



CHIEF FINANCIAL OFFICER
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STATE OF FLORIDA

REPORT IA 16-502

AUDIT OF THE BUREAU OF FINANCIAL SERVICES' ADMINISTRATION OF THE DEPARTMENT OF FINANCIAL SERVICES' PURCHASING CARD PROGRAM

Operational audit performed by the Office of Inspector General to evaluate whether internal controls over the administration of the Department of Financial Services' Purchasing Card Program are adequate and operating effectively

A handwritten signature in blue ink, reading "David Harper".

David Harper, Inspector General
Office of Inspector General
Department of Financial Services

October 22, 2018



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EXECUTIVE SUMMARY

Consistent with the approved *Annual and Long-Term Audit Work Plan*, the Office of Inspector General (OIG) performed an operational audit of the Florida Department of Financial Services' (Department) Purchasing Card (PCard) Program to evaluate whether internal controls over the Program are adequate and operate effectively. PCard services for the Department are administered by the Office of Finance and Budget, Bureau of Financial Services (BFS). The BFS is authorized to administer the PCard Program by the Statewide Purchasing Card Program Administrator, consistent with its approved "*Purchasing Card Program Plan*," which is typically updated annually. This report provides the results of our audit. The audit revealed the following:

- ❖ **Finding 1:** There were opportunities to strengthen the sufficiency of BFS's PCard training procedures to ensure Approvers completed the requisite training and that the training was completed prior to the Approver processing PCard transactions.
- ❖ **Finding 2:** Regarding the BFS's PCard charge review procedures, there were opportunities to improve the identification of potential procurement and other violations of Department policy.
- ❖ **Finding 3:** There were opportunities to improve the process to ensure spending limit increases had the necessary approvals and justification.
- ❖ **Finding 4:** The Year-end financial statement preparation processes could be improved to ensure there were procedures to verify the completeness of PCard transactions for financial reporting purposes.
- ❖ **Finding 5:** The BFS's Florida Accounting Information Resource (FLAIR) PCard access review procedures could be improved to ensure quarterly access reviews were completed and performed by an appropriate supervisor.

Accordingly, we recommend that the Department take the following actions:

- ❖ Strengthen training procedures for Approvers and controls related to Cardholder spending limits.
- ❖ Enhance post-audit/review procedures, FLAIR PCard access review procedures and year-end financial reporting processes for PCard activity.

The BFS's PCard Section has three staff and administers the PCard Program for the Department, the Office of Financial Regulation and the Office of Insurance Regulation. With respect to the Department, as of June 30, 2018, the Section managed 859 PCards. The Section processed 11,913 charges totaling \$2,795,407 and 11,742 charges totaling \$2,533,608 in fiscal years 2017-18 and 2016-17, respectively.

ACKNOWLEDGEMENTS

The OIG would like to thank the leadership and staff of BFS for their input, cooperation and assistance throughout the performance of this audit. We appreciate the time spent gathering and providing documentation, participating in interviews and responding to our inquiries. In addition, the BFS is commended for promptly implementing corrective action to address deficiencies as they were identified. As a result, many issues identified during our audit were addressed prior to completion of the audit. Despite the issues noted within this report, our audit showed all sampled Cardholders completed PCard training prior to receiving their PCard and PCard issuance to these Cardholders was properly authorized and documented on the required form. For Cardholders who separated employment during the audit period, we noted their PCards were timely canceled.

BACKGROUND

The State PCard Program was developed to streamline acquisition and disbursement processes and reduce the cost of making small dollar purchases. The PCard is a credit card issued for State employees to make business-related purchases through a contractual agreement with Bank of America.

