



DIVISION OF INSPECTOR GENERAL
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AUDIT OF PINELLAS COUNTY PURCHASING CARD USAGE



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MAY 6, 2024



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May 6, 2024

Joe Lauro, Director, Department of Administrative Services

We have conducted an Audit of Purchasing Card Usage based on our annual risk assessment.

Opportunities for Improvement are presented in this report.

We appreciate the cooperation shown by the staff of the Purchasing and Risk Management Department during the course of this review.

Respectfully Submitted,

Melissa Dondero

Melissa Dondero
Inspector General/Chief Audit Executive

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INTRODUCTION

Abbreviations

| | |
|-------------------|--|
| BCC | Board of County Commissioners |
| BoA | Bank of America |
| Cardholder | Employee with an issued Purchasing Card |
| County | Pinellas County |
| Finance | Clerk of the Circuit Court and Comptroller, Finance Division |
| FS | Florida Statutes |
| FY | Fiscal Year |
| MCC | Merchant Category Codes |
| OPUS | Oracle Project Unified Solution |
| P-Card | Purchasing Card |
| STL | Single Transaction Limit |

Executive Summary

As a result of our annual risk assessment, we conducted an Audit of Purchasing Card (P-Card) Usage. The audit's objectives were to determine employees' with an issued P-Card (Cardholders') compliance with the P-Card Program policies and procedures.

The success of the P-Card Program depends on Cardholders adhering to purchasing policies and procedures, in conjunction with careful and timely review by the corresponding Department/Agency Managers, and with oversight by the Purchasing Department and Finance Division.

We noted there were 45,307 P-Card transactions during our review period of fiscal years 2022 and 2023. As part of our audit scope and methodology, we integrated advanced data analytics techniques to analyze 100% of P-Card transactions. Through this method, we identified and prioritized transactions that required detailed review based on predefined criteria. This method enhanced the completeness of our audit findings and significantly improved our review process's efficiency. However, our review does not guarantee the detection of all discrepancies or non-compliant transactions.

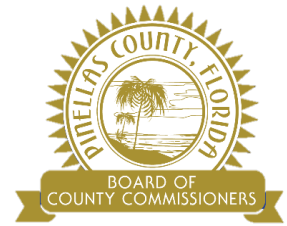
Overall, the P-card usage evaluated during this audit was considered business-appropriate, and we found no evidence of potentially fraudulent or abusive purchases made by Cardholders. However, our review identified 348 instances where Cardholders did not adhere to policies and procedures. Those instances included:

- Purchases for split transactions
- Purchases of non-approved memberships
- Purchases of preferred or upgraded airline seats
- Purchases resulting in budget deficit for the department
- Payments for recurring maintenance exceeding \$5,000 per year
- Payments for utilities

Additionally, during our review, we noted opportunities for improvement for the ongoing review of Cardholders, their spending ability, the timeliness of deactivating terminated employee P-Cards, and Cardholders ability to process transactions through third-party merchants.

Background

The Pinellas County (County) Board of County Commissioners (BCC) administers the Purchasing Department, a pivotal entity responsible for acquiring goods and services in alignment with the Consultant Competitive Negotiation Act and Capital Improvement Program construction requirements. This department is instrumental in servicing the procurement needs across all BCC departments, independent agencies, and select constitutional officers, ensuring that purchasing activities are executed efficiently and in accordance with established guidelines.



Pursuant to the County Code, the Director of Purchasing is tasked with formulating operational procedures for managing small purchases valued at less than \$5,000. This mandate has led to the development of the County Purchasing Card (P-Card) Program, a strategic initiative to optimize the procurement process. The BCC P-Card Program facilitates a streamlined and cost-effective approach to purchasing, enabling direct transactions with vendors that accept credit cards, thereby reducing administrative burdens and generating financial returns through rebate programs.

The BCC Program was designed to enhance procurement efficiency, offering a convenient and cost-effective solution for small-dollar transactions. The P-Card Programs support timely procurement, reduce transaction costs, streamline expense tracking, minimize the use of petty cash, and reduce the volume of purchase orders, invoices, checks, and related documentation. The introduction of the P-Card Programs has not only diminished administrative costs but also provided a source of revenue through rebates, furthering the economic advantages of the initiative.



