



**DIVISION OF INSPECTOR GENERAL**  
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Pinellas County, Florida



## FOLLOW-UP AUDIT OF THE PINELLAS COUNTY PURCHASING CARD PROGRAM



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September 11, 2020

Joseph Lauro, Director, BCC Administrative Services Department

The Division of Inspector General has conducted a Follow-Up Audit of the Pinellas County Purchasing Card Program. The objective of our review was to determine the implementation status of our previous recommendations. We obtained the audit purpose, background information, opportunities for improvement, and recommendations from the original audit report. We added the status of recommendation implementation to this follow-up audit report.

Of the 17 recommendations contained in the original audit report, we determined that 13 have been implemented, 3 have been partially implemented, and 1 has not been implemented. The status of each recommendation is presented in this follow-up report.

We appreciate the cooperation shown by the staff of the Administrative Services Department and the Clerk of the Circuit Court and Comptroller's Finance Division during the course of this review.

Respectfully Submitted,

Melissa Dondero  
Inspector General/Chief Audit Executive

cc: The Honorable Chairman and Members of the Board of County Commissioners  
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# INTRODUCTION

## ***Scope and Methodology***

We conducted a follow-up audit of the Pinellas County Purchasing Card Program. The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

1. Determine the adequacy of internal controls over the administration of the P-Card program.
2. Determine the compliance of cardholders to the P-Card program policies and procedures.
3. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of expense reports.
4. Determine the adequacy of, and compliance with, internal controls over the auditing and processing of invoices when P-Cards are utilized for payment.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the months of June through August 2020. The original audit period was January 1, 2017, through December 31, 2017. However, transactions and processes reviewed were not limited by the audit period.

## ***Overall Conclusion***

Of the 17 recommendations in the original report, we determined that 13 were implemented, 3 were partially implemented, and 1 was not implemented. We encourage management to continue implementing the remaining recommendations.

## Implementation Status Table

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
<b>1</b>	<b><i>Active P-Cards Were Associated With Terminated Employees.</i></b>					
<b>A</b>	Immediately deactivate the five P-Cards associated with the terminated employees.	✓				
<b>B</b>	Review and update the termination procedures accordingly to ensure P-Cards associated with terminated employees are deactivated the same day the P-Card Administrator receives notification, by either the employee's manager or the OPUS termination email.	✓				
<b>C</b>	Provide reoccurring training, on a frequency to be determined by management, to both P-Card holders and corresponding management to help ensure understanding and compliance of the P-Card policies and procedures.	✓				
<b>D</b>	Conduct a reoccurring review, on a frequency to be determined by management, of active P-Cards against a terminated employee listing from Human Resources.			✓		
<b>2</b>	<b><i>BCC Cardholder Agreements Are Not Reviewed And Signed On A Regular Basis.</i></b>					
<b>A</b>	Require all Cardholder Agreements be signed annually, or at a minimum, when a cardholder is issued a replacement card, changes departments, has any changes applied to his/her card profile, or when there are revisions made to the Purchasing Card Guidelines.	✓				
<b>B</b>	Require all current cardholders to sign the current Cardholder Agreement and maintain the completed forms electronically.			✓		
<b>C</b>	Maintain all Cardholder Agreements in electronic format to allow for safe record keeping and easy access.			✓		
<b>D</b>	Update applicable policies and procedures to reflect the requirement of having Cardholder Agreements signed on a regular basis and retained electronically.	✓				

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
<b>3</b>	<b><i>There Is A Lack Of Annual Cardholder Verification.</i></b>					
<b>A</b>	On an annual basis, provide department management a list of active cardholders in the department with their corresponding spending limits and card profiles, and obtain verification from department management that each is still appropriate and applicable.	✓				
<b>B</b>	Update applicable policies and procedures to reflect the annual cardholder verification process.	✓				
<b>4</b>	<b><i>BCC P-Card Spend Profiles Were Assigned Incorrectly.</i></b>					
<b>A</b>	Immediately update the identified cardholders to the correct spend control profiles.	✓				
<b>B</b>	Include a spend control profile verification as part of the annual cardholder verification that should be sent annually to department management.	✓				
<b>C</b>	Update applicable policies and procedures to require an annual management verification of the spend control profiles.	✓				
<b>5</b>	<b><i>Two Employees Purchased Memberships For Unapproved Organizations.</i></b>					
<b>A</b>	Review the organizations associated with the identified transactions and determine if they should be on the approved open records membership list. If Finance deems the organizations are not in compliance with approval requirements, we recommend the organizations be added to the "Not Open Records" list for memberships.	✓				
<b>B</b>	Coordinate with the applicable Department Directors to obtain reimbursement of the membership fees from the employees for whom the memberships were purchased in the event the identified organizations are not approved.				✓	

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
<b>C</b>	Provide regular training refresher courses for both P-Card holders and department P-Card coordinators to ensure staff is aware, and adhere to, the approved membership list.	✓				
<b>6</b>	<b><i>The P-Card Audit Policy And Procedure Is Not Finalized.</i></b>					
	Review and approve the P-Card Audit Policy and Procedure, disseminate to appropriate staff, and review the procedure at least annually.	✓				

## Background



Pinellas County Code provides that the Director of the Purchasing Department (Purchasing) shall adopt operational procedures for making small purchases of less than \$5,000. Those procedures have been developed into what is now the County P-Card program.