During the 2017-18 fiscal year, Department Cardholders made 11,913 charges totaling \$2,795,407. Ninety percent (90%) of this amount was spent on the following items:

PCard Charges by Expenditure Type

Expenditure Type	Number of Charges	Total Amount	Percent of Total Amount
Supplies	3,891	\$894,506	32%
Travel	4,969	\$693,463	25%
Contracted Services	638	\$297,640	11%
Fees	517	\$202,589	7%
Repairs and Maintenance	496	\$174,109	6%
Other Current Fees and Charges ¹	378	\$157,883	6%
Printing and Reproductions	105	\$100,897	3%

***The remaining 10% (\$274,320) of expenditures was charged across 13 expenditure categories.

PCard services for the Department are administered by the BFS PCard Section. The BFS is authorized to administer the PCard Program by the Statewide Purchasing Card Program Administrator, consistent with the Department's approved *Purchasing Card Program Plan*, which is typically updated annually. The BFS is responsible for:

- Issuing new and replacement PCards and cancelling PCards;
- Reviewing PCard charges, disputes and refunds;
- Administering access to the FLAIR PCard module and Works;²
- Training and issuing PCard Program updates; and
- Updating and maintaining the FLAIR PCard module and files and Works.

The *Purchasing Card Program Plan* requires the Department, through BFS, to implement adequate controls to ensure PCard charges are valid, authorized and accurate and, further, comply with the State's procurement and expenditure-related laws and rules.

¹ Includes subscriptions, dues, rewards, awards/bonuses, perquisites, damages (punitive/compensatory) and fines.

² Works is the Department's new purchasing card information technology system implemented in April 2018.

The primary roles involved in the PCard Program and their associated responsibilities are:

Primary Roles in PCard Program

PCard Role	Responsibilities
Purchasing Card Administrator	A BFS PCard Section employee who coordinates, monitors and oversees the Department's PCard Program ensuring necessary controls are in place and operating as designed.
Cardholder	A Department employee authorized to use a PCard to secure commodities and/or travel-related purchases.
Approver	A Department employee authorized to review and approve Cardholder PCard charges. An Approver may not approve his/her own charges in FLAIR.
Reconciler ³	A Department employee assigned responsibility to reconcile PCard receipts to FLAIR Monthly Reconciliation Reports. A Reconciler may not reconcile his/her own charges or charges which he/she approved in FLAIR.
Level 8 Payer/Accountant	A BFS Disbursement Unit employee who validates the payment of an approved PCard transaction.

Training is a key control in the PCard Program and procurement process given the complexity and multitude of procurement and expenditure-related rules. In this regard, depending on the PCard role an employee will have, BFS mandates completion of various trainings including, but not limited to:

- **Cardholder Training** – Includes information related to PCard use and restrictions, procurement rules, authorizations and expenditure documentation requirements.
- **Approver Training** – Includes information related to PCard charge and refund processing; the payment, dispute and reconciliation processes; documentation requirements; and Approver responsibilities for reviewing Cardholder transactions and supporting documentation for accuracy and compliance with applicable laws, rules and policies.

During the audit period, the FLAIR PCard module was used for management of the Department's PCard Program. On April 5, 2018, the Department transitioned to Works, a Bank of America web-based application, to manage the Department's PCard Program. Works is an online purchasing card payment management system that automates and streamlines payment authorization, reconciliation, spending controls and reporting processes.

³ With the implementation of Works in April 2018, this role no longer exists.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: There were opportunities to strengthen the sufficiency of BFS's PCard training procedures to ensure Approvers completed the requisite training and that the training was completed prior to the Approver processing PCard transactions.

Issue

PCard Approvers are responsible for ensuring PCard charges are: 1) made in accordance with numerous laws, rules and policies; and 2) properly coded and documented, among other tasks. To assist Approvers with these responsibilities, BFS facilitates and monitors completion of requisite training⁴ to those individuals involved in the PCard program.

During the audit period, 28 Department employees were granted PCard Approver status.⁵ In our review of 12 Approvers' records, we noted the following:

- a. **Cardholder Training:** Two of the seven Approvers required to complete Cardholder training did not complete the training prior to being granted Approver status in FLAIR. For these two Cardholders, training occurred between three and six months after Approver status was granted. A third Approver had not taken the training.
- b. **Approver Training:** For one of the seven Approvers required to complete Approver training, BFS could not provide documentation to show that the Approver successfully completed the training prior to being granted Approver status in FLAIR. Training occurred approximately one month after Approver status was granted. A second Approver had not taken the training.

Without adequate training prior to assuming Approver duties, Approvers may not identify improper charges, documentation deficiencies, classification errors, etc., which may result in noncompliance with applicable laws and Program requirements, inaccurate financial reporting and a loss of financial resources.

