



DIVISION OF INSPECTOR GENERAL

KEN BURKE, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

AUDIT OF PURCHASING CARD USAGE FOR THE BOARD OF COUNTY COMMISSIONERS, THE CLERK OF THE CIRCUIT COURT AND COMPTROLLER, AND THE COUNTY ADMINISTRATOR



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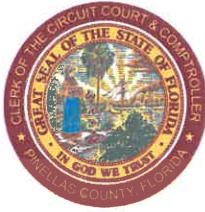


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OCTOBER 18, 2017
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Ken Burke, CPA

CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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October 18, 2017

The Honorable Chairman and Members of the Board of County Commissioners
The Honorable Ken Burke, Clerk of the Circuit Court and Comptroller

We have conducted an audit of Purchasing Card Usage for the Board of County Commissioners, the Clerk of the Circuit Court and Comptroller, and the County Administrator. Our audit objective was to determine if purchasing card usage for these specific members is appropriate and according to the purchasing card policies and procedures.

We conclude that purchasing card transactions evaluated during this audit were business appropriate; however, there were some deviations and shortcomings with the application of policies and procedures. Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff within the offices of the Board of County Commissioners, the Clerk of the Circuit Court and Comptroller, and the County Administrator during the course of this review. We commend management for their responses to our recommendations.

Respectfully Submitted,

Hector Collazo Jr.
Inspector General/Chief Audit Executive



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INTRODUCTION

Synopsis

Purchasing card usage evaluated during this audit was business appropriate; however, there were some deviations and shortcomings with the application of policies and procedures. An inconsistent pattern of purchasing card reconciliations has been created by not having documented purchasing card reconciliation procedures. Cardholders processing their purchasing card reconciliations outside iExpense are bypassing the internal controls that are built into the Oracle Financial System. This creates a weak internal control system that increases the risk of error and increases the burden of oversight required within the Finance Division. Allowing purchasing and reconciliation practices that fall outside the scope of guiding policies creates the risk of potential misappropriation and an increased liability. Creating and updating written policies and procedures will address many of these issues.

Scope and Methodology

We have conducted an audit of Pinellas County purchasing card usage by the Board of County Commissioners, the Clerk of the Circuit Court and Comptroller, and the County Administrator. Our scope included purchasing card usage and compliance with purchasing policies.

The objective of our audit was to determine if purchasing card usage for the Board of County Commissioners, the Clerk of the Circuit Court, and the County Administrator was appropriate and according to the purchasing card policies and procedures.

In order to meet the objective of our audit, we:

- Interviewed management and staff to understand the processes, procedures, and internal controls within the Purchasing Card Program.
- Reviewed and tested purchasing card transactions and reconciliations for the Board of County Commissioners, the Clerk of the Circuit Court and Comptroller, and the County Administrator.
- Evaluated procedures and internal controls for the related process.

Our 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. The audit period was January to December 2015. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Purchasing card usage evaluated during this audit was business appropriate; however, there were some deviations and shortcomings with the application of policies and procedures.

There were no purchasing card reconciliation procedures documented and available to be reviewed during this audit. As there were no established procedures to guide the cardholders and insufficient oversight of the reconciliations being conducted by the Finance Division Accounts Payable Section, there were issues surrounding the information that was or was not submitted with the reconciliations.

Some cardholders have been advised to email their reconciliations and receipts to the Finance Division Accounts Payable Section for processing. This bypasses the internal controls that are built into the Oracle Financial System. Some purchases submitted for reconciliation did not include justification that would establish the business purpose of the expense and credit was not applied to accounts where inappropriate charges were applied, accounts were double billed, or when taxes were assessed.

While all of the expenses were business appropriate, some expenses applied to purchasing cards or practices applied to their reconciliations fell outside the scope of guiding policies. Section 15.4 of the Purchasing Manual limits the purchasing card usage of the Board of County Commissioners to travel, education, and training expenses. The Purchasing Director has stated that the Board of County Commissioners should be able to make reasonable business purchases for items needed to effectively and efficiently run their operations. While the intent of Section 15.4 of the Purchasing Manual may not have been to strictly limit their usage, the actual verbiage of the policy is strict and limiting.

