

**POST AUDIT REVIEW
PROCUREMENT CARD PROGRAM
Report No. PAR19-07**



WEST PALM BEACH

Internal Audit

**Beverly Mahaso, Esq. CIA, CFE
Chief Internal Auditor**

Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: POST AUDIT REVIEW - PROCUREMENT CARD PROGRAM, AUD14-09

Dear Audit Committee Members:

In FY2015, the Internal Auditor's Office released an audit of the Procurement Card Program. We performed certain procedures, as enumerated below, with respect to activities of the Procurement Card Program in order to render a conclusion on the status of the recommendations made as a result of that review.

This Post Audit Review (PAR) consisted primarily of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The audit contained six (6) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 2, 3, and 6 are implemented, and recommendations 1, 4, and 5 are partially implemented.

We have enclosed a table listing all the recommendations with the current statuses. We found that management made significant efforts to take corrective action. Further, we note that the Finance Department is actively continuing to make improvements. As such, additional steps may have been taken to implement the recommendations after the conclusion of this Post Audit Review. We will conduct another Post Audit Review in approximately 6 to 12 months, resources permitting, at which time we will review all additional changes made after the conclusion of this Post Audit Review.



We thank the Finance Department for their assistance in conducting this review, and on continuing implementation efforts.

Respectfully Submitted,

s/ Beverly Mahaso
Chief Internal Auditor

cc:

Christina Lambert, Commission President
Kelly Shoaf, Commissioner
Cory Neering, Commissioner
Richard Ryles, Commissioner
Joseph Peduzzi, Commissioner

Keith James, Mayor
Jeff Green, City Administrator
Faye Johnson, Assistant City Administrator
Mark Parks, Chief Finance Officer
Dathan Griffiths, Treasury Manager

Encl.

**POST AUDIT REVIEW
PROCUREMENT CARD PROGRAM
AUDIT RECOMMENDATIONS**

Legend
■ Implemented
■ Partially Implemented
■ Not Implemented

No.	Auditor's Recommendation	Management's Response	Management's Status Update
<p>1 High Priority</p>	<p>CONDITION:</p> <p>We found several versions of the Purchasing Card Policies and Procedures, however, we found no evidence that the version currently being used was formally adopted or approved. Additionally, we reviewed the Policy and Procedures manual and found that it did not contain:</p> <ul style="list-style-type: none"> • Procedures for processing expenditures paid directly or indirectly by outside sources such as grants, scholarships, and participant fees. • Guidance on determining whether purchases fulfill a public or non-public purpose. • Specific notification procedures for reporting unusual or unauthorized charges to the Palm Beach County Inspector General. <p>Finally, we found that the Purchasing Policy and Procedures manual located on the City's Employee Resource page was outdated.</p>	<p>We agree and are ensuring that the Purchasing Card Policies and Procedures provide sufficient guidance by dedicating resources to update, approve, and provide the updates to the Purchasing Department ensuring that all relevant matters are fully addressed. The policies will provide guidance with examples of purchases that are appropriate for public purposes versus non-public purposes. The Finance Department in concert with the Procurement Department has committed to providing refresher training courses on the updates made.</p> <p>Target Implementation Date: December 31, 2015</p>	<p>PARTIALLY IMPLEMENTED</p> <p>MANAGEMENT UPDATE: 10/2016 Partially Implemented: Per discussion with the Treasury Manager, the Finance Department is currently in the process of updating the Purchasing Card Policies and Procedures. A copy of the draft Policies and Procedures was provided to Internal Audit for review.</p> <p>MANAGEMENT UPDATE: 8/2019 A draft P-Card policy is currently before the Policy Review Committee and we are hoping that this will be approved by the Committee before the end of Fiscal Year 2019. We have had preliminary discussions with HR to create a training module in City Edge which will facilitate the retraining of all P-Card holders.</p> <p>Target Implementation Date: June 2020</p>