Figure 1 - Benefits Of A P-Card

Each card within the P-Card Program is issued to a specific employee (Cardholder), with the County government prominently identified on the card as the governmental purchaser. P-Card Administrators provide Cardholders with formal training, which authorizes County purchases up to \$5,000 for small purchases requiring no quotes, authorized travel-related expenditures, and to make payments and purchases against selected contracts. The P-Card Programs enforce usage restrictions at specific vendor types, as determined by Merchant Category Codes (MCC), and set transaction limits and credit lines tailored to individual Cardholder needs.

Below, in Figure 2 is an overview and composition of each P-Card Program for the fiscal years (FY) 2022 and 2023.

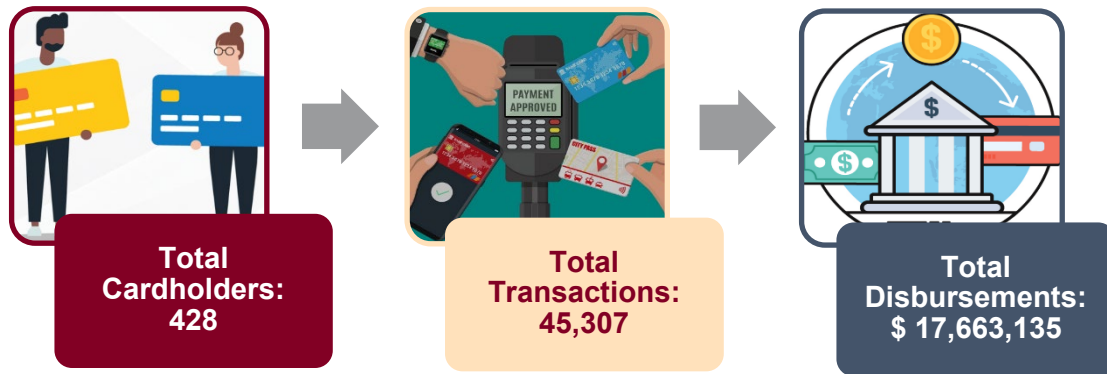


Figure 2: P-Card Program Overview FYs 2022 & 2023

Cardholders are responsible for performing monthly reconciliations on all charges made on their P-Card using the iExpense module within Oracle Project Unified Solution (OPUS). The reconciliation process includes attaching scanned receipts, invoices, and/or shipping statements and ensuring sales taxes are applied only when appropriate per the County’s Certificate of Exemption. If sales tax is charged for a local purchase, the Cardholder is required to dispute the sales tax.

| BCC Purchasing Card Program | |
|---|------------------------|
| Top 10 MCC Categories | Total Disbursed |
| Industrial Supplies | \$2,535,870 |
| Book Stores | 1,041,391 |
| Business Services | 739,572 |
| Home Supply Warehouse Stores | 679,781 |
| Charitable And Social Service Organizations | 593,973 |
| Membership Organizations | 526,902 |
| Commercial Equipment | 471,468 |
| Durable Goods | 389,091 |
| Electrical Parts And Equipment | 349,549 |
| Miscellaneous And Retail Stores | 338,741 |
| Total | \$7,666,338 |

Table 1: Top 10 MCC Categories for BCC Transactions for FYs 2022 & 2023

Once the Cardholder completes and submits their monthly reconciliation, OPUS will forward the Cardholder expense report to the corresponding department reviewer. The designated reviewer and approver have the task of reviewing all transactions for appropriateness of expenditures, adherence to contract and pricing if applicable, verifying that justification is aligned with serving a public purpose, verifying sales tax was not charged, and ensuring proper supporting documentation is attached. Once reviewed, the expense report is approved by the department director or designated departmental approver.

