
SPECIAL REVIEW OF PCARD TRANSACTIONS

ENVIRONMENTAL SERVICES DIVISION

REPORT NO. 072518

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DIVISION OF INSPECTOR GENERAL
Grant Maloy, Clerk of the Circuit Court and Comptroller
Seminole County, Florida

December 20, 2018

The Honorable Chairman and Members of the Board of County Commissioners

We have completed the enclosed Special Review of PCARD Transactions for the Environmental Services Division.

We would like to acknowledge both the Purchasing Division and the Comptroller Office for their assistance with the review.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "William Carroll".

William Carroll, CPA, CFE, CIGA, CIG
Inspector General

Division of the Inspector General

Approved by:

A handwritten signature in black ink, appearing to read "Grant Maloy".

Mr. Grant Maloy
Clerk of the Circuit Court and Comptroller
Seminole County



Special Review Report No. 072518
Review of PCARD Transactions – Environmental Services Division

GRANT MALOY
CLERK OF THE CIRCUIT COURT AND COMPTROLLER

William Carroll, CPA,CFE,CIGA,CIG
Inspector General

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Table of Contents

INTRODUCTION

Background.....1

Objectives2

Methodology and Scope.....2

Overall Evaluation.....3

OPPORTUNITIES FOR IMPROVEMENT

1. *Insufficient supporting documentation*.....4

 Recommendation.....6

 Management Response.....6

2. *Enhance Administrative Controls*.....7

 Recommendation.....7

 Management Response.....7

 Office of Inspector General Comment.....8

3. *Possible split purchases as limits exceeded*.....8

 Recommendation.....10

 Management Response.....10

4. *Some PCARD charges included Sales Tax*.....10

 Recommendation.....11

 Management Response.....11

5. *Single-item purchases exceed purchase limits*.....12

 Management Response.....12

.....

INTRODUCTION

Background

September 1998

In September 1998, the Seminole County Board of County Commissioners (BCC) implemented a commercial credit card program for both the purchases of small-dollar goods and services and travel expenses by employees. The program was implemented under the guidelines of Chapter 220 of the Seminole County Purchasing Code. The code requires that County departments use the PCARD as the preferred method to pay for small-dollar purchases under \$1,000.

January 2013

In January 2013, a new procedure was added to the Seminole County Manager Policies entitled "Special Purchasing Credit Cards". Purchasing and Contracts Division (PCD) proposed a process to have a PCard specifically available to pay for very large purchases of goods and services; thus, allowing the County to receive financial incentives from SunTrust. The PCD and Comptroller's function would have control over this special PCard.

The goal, in general, for the use of PCards is to save on administrative expenses by avoiding costs associated with the issuance of purchase orders and to allow employees to pay for travel expenses with the card. Section 3, Title VIII of the Seminole County Administrative Code establishes the operational procedures governing PCARDS. It defines its use, the limitations, training, internal controls, and provides action guidelines. The Seminole County Manager Policy further explains in greater detail the policies and procedures of the Code.

The PCD has statistics on the savings that are associated with this program and the net result is savings to the taxpayers. The division also does follow up training for all users.

This particular review is designed to review all of the purchasing card transactions processed by the Environmental Services Department. Other departmental reviews will follow in subsequent reports.

The results of the review are included in the report that follows.

OBJECTIVES

The purpose of this review was to determine if the system of administrative control over purchasing cards (PCARD) was adequate, effective, and in compliance with Seminole County policies and procedures. This review focused solely on PCARD transactions associated with the Environmental Services Department.

Methodology and Scope

All PCard transactions processed from October 2015 through February 2018 were subject to our review. For this period, there were a total of 4,452 PCard transactions processed. This is presented to put issues that follow in this report into perspective.

The review included the following:

- Adherence with Seminole County policies, procedures, and applicable laws;
- Verification that purchases were for official county business;
- Verification that supporting documentation and approvals were complete, accurate, and compliant with policy;
- Compliance with approved credit limits, single item and total transaction limitations, and restrictions on the number of daily transactions;
- Analysis of purchases to determine if transactions were split to avoid established limitations; and
- Review of transactions with repetitive, matching amounts to verify their validity

These issues are addressed in more detail in the report that follows.