Recommendation

The BFS should strengthen its training procedures to ensure Approvers complete the requisite training prior to granting them the ability to process PCard transactions.

Finding No. 2: Regarding the BFS's PCard charge review procedures, there were opportunities to improve the identification of potential procurement and other violations of Department policy.

Issue

During the audit period, the BFS monitored PCard charges through daily and formal periodic reviews including, but not limited to, post-audit sampling and review of Monthly Reconciliation Reports

⁴ PCard Approvers must complete both the Cardholder and Approver trainings.

⁵ This number includes employees initially granted Approver status, as well as existing Approvers who were granted approval authority for a new PCard charge group.

(MRR).⁶ The BFS's testing criteria for the formal reviews could be defined better, but generally included verifying accounting information, purchase authorizations and charge amounts; reviewing receipts and supporting documentation to ensure charges were properly supported; and reviewing charges for allowability and compliance with PCard policies.

We reviewed BFS's sampling methodology for reviewing PCard charges and assessed the extent of monitoring activities. These two areas were deemed adequate. We also reviewed 32 PCard charges audited by BFS during its post-audits and MRR reviews and noted:

- a. Review procedures could be more sufficient to identify potential procurement violations. Specifically:
 - 1) For four charges, vendor quotes were not obtained as required by Department policy.⁷
 - 2) For two charges, the service purchased was not procured off State Term Contract using an approved vendor as required by Section 287.056(1), Fla. Stat. For one of these charges, the Cardholder improperly used the PCard process for the procurement versus issuing a purchase order through MyFloridaMarketplace (MFMP).⁸ Department policy⁷ prohibits the PCard from being used for the purchase of commodities or services that will contractually obligate the agency for a specified period (i.e., recurring purchases). As a result, the procurement did not go through the required reviews, which likely would have identified the procurement violations.
 - 3) For one charge, the Cardholder improperly used the PCard process in lieu of the settlement agreement process mandated by the *Reference Guide for State Expenditures*.⁹ Specifically, the Cardholder used a purchase order through MFMP to procure the services. However, the services provided by the vendor exceeded the limit set forth in the purchase order for the specified year.
- b. The BFS reviewers could improve their identification and resolution of compliance issues. Specifically:
 - 1) A partial charge was incorrectly charged to the Office of Financial Regulation's Financial Institutions Regulatory Trust Fund, contrary to Section 655.049, Fla. Stat.
 - 2) For two charges, the number of items purchased was not evident on the vendor invoice or supporting documentation.
 - 3) For two charges, the Level 3 approval was inappropriate. In one instance, the Level 3 Approver approved a charge related to his state-issued vehicle. In the other instance, the Tallahassee-based Level 3 Approver was not in a position to be knowledgeable of the purchase which was made, and approved, by field office staff.

Absent well-defined testing criteria and audit procedures, the BFS may not identify and correct issues and trends that affect the Department's ability to comply with the Department's *Purchasing Card Program Plan*, as well as all applicable laws, rules, regulations and policies. This could result in

⁶ MRRs are generated during the Department's monthly financial closing and identify PCard transactions added to FLAIR during the month. The PCard Reconciler must ensure receipts and supporting documentation for the charges are attached to, and reconcile with, the MRR.

⁷ AP&P 3 *DFS PCard Procedures Manual*

⁸ The State of Florida's electronic and web-based procurement system

⁹ *Settlement of Claims Against the State*, pg. 53

inaccurate financial reporting, noncompliance, an inefficient use of taxpayer resources and misappropriation of assets.

Recommendation

The BFS should enhance its post-audit/review procedures to ensure reviews of PCard transactions are thorough and properly and timely identify/address any exceptions. The BFS should coordinate with the Department's Purchasing Section to strengthen controls so PCards are not used for recurring purchases and violations are detected and addressed appropriately.

Finding No. 3: There were opportunities to improve the process to ensure spending limit increases had the necessary approvals and justification.

