

# **Final Audit Follow Up**

**As of March 31, 2002**



## **“Audit of the City’s Purchase Card Program”**

**(Report #9914, Issued November 5, 1999)**

**Report #0227**

**July 22, 2002**

### **Summary**

***This is the final follow up on the Report on an Audit of the City’s Purchase Card Program (#9914). While most of the issues have been resolved through appropriate actions, there are two outstanding issues remaining. In addition, we have initiated a subsequent review based on alleged Purchase Card misuse by an employee at the Tallahassee Regional Airport.***

In report # 9914, issued November 5, 1999, we identified some areas in which the Purchase Card (P-Card) Program should be improved. Management was receptive to the issues identified in the audit and has implemented most of the scheduled action plan steps. The outstanding issues relate to: (1) the development of performance measures for the P-Card Program and (2) the delay between when purchases are made and the expenditures are posted to the City’s financial management system (FMS).

Subsequent to March 31, 2002, the City Auditor’s Office initiated a review of controls over the P-Card Program at the Airport. That review was initiated because of allegations regarding P-Card misuse by a City employee at the Airport.

### **Scope, Objectives, and Methodology**

#### **Report #9914**

The scope of report #9914 was a review of the City’s Purchase Card Program for the period February 1998 to June 1999.

The primary objectives of the audit were to determine whether:

- there were adequate internal controls in place related to the P-Card Program, and
- P-Card purchases had been made properly and complied with City policies and procedures.

### **Report #0227**

This report is the last follow up that will be performed on report #9914 and closes out that audit. The purpose of this final audit follow up is to report on the progress and/or status of the efforts to implement management’s action plan steps. In addition, this final follow up report formally transfers the unresolved issues to the appropriate Appointed Official for follow up, review, and disposition. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

### **Previous Conditions and Current Status**

In report #9914, we identified three main areas that needed to be addressed: planning, controls, and the development of guidelines for meal allowances and other miscellaneous expenses. The Department of Management and Administration (DMA) has completed 8 of the 9 (89%) action plan tasks that were due to be completed during the two-year follow-up period. Table 1 provides a summary of the conditions and tasks due.

**Table 1  
Conditions Identified in Report #9914 and Current Status**

Previous Conditions	Current Status
<b>Planning Issues:</b>	
<ul style="list-style-type: none"> <li>• Management should develop and approve additional performance measures to ensure continued success of the P-Card Program and the efficient use of City resources. (Relates to two action plan tasks.)</li> </ul>	<ul style="list-style-type: none"> <li>★ Management established performance goals for the P-Card Program during FY 2001. These goals should be redefined to represent performance measures that can be applied to any time period. As of the end of the follow-up period, performance measures had not been developed.</li> </ul>
<ul style="list-style-type: none"> <li>• Management should review the new financial management system and evaluate whether it will reduce the lag time from transaction date to posting date, or evaluate alternative systems to reduce the lag time.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Management has decided to utilize PeopleSoft Financials for P-Card transactions. The interface between that system and the P-Card system should reduce the lag time to no more than seven days.</li> </ul>
<ul style="list-style-type: none"> <li>• Implement a process to address the lag time for P-Card transactions.</li> </ul>	<ul style="list-style-type: none"> <li>x DMA indicated this step has not been completed as other projects on the PeopleSoft FMS have taken longer that originally expected.</li> </ul>
<b>Control Issues</b>	
<ul style="list-style-type: none"> <li>• Develop, approve, and issue P-Card Program administrative procedures. (Relates to two action plan tasks.)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Administrative Procedure #603 was developed, approved, and implemented. The procedures define the program requirements and limitations as well as the roles and responsibilities of everyone involved with the program.</li> </ul>
<ul style="list-style-type: none"> <li>• Revise cardholder guidelines to include a requirement to notify vendors to include method of payment on all invoices (i.e., as a control to preclude duplicate payments for the same purchase).</li> </ul>	<ul style="list-style-type: none"> <li>✓ Cardholder guidelines have been revised to include instructions for the cardholder to notify the vendor that the method of payment should be indicated on any invoices that may be submitted to the City.</li> </ul>
<ul style="list-style-type: none"> <li>• Conduct periodic reviews of departments that are using the P-Card to examine departmental internal controls related to segregation of duties and duplicate payments.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Periodic reviews of the City's departments were initiated in March 2001. Those reviews include verification that transactions are properly authorized, conducted, and documented.</li> </ul>
<b>Meal Allowances and Miscellaneous Expenses</b>	
<ul style="list-style-type: none"> <li>• Develop guidelines for departments to follow for meal allowances and other miscellaneous expenses.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The guidelines were communicated by the City Manager in a memorandum to all department directors dated October 12, 2000.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit
- ★ Original issue resolved but additional actions needed
- ✓ Issue addressed and resolved
- x Issue not resolved

## Significant Outstanding Issues

As this audit follow up period closes, DMA has resolved all but two of the issues identified in audit report #9914. As noted in Table 1, performance measures still need to be established and an interface that reduces the lag time in posting transactions to the City's FMS still needs to be completed. DMA indicated an interface addressing the time lag in posting should be implemented prior to the end of the 2002 fiscal year. Completion of that step has been delayed due to other projects on the new FMS that took longer than expected. Furthermore, DMA indicated that once the interface is completed, sufficient information should be available to enable the development of meaningful performance measures.

As noted above, periodic reviews of City department internal controls over P-Cards was initiated in March 2001. The reviews are intended to address proper segregation of duties and verification that transactions are properly authorized, conducted, and documented. We are aware that an investigation was conducted by the Tallahassee Police Department in May 2002 of possible P-Card misuse by an employee at the Tallahassee Regional Airport. At the time of this investigation, the Airport was not one of the departments selected for periodic review by the DMA. We are currently conducting an administrative review of internal controls at the Airport. Upon completion, a report will be issued. The report will be distributed to other departments for their assistance and guidance.

We appreciate the assistance and cooperation provided by the DMA during this audit follow up.

## Appointed Official Response

### City Manager:

I am pleased to see continuing progress made by DMA staff in completing the action plans identified in this audit. As noted, procedures have been developed, cardholder guidelines have been updated, and periodic reviews are being made by DMA staff to assure transactions are properly authorized and documented. I would like to thank the City Auditor's Office for their follow up of these plans and DMA staff for their cooperation.

Copies of this Final Audit Follow Up or audit report #9914 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail ([dooleym@talgov.com](mailto:dooleym@talgov.com)).

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