The Guidelines for Payment and/or Reimbursement of Travel Expenses for Pinellas County Officers and Employees (Travel Policy) currently states that parking is a covered expense and does not communicate Finance Division's practice to offset the difference in cost of valet parking to self-parking. Additionally, the Travel Policy states that the Federal meals and incidental expenses (M & IE) rates are available on the County's website and they are not.

Summary of Opportunities for Improvement

OFI NO.	OPPORTUNITIES FOR IMPROVEMENT CAPTIONS RECOMMENDATIONS	MANAGEMENT RESPONSES	IMPLEMENTATION STATUS
1	<i>There Are No Reconciliation Procedures For The Purchasing Card Program.</i>		
	The Finance Division and the Purchasing Department collaboratively create and implement detailed procedures for P-card reconciliations that mirror the requirements of the policies.	Finance – Partially Concur County Admin. – Partially Concur Purchasing – Partially Concur BCC – Concur Clerk – Concur	Planned
2	<i>Not All Purchasing Card Reconciliations Are Completed Through Oracle Financials.</i>		
A	All purchasing cardholders utilize iExpense through the Oracle Financial System for their P-card reconciliations.	Finance – Partially Concur County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	Planned
B	The Board of County Commissioners and their staff take advantage of available iExpense training.	Finance – Concur County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	Planned
3	<i>Expenses Do Not Meet Policies And Procedures Specific To The Board Of County Commissioners.</i>		
A	The Board of County Commissioners comply with the purchasing limitations defined in the Pinellas County Purchasing Policy and Procedure Manual, Section 15.4. Business expenses that fall outside the scope of this provision should be placed on the P-cards of office staff.	County Admin. – Concur Purchasing – Concur BCC – Concur	In Progress
B	The Purchasing Department eliminate or enforce Section 15.4 from the Pinellas County Purchasing Policy and Procedure Manual.	County Admin. – Concur Purchasing – Concur BCC – Concur	In Progress
4	<i>Purchasing Card Was Used For Expenses Excluded Under The Travel Policy.</i>		

Introduction

**Purchasing Card Usage for the Board of County Commissioners,
the Clerk of the Circuit Court and Comptroller, and the County Administrator**

OFI NO.	OPPORTUNITIES FOR IMPROVEMENT CAPTIONS RECOMMENDATIONS	MANAGEMENT RESPONSES	IMPLEMENTATION STATUS
	The Board of County Commissioners utilize P-cards only for expenses allowable under the Pinellas County Travel Guidelines and the Pinellas County Purchasing Policy and Procedure Manual.	County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	In Progress
5	<i>No Justification Details Provided With Reconciliation.</i>		
	The Finance Division include in the P-card reconciliation procedures, a requirement to include sufficient documentation to justify business appropriateness when submitting a reconciliation that includes hotel expenses. The required documentation should include, at a minimum: <ul style="list-style-type: none"> • who the reservation is for, • what event is being attended or business purpose, and • where and when the event is being held. 	Finance – Concur County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	Planned
6	<i>Credit Was Not Obtained For Inappropriate Charges Or Taxes Assessed.</i>		
A	Travelers not have their payments processed through until the hotel or car rental agency has made all of the appropriate adjustments. When it is not possible to have the credits applied prior to the charges being applied to the P-card, we recommend more diligence to ensure all the appropriate tax exemptions and credits are requested. We recommend that documentation of that contact for credit be submitted with the reconciliation.	County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	Planned
B	The Finance Division include in the P-card reconciliation procedures a requirement to include the documentation of recovery attempts be attached to reconciliation submittals.	Finance – Concur County Admin. – Concur Purchasing – Concur BCC – Concur Clerk – Concur	Planned
7	<i>A Purchasing Card Expense Was Also Claimed With Travel Reimbursement.</i>		

Introduction

**Purchasing Card Usage for the Board of County Commissioners,
the Clerk of the Circuit Court and Comptroller, and the County Administrator**