Issue

The Department utilizes spending limits to manage risks associated with improper and unauthorized PCard charges. For example, a PCard may be authorized for "travel only," which would restrict the Cardholder from purchasing commodities. The Department also established default spending (credit) limits, which caps spending as follows:

Default Spending Limits

Type of Spending Limit	Dollar Limit
Single transaction limit	\$1,000
Daily limit	\$1,500
Monthly limit	\$5,000

During the audit period, 49 Cardholders had spending limits greater than the Department's default limits. In reviewing 15 Cardholders with increased limits, we noted:

- Documentation was not available to show that spending limit increases for four Cardholders were approved by the applicable division director and five were not approved by the Director of Administration. For two increases that required Chief of Staff approval, one did not evidence this approval.
- One Cardholder's spending limits were inadvertently increased to: \$2,500 single transaction, \$10,000 daily limit and \$10,000 monthly limit. However, these increases were not requested by the Cardholder or associated business unit.
- For two of four Cardholders whose increased limits were approved during the period 7/1/15 to 2/28/17, the Cardholders' spending histories for the year preceding the request to increase the limits did not justify the need for the increased spending limits. In addition, a review of the Cardholders' spending histories after the increases were granted did not justify the increased limits.
- The BFS does not periodically review spending patterns to identify instances where increased spending limits are no longer needed. In reviewing the spending patterns of 13 Cardholders with increased spending limits, the spending patterns of nine did not necessitate the

increased limits. We reviewed these Cardholders' highest single, daily and monthly transactions from 7/1/16 to 12/31/17 to determine whether their spending utilized at least 40% of their spending limits. Our review showed:

Comparison of Actual Spending (highest transaction) to Approved Spending Limit

Card-Holder No.	Results	Single PCard Transaction	Daily PCard Transactions	Monthly PCard Transactions
1	Actual Spending	\$4,545.36	\$8,970.00	\$8,970.00
	Spending/Credit Limit	\$25,000.00	\$30,000.00	\$30,000.00
	Percentage of Spending Limit Used	18.18%	29.90%	29.90%
2	Actual Spending	\$232.00	\$251.00	\$251.00
	Spending/Credit Limit	\$2,500.00	\$10,000.00	\$10,000.00
	Percentage of Spending Limit Used	9.28%	2.51%	2.51%

***See Appendix A for the complete table

Excessive Cardholder spending limits increase the risk of loss from unauthorized purchases.

Recommendation

The BFS should strengthen controls to ensure Cardholder spending limits are properly authorized, documented and commensurate with the purchasing requirements of the Cardholder's position. Changes in spending limits should be requested via a new Cardholder Profile form and contain proper justification, effective dates, group codes and approval signatures, among other necessary items. PCard policies and procedures should be updated to include all significant PCard Program requirements and to require a periodic review of Cardholder spending limits that are higher than the Department's default limits.

Finding No. 4: The Year-end financial statement preparation processes could be improved to ensure there were procedures to verify the completeness of PCard transactions for financial reporting purposes.

Issue

For financial reporting purposes, the BFS must report expenditures on the accrual basis of accounting, which would require recognizing prepaid items and payables as of June 30.

In reviewing BFS's year-end procedures related to PCard expenditures, we noted BFS had an opportunity to develop a process to identify potential prepaid items, payables and other items that may require accrual at fiscal year-end. Specifically, there was no documentation to show that the time-lag associated with the processing of the Bank of America transaction file (101 transactions totaling approximately \$16,500) at year-end¹⁰ was considered. In addition, we identified approximately \$51,000 of potential prepaid items and \$5,600 of potential payables for the fiscal year ended June 30, 2017. While some of these items may not qualify for accrual, absent a process to

¹⁰ June 30, 2017

evaluate the materiality of these items, BFS cannot demonstrate that accruals for material amounts have been properly considered and made where appropriate.

Recommendation

The BFS should enhance its year-end processes to include a review of PCard activity that may need to be accrued for financial reporting purposes.

Finding No. 5: The BFS's Florida Accounting Information Resource (FLAIR) PCard access review procedures could be improved to ensure quarterly access reviews were completed and performed by an appropriate supervisor.

Issue

Quarterly application access reviews are important to ensure user access to information technology applications is granted only to those users that require access (and only the level of access needed) to perform their job duties. Through submission of an approved, completed Cardholder Profile Information form, Approvers are granted access to the FLAIR PCard module to process transactions. Quarterly, BFS generates a list of users with access (and their related permissions) to the PCard module. Per Department policy,¹¹ the supervisors of these users must review their employees' access to ensure it remains appropriate.