The P-Card program was created to establish a more efficient, convenient, and cost-effective method of purchasing and paying for small dollar transactions, and allows the cardholder to purchase approved commodities and services directly from those vendors that accept a credit card as payment. The program was designed as an alternative to the traditional purchasing process of purchase orders and invoicing for supplies, which can be burdensome and time consuming. The program has resulted in a significant reduction in the volume of purchase orders and related documentation including checks. While the program reduces administrative costs over other procurement methods, it also provides a revenue source by way of rebates to further the economic advantage to the program.



The adopted 2019 Budget for the Board of County Commissioners (BCC) states:

*“The Purchasing Department provides centralized purchasing and contracting services to procure goods and services for all departments under the Board of County Commissioners (BCC), select independent agencies, and select constitutional officers as needed. As a responsible steward of the public’s resources, the department ensures that all purchases are made in an open and ethical format in accordance with all public procurement laws and mandates. The department’s management of the County Purchasing Card, ePayables, and Construction Vendor Pre-qualification programs supports the effective and efficient delivery of County services and supports obtaining quality products on a timely basis.”*

The County’s P-Card is a VISA credit card issued by the Bank of America (BOA), Merrill Lynch. BOA provides an online management program called Works Payment Manager, which BCC



Purchasing, Clerk's Purchasing, Finance staff, and other authorized individuals use. The system is used to establish the P-Card program parameters, manage cardholder information, and provide management reports based on selected criteria. The P-Card Administrator can facilitate for P-Card holders access to the BOA Works system so they can view their transactions and select reports.

The P-Card program simplifies the Procure to Pay process. Procurement responsibility is delegated to the ordering department enabling an authorized cardholder to place an order directly with the vendor.

When a supplier requests a purchase authorization at the point of sale, the VISA procurement card system validates the transaction against preset limits established within the P-Card program. All transactions are approved or declined electronically based on the procurement card authorization criteria established. The authorization criteria may be adjusted periodically as needed and may include, but is not limited to, the following:

- Single item purchase limit
- Monthly or daily purchase limit
- Approved vendors (Merchant Category Code)
- Approved commodities (Merchant Category Code Groups)
- Number of transactions allowed per day or per month

The authorization process occurs through the electronic system, BOA Works, which supports the procurement card processing services under the State of Florida Purchasing Card Contract with BOA.

The P-Card program specifies that each P-Card be issued to a named employee (cardholder) with Pinellas County Government clearly shown on the card as the governmental buyer of goods and services. The P-Card program specifies that the P-Cards be used only for authorized County purchases, for small purchases that do not require price quotes and are limited to a single purchase limit of \$5,000 or less, or for authorized travel related expenditures for designated employees.

Each cardholder is provided formal training and the written policies associated with the program. The training provided to cardholders focuses on allowable expenses, excluded expenses, and unacceptable practices, such as splitting purchases to avoid the spending limit, backordering purchases, cash advances, and any items for personal use. In addition to the in-person training, cardholders have access to a digital learning environment through the Oracle Learning Management Application.

In 2013, the P-Card program was revised to include the ability to utilize P-Cards to make payments and purchases against select contracts. However, the requirement to perform this function dictates that the



contract and vendor are on a designated approval list and that the prices comply with the contract specifications. The Purchasing Department maintains the list of approved master contracts and updates it periodically as changes are made.

Cardholders are responsible for performing monthly reconciliations on all charges made on their P-Card utilizing the iExpense module within Oracle Project Unified Solution (OPUS). The reconciliation process includes attaching scanned receipts, invoices, and/or shipping statements, verifying usage of the contracted pricing structure, and ensuring sales taxes are applied only when appropriate per the County's Certificate of Exemption. As a governmental entity, the BCC is exempt from sales tax as defined within its Certificate of Exemption. Therefore, the cardholder should dispute all charges reflecting sales taxes that are misapplied and ensure receipt of credits.