OFI NO.	OPPORTUNITIES FOR IMPROVEMENT CAPTIONS RECOMMENDATIONS	MANAGEMENT RESPONSES	IMPLEMENTATION STATUS
	The traveler reimburse the car rental expense paid by travel reimbursement. This reimbursement was submitted to the Finance Division in December 2016.	Finance – Concur BCC – Concur Clerk – Concur	Completed
8	<i>Lack Of Proper Oversight From The Finance Division On Submitted Purchasing Card Reconciliations.</i>		
	The Finance Division allocate additional staff for the auditing of iExpense transactions to allow for a more thorough review to be conducted on the submitted expenses.	Finance – Partially Concur BCC – Partially Concur	Planned
9	<i>Valet Parking Expenses Are Not Excluded Under The Travel Policy.</i>		
	The Finance Division and the Board of County Commissioners work collaboratively to update the Travel Policy to reflect the current practice of offsetting non-mandatory excess parking fees (valet parking, VIP parking, preferred parking, etc.).	Finance – Concur County Admin. – Concur Purchasing – Concur BCC – Partially Concur	Planned
10	<i>Travel Guidelines Do Not Reflect The Current Meals And Incidental Expenses Rates Being Followed.</i>		
	The Finance Division annually extract and post the Federal M & IE rate tables with the other travel related documentation on the SharePoint and/or OPUS websites for reference as is specified in the Travel Policy.	Finance – Concur BCC – Concur	Planned

Background

Pinellas County Code provides that the director of purchasing shall adopt operational procedures for making small purchases of less than \$5,000. Those procedures have been developed into what is now the Pinellas County Purchasing Card (P-card) Program. The P-card Program was designed to establish a more efficient, convenient, and cost-effective method of purchasing and paying for small dollar transactions. It allows the cardholder to purchase approved commodities and services directly from those vendors that accept a credit card as payment. The P-card 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. It has resulted in a significant reduction in the volume of purchase orders and related documentation including invoices and checks. While the P-card 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 2016 Budget for the Board of County Commissioners (BCC) states the Purchasing Department procures goods and services, following the Consultant Competitive Negotiation Act and Capital Improvement Program construction requirements, for all departments under the BCC and independent agencies, and is available to serve the procurement needs of the constitutional officers. The Purchasing Department also manages the County P-card Program, ePayables Program, and Construction Vendor Pre-qualification Program.

The Clerk of the Circuit Court (CCC) is not required by law to use the services of the Purchasing Department, or even to obtain competitive bids or quotations, when purchasing goods or services. However, the CCC recognizes and adopts good public policy, which dictates that they obtain the goods and services needed in the most efficient and cost effective manner possible. In order to do so, the CCC utilizes the P-card Program in much the same manner as the BCC to obtain the goods and services it needs.

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 cardholder is provided a formal training and the written policies associated with the program. The P-card Program specifies that P-cards are to be used only for authorized County purchases, for small purchases which 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. 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.

Introduction

**Purchasing Card Usage for the Board of County Commissioners,
the Clerk of the Circuit Court and Comptroller, and the County Administrator**

In Fiscal Years 2015 and 2016, the BCC utilized the P-card Program for expenses totaling more than \$12.8M and \$13.3M respectively. In Fiscal Years 2015 and 2016, the CCC utilized the P-card Program for expenses totaling more than \$350K and \$400K respectively.

The P-card Program results in significant savings to the County. The BCC states that savings attributed to use of P-cards for Fiscal Year 2015 was over \$1.2M and have projected savings in excess of \$1M for Fiscal Year 2016. 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 (NAPCP), a professional association for the commercial card and payment industry, 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.



To estimate the savings calculation for the P-card Program for the CCC, we applied the same calculation methodology used by the BCC. The CCC experienced an estimated savings of over \$77K for Fiscal Year 2015 and over \$83K for Fiscal Year 2016.

In addition to the savings realized through the utilization of the P-card process, Bank of America provides rebates on a scale for net purchases in excess of \$1M. The total amount spent determines the basis points, which dictate the rebate percentage to apply to the total spent. For calendar year 2015, the County received a rebate of 1.6% of the total amount spent resulting in the County collectively receiving a rebate revenue of \$286,871.19. For calendar year 2016, the County received a rebate of 1.65% of the total amount spent resulting in the County collectively receiving a rebate revenue of \$274,387.64.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures, and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. There Are No Reconciliation Procedures For The Purchasing Card Program.

There currently is an introductory training session on the P-card reconciliation process that is provided at the New Cardholder Orientation/Training. Additionally, the Finance Division states there is computer based training (CBT) available on the intranet OPUS website. This is not sufficient as the CBT does not address all areas of the reconciliation process.