During the first three quarters of fiscal year 2016-2017, five of 160 required FLAIR PCard quarterly access reviews were not performed consistently with AP&P 4-05. Specifically, two of the five reviews were not performed and the remaining three were performed by someone other than the users' supervisors, contrary to Department policy.¹¹

Timely and properly conducted access reviews minimize the risks of unauthorized system access and data compromising.

Recommendation

BFS should enhance its application access review procedures to ensure access reviews are timely and properly completed, consistent with AP&P 4-05.

MANAGEMENT'S RESPONSE

The BFS management's response to the audit is attached hereto as Attachment A. The OIG agrees with the response.

¹¹ AP&P 4-05 *Application Access Control Policy*, Section VIII.E.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives & Scope

The overall objective of this audit was to evaluate BFS's administration of the Department's PCard Program. The specific objectives were to evaluate whether internal controls over the PCard Program were adequate and operating effectively to ensure that:

1. PCard charges are reasonable, allowable, properly authorized and adequately documented; and
2. PCard charges are properly and accurately recorded, classified and complete to ensure accurate financial reporting.

The scope of the audit covered the period July 1, 2016 to February 28, 2017, and select transactions through December 31, 2017.

Staff within the Office of Inspector General have PCards and perform various tasks related to the use of those cards. In accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, PCard charges, reconciliations and other activities related to, and performed by, the Office of Inspector General were not included within the scope of this audit.

Methodology

This operational audit was conducted in accordance with the *Standards* published by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we reviewed applicable state laws and rules; the *Reference Guide for State Expenditures*; DFS's approved *Purchasing Card Program Plan* dated February 1, 2016; Bank of America transaction files and dispute information; *FLAIR Procedures Manual – Purchasing Card for Administrators*; FLAIR user access control listings; DFS staff position descriptions and organizational charts; the State of Florida Division of Corporations website; People First personnel records; and DFS Administrative Policies and Procedures. In addition, we reviewed the following BFS information: PCard Procedures Manual and various other PCard internal policies, procedures and forms; PCard transactional and cardholder data; PCard audits and related documentation; PCard bulletins and program updates; PCard training records; and PCard performance measures.

We interviewed the Statewide PCard Administrator; the DFS FLAIR Access Control Administrator; Department of Management Services procurement staff related to building leases and state term contracts; DFS Office of Information Technology staff responsible for uploading the daily Bank of America transaction file; Office of Learning and Development staff responsible for training records; and various DFS supervisors and staff related to Cardholder, Approver and Reconciler job duties and PCard charges and reconciliations. Within BFS, we interviewed the Bureau Chief, the PCard Administrator and PCard Section staff responsible for administration of the PCard Program.

Our testing, among other procedures, included review of the following:

- The BFS's procedures for approving/issuing PCards and granting Approver or Reconciler status to determine the adequacy of controls related to those functions.
- Pcard administrative and training records for 20 Cardholders, 12 Approvers and seven Reconcilers to determine whether the PCard role was properly approved and documented and requisite training successfully completed prior to staff being issued a PCard or assuming Approver or Reconciler status, consistent with the PCard Procedures Manual and related policies.
- The BFS's procedures to ensure that Cardholders, Approvers and Reconcilers were apprised of changes impacting the PCard Program to determine the adequacy of those processes.
- Position descriptions and FLAIR user access control listings for five Approvers and five Reconcilers to determine whether the role is compatible with the employee's job duties.
- PCard Profile forms and related correspondence for 15 Cardholders with higher than the standard spending (credit) limits to determine whether the increased limit was justified, properly approved and controls over administration of spending limits were adequate. Spending patterns through December 31, 2017, were evaluated for the sampled Cardholders.
- Year-end financial statement preparation processes in place through July, 2017, related to PCard transactions to determine the adequacy of controls to ensure PCard charges are properly and accurately recorded and classified, and charge activity is complete for financial reporting purposes.
- The BFS's methodology for monitoring and auditing PCard charge activity to determine its adequacy and effectiveness for ensuring PCard charges were reasonable, allowable, properly authorized, recorded, classified and adequately documented. Consideration was given to the extent of oversight, sampling methodology, frequency and number of PCard transactions reviewed and audited and procedures performed during the reviews and audits.
- Five Monthly Reconciliation Reports (MRR) and supporting documentation to determine whether BFS appropriately resolved issues noted in their review of the MRRs and Reconcilers reconciled their own charges or charges which they approved.
- Thirty-two PCard charges and supporting documentation to determine whether BFS's audit procedures are adequate to identify and address potential discrepancies, fraud and other errors and ensure that PCard charges are authorized, allowable and valid; comply with expenditure and procurement laws and rules; and are properly classified and documented.
- Position descriptions, FLAIR PCard profile records and other information for 10 Cardholders who separated employment from the Department and five Cardholders who were reassigned, promoted, or transferred into a different position to determine whether PCards were timely canceled and FLAIR PCard profiles were properly updated to reflect the change in position and circumstances for PCard usage. In instances where the PCard was canceled, charge activity beyond the date of separation was reviewed to identify potential fraudulent activity.
- The BFS's PCard charge dispute procedures and five disputed charges to determine the adequacy of the procedures and whether the disputed charges were timely and properly resolved and credits received and properly recorded within the accounting records.