The following graph presents FYs 2022 and 2023 P-Card Program total, segregated between contract and non-contract vendors:

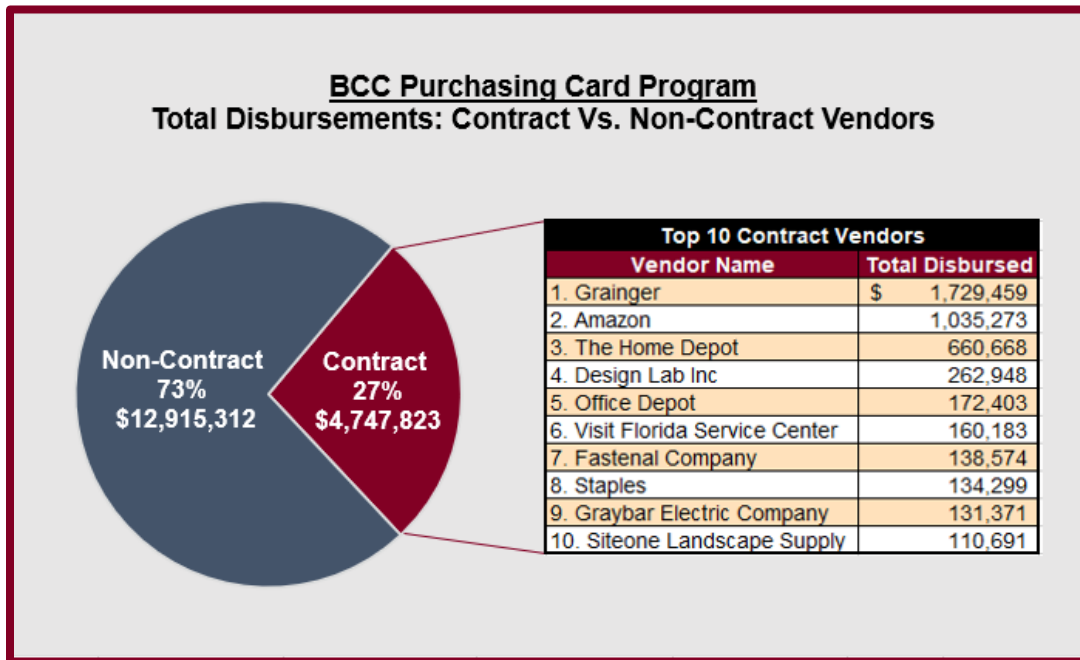


Figure 3: BCC Total Disbursements FYs 2022 & 2023

After review and approval of the expense report by the departmental reviewer, the Clerk of the Circuit Court and Comptroller, Finance Division (Finance) audits individual P-Card transactions and expense reports for accuracy and completeness according to purchasing and Finance policies. If all expenses are according to policies and are approved by the department director or designated departmental approver, then all non-disputed monthly charges from the consolidated statement will be paid. If a transaction does not comply with the P-Card Program policies, the Cardholder is notified and receives communication of the additional information required or the need to repay the County the amount not allowed under the P-Card Program. Also, the supervisor, director, and P-Card Administrator are notified about the violation performed by the Cardholder or discrepancies in the submitted monthly reconciliation.



Figure 4: P-Card Lifecycle

In essence, the P-Card Program demonstrates the County’s strategic approach to procurement, balancing the need for operational agility with rigorous financial oversight. This dual focus on efficiency and compliance serves not only to enhance the County’s procurement process, but also to uphold its commitment to fiscal responsibility and public accountability.

SCOPE AND METHODOLOGY

We have conducted an audit of Pinellas County P-Card usage for all Cardholders and transactions to ensure usage has been appropriate and according to the P-Card policies and procedures.

The audit period was October 1, 2021, through September 30, 2023.

