



# CITY OF ORLANDO

## Audit Services and Management Support

### MEMORANDUM

**To:** Rebecca W. Sutton, Chief Financial Officer  
Raymond M. Elwell, Deputy CFO

**From:** Beryl H. Davis, CPA, CGFM, Director  
Office of Audit Services and Management Support

**Re:** Follow-Up Audit of Procard Administration and Procedures  
(Report No. 08-06)

**Date:** March 5, 2008

Attached is a summary of the status of recommendations as determined from our follow-up review of the Audit of Procard Administration and Procedures (*Report No. 07-08*), issued February 28, 2007. Our follow-up review procedures consisted of inquiries to management and a review of the status of the recommendations provided by management.

Our follow-up review was made in accordance with generally accepted government auditing standards, except as follows. The 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. In this follow-up review, we did not perform substantial tests of evidence supporting the replies from the officials responsible for resolving audit findings and recommendations.

**Three of the 17 recommendations in the original report were implemented, seven are partially implemented, four are planned for implementation and the remaining three have not been implemented.**

**The three recommendations not implemented are:**

- Discuss with the Purchasing and Materials Management Division (Purchasing) assuming an administrative role in the Procard system;
- Assist with assigning Procards to certain Facilities Management, Vehicle Parts, and City Stores staff; and
- Determine a suitable maximum monthly dollar amount and number of transactions for each Procard and document this in City Policies.

**The seven partially implemented recommendations are:**

- Adopt internal policies and procedures for the Procard program (almost complete);
- Update City Policies and Procedures, to document and codify any additional controls (almost complete; however, need controls to ensure purchases of materials and services through Procards are cost-effective);
- Ensure CAO approval for any Procards that may exceed the purchase limits in City Policy (implemented except for Procards of Purchasing staff; planning to fully implement by changing Procard policy to refer to Purchasing policy that allows higher limits for Purchasing staff);

- Bring into compliance all Procards over the maximum individual purchase amounts or number of daily transactions, or change City Policies. (Planning to implement by changing Procard policy to refer to Purchasing policy that allows higher limits for Purchasing staff);
- Provide departments with a list of Procards with little or no activity, request justification for continued use, and deactivate unjustified Procards (notified departments to review their Procards, and planning to notify Purchasing of cards with little or no activity);
- Conduct a periodic inventory of the Disaster Procards (implemented), and instruct departments to periodically inventory any Procards with no recent activity (planned for June 2008); and
- Provide systematic training and aids for compliance (working on a training guide).

**The four recommendations planned for implementation are:**

Finance Department management plans to implement the following through a new Procard contract to be bid in 2008 that would provide upgraded software:

- Obtain monthly summary reports of Procard usage and trends;
- Summarize monthly and cumulative data by program, employee and card for management review;
- Provide management with information to reevaluate the reasonableness of Procard spending and transaction number limits for each card; and
- Implement new capabilities, use an implementation team and provide specialized training.

The Procard system is described in City Policies and Procedures 651.1 and is under the direction of the Finance Department, whose staff serves as the Program Administrator. *Stated objectives for this system include the purchasing of goods and services in accordance with the City's ordinances and policies, as well as establishing internal controls within each agency over the use of the Procards.*

Many of the concerns addressed in this report have persisted for several years, and the implementation of these recommendations is important for the cost-effective functioning of the Procard system. To enable the full implementation of several recommendations, Finance Department management indicates that participation by Purchasing is needed. While we believe the designation of certain Procard responsibilities to be performed by Purchasing merits serious consideration, until such time as this occurs, our office will look to the Finance Department for implementation of the recommendations. The status of recommendations not fully implemented is reported to City management quarterly.

We express our thanks to the officials and personnel of the Finance Department for their cooperation during this follow-up review. Emily Rouse, Auditor II, and Mona Mellon, Audit Program Manager, performed this follow-up review.

BHD/er  
Attachment

- c: Honorable Buddy Dyer, Mayor  
Byron W. Brooks, Chief Administrative Officer  
Joseph M. Robinson, Chief of Staff  
Mayanne Downs, City Attorney  
Kevin J. Edmonds, General Administration Department Director  
William C. Mummert, Controller  
Jon D. Mead, C.P.M., Director of Purchasing and Materials Management  
Larry T. Simmons, Facilities Division Manager

**REPLY AND IMPLEMENTATION SUMMARY**  
**FOLLOW-UP REVIEW OF PROCUREMENT CARD ADMINISTRATION AND PROCEDURES AUDIT**

#	RECOMMENDATIONS	ORIGINAL RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
	The Accounting and Control Division should:				
1.	Adopt and periodically update internal policies and procedures for the Procard program, to include the Procard oversight positions, the supervisory and review duties, and other internal procedures and controls.	Concur	Partially Implemented	Spring 2008	Almost complete.
2.	Ensure that the Procard administrative duties can be timely performed, through review of the skills, resources and training needed by the Coordinator position.	Concur	Implemented	November 2007	[Auditee now indicates Partially Concur.] Procard audits are currently up to date and a schedule has been prepared for daily duties to maintain current status. Accounting and Control will perform those “administrative” duties relative to the payment of our vendors and compliance with statement reporting. We believe that Purchasing should perform any administrative duties to evaluate the materials and services procured through Procards.
3.	Update City Policies & Procedures in order to document and codify any additional controls over the Procard program.	Concur	Partially Implemented	Spring 2008	[Auditee now indicates Partially Concur.] Accounting and Control will update City Policies & Procedures governing the issuance of cards and timely submission of statements. Update is complete except for clarifying disciplinary actions. We believe that Purchasing should create controls over materials and services procured through Procards.