- Thirteen FLAIR quarterly application access reviews performed during the period between July 1, 2016 and April 27, 2017, to determine whether the reviews for the PCard module were timely performed by an appropriate supervisor. In addition, for the period from July 1, 2016 to March 31, 2017, BFS access review records for three quarterly periods were examined to determine whether all required reviews (160) were performed by an appropriate supervisor.
- The methods and measures used by BFS to evaluate its performance related to administration of the Department's PCard Program to determine the adequacy of those methods and measures.

Management's Responsibility for Internal Controls

In accordance with Department Administrative Policy and Procedures 1-02 *Internal Controls Policy*, the Department, among its divisions, shall establish and maintain a system of internal controls. The internal controls are management-driven and designed to provide reasonable assurance that objectives are achieved. Accordingly, Department management is responsible for establishing and maintaining adequate internal controls to ensure that assets are adequately safeguarded and the accounting records are accurate regarding BFS's administration of the Department's PCard Program. The OIG's responsibility is to evaluate the adequacy and effectiveness of BFS's internal controls in relation to its administration of the Department's PCard Program.

Inherent Limitations in Any System of Internal Controls

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in BFS's internal controls over its administration over the PCard Program to ensure that PCard charges are reasonable, allowable, properly authorized and adequately documented; and properly and accurately recorded, classified and complete to ensure accurate financial reporting.

APPENDIX A

Card-Holder No.	Results	Single PCard Transaction	Daily PCard Transactions	Monthly PCard Transactions
1	Actual Spending	\$4,545.36	\$8,970.00	\$8,970.00
	Spending/Credit Limit	\$25,000.00	\$30,000.00	\$30,000.00
	Percentage of Credit Limit Used	18.18%	29.90%	29.90%
2	Actual Spending	\$232.00	\$251.00	\$251.00
	Spending/Credit Limit	\$2,500.00	\$10,000.00	\$10,000.00
	Percentage of Credit Limit Used	9.28%	2.51%	2.51%
3	Actual Spending		\$2,292.00	\$3,955.60
	Spending/Credit Limit		\$10,000.00	\$10,000.00
	Percentage of Credit Limit Used		22.92%	39.56%
4	Actual Spending	\$182.00	\$182.00	\$190.19
	Spending/Credit Limit	\$2,500.00	\$10,000.00	\$10,000.00
	Percentage of Credit Limit Used	7.28%	1.82%	1.90%
5	Actual Spending		\$1,549.70	
	Spending/Credit Limit		\$6,000.00	
	Percentage of Credit Limit Used		25.83%	
6	Actual Spending	\$1,596.00	\$3,200.00	\$3,332.60
	Spending/Credit Limit	\$25,000.00	\$30,000.00	\$50,000.00
	Percentage of Credit Limit Used	6.38%	10.67%	6.67%
7	Actual Spending	\$996.00	\$1,009.60	\$1,009.60
	Spending/Credit Limit	\$2,500.00	\$10,000.00	\$10,000.00
	Percentage of Credit Limit Used	39.84%	10.10%	10.10%
8	Actual Spending	\$860.00	\$1,008.30	\$1,045.18
	Spending/Credit Limit	\$5,000.00	\$5,000.00	\$5,000.00
	Percentage of Credit Limit Used	17.20%	20.17%	20.90%
9	Actual Spending	\$614.88	\$614.88	\$717.26
	Spending/Credit Limit	\$2,500.00	\$5,000.00	\$25,000.00
	Percentage of Credit Limit Used	24.60%	12.30%	2.87%