By not having written established procedures, cardholders are not on notice with performance and reconciliation requirements. If there is no defined process or procedure in place, the cardholders can perform the reconciliation process in any manner they deem suitable. This eliminates several controls and increases the risk for theft and misappropriation.

The Pinellas County Purchasing Policy and Procedure Manual, revised 2014, Section 15.6 E.2, states cardholder responsibility includes reconciling P-card transactions in Oracle Financials and noting any errors, scanning and attaching charge slips/receipts, obtaining itemized receipts and/or other backup material, and making arrangements for coverage if the cardholder is not available to perform the reconciliation.

Section 15.10 states:

"Each Department will reconcile purchasing card reports against merchant receipts no less than monthly."

Written procedures provide guidance that is necessary to properly and consistently carry out departmental activities at a required level of quality. The establishment of the procedures provides the opportunity for management to ensure that adequate process/internal controls have been established. It is management's responsibility to establish written internal procedures covering key department processes, such as reconciling P-card transactions. The procedures should be in sufficient detail to provide standard performance criteria and reduce the risk of misunderstanding and/or unauthorized deviations that could cause processing errors. The development of the procedures could prevent the establishment of unnecessary controls or steps that negatively affect process productivity. The procedures also support the cross-training and back-up for key staff functions.

We Recommend:

The Finance Division and the Purchasing Department collaboratively create and implement detailed procedures for P-card reconciliations that mirror the requirements of the policies.

Finance Division Response:

Management Partially Concur. In addition to a Computer Based Training class and written policies and procedures, the Finance Division provides P-card training classes to cardholders. The class reviews the P-card policies and procedures, monthly reconciliations, and provides a hands-on learning experience where attendees are trained on the proper submission of P-card expense reports. The Finance Division will work with the Purchasing Department to enhance the documentation for reconciliation procedures.

County Administrator and Purchasing Department Response:

Management Partially Concur. While not current and complete, reconciliation procedures do exist for the Purchasing Card Program. The Purchasing Department will work with the Clerk's Finance Division to collaboratively draft and implement reconciliation procedures that mirror the requirements of the Purchasing Card Program policy.

Board of County Commissioners Response:

Management Concur. Implementation is planned.

Clerk of the Circuit Court Response:

Management Concur.

IG Comment:

The Purchasing Card Program Guidelines within the Purchasing Policy and Procedures Manual (revised 2014) provides "Responsibilities," but not actual procedures on how to accomplish those responsibilities. The only instructional information provided is the defined Finance Report Criteria (reflecting what information to extract from the Bank Of America Works product) and detailed procedures for how to extract the P-card card transaction report from the Bank Of America Works product on the Purchasing Department's P-card Program web page.

2. Not All Purchasing Card Reconciliations Are Completed Through Oracle Financials.

There are a few groups within Pinellas County Government that utilize the P-card Program for expenses, but do not utilize iExpense reports within the Oracle Financial System to perform their reconciliations. The Board of County Commissioners do not utilize iExpense within Oracle Financials for their P-card reconciliations. The Finance Division has developed the procedure that County Commissioners' expenses and P-card reconciliations would be emailed to the Finance Division for review and processing.

The Pinellas County Purchasing Policy and Procedure Manual, revised 2014, Section 15.6 E. Payment and Invoice Procedures states:

"2. Cardholder Responsibility:

- a. Reconcile purchasing card transactions in Oracle Financials and note any errors.*
- b. Scan and attach purchasing card charge slips/receipts in Oracle Financials for all items listed for purchase card transactions.*
- c. Under extenuating circumstances, should a cardholder be unavailable, at the time of reconciliation (annual/administrative leave, etc.), make provisions for such in Oracle Financials.*

The card coordinator, or authorized designee shall approve, through Oracle Financials, for that particular cardholder on leave and reconcile within the required time frame to process payment."

By utilizing an email process for P-card reconciliations, the internal controls built into the Oracle Financial System are being bypassed. Without strong internal controls, the risk for errors, fraud, and abuse increase. iExpense should be utilized for all P-card transactions as the internal controls and justification requirements are built into the templates. By utilizing the built in rules and controls of Oracle Financials, there is greater consistency and less risk involved in the processing of the expenses.

