

Audit

Follow Up

As of March 31, 2001



Sam M. McCall, CPA, CIA, CGFM
City Auditor

“Audit of the City’s Purchase Card Program”

(Report #9914, Issued November 5, 1999)

Report #0120

May 22, 2001

Summary

The Department of Management and Administration has made progress to implement action plan steps identified in our previously issued report #9914, Report on an Audit of the City’s Purchase Card Program. In that report, 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 all but one of the scheduled action plan steps. The one remaining action plan task should be completed upon the implementation of the PeopleSoft Financial System.

- P-Card purchases had been made properly and complied with City policies and procedures.

Report #0120

The purpose of this audit follow up is to report on the progress and/or status of the efforts to implement the recommended action plan steps due as of March 31, 2001. 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.

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

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 has completed eight of the nine (89%) action plan tasks that were initially due to be completed by March 31, 2001. For the remaining uncompleted action plan task, the due date for completion was amended to October 1, 2001. 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
Planning Issues:	
<ul style="list-style-type: none"> • 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.) 	<ul style="list-style-type: none"> ★ 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.

<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> ✓ 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.
<ul style="list-style-type: none"> • Implement a process to address the lag time for P-Card transactions. 	<ul style="list-style-type: none"> x The due date for this action plan step was amended to October 1, 2001. This issue should be resolved upon implementation of the PeopleSoft Financials.
Control Issues	
<ul style="list-style-type: none"> • Develop, approve, and issue P-Card Program administrative procedures. (Relates to two action plan tasks.) 	<ul style="list-style-type: none"> ✓ 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.
<ul style="list-style-type: none"> • 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). 	<ul style="list-style-type: none"> ✓ 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.
<ul style="list-style-type: none"> • Conduct periodic reviews of departments that are using the P-Card to examine departmental internal controls related to segregation of duties and duplicate payments. 	<ul style="list-style-type: none"> ✓ Periodic reviews of the City's departments were initiated in March 2001. Those reviews include verification that transactions are properly authorized, conducted and documented.
Meal Allowances and Miscellaneous Expenses	
<ul style="list-style-type: none"> • Develop guidelines for departments to follow for meal allowances and other miscellaneous expenses. 	<ul style="list-style-type: none"> ✓ The guidelines were communicated by the City Manager in a memorandum to all department directors dated October 12, 2000.

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 noted in Table 1, performance goals established for FY 2001 should be redefined to represent performance measures that can be applied to any time period. The action plan task that addresses the lag time for P-Card transactions is scheduled to be completed October 1, 2001. The planned implementation of the PeopleSoft Financial System in July 2001 may address this task prior to that scheduled completion date.

We appreciate the assistance and cooperation provided by the Department of Management and Administration during this audit follow up.

Appointed Official Response

City Manager Response: DMA staff has worked diligently over the last two years to implement and refine the purchase card program, and I am pleased with the success and the positive impact of the program on the City's purchasing processes. The program has resulted in improved efficiencies in the purchasing system which benefit our internal and external customers, and conversion of the program to the PeopleSoft system in the summer will add further enhancements and enable all remaining action steps to be completed. I appreciate the assistance of DMA and Auditing staff in the review of the purchase card program.

Copies of this Audit Follow Up or audit report #9914 may be obtained 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 (dooley@talgov.com).

Audit Follow-Up conducted by:
 Dennis R. Sutton, CPA, Senior Auditor
 Sam M. McCall, CPA, CIA, CGFM, City Auditor