OVERALL EVALUATION

The system of internal controls is functioning effectively and it is generally in compliance with County policies and procedures. One of the key internal controls is for the Comptroller's Office to notify PCD of instances that require follow up on non-compliance issues. This is the basis of this report. PCD has written procedures in place to follow up on issues that may require either discipline or additional training for cardholders. The division takes their responsibilities very serious and is committed to administrative excellence.

Management has taken the initiative to continuously improve the efficiency of the program.

There are still, however, some areas that require management attention:

- Insufficient supporting documentation;
- Enhance Administrative Controls over Special PCard;
- Possible split purchases as limits exceeded;
- Certain purchases exceed the \$3,000 transaction total;
- Some PCard charges included Sales Tax;
- Single-item purchases exceed purchase limit.

These issues are addressed in more detail in the report that follows. Copies of the documentation obtained from County Finance supporting the PCARD purchases pertaining to these issues were provided to PCD for their review and follow-up.

OPPORTUNITIES FOR IMPROVEMENT

1. Insufficient supporting documentation.

There are some small minor administrative issues that require some attention. The two groups of PCard charges presented for discussion are the Special PCard Program Other PCard Charges.

A. Special PCard Program

In January 2013, a new procedure was added to the Manager Policy entitled "Special Purchasing Credit Cards". This new process was to have a PCard specifically available to pay for very large purchases of goods and services; thus, allowing the County to receive financial incentives from SunTrust. For the last three fiscal years, the County received an average of \$138,500.00 per year in PCARD rebates to offset the cost of processing.

The procedure is noted below:

W (10) Special Purchasing Credit Cards:

"A special Purchase Card can be used by PCD and County Finance as an effective and efficient method of processing the purchasing and paying for goods not exceeding a predetermined amount per item procured. The use of this special Purchasing card allows for the payment of goods and services that have already been procured in accordance with all procurement policies and procedures."

"These policies and procedures herein are the minimum requirements for PCD and additional controls can be established as deemed necessary. One (1) purchase card will be designated as "Payment Method for Orders" and the value of the card will be \$3,000,000.00. The card will be secured in the County Finance Office and is only to be used by PCD and County Finance. Purchases made with this card must follow procedures outlined in the Procurement Code, Seminole County Administrative Code and the County Manager's Policies with the exception that his card will have no transaction limits per day or per month."

"When a purchase request (OR) is submitted by the User Departments through JD Edwards system, PCD will process the request by ensuring compliance with the established procurement rules and regulations. PCD will complete the "Credit Card Transaction Form" which will be sent to the Supplier to place the order, to County Finance to process the payment and to the User Department for invoice processing. The Purchasing and Contracts staff will process the procurement transaction instead of the Purchase Order(s).

(a) The Department Representative will:

(v) forward the receipt documents to County-Finance within three (3) working days after receipt."

We selected a sample of 58 transactions out of a population of 84 that utilized the Special PCard. No supporting documentation could be located for 32 of 58 (55%) sampled transactions.

Because the transactions involved the use of the Special PCard, these transactions were most likely authorized either through a formal Purchase Order or Contract. The receipts are normally forwarded to the Comptroller's Office to provide the specific details as to the delivery and acceptance of the goods and services and they act as an official confirmation of receipt.

Having supporting documentation on file ensures compliance with the terms and conditions of the contract and/or purchase order and assists with ensuring compliance with Manager Policy.

B. Other PCard Charges

- 1) On June 28, 2017, a PCard Statement reflected a charge from Central Florida Transport for \$1,156.28. The generic receipt provided by the vendor did not include a detailed description of the purchase.

An email from the cardholder to Comptroller's Office stated he had requested a detailed receipt, but never received one. The cardholder provided his own description of the purchase as "57 stone."