We Recommend:

- A. All purchasing cardholders utilize iExpense through the Oracle Financial System for their P-card reconciliations.
- B. The Board of County Commissioners and their staff take advantage of available iExpense training.

Finance Division Response:

- A. Management Partially Concur. Pinellas County has issued P-cards to select staff of the Public Defender, Administrator of the Court, State Attorney, and Medical Examiner, who are defined as a “contingent worker” in Oracle. Oracle will not allow a “contingent worker” to have a P-card. These cards would need to be set up in Oracle under a BCC employee so expense reports could be submitted through iExpense. The Finance Division will work with Purchasing to determine the feasibility, appropriateness, and efficiency of setting up contingent workers under a BCC employee profile.

- B. Management Concur. The Finance Division will prepare an iExpense training class that will address specific training for the Commissioners’ administrative staff.

County Administrator and Purchasing Department Response:

Management Concur. It is our understanding that the Public Defender, Administrator of the Court, State Attorney, Medical Examiner, and BCC are the groups that do not reconcile their P-card transactions through iExpense. All other BCC Departments and agencies utilize iExpense for reconciliation. In conjunction with the Finance Division (responsible for iExpense), the Purchasing Department will work with these groups to ensure they begin to reconcile P-card transactions through iExpense.

Board of County Commissioners Response:

Management Concur. Implementation is planned. The Board would like to use iExpense for card reconciliations.

Clerk of the Circuit Court Response:

Management Concur.

3. Expenses Do Not Meet Policies And Procedures Specific To The Board Of County Commissioners.

The Pinellas County Purchasing Policy and Procedure Manual, revised 2014, Section 15.4 establishes policies and procedures specific to the BCC. Utilization of P-cards issued to BCC members is limited to official County business for travel related expenditures, such as airfare, conference registration, and lodging. Additionally, BCC members may utilize P-cards for educational and training related activities.

Purchases totaling \$771.27 were placed on the P-cards for members of the BCC that did not meet the strict limitations placed by the policy. However, all expenses were reviewed and determined to be business appropriate.

The Purchasing Director has stated the intent of the policy was not to prevent BCC members from making normal business purchases, but was to provide them examples of acceptable use. However, the policy provision as written is specific and limiting. If the intent of the provision was to place specific limitations on the purchasing ability of the designated group, then these limitations need to be clearly communicated and enforced. If it was not the intent of the provision to restrict the purchasing practices of the designated group, and acceptable purchases for this group are the same as any other group under the program, then the provisions of Section 15.4 may not be necessary. If the intent of the provision was to clarify and provide examples of appropriate purchases, then those would apply to all purchasing groups, and no special provision would be necessary. Deviation or inconsistent application of policies and procedures increases the risk for errors, questionable expenses, and a potential for misuse of funds.

We Recommend:

- A. The Board of County Commissioners comply with the purchasing limitations defined in the Pinellas County Purchasing Policy and Procedure Manual, Section 15.4. Business expenses that fall outside the scope of this provision should be placed on the P-cards of office staff.

- B. The Purchasing Department eliminate or enforce Section 15.4 from the Pinellas County Purchasing Policy and Procedure Manual.

County Administrator and Purchasing Department Response:

Management Concur. The BCC discussed the audit at their June 20, 2017 meeting and decided to eliminate Section 15.4 from the Pinellas County Purchasing Policy. This action will enable the BCC to utilize P-cards for all appropriate business expenses. Staff will eliminate Section 15.4 from the Pinellas County Purchasing Policy and Procedure Manual accordingly.

Board of County Commissioners Response:

Management Concur. The BCC discussed the audit at their June 20, 2017 meeting and decided to eliminate Section 15.4 from the Pinellas County Purchasing Policy.

IG Comment:

We encourage the Purchasing Department to remove Section 15.4 from the Pinellas County Purchasing Policy and Procedure Manual and submit the change to the BCC for approval. Until the BCC formally approves the updated Pinellas County Purchasing Policy and Procedure Manual, we continue to recommend the BCC complies with purchasing limitations.

