



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report
2018-A-0008
Purchasing Cards Survey
May 14, 2018

Insight – Oversight – Foresight



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PURCHASING CARDS SURVEY

SUMMARY

WHAT WE DID

We conducted a purchasing card¹ survey of municipalities under the jurisdiction of the Office of Inspector General (OIG). This survey was performed as part of the OIG, Palm Beach County Fiscal Year (FY) 2018 Annual Audit Plan.

Our survey obtained information about municipalities and their use of purchasing cards during FY 2017 (October 1, 2016 – September 30, 2017). The OIG will use the information obtained in this survey in considering future audits.

During our FY 2018 Annual Risk Assessment, we determined that purchasing card programs have a high risk of loss, theft, waste, and abuse because records relating to the expenditures are typically reviewed after the expenditure is completed. As such, we selected purchasing card programs as a global audit topic.

WHAT WE FOUND

Thirty eight (38) of the thirty nine (39) municipalities responded to our survey. The City of Boca Raton did not respond to

our survey after three requests for response.

We found 95% (36 of 38) of the municipalities surveyed had purchasing card programs. The report results are limited to the 36 municipalities responding to the survey that have purchasing card programs. The 36 municipalities issued a total of 1,448 purchasing cards to employees with total combined FY 2017 purchasing card expenditures of \$28,459,158.

We made the following observations from the 36 municipalities surveyed with purchasing card programs:

- Total purchasing card program expenditures for FY 2017 for each municipality ranged from \$1,500 to \$9,187,373.
- 17% (6 of 36) reported they had no written policies and procedures for their purchasing card programs.
- 72% (26 of 36) self-reported that they had either an external or internal audit / review conducted for their purchasing card program.
- Management and oversight for the purchasing card programs varied widely across entities.

¹ We requested information about purchasing cards, credit cards, and fuel cards. For purposes of this report, the purchasing cards and credit cards are considered one combined purchasing card program. Fuel card information was excluded from the results

WHAT WE SUGGEST

We suggest that municipalities review this report in order to learn how other municipalities are using purchasing card programs, and as a benchmark to compare their own utilization of purchasing card programs and expenditures to other municipalities in Palm Beach County.

We suggest municipalities that have not had external or internal audits / reviews of their purchasing card programs ensure they adequately monitor and oversee the program and expenditures, including implementation of policies and procedures.

BACKGROUND

The OIG 2018 Annual Audit Plan has multiple entities selected for purchasing card audits. The overall objectives for the global topic of purchasing cards audits included:

- Are internal controls in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and misuse; and
- Are purchasing card expenditures in compliance with policies and do those expenditures serve a valid public purpose.

We determined that purchasing card programs have a high risk based on the following:

1. High risk of loss, theft, waste, and abuse;
2. Records relating to expenditures are typically reviewed after the expenditure is completed;
3. Lack of support or inadequate support for purchasing card expenditures;
4. Lack of formal written policies and procedures to govern purchasing card programs; and
5. Lack of valid public purpose or improper personal use of purchasing cards.

Based on the high level of risk associated with purchasing card programs, we selected purchasing card programs for inclusion in the FY 2018 Annual Audit Plan under the purchasing card global topic.

SCOPE AND METHODOLOGY



Our office developed a purchasing card survey for municipalities under the OIG jurisdiction. We used the survey to determine which municipalities had the highest level of risk associated with their purchasing card programs and expenditures. Thirty eight (38) of thirty nine (39) municipalities provided a response to the survey; a 97% response rate.

The survey (see Exhibit 1) requested the following information from respondents:

- Name of the municipality;
- Name, date, and telephone number of the person completing the survey;
- Number of employees of the municipality;
- Existence of a purchasing card program, including credit cards and fuel cards;
- Number of purchasing cards issued, including types of cards (Purchasing / Procurement, Credit, and Fuel) and the total value of transactions for each type of card for FY 2017;
- Existence of written, formal policies or procedures used for the purchasing card program;
- List of individuals who oversee or act as the program administrator for the purchasing cards, credit cards, and fuel cards; and
- Dates of any audits performed for Purchasing, Credit, and Fuel cards (including external or internal audits) and state by whom.

We analyzed the responses and self-reported information obtained as a result of the survey. Based on our analysis of the information provided by the surveyed municipalities, we selected the Town of Jupiter and the City of Riviera Beach for audit under the FY 2018 Annual Audit Plan.

We based the selection of the Town of Jupiter on the high total amount of purchasing card expenditures of \$6,000,000 for FY 2017, the highest average expenditure per purchasing card of all municipalities surveyed of \$127,660 for FY 2017, the Finance Director having been assigned to oversee the purchasing card program², and that the municipality has not been previously audited by the OIG Audit Division.