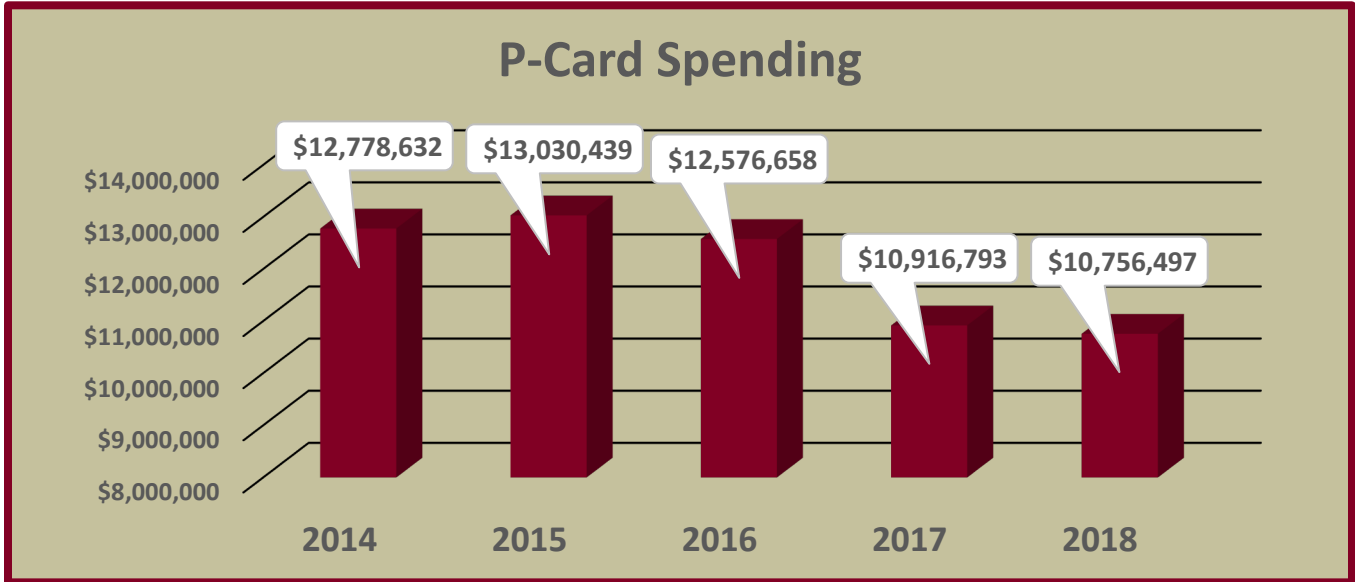
Upon completion of the monthly reconciliation by the cardholder, OPUS will electronically forward the cardholder's expense report and attachments to the appropriate reviewer to approve or decline the submission. If declined, the reviewer returns the expense report to the cardholder for correction. Once the reviewer approves the expense report reconciliation, OPUS will electronically transmit the report and attachments to Finance for review, audit, and final processing of the expense record.

Following is an example of a P-Card iExpense reconciliation from OPUS:

General Information			
Name	Employee, Mr. Pinellas County	Imaged Receipts Status	Required
		Attachments	None <input type="button" value="Add..."/>
Expense Dates	04-DEC-2013 - 18-DEC-2013	Report Total	32.00 USD
Cost Center	381235	Reimbursement Amount	0.00 USD
Purpose	P-Card Purchases DEC2013		
Original Receipts Status	Not Required		
<input type="button" value="Expense Lines"/> <input type="button" value="Expense Allocations"/> <input type="button" value="Weekly Summary"/> <input type="button" value="Approval Notes [0]"/> <input type="button" value="Approvers"/>			
Business Expenses			
Credit Card Expenses			

As of February 2019, there were 420 active P-Cards assigned within the BCC. During the review period of 2017, there were 26,560 P-Card transactions with a total spending of \$10,916,793, and an average spending of approximately \$910,000 per month.

The following chart illustrates the total annual P-Card spending from 2014 through 2018:

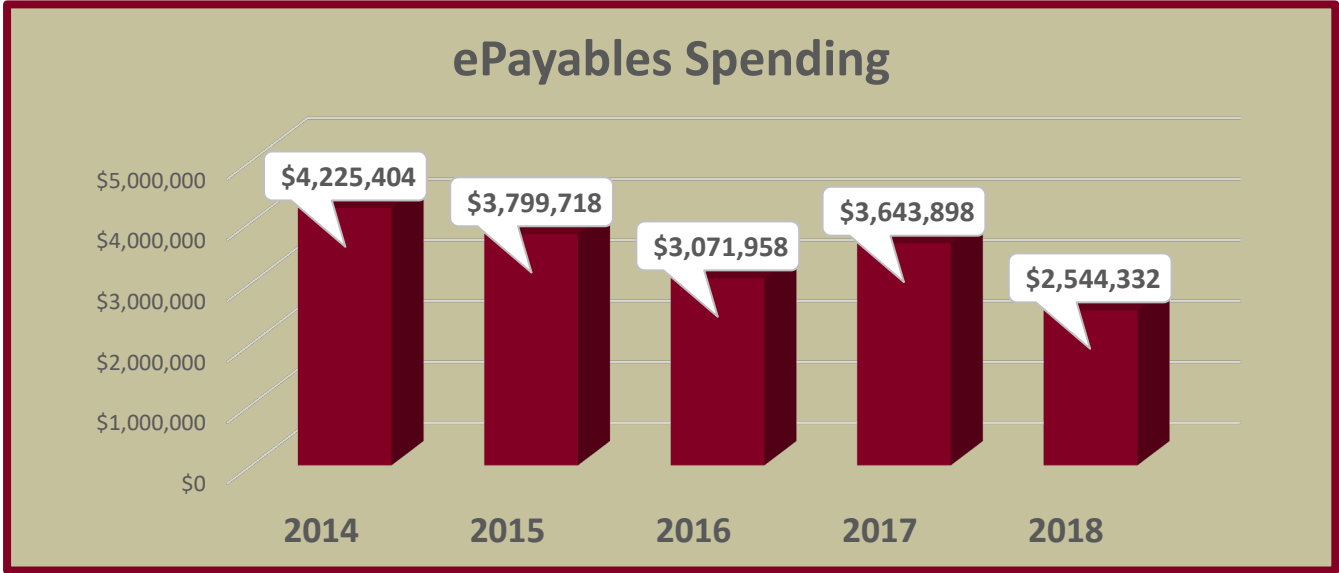


As outlined in the adopted fiscal year (FY) 2019 budget, Purchasing stated the savings attributed to the P-Card program for FY 2017 was \$1,316,450, and estimates the savings for FYs 2018 and 2019 would be approximately \$1,275,000 for each year. The savings calculation is derived by taking the number of transactions completed through the P-Card program multiplied by \$50.