4. Purchasing Card Was Used For Expenses Excluded Under The Travel Policy.

The Pinellas County Purchasing Policy and Procedure Manual, revised 2014, Section 15.5 F., Permitted Travel Expenditures via the purchasing card for employees with designated travel allowance on their purchasing card, provides that the following purchases are permitted with the P-card only for authorized travel expenditures.

Section 15.5 F. states:

- “1. Travel related expenditures (hotels, seminars, workshops, conferences, car rental, etc.)*
- 2. Entertainment expenses for county agencies as authorized by Florida Statute Sections 125.0104 (Convention & Visitors Bureau), 125.045 (Economic Development) and 159.47 (Industry Development Authority).*
- 3. Utilities (i.e., telephone services, telephone calls)*
- 4. Rental or lease of land or buildings*
- 5. Recurring maintenance, rental or lease of equipment”*

The policy in Section 15.7 B. further states:

- “3. Items that are typically prohibited:*
 - a. Meals – Except for designated departmental personnel*
 - b. In-room movies*
 - c. Gasoline (unless authorized)*
 - d. Any other item usually prohibited by Board of County Commissioners Travel Guidelines.”*

Hotel providers will attach restaurant, room service, valet services, and other expenses to the hotel bill as standard practice and as a convenience to the customer. However, not all charges being applied by the hotel are appropriate to apply to the P-card. There is a common practice of offsetting these types of additional charges from the travel reimbursement. We found four instances of meals or room service applied to the hotel receipts totaling \$119.54; however, only \$35.41 of these charges were confirmed to be offset from the travel reimbursements. There were two instances of valet parking applied to the hotel receipts totaling \$128 that were offset from the travel reimbursements.

By using the P-card for prohibited expenses, internal controls are bypassed and there is an increase in the perception that no internal controls exist. Without strong internal controls, the risk for errors, fraud, and abuse increase.

We Recommend:

The Board of County Commissioners utilize P-cards only for expenses allowable under the Pinellas County Travel Guidelines and the Pinellas County Purchasing Policy and Procedure Manual.

County Administrator and Purchasing Department Response:

Management Concur. Management will work with BCC assistants to ensure the P-card is utilized per Travel Policy requirements as suggested.

Board of County Commissioners Response:

Management Concur. Implementation is in progress.

Clerk of the Circuit Court Response:

Management Concur.

5. *No Justification Details Provided With Reconciliation.*

In two instances of P-card reconciliations that included hotel receipts/reservations, there was insufficient documentation attached to determine business appropriateness. The receipts totaling \$1,408.12 were lacking information, such as hotel name, location, dates of occupancy, and/or the event being attended. There are currently no established procedures to define what details or documentation needs to be provided with P-card reconciliations that include hotel reservations/receipts. Documentation to establish business appropriateness was obtained for these two instances.

The Guidelines for Payment and/or Reimbursement of Travel Expenses for Pinellas County Officers and Employees state:

"All travelers shall be allowed subsistence when traveling to a convention or conference or when traveling within or outside the state in order to conduct bona fide County business, when the convention, conference, or business serves a direct and lawful public purpose with relation to the public agency served by the person attending such meeting or conducting such business."

By not requiring documentation about the event requiring the travel, the potential exists for inappropriate charges to be processed and approved.

We Recommend:

The Finance Division include in the P-card reconciliation procedures, a requirement to include sufficient documentation to justify business appropriateness when submitting a reconciliation that includes hotel expenses. The required documentation should include, at a minimum:

- who the reservation is for,
- what event is being attended or business purpose, and
- where and when the event is being held.

Finance Division Response:

Management Concur. The Finance Division will work with the Purchasing Department to enhance the documentation for reconciliation procedures.

County Administrator and Purchasing Department Response:

Management Concur. The Purchasing Department will work with the Clerk's Finance Division to collaboratively draft and implement reconciliation procedures that mirror the requirements of the Purchasing Card Program policy.

Board of County Commissioners Response:

Management Concur. Implementation is planned.

Clerk of the Circuit Court Response:

Management Concur.

6. Credit Was Not Obtained For Inappropriate Charges Or Taxes Assessed.

A digital subscription to the Tampa Bay Times for April 2015 was billed for and paid twice. The initial payment was charged on April 17, 2015. The second payment was processed on April 29, 2015.

Avis Car Rental processed a payment of \$13.10 for tolls on a date when the vehicle was not being rented by the cardholder.