Management Response (MR)

"A detailed ticket with purchase description was submitted to the Comptroller's office with all other pertinent documents; please see the photo below of generic #57stone."

- 2) The second page of a Ww Grainger invoice for \$2,692.08 dated June 6, 2017, was either not initially provided to Comptroller's Office for review or the page was misplaced or misfiled. The cardholder was contacted by Comptroller Office personnel and the missing page was provided upon request.

Providing an itemized receipt ensures that the charges paid are adequately supported.

Recommendation

1. Comply with County policy to ensure the controls continue to function effectively.
2. Supporting documentation related to special PCARD purchases, regardless of User Department, should be centralized and maintained within their own separate folder(s) along with a copy of the monthly credit card statement.

Management Response

(Seminole County Management Response)

"The special P-Card process involves two steps. The first step is to purchase the requirement using all the Policies and Procedures that are adopted by the Board and County Manager. All procurement support documents for any purchases using the special P-card for payment is contained in the Purchasing files as part of step one.

The second step starts when vendor agrees to accept payments by the special P-card to by-pass the traditional payment methods (checks). PCD follows the procedures that are establish in W (10) County Manager's procedures for the special P-Cards that was approved by the Comptroller's Office. All documents that are required under W (10) County Manager's procedures are provided to the Comptroller's Office. PCD is fully compliant with policies.

We do not have any records that the Comptroller's Office notified PCD of any insufficient supporting documentation as required by policy.

A joint meeting was held with the Director of the Comptroller's Office, the Assistant Director and the Manager to address the results of this review and the recommendations. PCD will continue to work with the Comptroller's Office to better identify any non-compliance issues. PCD will schedule collaborative training in October 2018 with the Comptroller's Office on the P-Card program and the processes to notify both the Departments and PCD of potential violations. In addition, the Deputy Clerks from the Comptroller's Office will attend annual training the PCD holds for County staff."

2. Enhance Administrative Controls over Special PCard

With the implementation of the Special PCard program, pursuant to County Policy, the Special PCard "will be secured in County Finance and is only to be used by PCD and County Finance." The name embossed on the card is that of the Finance Manager.

Also, as a footnote to this, Seminole County Administrative Code, Section 3.5542 (2) (b) states:

"The purchasing card has the cardholder's name embossed on it and is to be used only by that cardholder. No other person is authorized to use the card."

With all of this being said, the current policy allows the same person (with custody of the card) who processes and approves payments to have complete access and authority to use this Special Card. This card has never been used by the Finance Manager and there is no intention of using it unless there is an emergency that requires it.

To enhance the administrative controls over this program, we believe the PCard should be in the name of the PCD Manager and be secured in the PCD.

Recommendation

Special PCard should be reissued with responsibility for the card with PCD Manager.

Management Response

(Seminole County Management Response)

"SC Administrative Code, Section 3.5542 (2) (b) that is cited above pertains to the County's procedures for the County-wide P-Card (Purchasing Card) program which each individual is assigned a card and responsible for their purchases.

These findings refer to the special P-Card process that is used for Payment purposes only. As stated in SC County's Manager Policies Section W (10), this special P-Card is one (1) purchase card that will be designated as "Payment Method for Orders" and the value of the card will be \$3,000,000.00. When the Special P-Card account was established, the Clerk's former Chief Deputy determined possession of the Special P-Card. After review of the above finding and discussion with the Comptroller's Office, PCD agrees with the finding and has ordered a special payment card issued as "Payment Card". This card has been received and will be used for future payments. The County's Manager Policies Section W (10) will be revised to reflect this change in the near future.

Office of Inspector General Response

We believe that a purchasing card issued with generic name of "Payment Card" lessens the control over who is allowed to authorize purchases and it would pose an increased risk of inappropriate usage. A generic name could allow anyone in possession of the card specifics to use the card. We recommend that a legal name also accompany a purchasing card established in the name of "Payment Card" to protect the County by assigning a specific person with the responsibility of that card.