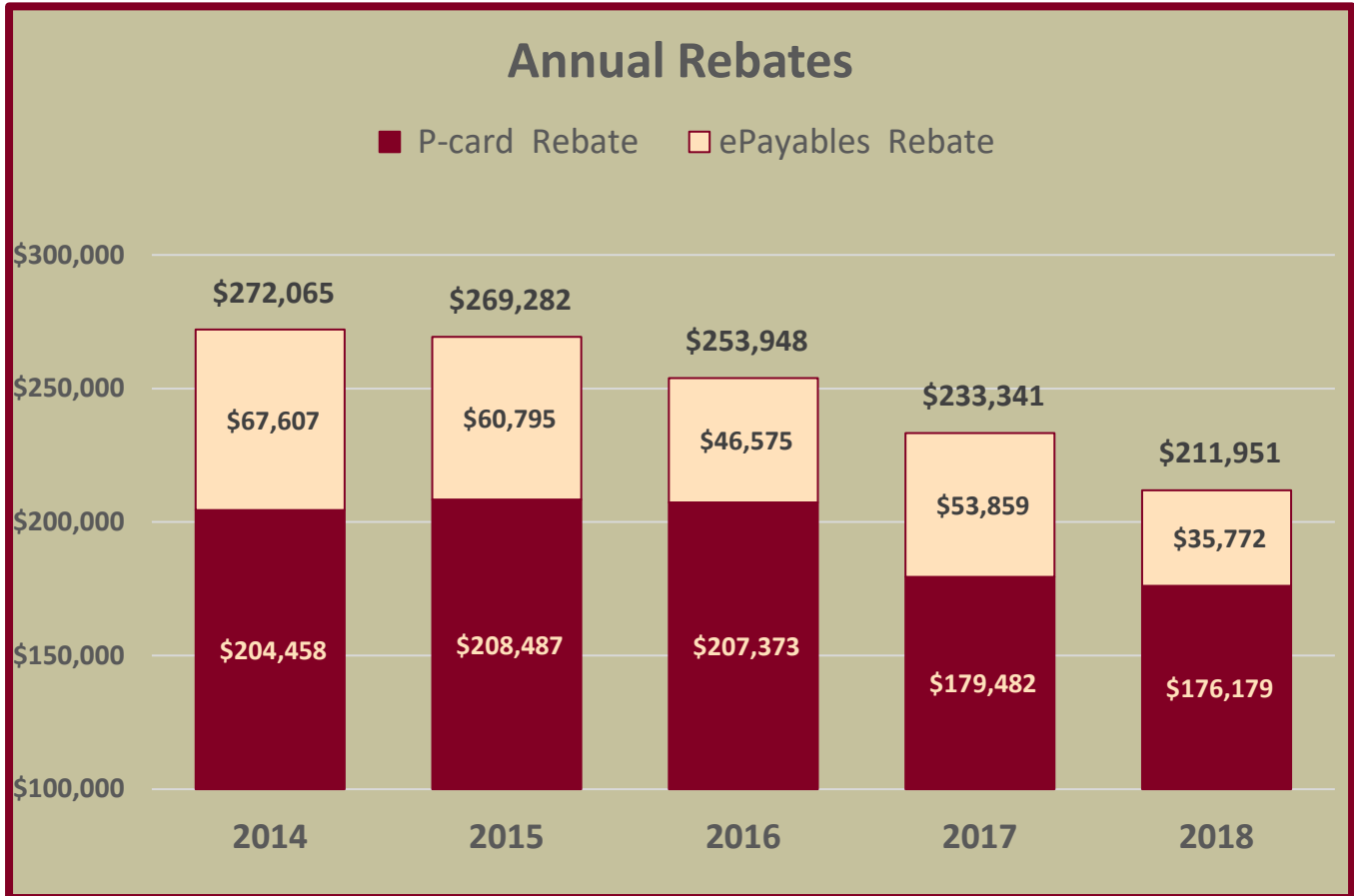
The BCC utilizes the \$50 per transaction amount as a conservative estimation on the time and resources required for utilizing purchase orders, invoices, and check payments for these types of transactions. However, the National Association of Purchasing Card Professionals states the utilization of a P-Card process rather than the traditional procure-to-pay process results in efficiency savings between 55%-80%. They further state the typical savings realized from P-Card usage are \$63 per transaction.

In addition to the inherent savings realized through the utilization of the P-Card process, rebates are calculated on the total amount spent on P-Card and ePayables purchases for the year. The ePayables function essentially uses virtual cards, with each one assigned to a specific vendor. When the Accounts Payable Department receives and obtains approval to pay a vendor invoice, they send an electronic file to BOA, indicating how much money to add to which virtual card. A remittance advice is sent to the vendor, which then makes funds available on the virtual card for the appropriate amount.