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	<p>RECOMMENDATION:</p> <p>The Department should ensure that the Purchasing Card Policies and Procedures provide sufficient guidance by:</p> <ul style="list-style-type: none"> • Dedicating resources to update, approve, and post them timely. • Ensuring that all relevant matters are fully addressed. • Providing guidance with examples of purchases that are appropriate for public purposes versus non-public purposes. • Providing refresher training courses on the updates made. 		
2 Medium Priority	CLOSED	NA	IMPLEMENTED – 10/2016
3 Medium Priority	CLOSED	NA	IMPLEMENTED – 10/2016
4 Medium Priority	<p>CONDITION:</p> <p>We selected a random sample of 160 purchases, which included 5 from the Fire Department. However, none of the five purchases were available for our review. It was</p>	<p>We agree and affirm that all departments shall remit monthly statements and receipts in a timely manner by enforcing procedures that state when reconciliation documents are due. Late reporting will</p>	<p>PARTIALLY IMPLEMENTED</p> <p>MANAGEMENT UPDATE: 10/2016 An exception report is being run, but the cards are not being suspended yet. The Treasury Manager is drafting a memo to department heads to inform them of the future suspension</p>

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	<p>explained that the Fire Department submitted six months' worth of purchases at one time early in 2014, and was preparing the purchases for July through September 2014, during the audit. As such, documentation for the purchases was not readily available. We question the effectiveness of reconciliations and validations that occur several months after purchases are made as it is increasingly difficult to identify questionable purchases.</p> <p>RECOMMENDATION:</p> <p>The Department should ensure that all departments remit monthly statements and receipts in a timely manner by enforcing procedures that:</p> <ul style="list-style-type: none"> • State when reconciliation documents are due, and • Require deactivation of procurement cards when policies are not followed. 	<p>result in deactivation of procurement cards when policies are not followed.</p> <p>Target Implementation Date: December 31, 2015</p>	<p>of cards belonging to holders who do not submit their statements and receipts in a timely manner.</p> <p>MANAGEMENT UPDATE: 8/2019 Remittance of monthly statements are being closely monitored. For example, on 8/6/2019, the City's monthly compliance report shows that eleven (11) P-Cardholders or 3.1% of the 350 P-Cards issued to City departments were not totally compliant. Of this number the City's monthly compliance report shows that among the non-compliant cardholders seven (7) need to submit the previous month's report to be totally compliant, two (2) were in arrears for two months and the other two (2) cardholders or 0.57% had more than two months outstanding and were subject to having their cards deactivated. The foregoing, statistics could not have been determined, if there was not a clear understanding of when reconciliation documents are due and a definitive policy concerning the deactivation for policy breaches.</p> <p>Target Implementation Date: June 2020</p> <p>AUDITORS COMMENT:</p>
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			<p>We acknowledge that the Finance Department has made progress toward monitoring procurement card remittances. However, the P-card Policy has not been finalized and there are areas that could be clarified to ensure consistent adherence to established policies.</p>
<p>5 High Priority</p>	<p>CONDITION:</p> <p>Most fuel purchased by the City is acquired in bulk and dispensed from City fueling facilities. Fuel purchased in bulk is tax exempt at the time of purchase, or is reimbursed by the Florida Department of Revenue (FDOR). However, fuel purchased at retail vendors, for unmarked police cars seeking to remain undercover, incurs taxes even though the purchases are made with a City P-card. We found that FDOR permits requests for refunds in these cases, however, a review of these transactions indicated that refunds for fuel purchased in this manner has not been requested or received. Refunds can be requested up to three years from the date of purchase and should</p>	<p>We agree and will work with the Fleet Department to assure that tax reimbursements are received by establishing a procedure to monitor, track, and request fuel tax reimbursements on a monthly basis. Further, for the reimbursements that are currently available, the Finance Department will evaluate filing the requests for reimbursement with the FDOR for the past three years. Finance will work with Fleet to track usage in the future to facilitate quarterly filings. With assistance from Finance, the Fleet Department should work with the FDOR and attempt to reach an agreement with the FDOR on a procedure to estimate usage and avoid</p>	<p>PARTIALLY IMPLEMENTED</p> <p>MANAGEMENT UPDATE: 10/2016</p> <p>Partially Implemented: Per discussion with the Treasury Manager, the Finance Department is currently in the process of establishing procedures for filing for tax reimbursements. A file was created by Finance, which is in turn updated by Police with the number of gallons purchased.</p> <p>MANAGEMENT UPDATE: 8/2019</p> <p>The Treasury Management team collaborated with the Police Department to produce the documentation required to file returns with the Florida Department of</p>