We based the selection of the City of Riviera Beach on the vacancy of key management positions, the media reports of inappropriate spending, the high total amount of purchasing card expenditures of \$796,197 for FY 2017, and the percentage (18%) of employees assigned purchasing cards.

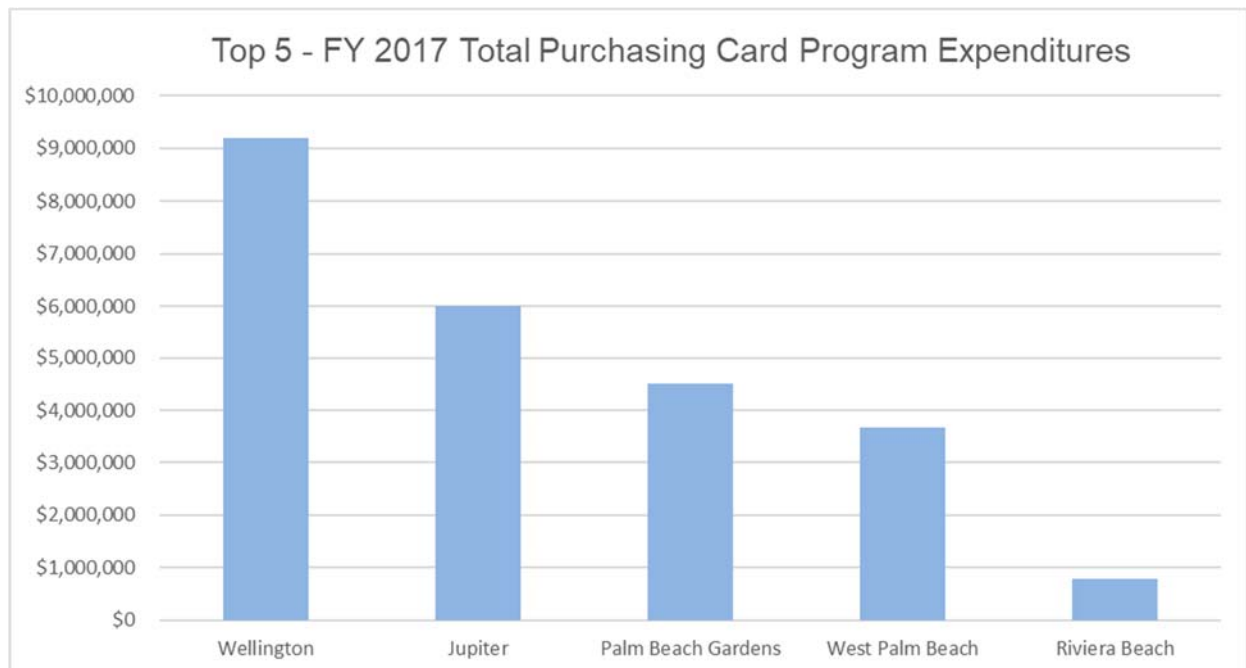
² The Finance Department overseeing the purchasing card program creates a potential segregation of duties conflict as the head of the Finance department may be responsible for purchasing authority operations (i.e. oversight of procurement related-policies that may include the Purchasing Card policy), as well as, accounting operations (i.e. payment processing for procured goods and services). A conflict in segregation of duties indicates a potential internal control deficiency in the prevention of fraud, waste, and abuse.

RESULTS

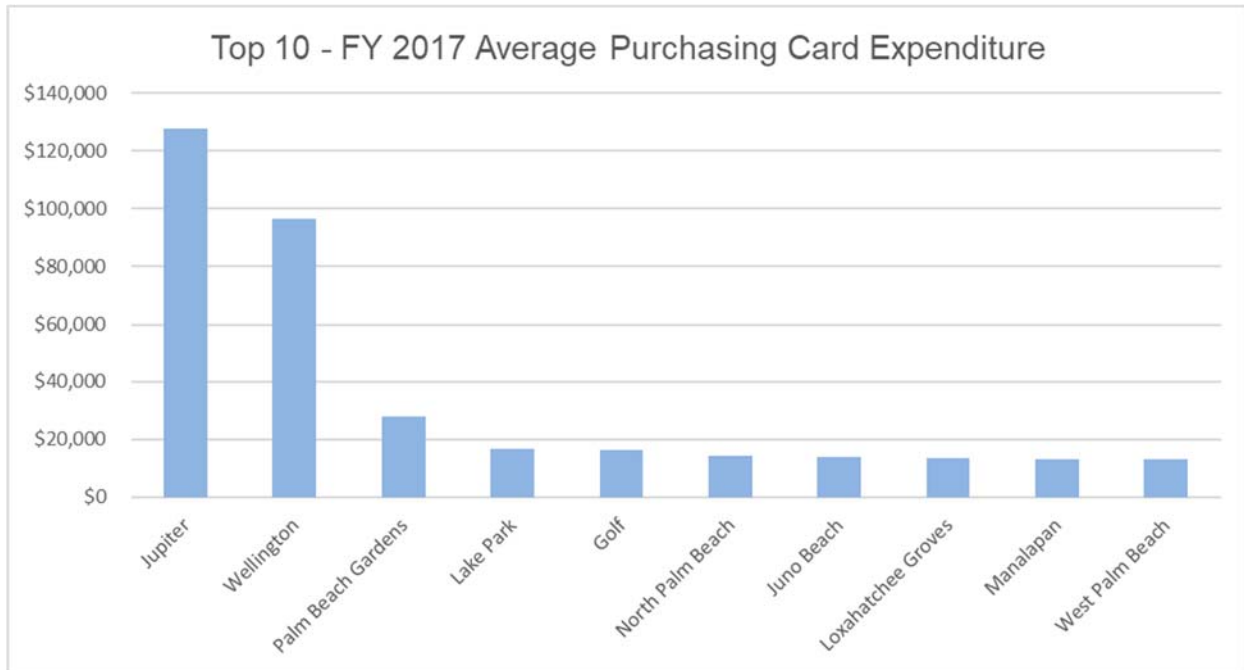
Thirty eight (38) of thirty nine (39) municipalities responded to our survey. The City of Boca Raton did not respond to our survey after three requests for response.