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To promote accountability, integrity, and efficiency in state government, the Office of Inspector General completes audits and reviews of Department of Financial Services programs, activities, and functions.

Pursuant to Section 20.055, Florida Statutes, this audit was conducted in accordance with applicable standards contained in the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors, Inc., and *Principles and Standards for Offices of Inspectors General* published by the Association of Inspectors General. This audit was conducted under the supervision of Leah Gardner, C.P.A., Director of Audit.

Please address inquiries regarding this report to the DFS Office of Inspector General at 850-413-3112.



DEPARTMENT OF FINANCIAL SERVICES Office of Finance and Budget

Department of Financial Services Purchasing Card Program

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Finding No. 1: BFS's PCard Training Procedures

The BFS's PCard training procedures were not always sufficient to ensure Approvers completed the requisite training and the training was completed prior to the Approver processing PCard transactions.

Recommendation: The BFS should strengthen its training procedures to ensure Approvers complete the requisite training prior to granting them the ability to process PCard transactions.

Response: The Office of Finance and Budget concurs with the IG finding. As a result, the Bureau of Financial Services incorporated both the cardholder and approver policy training into one on-line teaching tool on July 5th, 2018. No user will be granted Works access until confirmation of both Policy and Works Instructional trainings are validated. Users are not granted access to Works without an employee specific "welcome email" which is system time sensitive for activation and is only sent from an authorized PCard Administrator.

Additionally, during the Works implementation, user profile forms were consolidated into one profile form by "Role type", i.e. accountholder, approver, auditor, and accountant as well as including the training dates to be provided on the consolidated profile form. This enhancement allowed the Administrators to verify, notate and locate all related roles and training dates per employee in one central source document. Furthermore, a copy of the training transcripts is copied into the User's file folder located on the OFB network.

The program staff will be researching reporting capabilities to create a semi-annual comparison report between the training tools (STATS) and Works to validate PCard system access granted is greater than or equal to training date. This reporting will help mitigate a human error or oversight.

Expected Completion Date for Corrective Action: November – December 2018

Finding No. 2: BFS's PCard Charge Review Procedures

The BFS's PCard charge review procedures did not always identify potential procurement and

other violations of Department policy.

Recommendation: The BFS should enhance its post-audit/review procedures to ensure reviews of PCard transactions are thorough and properly and timely identify/address any exceptions. The BFS should coordinate with the Department's Purchasing Section to strengthen controls so that PCards are not used for recurring purchases and violations are detected and addressed appropriately.

Response: The Office of Finance and Budget concurs with the IG finding. Division/Office personnel and BFS accounting staff are not the procurement experts which places an increased risk to the Department not following procurement laws and rules when using the Purchasing Card. The Office of Finance and Budget will be working with the Division of Administration, Purchasing Office, to establish guidelines for PCard purchases as to what may or may not be purchased on the PCard and to identify appropriate low-risk charges using the Work/PCard system and using MFMP for all other commodity and service charges. The results of the recommendations will result in appropriate policy changes.

With the implementation of Works in April 2018, the Enterprise PCard Program provided a comprehensive post-audit review check list of the sampled transactions for Agencies to use. Currently, the Bureau is assuming the post-audit responsibility to ensure documents are contained in the Works application. Outreach is made to accountholders to educate them of requirements for the specific transactions and any additional documentation/information not in Works will be attached to the corresponding payment voucher.

Expected Completion Date for Corrective Action: January 2019

Finding No. 3: PCard Spending Limit Increases

Spending limit increases did not always include the necessary approvals and were often not justified.

