and its risk to the County.

The recommendations of this audit were a result of observations from a specific point in time. All recommendations contained in this report were either implemented or in the process of implementation (see Table 1).

We appreciate the cooperation and support of Procurement and MCFR management and staff during this review. Management was eager to know areas of improvement and took immediate action to improve oversight and strengthen internal controls. We would especially like to thank the Logistics Division Chief and the Deputy Fire Chief for their assistance and taking the extended time to ensure we were able to access all locations.

This audit does not guarantee that all areas for improvement were noted. Our focus was not on the amount of financial errors which we found based on our testing, but rather on the adequacy of the internal controls. Noncompliance or irregularities not included in this report could exist because this audit did not include a review of all records and actions of the department.

We omitted some details from this report because we turned over certain findings to law enforcement for criminal investigation, which made the omission necessary pending its outcome. Omissions of the details did not alter any recommendations of the process and internal control improvements which we believe to help the future operations.

Table 1
Overview of Opportunities for Improvement

#	Observation	Recommendation	Management Response (Implementation Status)
1	Purchase history reflected incorrect cardholder name in the SunTrust Enterprise Spending Platform (ESP) due to the reassignment of PCards.	Procurement follow existing policies and procedures and issue a new PCard when a different employee needs to be assigned to a project PCard to maintain the integrity and accuracy of the cardholder assignment to purchase history.	Concur (In process of implementation)
2	There were PCards which were not canceled timely. A Procurement employee had inadvertently given a MCFR employee access to the ESP control account. There were terminated employees on the System Administrators list maintained by SunTrust.	Procurement: • collaborate with Human Resources (HR) to determine the responsible party for notifying Procurement of separation of employment for employees with PCards and implement a County-wide procedure; • create a departmental procedure documenting the staff's responsibility upon receiving a notice of separation of employment; and • verify with SunTrust every six months the individuals who have administrator rights in writing.	Concur (Implemented)
3	Logistics needed better processes or procedures over the ordering, receiving, stocking, and distribution of items to the fire station living quarters.	MCFR: • implement a system to track stock items; • limit access to the stocked items; and • periodically reconcile actual stock levels to control records.	Concur (Implemented)
4	Each receipt needs a clear description or reason for the purchase.	MCFR create a review process which ensures reasonable assurance that all purchases by PCard holders have legitimate County purpose. Procurement enhance the Procurement Manual to require all purchases to include a clear description or reason for the purchase.	Concur (In process of implementation)
5	Documentation of academic grades of the MCFR employees who participate in the Paramedic Tuition Program is necessary.	MCFR: • require students to submit their grades prior to paying for the next semester; and • create and document processes to ensure PCard holders who pay Paramedic Tuition comply with the Union Contract's requirements.	Concur (In process of implementation)

BACKGROUND

Logistics, under the MCFR Support Services Division, orders, stocks, and distributes items to the fire stations including the living quarters. All other MCFR purchases are made by the designated MCFR staff.

The BCC contracted with SunTrust Bank for the County PCard program. ESP is the web-based system that contains PCard usage information and is a tool for managing the PCard program.

Procurement works with individual departments to ensure a transparent purchasing program. The Procurement Manual describes day-to-day requirements of the County's procurement process to promote efficiency and effectiveness and provides the County with a process that is uniformed and transparent. Ultimate responsibility for compliance with the Procurement Manual is at the individual department management level.

To ensure proper oversight and review at the department level, departmental management should create, document, and implement department specific internal controls for oversight and review of purchases made.

OBJECTIVE, SCOPE AND APPROACH

The objective of the audit was to determine if there were adequate internal controls over MCFR's PCard process.

Our scope was MCFR PCard transactions between October 1, 2017 through January 31, 2019. We conducted data analyses, random sampling, inquiries and interviews to various employees, as well as multiple site visits.

We used the following testing criteria:

1. PCard use was compliant with the Procurement Manual
2. PCard purchases had valid County purpose
3. Evaluation of the existing MCFR PCard process

OPPORTUNITIES FOR IMPROVEMENT

Observation 1 – Purchase history reflected incorrect cardholder name in the SunTrust Enterprise Spending Platform (ESP) due to the reassignment of PCards

When the Logistics Captain position had a turnover, Procurement did not cancel the existing project PCards to issue new project PCards. Instead, the existing project PCards were unmapped (removed assignment) from the prior Logistics Captain and then mapped (assigned) to the new Logistics Captain.

When a PCard is re-mapped in ESP, ESP retroactively changes all transactions associated with the previous PCard user to the new user's name and makes it appear as if the new user made all the purchases. As a result, the purchaser's information in the ESP data was inaccurate.

The mapping feature is useful when a card is lost or stolen, and a new card is issued to the same cardholder. However, a SunTrust representative stated that PCards should not be un-mapped and re-mapped to another user because it changes the prior cardholder assignment to purchase history which creates inaccurate data and makes monitoring and reviewing difficult.