The following chart illustrates the total annual ePayables spending from 2014 through 2018:



Total annual rebates, including a breakdown of rebates from the two transaction types (P-Card purchases and ePayables purchases), from 2014 through 2018, are depicted in the following chart:



BOA provides rebates on a scale for net purchases in excess of \$1 million. The total amount spent determines basis points, which dictate the rebate percentage to apply to the total spent. For the review period of 2017, the County received a rebate of \$233,341, which is approximately 1.6% of \$14,560,691, the total amount spent (\$10,916,793 P-Card spending plus \$3,643,898 ePayables spending).

# STATUS OF RECOMMENDATIONS

This section reports our audit follow-up on actions taken by management on the recommendations for improvement in our original audit report of the Pinellas County Purchasing Card Program. The recommendations contained herein are those of the original audit report, followed by the current status of the recommendations.

## ***1. Active P-Cards Were Associated With Terminated Employees.***

A comparison of active P-Cards against a terminated employee listing identified five active P-Cards associated with former County employees. Three of the employees were terminated within the last 6 months, one was terminated 8 months ago, and one was terminated 14 months ago.

As outlined in the Pinellas County Purchasing Card Program Guidelines, Section 15.4(C)(1) Termination or Transfer of Cardholder:

*"When an employee ends his or her employment, changes job status, is transferred to another department, or misuses or untimely approves transactions, the Department Director must collect the purchasing card, cancel and destroy upon Cardholder termination of employment, or earlier if appropriate. The department must then document reason for destroying the card and submit the destroyed card to the Purchasing Operations Manager."*

Therefore, the primary control for reporting employment terminations resides with the Department Director. As a secondary control, as of July 2016, the P-Card Administrator is also notified via email from OPUS when any County employee is processed for termination. Upon notification from OPUS, the P-Card Administrator will verify through the BOA Works application if the employee has a P-Card. If so, the P-Card Administrator will proceed with the appropriate deactivation process if the employee's manager has not already notified them.



For the five identified active P-Cards, both controls failed. Due to a lack of management oversight and a lack of proper or ongoing training, the five employees' managers did not contact the P-Card Administrator and complete the necessary Change Request form. In addition, the P-Card Administrator did not act upon the OPUS termination notification emails, resulting in them not deactivating the P-Cards. We reviewed the P-Card activity and confirmed there were no unauthorized transactions on any of the five cards following the termination of the employees.

Not ensuring P-Cards are retrieved from terminated employees and deactivated in a timely manner creates the risk for inappropriate and unauthorized use of the P-Card.

***We Recommended Management:***

- A. Immediately deactivate the five P-Cards associated with the terminated employees.
- B. Review and update the termination procedures accordingly to ensure P-Cards associated with terminated employees are deactivated the same day the P-Card Administrator receives notification, by either the employee's manager or the OPUS termination email.
- C. Provide reoccurring training, on a frequency to be determined by management, to both P-Card holders and corresponding management to help ensure understanding and compliance of the P-Card policies and procedures.
- D. Conduct a reoccurring review, on a frequency to be determined by management, of active P-Cards against a terminated employee listing from Human Resources.

***Status:***

- A. **Implemented.** The terminated employees identified during the audit were removed from the active P-Card holder list, and their assigned cards were deactivated.
- B. **Implemented.** Purchasing management began practicing the process described in the audit recommendation and updated the Purchasing Policy & Procedure Manual accordingly.
- C. **Implemented.** Purchasing management has developed a process to administer virtual training to both P-Card holders and corresponding management at the time of replacement card issuance, thereby creating a process that will ensure understanding and compliance of the P-Card policies and procedures.
- D. **Partially Implemented.** Purchasing management has begun conducting an annual P-Card holder audit where it asks each BCC department to confirm its P-Card holders. Purchasing management still receives emails from Human Resources that identify terminated employees, which it uses to review active BCC P-Card holders against terminated employees. Purchasing management requested from Business Technology Services (BTS) a Business Intelligence (BI) report that lists all terminated and transferred employees. Once BTS completes the BI report, Purchasing management will complete quarterly reviews of the active BCC P-Card holders compared to the terminated and transferred employees. The risk of P-Cards not being deactivated immediately following termination of employees will still exist if the additional control of comparing active P-Card holders against terminated employee listings from Human Resources is not implemented. This recommendation remains partially implemented until the BI reports are produced and Purchasing management uses them to complete their reviews of active P-Card holders

to terminated employees. We encourage management to implement this recommendation fully.

## **2. BCC Cardholder Agreements Are Not Reviewed And Signed On A Regular Basis.**

P-Card holders are only required to review and acknowledge their responsibilities as a cardholder when they are first issued a P-Card. After a cardholder attends the required P-Card training hosted by Purchasing, the cardholder is required to review and sign a Cardholder Agreement.

The County bestows trust in its employees when it grants them the use of a County P-Card. The issuance of each P-Card requires a signed Cardholder Agreement, which outlines the employees' rights and responsibilities as an entrusted cardholder for Pinellas County. Failure to

comply with cardholder responsibilities could result in disciplinary actions, including termination, as well as being held personally liable for any damages or charges incurred for violating the terms of the agreement.

**CARDHOLDER AGREEMENT**

Employee # [REDACTED]

I, [REDACTED] (PRINT), AGREE TO THE FOLLOWING REGARDING THE USE OF THE PINELLAS COUNTY PURCHASING CARD ASSIGNED TO ME FOR OFFICIAL COUNTY BUSINESS ONLY.