During the audit, we performed the following:

1. Reviewed policies and procedures that governed the P-Card Programs and other relevant guidance
2. Summarized and performed data analytic testing on P-Card transactions to determine compliance with P-Card Program policies and procedures
3. Reviewed supporting documentation and reconciliations of questionable transactions based on the data analytic tests performed

OBJECTIVES AND OUTCOMES

The objectives of the audit were to:

1. Determine the compliance of Cardholders to the P-Card Program policies and procedures
2. Determine the adequacy and compliance of Cardholder transactions with P-Card Program policies and procedures

As a result of the audit, we determined:

1. Several Cardholders did not consistently adhere to the P-Card Program policies and procedures.
2. 348 P-Card transactions did not meet the compliance requirements of the P-Card Program policies and procedures. The transactions identified included:
 - Purchases for split transactions
 - Purchases of non-approved memberships
 - Purchases of preferred or upgraded airline seats
 - Purchases resulting in budget deficit for the department
 - Payments for recurring maintenance exceeding \$5,000 per year
 - Payments for utilities
3. Other opportunities for improvement existed for the ongoing review of Cardholders, their spending ability, and the timeliness of deactivating terminated employee P-Cards.

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.

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.

Specific Cardholder names and departments were excluded from this report, but were provided to necessary management so corrective actions could be addressed.

1. Single Transaction Limits Were Not Assigned To 77 Cardholders.

A review of all 310 active BCC Cardholder profiles identified 77, or 25%, did not have a single transaction limit (STL) assigned. STLs are necessary to control the spending ability of Cardholders and to limit potential losses in the event the card is stolen or misused.

Section 15.18 of the BCC Purchasing Procedures Manual outlines the requirements for Cardholders and establishes the following related to the Cardholders' STLs and liability coverage:

“The purchasing card issuing Financial Institution will not hold the County liable for any transactions, which exceed the single purchase limits set by the County on the date that the transaction was authorized.”

As stated above, the issuing financial institution, Bank of America (BoA), would not have held the County liable for Cardholder misuse if the transaction exceeded the STL established at the time of the authorization. Conversely, if no STL was imposed on a Cardholder's profile, the County could have been liable for any misuse of that P-Card, up to the card's maximum credit card limit.

| Cardholders' Credit Card Limit | Number of Cardholders | County Exposure |
|--------------------------------|-----------------------|--------------------|
| \$5,000 | 10 | \$50,000 |
| 8,000 | 1 | \$8,000 |
| 10,000 | 30 | 300,000 |
| 25,000 | 19 | 475,000 |
| 50,000 | 13 | 650,000 |
| 100,000 | 3 | 300,000 |
| 125,000 | 1 | 125,000 |
| Total | 77 | \$1,908,000 |

Table 2: County Exposure

The table to the left presents the distribution of the 77 Cardholders without STLs per their corresponding monthly credit card limits and the total potential exposure for the County.

Without STLs, there is a heightened risk of financial mismanagement. Cardholders could make excessively large purchases, possibly leading to budgetary overruns or unauthorized expenditures.

Additionally, as previously discussed, the County would have been liable for any transactions if the cards were stolen or misused. For these 77 Cardholders, the maximum monthly financial exposure amounted to \$1,908,000.

According to P-Card Administrators, the configured Spend Control Profiles on BoA establish the financial parameters for each cardholder. These profiles encompass STL, monthly credit limits, and specified merchant category codes. Once the cardholder is enrolled in BoA Works, the profile is assigned based on predefined options available within the system, some of which include a zero STL. This profile configuration created during the initial setup of the P-Card Program creates the exposure previously mentioned.

We Recommend Management:

- A. Immediately implement single transaction limits for all Cardholders. If a Cardholder needs a temporary increase in their STL, it should be justified in a request submitted by the departmental director and maintained by the P-Card Administrators.
- B. Perform periodic reviews of Cardholder profiles to ensure compliance with the established limits per purchasing guidelines. Reviews should be documented and maintained by P-Card Administrators.

Management Response:

- A. **Management Concurs.** All active cardholders now have designated STLs in BoA Works as identified during the audit. This was originally set up a long time ago for cardholders to purchase large volumes from P-Card approved contracts and pre-approved authorized travel. We are in the process of redoing the profiles in BoA Works to mitigate risk. Additionally, the Department P-Card Coordinator is responsible for submitting the cardholder temporary increases (per policy), not the department director.
- B. **Management Concurs.** This is already an internal review performed by Purchasing staff that is currently being finalized for this year.

2. Lack Of Employee Termination Notification Resulted In Untimely P-Card Cancellations And Transactions Post-Termination.