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#	RECOMMENDATIONS	ORIGINAL RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
4.	Assist the Purchasing and Materials Management Division to retrieve Procard vendor and spending data for periodic review and possible new contracts and cost savings.	Partially Concur	Implemented	November 2007	We have contacted our Procard Sales representative and given the Procurement Manager a user name and password. This enables him to review vendor and spending data in the Procard website for possible new contracts and cost savings.
5.	Discuss with the Purchasing and Materials Management Division the possibility for it to assume an administrative role in the Procard program.	Concur	Not Implemented		[Auditee now indicates Does Not Concur.] This is a much larger organizational issue than the Accounting and Control Division. While we agree in concept with this recommendation, this will require further discussion at a higher level in the organization.
6.	Assist with assigning Procards to Facilities Management, Vehicle Parts, and City Stores staff responsible for obtaining materials and services.	Do Not Concur	Not Implemented		The standard process is for the City unit needing Procards to request them from Accounting. We will assist with issuance of Procards upon requests initiated by the involved divisions. The new Controller plans to discuss controls over the Procards with management of these divisions during 2008.
7.	Ensure Chief Administrative Officer approval is granted and maintained for any current and future Procards that may exceed the purchase limits set forth in City Policies & Procedures.	Partially Concur	Partially Implemented	Spring 2008	Including a statement in City Policy and Procedures for Procard use that indicates Purchasing Division Procards must adhere to Purchasing P&P. Purchasing has already included their purchasing limits on their P&P. We have already reviewed and corrected the limits of Procards not associated with the Purchasing Division.

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#	RECOMMENDATIONS	ORIGINAL RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
8.	Take action immediately to bring into compliance all Procards with limits over the current policy maximum for individual purchase amounts or number of daily transactions, or change City Policies & Procedures to allow the current practice.	Partially Concur	Partially Implemented	Spring 2008	Will change Procard P&P to include a maximum limit for individual purchase amounts and number of daily transactions for Purchasing Department employees, with reference to the limits in Purchasing's City P&P for its personnel.
9.	Determine a suitable maximum monthly dollar amount and number of transactions for each Procard and document this in City Policies & Procedures.	Do Not Concur	Not Implemented		Procard programs are designed to facilitate the acquisition of goods. Determining maximum daily limits and transaction numbers is a Purchasing function.
10.	Destroy personal information promptly after its use to obtain a Procard, archive and destroy personal information contained in older Procard applications, and contact the card issuer about further possible controls over personal information.	Partially Concur	Implemented	May 2007	Implemented by an alternative means. We have redacted all personal information on old Procard application forms.
11.	Obtain from the Procard administrative staff monthly summary reports of data that would indicate Procard usage status and trends.	Concur with Reservations	Planned for Implementation	2008	The City will be rebidding our Procard contract in 2008. We plan to request this capability in the new contract. The vendor will not perform this upgrade to our current Procard software unless they are renewed.

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#	RECOMMENDATIONS	ORIGINAL RESPONSE	CURRENT STATUS	IMPLEMENTATION DATE	AUDITEE COMMENTS
12.	Automatically summarize monthly and cumulative Procard data by program, employee and card for review by department managers.	Concur with Reservations	Planned for Implementation	2008	The City will be rebidding our Procard contract in 2008. We plan to request this capability in the new contract. The vendor will not perform this upgrade to our current Procard software unless they are renewed.
13.	Annually provide departmental management with a list of Procards with no or little recent activity, request justification for continued use, and deactivate any unjustified Procards.	Concur	Partially Implemented	Summer 2007  Spring 2008	[Auditee now indicates Partially Concur.] We sent notification to the departments to review the Procards. We will monitor Procard activity and notify Purchasing of cards with little or no activity annually.
14.	Conduct a periodic inventory of the Disaster Procards, and instruct departments to periodically inventory any Procards with no recent activity.	Concur	Partially Implemented	June 2007  June 2008	We completed our yearly disaster Procard inventory. We will instruct departments to periodically inventory any Procards with no recent activity.
15.	Provide departmental management with written guidelines and annual data to reevaluate and report back the reasonableness of the daily and monthly Procard spending and transaction number limits assigned to each Procard.	Concur with Reservations	Planned for Implementation	2008	Fundamentally Procard programs are designed to facilitate the acquisition of goods. Purchasing may opt to provide written guidelines. The City will be rebidding our Procard contract in 2008. We plan to request in the new contract the capability to compare actual spending and transactions with the limits assigned to each Procard. The vendor will not perform this upgrade to our current Procard software unless they are renewed.

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16.	Provide systematic training and aids to maintain consistent compliance for Procard users, Approving Officials and all other departmental staff with Procard responsibilities.	Concur	Partially Implemented	Spring 2008	We are working on a training guide to post on the Finance Dept. intranet website.
17.	Implement the electronic capabilities for the Procard issuer's new software, assemble an implementation team from various departments, and provide specialized training.	Concur	Planned for Implementation	2008	The City will be rebidding our Procard contract in 2008. We plan to request this capability in the new contract. The vendor will not perform this upgrade to our current Procard software unless they are renewed.