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	<p>be filed quarterly. As such, 12 requests for refunds should be processed. We further found that filing these returns is likely to be a labor-intensive process, as the reimbursement request requires that the number of gallons of fuel purchased be provided. Our review indicated that the gallons of fuel are only captured in the individual sales receipts, not on the statements. In order to compile such data, each cardholder's statement and the attached receipts for each month may have to be located. We also found that fuel purchased for in-state rental cars may also be eligible for reimbursement, however, the amount is not likely to be material.</p> <p>RECOMMENDATION:</p> <p>The Finance Department should ensure that tax reimbursements are received by establishing a procedure to monitor, track, and request fuel tax reimbursements on a monthly basis.</p>	<p>manually calculating gallons of fuel from individual receipts. The process to request reimbursement and work with Fleet and FDOR will begin immediately, starting with the transactions approaching the three-year limit.</p> <p>Target Implementation Date: December 31, 2015</p>	<p>Revenue (FDOR), to recover fuel taxes arising from the purchase of fuel with City P-Cards. The documentation dates back to August 2016. A Senior Accountant in the Finance department is currently working on the filing of these returns. The FDOR mandates the filing of amended returns to recover refunds which were not included in the regular monthly filings.</p> <p>Target Implementation Date: June 2020</p>
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	<p>Further, for the reimbursements that are currently available, the Department should file the requests for reimbursement with the FDOR for the past three years and track usage in the future to facilitate quarterly filings. The Department should work with the FDOR and attempt to reach an agreement with the FDOR on a procedure to estimate usage and avoid manually calculating gallons of fuel from individual receipts. Because of the three-year limitation, this should be done immediately, starting with the transactions approaching the three-year limit.</p>		
<p>6 High Priority</p>	<p>CONDITION:</p> <p>The City receives an annual rebate from the BOA for a percentage of the net purchases made during the year. Currently 1.6 percent of the net purchases is refunded to the City provided that the net purchases exceed the threshold of \$10 million. However, our review indicated that the amount of the rebate is not being reconciled or otherwise confirmed by the City,</p>	<p>We agree and will update the Purchasing Card Policies and Procedures and implement a process for reconciling rebates, including those from the Bank of America. Further, the Finance Department will periodically review other programs to determine if a more favorable rebate program is available.</p> <p>Target Implementation Date: December 31, 2015</p>	<p>IMPLEMENTED</p> <p>MANAGEMENT UPDATE: 10/2016</p> <p>Partially Implemented: The Treasury Manager attempted to reconcile the amount received for FY 2014 and FY 2015, but a discrepancy was noted. The Treasury manager is currently working with BOA to understand what causes the discrepancy. In regards to</p>

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	<p>even though the data being captured by both the City and BOA systems, could provide the required information needed to perform reconciliations. Further, we found that at least one other rebate program may be more beneficial to the City under certain circumstances. Hillsborough County has a consortium in which a number of other local entities participate. The rebate is 1.6 percent, the same as the City is currently receiving, but it does not have any individual City dollar amount thresholds. Since the City only recently met the \$10 million threshold, it is probable that reductions in P-card purchases may place the City below the threshold which could decrease the rebate amount.</p> <p>RECOMMENDATION:</p> <p>The Department should update its Policies and Procedures and implement a process for reconciling rebates, including those from the Bank of America. Further, the Department should review other programs to</p>		<p>identifying alternative programs, the Treasury Manager is examining other options.</p> <p>MANAGEMENT UPDATE: 8/2019</p> <p>The City is currently receiving the most favorable rebates available in the State of Florida as it "piggy backs" on the State contract. The City has also explored the possibility of membership in a consortium but withdrew as it would reduce rebates and there was uncertainty as to whether the Banks within this consortium would be able to electronically interface their P-Card software with the City's accounting software. Further, all rebates received by the City for calendar years 2014, 2015, 2016, 2017 and 2018 have been reconciled with amounts received from Bank of America.</p>
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	<p>determine if a more favorable rebate program is available. Finally, the Department should consult with the City's Legal Counsel regarding any contractual obligations with the Bank of America or the State of Florida that may impact changes to the current rebate program.</p>	
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