There were seven transactions for hotel and car rentals where taxes amounting to \$148.59 were assessed against the tax exempt entity. Hotel and car rental receipts are not always scrutinized to ensure the tax exemption is properly applied. Expedia, Travelocity, etc. do not allow for the processing of the tax exemption status and caution should be applied when utilizing these services.

The Pinellas County Purchasing Policy and Procedure Manual, revised 2014, Section 15.6 F.1., states:

"If the statement contains an error.... the cardholder must first attempt to resolve the problem with the merchant by requesting a credit."

Prudent business practices dictate that businesses not pay for unnecessary expenses or expenses not actually incurred by the business. As custodians of taxpayer monies, Pinellas County should be even more vigilant and prudent with ensuring funds expended are for expenses incurred.

We Recommend:

- A. Travelers not have their payments processed through until the hotel or car rental agency has made all of the appropriate adjustments. When it is not possible to have the credits applied prior to the charges being applied to the P-card, we recommend more diligence to ensure all the appropriate tax exemptions and credits are requested. We recommend that documentation of that contact for credit be submitted with the reconciliation.
- B. The Finance Division include in the P-card reconciliation procedures a requirement to include the documentation of recovery attempts be attached to reconciliation submittals.

Finance Division Response:

- A. No response required.
- B. Management Concur. The Finance Division will work with the Purchasing Department to enhance the documentation for reconciliation procedures.

County Administrator and Purchasing Department Response:

Management Concur. The Purchasing Department will work with the Clerk's Finance Division to collaboratively draft and implement reconciliation procedures that mirror the requirements of the Purchasing Card Program policy.

Board of County Commissioners Response:

- A. Management Concur. Implementation is planned.
- B. Management Concur. Implementation is planned.

Clerk of the Circuit Court Response:

Management Concur.

7. A Purchasing Card Expense Was Also Claimed With Travel Reimbursement.

A December 2015 P-card reconciliation included a rental car expense of \$59.04. This expense was also submitted for reimbursement to the traveler. The reversal line item to depict the P-card payment was inadvertently left off the reimbursement request. The rental car and all other travel expenses for that event were being batched for submittal to the event sponsor for reimbursement.

Prudent business practice dictates that expenses not be paid twice and that employees are not reimbursed for expenses not actually expended.

We Recommend:

The traveler reimburse the car rental expense paid by travel reimbursement. This reimbursement was submitted to the Finance Division in December 2016.

Finance Division Response:

Management Concur.

Board of County Commissioners Response:

Management Concur. Implementation is completed.

Clerk of the Circuit Court Response:

Management Concur.

8. Lack Of Proper Oversight From The Finance Division On Submitted Purchasing Card Reconciliations.

Employees utilize iExpense reports to submit for P-card reconciliation, petty cash reconciliation and reimbursement, travel (local, D, and foreign), tuition reimbursement, and other miscellaneous reimbursements.

During this audit, the following types of issues were discovered within the reconciled records that were processed and approved:

- There were several illegible receipts and no record to indicate a corrected version of the documents was received.
- Hotel receipts that did not include documentation to justify as a business expense.
- Expenses that fell outside the scope of the Purchasing Manual, Section 15.4.

Opportunities for Improvement
Purchasing Card Usage for the Board of County Commissioners,
the Clerk of the Circuit Court and Comptroller, and the County Administrator

- A digital subscription was double billed for April 2015 (both charges appeared on the same reconciliation report).
- Expenses were submitted for taxes assessed against a tax exempt entity.
- Expenses were submitted for P-card reconciliation and also paid out to the traveler based on a reimbursement request.

The role of the Finance Division as custodian of County funds is to ensure County assets are safeguarded and all transactions are properly recorded. There are not enough staff available within the Finance Division to provide for sufficient auditing to be conducted. For the calendar year 2016, there were 7,440 iExpense reports submitted for the BCC and CCC.

Not having sufficient oversight results in expenses being processed and paid that may not be appropriate. The lack of oversight increases the risk for fraud, waste, and abuse of County Funds.

We Recommend:

The Finance Division allocate additional staff for the auditing of iExpense transactions to allow for a more thorough review to be conducted on the submitted expenses.