The Procurement Manual states that when an employee is transferred, any PCards and cancellation notice forms should be sent to Procurement for cancellation and proper disposal.

We recommend that Procurement follow existing policies and procedures and issue a new PCard when a different employee needs to be assigned to a project PCard.

Management Response: Concur Implementation Status: In Process of Implementation

We do understand that how we have handled project cards in the past, is not a best practice and while we do agree we can delete most of the project cards; there are some that just cannot be canceled. Currently we have 48 project cards. We have reviewed all project cards and are recommending keeping the following active:

Procurement – Emergency Card (utilized during disasters. The card is only utilized by Susan Olsen or Becky Jayne in an emergency situation);

Administration – EMRF (Card is utilized by all departments to spend employee morale money) Cards; two exist so there is enough; and

Fire Rescue – (2) Task Force Cards (card are utilized when the task force is deployed; sometimes going to multiple events).

In the cases listed above, cards will be assigned to one person in the department; should

that person leave, then the current project card would be cancelled and new ones ordered when and only when it will not leave the department short of cards. For example, we would order new project cards for EMRF but would not cancel old cards until new ones arrived or they would not have any cards to utilize for over a week. All other project cards not listed will be collected and the accounts closed.

Observation 2 – PCards were not canceled timely and certain employees’ access rights in ESP were inappropriate

Timeliness of PCard Cancellation

When an employee who was issued a PCard leaves employment with the County, Procurement assigns the PCard a “deactivated” status which prevents the card from being used but allows for any pending transactions to clear the bank. When all the pending transactions have cleared the bank, Procurement then cancels the card.

Five MCFR employees who were issued PCards ended employment with the County during the audit scope. According to ESP, two of the five PCards were not canceled timely. The table below shows each employee’s separation date in comparison to when the PCards were canceled.

Employee	Termination Date	PCard Cancellation Date	Number of Days
1	7/27/2018	9/12/2018	47
2	1/16/2019	4/22/2019	96

When a PCard is not deactivated immediately or canceled thereafter, the County is exposed to a risk of monetary loss if a terminated employee uses the County PCard for personal use. It is difficult to locate and recover funds from a former employee. Furthermore, allowing PCards to remain in a deactivated status could lead to the PCard being inadvertently or intentionally reactivated.

The Procurement Manual states that when an employee ends his or her employment, the department director must collect the PCard upon cardholder’s termination of employment, or earlier if appropriate. The department must then submit the PCard along with the cancellation notice form to Procurement for cancellation and proper disposal of the PCard. However, there is no departmental procedure for Procurement documenting staff’s responsibility upon receiving a notice of separation of employment. Procurement may receive immediate notification from the department or HR at the time of separation.

Procurement was to receive a weekly report from HR showing employment separations to ensure nobody was missed. A former Procurement employee was responsible for closing out PCards; however, Procurement found that he did not adequately perform this task. The weekly report was also not being sent consistently to Procurement from HR.

ESP administrative and control account assignment error

We found that a MCFR employee had permission to access the control account in ESP for at least the 16 months. Access to the control account should be limited and monitored as it is used for balancing the County’s monthly transactions and to pay the bill to SunTrust.

When we presented our finding to the Procurement Manager, she immediately took

corrective actions and asserted that it was a lack of knowledge of ESP that prompted the MCFR employee to be inadvertently added to the control account.

We also found that there were terminated employees on the System Administrators list maintained by SunTrust. System Administrator rights give permissions to call the bank and make account changes. System permissions are set up by a written request made to SunTrust from the Procurement Director or Manager.

Procurement did not provide adequate management oversight or monitor permissions. Controls that are adequately monitored can lead to preventing or detecting inefficiencies and risks for a proactive resolution. Internal controls that are not monitored tend to deteriorate over time.

We recommend that Procurement:

- collaborate with HR to determine the responsible party for notifying Procurement of separation of employment for employees with PCards and implement a County-wide procedure;
- create a departmental procedure documenting the staff's responsibility upon receiving a notice of separation of employment; and
- verify with SunTrust every six months the individuals who have administrator rights in writing.

Management Response: Concur
Implementation Status: Implemented

This opportunity was corrected as soon as it was brought to our attention. We now receive e-mails from HR daily as well as a weekly report to check against our p-card holders. In addition, System Administrators will be verified by SunTrust every 6 months with confirmation placed in electronic SunTrust file for auditing purposes.

Observation 3 – Effective management oversight and segregation of duties over purchasing and inventory process will improve Logistics’ operations

A key purchasing position in Logistics did not receive effective management oversight over the purchasing process. There was a lack of segregation of duties over the ordering, receiving, stocking, and distribution of items to the fire station living quarters. As a result, the purchases could not be tracked easily, and, in some instances, were not accounted for.