Recommendation: The BFS should strengthen controls to ensure Cardholder spending limits are properly authorized, documented and commensurate with the purchasing requirements of the Cardholder's position. Changes in spending limits should be requested via a new Cardholder Profile form and contain proper justification, effective dates, group codes and approval signatures, among other necessary items. PCard policies and procedures should be updated to include all significant PCard Program requirements and to require a periodic review of Cardholder spending limits that are higher than the Department's default limits.

Response: The Office of Finance and Budget concurs with the IG finding. The April 2018 Works implementation allowed the program to incorporate, standardize and update process changes for requesting an Accountholder card. The Enterprise PCard Program established Chief of Staff Approval/delegate for all single transaction limits greater than \$1,500. As a result, requests for new/initial accountholder application now require all Single Transaction Limit (STL) increases greater than \$1,500 to be approved by Chief of Staff/delegate and the profile application requires a justification of need that has to be tied to the position duties. For DFS, OIR, OFR, the chief of staff delegation is the Division Directors up to \$65,000. Single Transaction Limits greater than \$65,000 require Chief of Staff authorization.

The Bureau plans to visit a standard cycle "Monthly" limit that will reduce agency risk and provide

clearer direction as to when monthly limits are to be reviewed by leadership. The Bureau is currently reviewing the established monthly limits across DFS, OIR and OFR to identify the standard monthly limits that have been established going into Works.

Once the card is issued, requested permanent or temporary Single Transaction Limit card increases will require justification, purpose, duration, and if other procurement methods can be utilized, i.e. MFMP. Changes to increase limits will be supported by justification whether temporary or permanent shall be approved by the Accountholder's Division Director and by the Finance and Budget Director for DFS Proper. For accountholders in OFR and OIR, division director approval would be required for all permanent and temporary increases.

An analysis of limits that are above the Department's default limits will be conducted annually by the BFS PCard staff to determine accountholder spending utilization limits are in line with actual spending by the accountholder. Accountholder spending utilization will not apply to sworn officers or firefighters as the unplanned emergencies out-weigh the risk of reducing a card and not having access to adjust cards in an unplanned emergency. PCard Program Staff will submit recommended spending limits and findings to Division Directors for leadership action. Tentative options for Leadership consideration will be:

- No activity for one year: Recommend accountholder card be reduced to \$1.00 and increased when accountholder has need.
- No activity for more than 1 year: Recommend accountholder card to be cancelled. If position duties for requiring spending authority change, a new accountholder profile to be submitted.
- Accountholder approved increased limits do not support actual utilization: Work with the division to establish appropriate limits based spending analysis for the accountholder and recommend placing accountholder to the closest Single Transaction Limit (STL) /Cycle Limit (CL) limit available in the Works Program.

Potential reports for consideration that the Bureau will need to be research in Works will cover; 1) cardholder with no activity and 2), annual transaction activity for both single and monthly limits.

Policy, Procedures and PCard Plan will be updated to reflect the significant requirements made to the program and will incorporate finalized department actions.

Expected Completion Date for Corrective Action: March 2019

Finding No. 4: Year-end financial Statement Preparation Process

Year-end financial statement preparation processes did not include procedures to verify the completeness of PCard transactions for financial reporting purposes.

Recommendation: The BFS should enhance its year-end processes to include a review of PCard activity that may need to be accrued for financial reporting purposes.

Response: The Bureau of Financial Services will generate a report from Works to identify and review charges by trust fund using organization code and expansion option unpaid transactions posted to Works by June 30th. Materialistic charges will be reviewed with financial statement team to determine any Fiscal Year accrual transactions needed.

Expected Completion Date for Corrective Action: July 2019

Finding No. 5: PCard Access Review Procedures

The BFS's FLAIR PCard access review procedures were not sufficient to ensure quarterly access reviews were completed and performed by an appropriate supervisor.

Recommendation: BFS should enhance its application access review procedures to ensure access reviews are timely and properly completed, consistent with AP&P 4-05.

Response: The Bureau of Financial Services updated IP&P 1.01, "FLAIR Access Control", IV "Procedures", (E)(1)(2) "FLAIR Access Verification" to be consistent with AP&P 4.05.

The Bureau of Financial Services will create a new IP&P to address other system access control quarterly reviews as IP&P 1.01 is specific to FLAIR.

Expected Completion Date for Corrective: December 2018