During the audit period, the majority of terminated P-Cards reviewed were not canceled in a timely manner. During FYs 2022 and 2023, there were 60 BCC P-Cards terminated. Of the 60 terminated P-Cards, we determined that 40 P-Cards, or 67%, were not terminated timely in accordance with P-Card policies.

Additionally, we performed a review of all transactions associated with the 40 P-Cards and compared those to the Cardholder termination dates, which identified 25 transactions that occurred after the Cardholders were terminated. We confirmed that 21 of the 25 transactions were related to refunds and deemed appropriate.

The remaining four transactions were related to one Cardholder and occurred within a week of the Cardholder's termination. The terminated employee's P-Card information had been stored in a transportation application used by multiple staff in the department. Fellow employees completed the transactions within the application and did not realize the P-Card on file was associated with the terminated employee. We determined the four transactions were business-related, and no fraudulent or purposeful misuse occurred.

The following table gives the breakdown of the length of time it took to terminate the 40 P-Cards:

| Timeframe | Number of Cardholders |
|---------------------------------------|------------------------------|
| 2-7 Days After Termination Date | 29 |
| 8-15 Days After Termination Date | 3 |
| 15-30 Days After Termination Date | 4 |
| Over One Month After Termination Date | 4 |
| Total Terminated Cardholders | 40 |

Table 3: Timeframe to cancel P-Cards

For the four P-Cards that took longer than one month to cancel, the timeframe ranged from 67 days to 202 days. Two of those P-Cards, which were active for 153 and 202 days after the employees' termination date, were canceled only after being identified by the Division of Inspector General.

In addition, for each of the 40 P-Card instances noted, department management did not notify the P-Card Administrator in a timely manner of the employee's termination. Additionally, P-Card

Administrators were not performing quarterly audits to ensure terminated or transferred employee accounts were closed.

Section 15 Part 5 (C) of the BCC Purchasing Procedures Manual states the following related to timeliness for termination or transfer of a 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, request cancellation of the account, and destroy card upon Cardholder transfer or termination of employment, or earlier if appropriate. The department must then document the reason using the Purchasing Change Request Form for destroying the card and submit the destroyed card to the Purchasing Card Program Manager. If the Department is unable to collect the purchasing card when an employee is terminated, or for any other reason, the Department Director must immediately notify the Purchasing Card Program Manager. The Purchasing Card Program Manager will ensure that the card is canceled.

In addition, Purchasing will conduct quarterly audits of the program to ensure terminated and transferred employee accounts are closed. Accounts will be canceled within one business day of receipt of notification of termination or transfer.”

The lack of timely deactivation of P-Cards increases the risk of misuse by either the Cardholder or unauthorized individuals. If Purchasing is not notified in a timely manner by management, unauthorized transactions could go undetected until Finance performs monthly reconciliations of transactions.

We Recommend Management:

- A. Remind department management related to the Cardholders identified of their responsibility to timely notify the P-Card Administrator of terminated employees per the P-Card policy.
- B. Adhere to the P-Card policy and conduct quarterly audits to ensure terminated and transferred employee accounts are identified and closed.
- C. Provide annual reinforcement training to management and Cardholders to emphasize the required adherence to procedures and protocols associated with terminated employees and timely deactivation of P-Cards.
- D. Coordinate with Business Technology Services, and Human Resources to incorporate timely notification of employee terminations into the employee offboarding process through OPUS.

Management Response:

- A. **Management Concur.** Department directors were notified in writing it is their responsibility, per the Purchasing policy, to notify Purchasing to terminate the P-Card. Purchasing was not notified by the departments to terminate P-Cards. Additionally, current reporting has not been reliable as auto-notifications drop off. Purchasing requested HR send a monthly comprehensive termination report to Purchasing so all terminations can be validated against P-Card holders.

- B. **Management Concur.** Management quarterly performs this function.

- C. **Management Concur.** This training is provided in refresher training and coordinator training.

- D. **Management Concur.** This was already addressed during the audit. Purchasing is now coded into the offboarding process (we were not previously) and is now notified when an offboarded P-Card holder is processed. It was included in the offboarding checklist to notify Purchasing if the terminated employee held a P-Card; however, Purchasing was never notified – BTS has now established electronic notification. Additionally, we now receive monthly termination reports from HR.