3. Possible split purchases as limits exceeded.

Seminole County Administrative Code, Section 3.5542 (2) (d) states:

"Each transaction may be comprised of multiple items, but each item(s) cannot exceed the single item purchase dollar limit and the transaction must be limited to THREE THOUSAND AND NO/100 DOLLARS (\$3,000.00). Purchases will be denied if the authorized monthly purchase limit, the single purchase limit, or the daily transaction limit is exceeded. Purchases are not to be split in order to stay within the single transaction purchase limit."

Examples of non-compliance with this requirement:

Instances were noted where cardholders conducted 2 or 3 separate transactions with the same transaction date and vendor. Each transaction was below the \$3,000 transaction limit, but exceeded the \$3,000 limit when combined. Supporting documentation evidencing the approval process was not provided to the Comptroller's Office.

For example:

- On April 13, 2016, two (2) purchases were made for \$2,140.00 and \$2,140.00, with an aggregate total of \$4,280.00. The cardholder purchased four (4) similar services that each cost \$1,070.00 totaling \$4,280.00; however, two were grouped together on one invoice and two on another invoice.
- On December 11, 2017, two (2) purchases were made for \$2,741.53 and \$2,742.48, with an aggregate total of \$5,484.01. The cardholder purchased 5 similar items that each cost

\$680.00 totaling \$3,400.00; however, four items were grouped on one invoice (\$2,741.53) and the fifth item was added to another invoice paid on the same day (\$2,742.48).

- On January 5, 2018, two (2) individual purchases were made for \$2,623.61 and \$1,932.64, with an aggregate total of \$4,556.25.
- On May 11, 2017, two (2) separate purchases to the same vendor were made for \$2,141.36 and \$880.24, with an aggregate total of \$3,021.60.
 - (MR) "George Depaolo – These were different orders and shipments. The supplier processed the charges all at once."
- On November 8, 2017 two (2) separate purchases to the same vendor for \$988.00 (\$1,038.00 less \$50.00 credit on the following day) and \$2,152.05, with an aggregate total of \$3,140.05.
 - (MR) "Patrick Goff – These are 2 different orders, one ordered 9/5/2017 and shipped 10/31/2017, the other one ordered 9/5/2017 and shipped 9/18/2017. The Supplier processed and grouped the charges all at once."
- On December 5, 2017, two individual purchases to the same vendor were made for \$960.80 and \$2,624.00, with an aggregate total of \$3,584.80.
- On December 13, 2016, three purchases to the same vendor for \$814.59, \$1,584.11 and \$1,396.58, with an aggregate total of \$3,795.28;
 - (MR) "Brenden Johnson is no longer employed with the County."
- On February 21, 2016, two purchases to the same vendor were made for \$2,170.04 and \$1,085.02, with an aggregate total of \$3,255.06. The purchase of 6 items that each cost \$542.51 would have totaled \$3,255.06. Instead, four items were grouped on one invoice (\$2,170.04) and the other two were on a separate invoice paid on the same day (\$1,085.02).
 - (MR) "Brenden Johnson is no longer employed with the County."
- On December 20, 2016, one instance was noted where a purchase of \$4,027.38 was split into two payments of \$1,227.38 and \$2,800.00 between the cardholder and a second individual.

- (MR) "Brenden Johnson is no longer employed with the County. Renee Roy procured items from the same supplier. These are 2 different transactions, 2 different cards, 2 different projects/positions. The Supplier processed and grouped the charges all at once."

Following County Policy ensures the controls are functioning effectively.

Recommendation

1. Comply with County Policy to ensure the controls continue to function effectively.
2. PCD should send a memorandum to all cardholders reiterating PCARD policies.

Management Response

(Seminole County Management Response)

"Some of these charges date back to 2015 and many employees are no longer working at Seminole County. As noted above, many of the transactions appear to be split as a result of the vendor grouping multiple transactions together which is beyond the County's control. Sometime the items are bundled/billed when ship on the same date but the order occurred on different dates, which is not a violation. PCD agrees, when violated, any splitting of transactions (requirements) to avoid the \$3,000 threshold per transaction is strictly prohibited. PCD will send out a reminder to all cardholders regarding this policy."