We found 95% (36 of 38) of the municipalities surveyed had purchasing card programs. The report results are limited to the 36 municipalities that responded to the survey that have purchasing card programs.

We found total purchasing card program expenditures for each municipality in FY 2017 ranged from \$1,500 to \$9,187,373. The Town of Mangonia Park had the lowest FY 2017 purchasing card spend of \$1,500. The Village of Wellington had the highest FY 2017 spend of \$9,187,373. The OIG Audit Division conducted an audit of the Village of Wellington's Purchasing Card Program for FY 2011 (Audit Report 2012-A-0002).



We further reviewed the FY 2017 purchasing card expenditures by analyzing the average purchasing card expenditures per purchasing card issued (total FY 2017 purchasing card program expenditures divided by the total number of purchasing cards issued). The Town of Jupiter had the highest average expenditures per purchasing card of \$127,660 for FY 2017.



We found 17% (6 of 36) of the municipalities reported they had no written policies and procedures for the purchasing card programs.

Municipality	Written Policies or Procedures
Town of Ocean Ridge	No
Town of Loxahatchee Groves	No
Town of Haverhill	No
Town of Glen Ridge ³	No
Village of Royal Palm Beach	No
Town of Juno Beach	No

We found 83% (30 of 36) of the municipalities reported that there are written policies and procedures for the purchasing card program. Two of the 30 municipalities relied upon their purchasing policies to develop and provide written guidance to staff regarding the appropriate use of purchasing cards.

We found 72% (26 of 36) of the municipalities self-reported they had either an external or internal audit / review of their purchasing card program within the last 11 years.

We also found that management and oversight for purchasing card programs varied widely across municipalities. Municipalities varied on which department provided oversight and management of the purchasing card programs, from the Finance Department, Purchasing Department, Utility Administration, Municipality’s Manager, Municipality’s Administration Office, to the Municipality’s Elected Officials.

³ A scope expansion was issued for the Town of Glen Ridge to include its purchasing card program with the FY 2018 Revenue Audit by the OIG Audit Division.

SUGGESTIONS

We suggest that municipalities review this report in order to learn and identify how other municipalities are using purchasing card programs and as a benchmark to compare their own utilization of purchasing card programs and expenditures to other municipalities in Palm Beach County.

We suggest municipalities that have not had external or internal audits / reviews of their purchasing card programs ensure they adequately monitor and oversee programs and expenditures including implementation of policies and procedures.

Review or consideration of this report may be helpful for municipalities with purchasing card programs for comparison purposes.

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the thirty-eight (38) municipalities who responded to our purchasing card program survey and provided information, as needed, for our analysis.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

EXHIBIT LIST

Exhibit 1 – Survey Template


Exhibit 2 – Purchasing Card Results

Exhibit 3 – Largest Purchasing Card Programs Expenditures

Exhibit 4 – Oversight

EXHIBIT 1 – SURVEY TEMPLATE

Office of the Inspector General Purchasing Card Survey (FY2017-2018)



Municipality/Organization Name

(1) How many employees did your organization have as of your most recent fiscal year end? # Date of fiscal year ended (mm/dd/yy)

check all that apply

(2) Does your organization use any of the following?

<input type="checkbox"/>	Purchasing/Procurement Cards (P-Cards)	<input type="checkbox"/>	Credit Cards
<input type="checkbox"/>	Fuel Cards		

(3) For each type of card, please provide the number of cards outstanding and the total dollar amount of transactions as of your most recent fiscal year end.