3. Four Cardholders Performed Ten Split Transactions.

We identified four instances where Cardholders performed split transactions to circumvent controls. For the four instances, BCC Purchasing Administrators were aware of the split transactions and had already sent a notice about the infraction to the Cardholders' supervisor and director. The table below shows the breakdown of the split transactions:

| Cardholder | STL | Transaction | Amount per Transaction | Total Amount Over STL |
|--------------|---------|-------------|------------------------|-----------------------|
| #1 | \$5,000 | 1 | \$5,000.00 | \$250.00 |
| | | 2 | 250.00 | |
| #2 | 5,000 | 1 | 4,347.94 | 4,283.61 |
| | | 2 | 4,935.67 | |
| #3 | 5,000 | 1 | 4,888.92 | 925.48 |
| | | 2 | 1,036.56 | |
| #4 | 5,000 | 1 | 3,420.00 | 1,910.00 |
| | | 2 | 855.00 | |
| | | 3 | 70.00 | |
| | | 4 | 2,565.00 | |
| Total | | 10 | \$27,369.09 | \$7,369.09 |

Table 4: Split Transactions

The BCC strictly prohibits split purchase transactions. The BCC P-Card policies are designed to ensure transparency and compliance with established STLs and consequences to Cardholders in violation of those requirements. Each of the split transactions were a result of Cardholders not adhering to established policies or procedures.

The BCC Purchasing Procedures Manual establishes the following related to split transactions in Section 15 Part 6 (D):

“Single Purchase: The total cost of any transaction must not exceed the established single purchase limit.

1. *A single purchase may be comprised of multiple items purchased in one transaction.*
2. *All items purchased to meet a single requirement must be purchased in one transaction.*
3. *A single purchase shall not be split into two or more transactions to stay within the single purchase or Cardholder limit.*

4. *Any Cardholder in violation of this requirement may be subject to forfeiture of the use of their purchasing card upon investigation and proof of the infraction.”*

The circumventing of spending controls creates the opportunity for Cardholders to avoid proper approvals for large purchases. Cardholders being non-compliant with the policies and procedures compromises the integrity of the County’s first line of defense against the abuse of purchasing power and increases the risk of fraud and misuse of government funds.

We Recommend Management:

Communicate to all Cardholders in writing the importance of not splitting transactions and the implications of this behavior. Additionally, remind Cardholders of the proper procedures for requesting a temporary increase to STL, if necessary.

Management Response:

Management Concur. This was addressed at the time of occurrence and is regularly addressed in all P-Card trainings.

4. Twenty-Eight Cardholders Performed 332 Prohibited Transactions.

We identified 332 transactions prohibited by BCC Purchasing policy. The following is a summary of the transactions and prohibited expenses:

| Prohibited Transaction Type | Quantity of Transactions | Quantity of Cardholders | Total Transactions Amount |
|---|--------------------------|-------------------------|---------------------------|
| Unauthorized Memberships | 6 | 6 | \$6,830.00 |
| Preferred/Upgraded Seats on Flights | 12 | 7 | 859.36 |
| Recurring Maintenance | 12 | 2 | 49,098.95 |
| Utilities (Cable, Satellite, Telephone) | 302 | 13 | 74,740.46 |
| Total | 332 | 28 | \$131,528.77 |

Table 5: Prohibited Transactions Type Summary

The transactions occurred due to Cardholders not adhering to purchasing guidelines and inadequate review and approval processes by department reviewers.