- 1) I understand that I am being entrusted with a powerful and valuable tool and will be making financial commitments on behalf of the County of Pinellas and will strive to obtain the best value for Pinellas County.
- 2) I understand that under no circumstances will I use the PURCHASING CARD to make personal purchases, either for myself or others. Willful intent to use the PURCHASING CARD for personal gain or unauthorized use may result in disciplinary actions up to and including termination of employment and prosecution to the extent permitted by law.
- 3) I will follow Florida law, purchasing policies of my employing agency, and the established guidelines for using the PURCHASING CARD. Failure to do so may result in revocation of my card privileges and other disciplinary action.
- 4) I have been provided a copy of the PURCHASING CARD Guidelines and attended training on 1/19/2019 and understand the PURCHASING CARD Program. I have been given an opportunity to ask any questions to clarify my understanding of the PURCHASING CARD Program.
- 5) I agree to review and reconcile transactions timely and will maintain all applicable information and receipts.
- 6) I agree that, should I violate the terms of the Agreement, I will be subject to disciplinary action up to and including termination of employment and that I will reimburse the County of Pinellas for all incurred charges and any costs related to the collection of such charges. Additionally, I agree that any such charges that I owe the County may be deducted from any money which would otherwise be due and owing me, including salary or wages.

[REDACTED]  
Cardholder Signature/Date

As of January 14, 2019, the BCC had 432 active P-Card holders. During a sample review of that population, the average signed Cardholder Agreement was 6.5 years old, with the oldest sampled being almost 20 years old. Additionally, the P-Card Administrator maintains all Cardholder Agreements in paper form and files them by department. The current storage method can be very time consuming if signed agreements are needed, as they are not scanned for digital record keeping and are instead filed by the initial P-Card issuing department, not necessarily the department in which the employees currently work.

Requiring cardholders to sign the Cardholder Agreement on an annual basis, or anytime the Purchasing Card Guidelines are revised, helps ensure employees are updated and aware of their rights, responsibilities, and consequence as users of a County P-Card.

P-Card holders do not review and sign the Cardholder Agreement on a regular basis due to a lack of policy and requirement by Purchasing management. This creates the opportunity for employees to deny knowing or understanding their responsibilities, which could possibly create



an unnecessary liability for the County. Additionally, by not having agreements in electronic format, the County runs the risk of misplacing or losing the paper form, as well as creating the unnecessary need to store documents in a physical location.

***We Recommended Management:***

- A. Require all Cardholder Agreements be signed annually, or at a minimum, when a cardholder is issued a replacement card, changes departments, has any changes applied to his/her card profile, or when there are revisions made to the Purchasing Card Guidelines.
- B. Require all current cardholders to sign the current Cardholder Agreement and maintain the completed forms electronically.
- C. Maintain all Cardholder Agreements in electronic format to allow for safe record keeping and easy access.
- D. Update applicable policies and procedures to reflect the requirement of having Cardholder Agreements signed on a regular basis and retained electronically.

***Status:***

- A. **Implemented.** Purchasing management began providing recurring training to P-Card holders and began virtual training on May 27, 2020, to help ensure understanding and compliance of P-Card policies and procedures. Management requires P-Card holders to sign the cardholder agreement form upon card issuance and to re-sign the agreement when issued replacement cards. Also, management has included in its recurring training that P-Card holders who transfer or have changes to their card profiles will be required to re-sign the Cardholder Agreement form. If changes occur to the P-Card guidelines, management will require all cardholders to re-sign the cardholder agreement after attending the training.
- B. **Partially Implemented.** Purchasing management is requiring all BCC P-Card holders to re-sign the Cardholder Agreement form when their cards expire or when cardholder changes occur. The P-Cards are set to expire three years after issuance. There are still some Cardholder Agreements dated before the audit, and they will be updated as the P-Cards expire. Management maintains the forms electronically after they are signed. Since management has not obtained current Cardholder Agreements for all P-Card holders, the recommendation is partially implemented. This creates the opportunity for employees to deny knowing or understanding their responsibilities which could create an unnecessary liability for the County. We encourage management to implement the recommendation fully.
- C. **Partially Implemented.** New Cardholder Agreements are maintained in electronic file format; however, older Cardholder Agreements are still in hard copy format. Hard copy format agreements will be replaced with an electronic format as cardholder changes occur

or as current cards expire causing a new Cardholder Agreement to be completed and signed. With some Cardholder Agreements still stored in hard copy format, the risk of the agreements being misplaced, lost, or damaged still exists. We encourage management to implement the recommendation fully.

D. **Implemented.** Purchasing management revised and finalized Section 15 of the Purchasing Policy & Procedure Manual in September 2020. Section 15.3 A.3. states the Director of Purchasing must ensure all cardholder agreements are signed upon the issuance of new or replacement cards, when changes are made to the spend control profile, or when there are revisions made to the Purchasing Card Guidelines. All cardholder agreements are to be stored electronically after being signed for safe record-keeping.

### ***3. There Is A Lack Of Annual Cardholder Verification.***

There is currently no review by the P-Card Administrator to verify with individual departments that all active cardholders still require a P-Card and their credit limits and profiles are appropriate.

