



*Internal Audit Report*

Lee County Port Authority:  
Purchasing Card Compliance Audit



**Report Number:** 2015.08  
**Date:** September 29, 2015



## Port Authority: Purchasing Card Compliance Audit

Date: October 2, 2015

To: The Honorable Linda Doggett, Lee County Clerk of Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Department: Internal Audit/Inspector General Department

Re: Port Authority: Purchasing Card Compliance Audit

The Internal Audit Department has completed the Lee County Port Authority: Purchasing Card Compliance Audit. Melinda Pensinger, CPA, CIA completed this review.

The auditee's responses are included in this report. The auditor wishes to thank the staff of each of the following: Port Authority; Finance, Purchasing and Information Technology Departments for their assistance and cooperation during the review. In addition, we would like to thank staff of the Clerk's Accounts Payable office.

This report will be posted to the Clerk of Courts website [www.leeclerk.org](http://www.leeclerk.org) under Internal Audit/Inspector General, Audit Reports. A link to this report has been sent to the Lee County Board of Port Commissioners and appropriate parties.

A handwritten signature in black ink, appearing to read "Tim Parks", is written in a cursive style.

Tim Parks, CIA, CIG  
Chief Internal Audit Officer/Inspector General  
TJP/GK



# Port Authority: Purchasing Card Compliance Audit

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# Port Authority: Purchasing Card Compliance Audit

## Executive Summary

The Lee County Port Authority's ("Authority") Purchasing Card Program is designed to improve efficiency by simplifying the procurement/disbursement process for specific types of small dollar purchases. This is done by delegating responsibility to the procuring Departments and Divisions. Responsibilities for the effectiveness of the system are distributed among the employee cardholders, the Department or Division delegates, the Purchasing Card Administrator, and the Authority's Finance Department. The Purchasing Guidelines include policies and procedures for the issuance and control of purchasing cards, spending limits, conditions for card use, required documentation, review of transactions, and payment of invoices. The Authority's Purchasing and Finance Departments monitor the performance of the program.

The objective of this review was to determine whether controls are adequate to ensure cardholders comply with the Authority's purchasing policies, and whether transactions were accurately recorded in the Authority's financial system for the period from March 3, 2014 through March 2, 2015.

We found in our testing that policies related specifically to the use of purchasing cards, such as the spending limits (cycle and transaction), splitting of payments, prohibited merchants, and sales tax are followed without exception; controls on these appear to be effective. General approval and documentation requirements related to travel, memberships, registrations, promotional items and entertainment are effectively communicated. The documentation is consistent and available.

We noted an opportunity for enhanced interaction among the responsible parties, and in particular a need for consistent use of object codes that assign transactions to budgeted expenditures.



# Port Authority: Purchasing Card Compliance Audit

## Background

Sections 11 of the Authority's Purchasing Manual (approved November 8, 2012) and Purchasing Guidelines (May 1, 2013) provide the Authority's comprehensive guidance relating to the purchasing card program. These documents include policies and procedures for the issuance of purchasing cards, spending limits, required documentation, and payment of invoices. The Authority's purchasing card program was instituted to simplify the procurement/disbursement process and improve efficiency by delegating responsibility for low dollar purchases from approved vendors to the ordering Departments and Divisions. The Purchasing and Finance Departments monitor the performance of the program.

## Objective, Scope, and Methodology

The objective of this review was to determine whether controls are adequate to ensure purchasing cardholders comply with the Authority's purchasing policies, and whether transactions were accurately recorded in the Authority's financial system. We focused on the following areas that relate specifically to purchasing card use:

- Compliance with approved purchasing limits
- Splitting purchases to circumvent allowable amounts
- Appropriateness of selected vendors

We also reviewed compliance with general purchasing policies when using purchasing cards:

- Appropriateness in the use of object codes
- Compliance with established travel procedures
- Approvals by Departments, as required
- Completeness of authorizing documentation for entertainment and promotional items

Furthermore, we reviewed the Authority's interface with the Clerk's Accounts Payable ("Clerk's AP") Office for invoice payment and record retention.