The BCC Purchasing P-Card Expense Training states:

“P-Card Prohibited Use:

- *Rental or lease of land or buildings*
- *Purchase of professional services under Consultants’ Competitive Negotiation Act (CCNA)*
- *Unauthorized travel expenses*
- *Merchant rebates via mail*
- *Alcoholic beverages, tobacco products*
- *Entertainment expenses*
- *If item is backordered, vendor cannot charge in advance*
- *Gift cards*
- *Cash advances*
- *Utilities (i.e., internet/telephone services, telephone calls)*
- *Recurring maintenance, rental or lease of equipment that exceeds \$5,000 annually*
- *Online purchases that require acceptance of Terms & Conditions*
- *Purchases requiring signed agreements, estimates/quotes.”*

Additionally, §119.01(3), Florida Statutes (F.S.), states:

“If public funds are expended by an agency in payment of dues or membership contributions for any person, corporation, foundation, trust, association, group, or other organization, all the financial, business, and membership records of that person, corporation, foundation, trust, association, group, or other organization which pertain to the public agency are public records and subject to the provisions of s. 119.07.”

Due to this F.S., Finance maintains a list of all memberships that have been approved for purchase with County funds. This list is communicated to and available for all Cardholders when P-Cards are issued.

Administrative Directive No. 17-1, Pinellas County Travel Expenses Guidelines, Section 5(c) Airline Fare indicates the following:

“Any expenses above the base airfare such as seat selection, priority boarding, itinerary changes, etc. must be justified and preapproved in writing by the Approving Authority prior to making reservation.”

The misuse and non-compliant use of P-Cards pose financial risks to the County, including the potential for fraud, misuse of County funds, and the acquisition of unauthorized goods and services. Such practices undermine the integrity of the County’s financial management systems and could lead to financial loss, reputational damage, and legal implications.

We Recommend Management:

Remind Cardholders and applicable reviewers in writing of the importance of complying with P-Card policies and procedures, including the adverse consequences of misuse of the P-Card, which include possible suspension or loss of P-card privileges.

Management Response:

Management Concurs. Purchasing P-Card staff provides this exact training in every training session already. Transactions under \$5k are decentralized to departments and directors must provide oversight of those transactions as Purchasing staff does not reconcile P-Card iExpenses on a monthly basis and does not have visibility of individual receipts. Purchasing staff will address when/if notified by the Clerk’s staff of an infraction at the time of P-Card reconciliation. Purchasing staff is also updating the cardholder profiles to restrict certain transactions by MCC code and certain vendors in an effort to reduce potential for infractions.

5. A Cardholder's Purchase Violated A Purchasing Requirement.

A Cardholder violated BCC purchasing policy by expending funds via P-Card purchases when funding had been depleted for the year. Our review identified one Cardholder who performed six transactions on the last two days of FY 2023, in which they paid for six different community events totaling \$6,906.

When Finance performed its monthly review of the reconciliations, it determined there was no funding available to cover the transactions paid and, consequently, had to withhold payment to BoA for approximately two months until funding was available.

Per discussions with Finance, Purchasing, and the department, the Cardholder and approving manager were unaware of the budget deficit prior to the purchases. Section 3 Part 17 of the BCC Purchasing Procedures Manual establishes the requirements for the availability of funds:

“Sufficient funds must be available before departments request the purchase of goods or services. Departments must check the availability of funds prior to submission of a requisition. If funds are not available, it will be the responsibility of the department director or designee to rectify the situation. An electronic requisition or departmental memo shall indicate that funds are budgeted and available unless otherwise stated.”

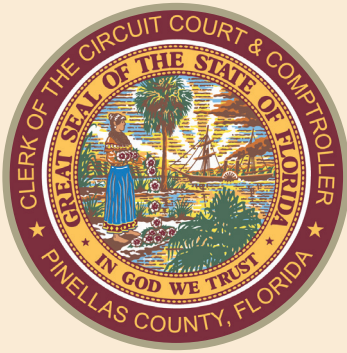
Purchases without available departmental funding can have severe consequences as they disrupt the budgetary balance, leading to financial strain and potential reallocation of funds from other necessary services or projects. This action undermines the department's ability to plan and manage resources efficiently.

We Recommend Management:

Remind Cardholders in writing that department P-Card transactions must have funds obligated before making a purchase, especially at end of FY.

Management Response:

Management Concur. While Purchasing agrees and provides this guidance in training, Purchasing does not have oversight of department budgets. The use of department P-Cards is decentralized to departments, and cardholders and approvers must ensure the correct budget and account string are being utilized when reconciling their P-Cards.



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