On an annual basis, the P-Card Administrator should provide department management a listing of all active P-Cards issued in their department. Department management should review and confirm with the P-Card Administrator that all active P-Cards, and their respective spending limits and card profiles, are still appropriate. Regular communication between department management and Purchasing helps ensure spending limits are appropriate, spend profiles are applicable for the related job, there are no active P-Cards for terminated employees, and allows department management to confirm everyone who requires a P-Card is issued one.



A lack of annual cardholder reviews by the P-Card Administrator and individual department management could allow the following issues to go undetected:

- Cardholders maintain a higher spending limit than necessary or approved.
- Cardholders have an incorrect card profile allowing them to purchase from vendors that should otherwise be restricted.
- Cardholders retain active P-Cards after transferring to another department or termination from County employment.

Purchasing management indicated the responsibility resides with the individual departments to review and request changes. However, there is currently no formal requirement for such a review to occur.

***We Recommended Management:***

- A. On an annual basis, provide department management a list of active cardholders in the department with their corresponding spending limits and card profiles, and obtain verification from department management that each is still appropriate and applicable.
- B. Update applicable policies and procedures to reflect the annual cardholder verification process.

***Status:***

- A. **Implemented.** Management performed an annual P-Card holder audit in 2020 and obtained verification from each department P-Card Coordinator about the appropriate and applicable spending limits and card profiles for its active cardholders.
- B. **Implemented.** Purchasing management revised Section 15 of the Purchasing Policy & Procedure Manual in September 2020. The revision included a change to 15.3 A.8. in which the Director of Purchasing is now responsible for performing comprehensive audits of all cardholders' spend limits and card profiles to verify that each is still appropriate and applicable.

## ***4. BCC P-Card Spend Profiles Were Assigned Incorrectly.***

A review of active BCC P-Card spend profiles identified 22 cardholders out of 420 cardholders, or 5.2%, with incorrect spend control profiles. Within the BOA Works application, the P-Card Administrator creates and assigns the cardholder to a spend control profile that creates their credit limit, single transaction limit, and any prohibited merchant category code (MCC) groups. Prohibited MCC groups are designed to restrict cardholders from buying at certain types of stores, such as liquor stores, car washes, and non-County work related type businesses previously identified by Purchasing management.

**Status of Recommendations**  
**Follow-Up Audit of the Pinellas County Purchasing Card Program**

When the P-Card program was first established, Purchasing management provided BOA a list of requested custom MCC groups and the corresponding MCC codes in each group. The P-Card Administrator can assign those custom groups to an individual card profile, which then restricts the cardholder from using the P-Card at stores with MCC codes within the assigned groups. Purchasing currently utilizes three custom prohibited MCC groups comprised of hundreds of MCC codes as shown below.

The screenshot displays the account management interface for Account ID: 3410, with a Current Balance of 10,256.22. The Primary Accountholder is GREEN, ALBERT E. The current profile is CL:\$20K; STL:\$5; MCCG PCTRLV-PROFSRV-EXCL. The spend control settings include a Credit Limit of 20,000.00, a Single Transaction Limit of 5,000.00, and a Daily Transaction Limit of None. The MCC Group Settings table is as follows:

Merchant Category	Permissions	Transaction Limit	Trans Daily Limit	Trans Cycle Limit
CEXCLSION	Prohibit			
CPROFSRVC	Prohibit			
CTRAVEL	Prohibit			
Cash	Prohibit			
Travel & Entertainment	Permit			
General Purchase	Permit			
Vehicle/Fleet	Permit			
Unusual	Permit			

Of the 22 cardholders identified with incorrect card profiles, 17 were not assigned to any prohibited groups, despite their profile stating they should have been assigned to certain custom prohibited groups. The other five users were assigned to prohibited groups, but the assigned prohibited groups did not match their stated profile.

A thorough review of the 22 cardholders' transactions identified three transactions at vendors that should have been restricted. Review of the three transactions and supporting documentation confirmed the purchases were County related and appropriate. Had the cardholders spend control profiles been set up correctly, the transactions would have been declined and the cardholders would have been required to contact the P-Card Administrator for review and approval to ensure the transactions were appropriate.

The cardholder spend control profile is the foundation on which the County P-Card program operates. The ability to limit how County employees spend County resources requires adequate

controls and review processes. Spend control profiles should be established in such a manner that can be easily understood and verifiable. When the P-Card Administer assigns a cardholder's spend control profile, requesting department management should thoroughly review the profile.

The identified cardholder profiles were incorrectly assigned as a result of insufficient oversight by the P-Card Administrator during initial set up. Purchasing management stated they usually "copy a similar profile" from another user and make any adjustments needed. User spend profiles are never reviewed unless changes are requested by department management. Therefore, when a user is set up incorrectly and never reviewed for accuracy, and another user is created based on the first incorrect profile, this can create a domino effect that may go undetected as more card profiles are added.

If a P-Card holder was set up with an incorrect spend profile, he/she would have the ability to spend County funds at vendors that should otherwise be restricted. Unless identified during management review, those transactions would go unnoticed, as the primary control to prevent such spending was never enabled or reviewed.

***We Recommended Management:***

- A. Immediately update the identified cardholders to the correct spend control profiles.
- B. Include a spend control profile verification as part of the annual cardholder verification that should be sent annually to department management.
- C. Update applicable policies and procedures to require an annual management verification of the spend control profiles.