4. Some PCard charges included Sales Tax

The County is exempt from payment of sales and use tax on the purchase of any goods and/or services subject to such tax per Seminole County Resolution No. 96-R-177, Florida Statute 212.08 and Rule 12A, Florida Administrative Code.

Examples of non-compliance with this requirement:

- Sales tax totaling \$83.72 was paid on an invoice dated December 31, 2015. The invoice totaled \$1,371.72. Although the vendor might have been contacted for a refund, we did not see any evidence that the County has received a credit.
- Sales tax totaling \$58.80 was paid on an invoice dated October 25, 2017. The invoice totaled \$995.40. We did not see any evidence in subsequent months that the County has received a credit.

These are inadvertent errors that happen on occasion and the cardholders should make immediate contact with the vendor to ensure that the County receives the entitled refund.

Recommendation

1. Cardholders and approvers should comply with the County policy to ensure the controls continue to function effectively.
2. The County Manager's Office should send a memorandum to all cardholders reiterating PCARD policies.

Management Response

(Seminole County Management Response)

"Please note that the process to identify non-compliance issues as the items stated above are contained in the Admin Code Section 3.5542 6 (B), which states that "County Finance will review each statement and supporting documentation. County Finance will contact cardholders directly and attempt to resolve any statement discrepancy found. If unable to resolve the issue with the cardholder directly, County Finance will elevate the problem to the Purchasing Card Program Manager for resolution. A form will be used to assist and document the issue. In addition, County Finance will notify the Purchasing Card Program Manager of all missing signatures, discrepancies, late statements, or suspicious purchases so the Program Manager may investigate and take appropriate action." To the best of our knowledge, the non-compliant issues described above did not follow the above policy. PCD did not investigate and cannot comply with the recommendation for improvement unless PCD is notified by the Comptroller's Office, formerly County Finance of these possible violations. The recommendations and actions that are cited above along with Disciplinary actions cited in Section 3.5543, do occur when PCD validates violations of the Board's P-Card policy.

A joint meeting was held with the Director of the Comptroller's Office, the Assistant Director and the Manager to address the results of this review and the recommendations. PCD will continue to work with the Comptroller's Office to better identify any non-compliance issues. PCD will schedule collaborative training in October 2018 with the Comptroller's Office on the P-Card program and the processes to notify both the Departments and PCD of potential violations. In addition, the Deputy Clerks from the Comptroller's Office will attend annual training the PCD holds for County staff."

5. Single-item purchases exceed purchase limit.

Seminole County Administrative Code, Section 3.5542 (1) (b) states:

“The County’s single item purchase limit for goods [is] set to a maximum of NINE HUNDRED NINETY-NINE AND 99/100 DOLLARS (\$999.99). This purchase limit for goods may not be exceeded without the approval of the County Manager.”

Examples of non-compliance with this requirement:

- No written authorization with the PCard statement that the cardholder had received approval from the County Manager for a single-item amount greater than \$999.99. The invoice was dated July 18, 2017, and the item cost \$1,005.00.
 - (MR) “George Depaolo – Shipping charges \$15.00”
- No written authorization with the PCard statement that the cardholder received approval from the County Manager for a single-item amount greater than \$999.99. The invoice was dated September 12, 2016, and the item cost \$1,015.67.
 - (MR) “Brenden Johnson – No longer with the County – Shipping charges \$15.68”

Although these exceptions are not material amounts, adherence to the County Manager requirement would ensure that the program continues to operate effectively.

Recommendation

1. Cardholders and approvers should comply with the County policy to ensure the controls continue to function effectively.
2. The County Manager’s Office should send a memorandum to all cardholders reiterating PCARD policies.

Management Response

(Seminole County Management Response)

“These two items cited above are not considered a violation since the items itself was, indeed, below the \$1,000 single transaction cost without the cost of shipping.”

Office of Inspector General Response

In our opinion, the single-item purchase limit includes all related costs to acquire the goods, including shipping.