Finance Division Response:

Management Partially Concur. During calendar year 2016, there were 7,440 expense reports submitted through iExpense. This is an average of 620 expense reports per month. The Finance Division also audits approximately 6,000 invoices per month. The Finance Division fully recognizes the critical need for additional resources to perform the pre-audit process and has requested funding from the BCC for additional staff.

Board of County Commissioners Response:

Partially Concur. Implementation is planned.

9. Valet Parking Expenses Are Not Excluded Under The Travel Policy.

The Guidelines for Payment and/or Reimbursement of Travel Expenses for Pinellas County Officers and Employees (Travel Policy) state in Section 4 Reimbursable Expenses, item o. Other Expenses:

"(2) Parking or storage fees and tolls. Parking or storage fees and tolls shall be reimbursed and, if the amount is in excess of \$10.00, receipts must be provided or, if no receipts were provided, traveler shall submit an explanatory memorandum."

Currently, the Finance Division has an established practice of offsetting for any excess parking fees (valet parking, VIP parking, preferred parking, etc.) above any mandatory expense for self-parking. The offset is applied to the travel reimbursement requests based on the difference between the cost of self-parking and the excess parking fees charged for preferential parking services. For example, a traveler stays at a hotel and opts for the valet parking at \$40 per night. The self-parking charge at the hotel is \$10 per night. The Finance Division will then offset the extra \$30 per night against any travel reimbursement due the traveler. Transactions reviewed during this audit showed there were two instances of valet parking applied to hotel receipts totaling \$128 that were offset from the travelers' reimbursements.

While this is a cost saving measure applied by the Finance Division to ensure officers and employees within Pinellas County government are utilizing the most economical means of travel, the current Travel Policy does not differentiate between the levels of parking or indicate that such offset will occur. While the Finance Division's practice of offsetting the extra costs may be in the best interest of the citizens for whom they serve, their current offset practice does not follow policy.

We Recommend:

The Finance Division and the Board of County Commissioners work collaboratively to update the Travel Policy to reflect the current practice of offsetting non-mandatory excess parking fees (valet parking, VIP parking, preferred parking, etc.).

Finance Division Response:

Management Concur. The Finance Division will work with BCC staff, but ultimately the BCC must approve and the Comptroller must adopt any changes to the policy.

County Administrator and Purchasing Department Response:

Management Concur. The Finance Division and departments under the BCC as necessary (i.e., Office of Management and Budget, Risk Management, Purchasing, etc.) will work

collaboratively to update the Travel Policy to reflect the current practice of offsetting non-mandatory excess parking fees.

Board of County Commissioners Response:

Management Partially Concurs. Implementation is planned.

10. Travel Guidelines Do Not Reflect The Current Meals And Incidental Expenses Rates Being Followed.

The Federal meals and incidental expenses (M & IE) rates are not currently located on the Pinellas County intranet as specified in the Travel Policy. The Guidelines for Payment and/or Reimbursement of Travel Expenses for Pinellas County Officers and Employees (Travel Policy), Section 4 Reimbursable Expenses, states:

“b. All travelers (Class A and B travel) shall be allowed the Federal M & IE Rates listed on the Federal M & IE Rate Table (Appendix A - current version) for various locations in the Continental United States (CONUS)... The rates shall change in accordance with the changes in the CONUS rates. Changes will be effective October 1 of each year, or if not available as of that date, as soon as available thereafter. The Federal M & IE rates for CONUS localities may be viewed on the Pinellas County intranet.”

Having the correct rates posted will ensure employees are utilizing the correct reference materials. Not having the correct rates available could result in unnecessary errors in submitted documentation.

We Recommend:

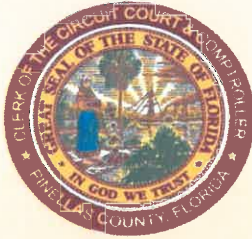
The Finance Division annually extract and post the Federal M & IE rate tables with the other travel related documentation on the SharePoint and/or OPUS websites for reference as is specified in the Travel Policy.

Finance Division Response:

Management Concurs. The M & IE breakdown is on the intranet. Annually, a refresh of the M & IE rate tables will occur.

Board of County Commissioners Response:

Management Concurs. Implementation is planned.



DIVISION OF INSPECTOR GENERAL

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