The scope of the audit covered purchasing card vendor statements for the period March 3, 2014 through March 2, 2015. We had discussions with the Authority's Finance Director, key Finance Department staff, Purchasing Department management and staff, and IT management. We also made inquiries of the Clerk's AP Office. Work paper files contain details supporting the conclusions in this report.



## Port Authority: Purchasing Card Compliance Audit

### Issues

#### *Object Code Discrepancies*

The Authority's Finance Department submits the monthly purchasing card invoice to the Clerk's AP Office for payment. The invoice packet includes a copy of the vendor statement, transaction receipts, and an Excel spreadsheet. The spreadsheet is compiled by the Authority's Finance Department from cardholder submissions for upload to the electronic financial accounting system (E1). The spreadsheet includes the account strings to be charged for each transaction. Object codes are an element in the account string that indicates the budget line item.

We compared the object codes on the spreadsheet to those charged in E1 and noted 24 discrepancies totaling \$6,769.12 (from a total population of \$536,665.83 or 2,288 transactions). We learned that the spreadsheet provided by the Authority is duplicated and restructured for the upload to E1, and object codes may be corrected by the Clerk's AP staff in that process. Only six of the discrepancies noted in our test included supporting documentation of communication of the change to the Authority. The need for communication of object code changes has been addressed, and any object code changes will be communicated to the Authority. This process has been in place for the past three payment cycles.

We tested a judgmental sample of transactions from a variety of object codes where the description of the expenditure indicated a potential misclassification. We noted twelve transactions that should be reclassified, for a total of \$1,519.64.

#### **Recommendation**

We recommend that the Authority's Finance Department run a monthly report to compare the object codes in the spreadsheet to the object codes reflected in E1. Any differences that do not reflect communication of the change in the supporting documentation should be addressed.

We also recommend that the Authority's Finance Department consider the need to provide further guidance for cardholders and department reviewers to ensure a common understanding of appropriate object code usage. Specific items to discuss include registration fees, subscriptions, and inventory.

#### *Commodity Codes Consideration*

The Purchasing Guidelines prescribe policies for all Authority purchases. Those Guidelines require that cumulative purchases of a commodity that would exceed \$75,000 in a fiscal year must be pre-approved by the Board. The Purchasing Office follows a process in which all purchases are assigned a commodity code so that reports can be generated to monitor whether any commodity is approaching the limit. Because purchasing card transactions are





**MEMO TO:** Melinda Pensinger, Internal Auditor

**FROM:** Brian McGonagle, Finance Director

**DATE:** October 1, 2015

**SUBJECT:** Internal Audit Report – Purchasing Card Compliance



I have reviewed your Internal Audit Report: *Purchasing Card Compliance Report (2015.08)* dated September 29, 2015. I found the report to be well documented and concise and have the following responses to your recommendations.

***Object Code Discrepancies – Internal Audit Recommendations:***

***We recommend that the Authority's Finance Department run a monthly report to compare the object codes in the spreadsheet to the object codes reflected in E1. Any differences that do not reflect communications of the change in the supporting documentation should be addressed.***

Airport Response:

Thank you for your assistance in creating a spreadsheet that we implemented three months ago. We expect this will help eliminate future object code discrepancies.

***We also recommend that the Authority's Finance Department consider the need to provide further guidance for cardholders and department reviewers to ensure a common understanding of appropriate code usage. Specific items to discuss include registration fees, subscriptions, and inventory.***

Airport Response:

We will be sharing the "Procurement Card Review Checklist" with the departments and feel this will be beneficial to all users.

***Commodity Codes Consideration – Internal Audit Recommendation:***

***We recommend that a control be put in place to ensure that commodity code limits set in the Purchasing Guidelines are not exceeded without the required approval.***

Airport Response:

As we discussed, the monthly summary transaction report will now be shared with the Purchasing Department on a monthly basis. We expect this additional step will create the necessary controls to ensure commodity levels will not be exceeded.

We enjoyed working with you on this audit and appreciate your review of the Airport's Purchasing Card Program.

BWM/lac

cc: Robert M. Ball, Executive Director  
Benjamin Siegel, Administration