Logistics had a rotating two-year mandatory assignment for Captains to oversee and manage the operations at Logistics. MCFR asserted that not having a permanent management position over Logistics created the risk of the role to be filled by employees who did not have the experience and knowledge to ensure the proper internal controls were in place and functioning over the purchasing and inventory processes. During the audit, MCFR created a permanent Logistics Chief position. Internal Audit agrees with the restructure of the department.

Following is the best practice for management to create, implement, and enforce proper internal controls to reduce error, misuse, or fraud:

- written policies and procedures;
- physical controls to secure and safeguard vulnerable assets;
- periodic reconciliations of assets to control records; and
- segregation of duties to ensure no one individual performs all key aspects of a transaction.

We recommend that MCFR:

- implement a system to track stock items;
- limit access to the stocked items; and
- periodically reconcile actual stock levels to control records.

Management Response: Concur
Implementation Status: Implemented

MCFR support division created a full time civilian Logistics Manager position to oversee the day to day operations and to ensure proper purchasing habits. The position will bring consistency to the daily operations of the purchasing, stocking and distribution of items supplied to the field operational staff.

MCFR logistics has improved the inventory of items by reducing the number of items in stock, having a second member sign for items received and having a consistent way for items to be requested and approved. The purchaser cannot sign for any item in which they order. If a point of sale order is made the purchaser must have another member sign the receipt prior to submitting to procurement.

MCFR currently uses Firehouse software to track items for repair and replacement, moving forward improvements are anticipated with the implementation of the Tyler software.

MCFR is looking at updating the SOG/SOP language for the internal policies; this is done once or twice a year as needed. Further oversight has been moved by changing the approvals for P-card purchases to a higher level supervisor. MCFR has also retrained all staff on the importance of tracking, requesting and approving items for use within our organization.

Observation 4 – Each receipt needs a clear description or reason for the purchase

Some MCFR and Procurement employees did not comply with the Procurement Manual requirement of describing the items purchased over the counter.

The Procurement Manual only requires the item to be described for over the counter purchases. For telephone, fax, or internet orders, the Procurement Manual does not require a description or County purpose.

Not documenting a description or a reason for the purchase creates an opportunity for misuse and/or abuse of the PCard.

A clear description or reason for the purchase documented on each receipt holds each PCard holder accountable for his/her purchase.

We recommend that:

- MCFR create a review process which ensures reasonable assurance that all purchases by PCard holders have legitimate County purpose; and
- Procurement enhance the Procurement Manual to require all purchases to include a clear description or reason for the purchase.

Management Response: Concur

Implementation Status: In Process of Implementation

We feel once the Tyler module for work orders becomes available; most p-card purchases will be tied to a work order for tracking purposes and that in turn will provide all recommended information.

Observation 5 – Employees need to provide report cards as required by the Union Contract for the Paramedic Tuition Program

The Union Contract states that the MCFR Training Division will pay for the semester in advance if appropriate documentation is provided. When a report card shows the student passed their classes, the student is eligible for the next semester's payment. If the student did not pass, the next semester's payment is denied.

MCFR employees did not provide report cards for the Paramedic Tuition Program and the PCard holders making the tuition payments did not ensure that the grades were submitted.

MCFR asserted that they did not collect documentation to show passing grades because the participating college would notify the County if a student drops out or fails. It was also stated that the Paramedic Tuition Program does not provide graded classes because the program is an overall pass or fail program. However, the Deputy Fire Chief subsequently verified that participating colleges provide report cards after each semester with class grades.

MCFR not obtaining verification of grades deviates from the Union Contract for funding the Paramedic Program. If MCFR determines a duplicate payment was made, the Union Contract allows for collection of the payment. The Fire Chief asserted that a duplicate payment would not be made because the MCFR training program is monitored, and management is involved in the progress of each student. However, we believe if the participating college does not notify MCFR of a failed course and grades were not collected a duplicate payment is possible and it would be unlikely to be detected.

We recommend that MCFR:

- require students to submit their grades prior to paying for the next semester; and
- create and document processes to ensure PCard holders who pay Paramedic Tuition comply with the Union Contract's requirements.

Management Response: Concur
Implementation Status: In Process of Implementation

Fire will obtain a grade sheet for each student assigned per semester. Three bills are paid now for 1st, 2nd, and 3rd semester; that encompasses all students attending each of those semesters. We will attach the grade sheet for all students assigned to the semester paid.

REPORT DISTRIBUTION LIST

Name	Position Title
The Honorable Kathy Bryant	Chairman of the Board of County Commissioners
The Honorable Jeff Gold	Vice Chairman of the Board of County Commissioners
The Honorable Michelle Stone	District 5 Commissioner
The Honorable David Moore	District 1 Commissioner
The Honorable Carl Zalak	District 4 Commissioner
Mounir Bouyounes	County Administrator
Jennifer Cole	Finance Director
James Banta	Fire Chief
Bart Walker	Deputy Fire Chief
Josh Alvarez	Logistics Division Fire Chief
Susan Olsen	Procurement Services Director
Becky Jayne	Procurement Manager