***Status:***

- A. **Implemented.** Purchasing management stated it immediately corrected the spending profiles of the 22 P-Card holders. We sampled 2 of the 22 P-Card holders, or 9.1%, identified in the original audit and verified Purchasing management corrected the cardholders' spend control profiles.
- B. **Implemented.** Purchasing management successfully added a spend control profile verification as part of the annual P-Card holder audit. Management plans to distribute the annual P-Card holder audit each December.
- C. **Implemented.** Purchasing management revised Section 15 of the Purchasing Policy & Procedure Manual in September 2020. The revision included a change to 15.3 A.8. in which the Director of Purchasing is now responsible for performing comprehensive audits of all cardholders' spend limits and card profiles to verify that each is still appropriate and applicable.

## ***5. Two Employees Purchased Memberships For Unapproved Organizations.***

Two employees used P-Cards to pay for memberships with organizations not listed on the approved membership list maintained by Finance. Membership fees were paid to the United States Lifesaving Association for \$30 and to the Florida Farm Bureau for \$48.

According to the Pinellas County Purchasing Card Program Guidelines, Section 15.4(D)(2) Authorized Use of the Card, states:

*"The purchasing card is to be used for authorized County purchases only."*

Section 15.4(E) Prohibited Purchases, states:

*"Unless otherwise permitted by the Director of Purchasing under general circumstances, the purchasing card shall not be used for the following:*

- *...Membership Fees, except those organizations that have been certified with open records."*

Per Finance's Approved Membership List:

*"Memberships are only paid for organizations that have certified their business and membership records are open to public inspection pursuant to Section 119.01(3), Florida Statutes."*

As the first line of defense, department management is responsible for reviewing and confirming the purchases and monthly reconciliation documentation comply with applicable policies and procedures. Due to a lack of adequate review during the reconciliation approval process conducted by department management and the audit process conducted by Finance, the reviewers did not flag or deny the transactions. The use of P-Cards to pay for non-approved memberships creates unnecessary expenses for the County. Additionally, the misuse of a County P-Card would require immediate reimbursement, and could result in a disciplinary action up to and including dismissal.

***We Recommended Finance Management:***

- A. Review the organizations associated with the identified transactions and determine if they should be on the approved open records membership list. If Finance deems the organizations are not in compliance with approval requirements, we recommend the organizations be added to the “Not Open Records” list for memberships.
- B. Coordinate with the applicable Department Directors to obtain reimbursement of the membership fees from the employees for whom the memberships were purchased in the event the identified organizations are not approved.

***We Recommended Purchasing Management:***

- C. Provide regular training refresher courses for both P-Card holders and department P-Card coordinators to ensure staff is aware, and adhere to, the approved membership list.

***Status:***

- A. **Implemented.** Finance contacted both organizations and obtained confirmation they would not certify their records as being open. Both organizations were added to the “Not Open Records” list. Finance has reviewed the “Open” Membership list and has an on-going project of contacting any organization where the certification is more than five years old to obtain a new certification letter.
- B. **Not Implemented.** Finance management stated it is the responsibility of the department to obtain reimbursement. It further stated reimbursement from the two identified employees could not be obtained due to the significant passage of time from when the charges transpired to the identification of the unauthorized purchases and due the two employees leaving County government. We confirmed one of the two employees resigned on May 7, 2019; however, the remaining employee is still employed by the same department but under a different last name. Based on the time elapsed and relatively low dollar amount, the County has accepted absorbing the unnecessary expense.
- C. **Implemented.** Following the training trial run on May 27, 2020, Purchasing management began recurring training for BCC P-Card holders to ensure they understand and comply with the P-Card policies and procedures including the approved membership list.

## ***6. The P-Card Audit Policy And Procedure Is Not Finalized.***

The P-Card Audit Policy and Procedure maintained by Finance is currently in draft form and not yet finalized or approved by management. The P-Card Audit Policy and Procedure provides guidance and instruction on the correct and appropriate procedures



for conducting P-Card reconciliation audits. Finance handles the reconciliation audits for both the BCC and Clerk of the Circuit Court and Comptroller P-Cards.

The P-Card Audit Policy and Procedure has not undergone the final review and approval process by management. Review and approval by management helps ensure the outlined policies and procedures are appropriate, accurate, and adhered to consistently across all P-Card reconciliation audits. The lack of approved policies and procedures could create the opportunity for variation in procedures and possible inconsistent quality of review of the P-Card reconciliation audits conducted by Finance. This could result in the reviewer not identifying unapproved transactions.

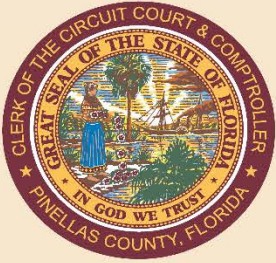
***We Recommended Finance Management:***

Review and approve the P-Card Audit Policy and Procedure, disseminate to appropriate staff, and review the procedure at least annually.

***Status:***

**Implemented.** On August 21, 2020, Finance management finalized the P-Card Audit Policy and Procedure and sent the document to responsible managers and supervisors in the Finance Division.





# DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA  
CLERK OF THE CIRCUIT COURT  
AND COMPTROLLER  
PINELLAS COUNTY, FLORIDA

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