	# of Cards Issued	Total \$ Transactions
P-Cards	# <input style="width: 80px;" type="text"/>	\$ <input style="width: 80px;" type="text"/>
Credit Cards	# <input style="width: 80px;" type="text"/>	\$ <input style="width: 80px;" type="text"/>
Fuel Cards	# <input style="width: 80px;" type="text"/>	\$ <input style="width: 80px;" type="text"/>

check all that apply

(4) Does your organization have written, formal policies or procedures for the use of the following?

<input type="checkbox"/>	Purchasing/Procurement Cards (P-Cards)	<input type="checkbox"/>	Credit Cards
<input type="checkbox"/>	Fuel Cards		

(5) Who in the organization is currently assigned to oversee or act as the program administrator for the following?

	Title/Position
P-Cards	<input style="width: 300px;" type="text"/>
Credit Cards	<input style="width: 300px;" type="text"/>
Fuel Cards	<input style="width: 300px;" type="text"/>

check all that apply

(6) Have there been any audits (including internal and external audits) on the following?

<input type="checkbox"/>	Purchasing/Procurement Cards (P-Cards)	<input type="checkbox"/>	Credit Cards
<input type="checkbox"/>	Fuel Cards		

By whom and when was the last audit conducted for each of the following?

	Entity Who Conducted the Audit	Date of Audit Report Issuance
P-Cards	<input style="width: 200px;" type="text"/>	<input style="width: 100px;" type="text"/>
Credit Cards	<input style="width: 200px;" type="text"/>	<input style="width: 100px;" type="text"/>
Fuel Cards	<input style="width: 200px;" type="text"/>	<input style="width: 100px;" type="text"/>

(7) Please provide any additional comments:

Prepared By: Date:

Print Name: Contact Phone Number:

Name Title

EXHIBIT 2 – PURCHASING CARD SURVEY RESULTS FY 2017

Survey Results (Self-Reported by Entity)				
Municipality	Program	# of Employees	# of Cards	Total Expenditures
Atlantis	Yes	28	1	\$ 8,680
Belle Glade	Yes	119	8	\$ 66,204
Boynton Beach	Yes	755	122	\$ 460,816
Cloud Lake	Yes	1	1	\$ 2,238
Delray Beach	Yes	894	138	\$ 116,505
Glen Ridge	Yes	1	1	\$ 3,682
Golf	Yes	10	2	\$ 32,771
Greenacres	Yes	149	29	\$ 220,979
Haverhill	Yes	4	9	\$ 22,590
Highland Beach	Yes	48	10	\$ 69,222
Hypoluxo	Yes	3	3	\$ 2,870
Juno Beach	Yes	34	4	\$ 55,737
Jupiter	Yes	402	47	\$ 6,000,000
Jupiter Inlet Colony	Yes	15	4	\$ 48,711
Lake Clarke Shores	Yes	24	12	\$ 73,000
Lake Park	Yes	50	9	\$ 150,000
Lake Worth	Yes	351	63	\$ 732,876
Lantana	Yes	84	14	\$ 149,209
Loxahatchee Groves	Yes	0	2	\$ 27,294
Manalapan	Yes	39	6	\$ 78,327
Mangonia Park	Yes	13	1	\$ 1,500
North Palm Beach	Yes	193	19	\$ 269,178
Ocean Ridge	Yes	27	13	\$ 34,879
Pahokee	Yes	43	10	\$ 57,489
Palm Beach Gardens	Yes	473	162	\$ 4,500,000
Palm Beach Shores	Yes	25	7	\$ 83,756
Palm Springs	Yes	176	43	\$ 509,522
Riviera Beach	Yes	543	98	\$ 796,197
Royal Palm Beach	Yes	138	89	\$ 159,844
South Bay	Yes	16	6	\$ 42,602
South Palm Beach	Yes	13	3	\$ 34,062
Tequesta	Yes	108	25	\$ 50,350
Town of Palm Beach	Yes	327	106	\$ 734,971
Wellington	Yes	375	95	\$ 9,187,373
West Palm Beach	Yes	1486	283	\$ 3,671,297
Westlake	Yes	0	3	\$ 4,429
Totals	36	6,967	1,448	\$ 28,459,158

EXHIBIT 3 – LARGEST PURCHASING CARD PROGRAM EXPENDITURES

Survey Results (Self-Reported by Entity)				
Municipalities	# of Employees	# of Cards	Total Expenditures	Average by Card
Wellington	375	95	\$ 9,187,373	\$ 96,709
Jupiter	402	47	\$ 6,000,000	\$ 127,660
Palm Beach Gardens	473	162	\$ 4,500,000	\$ 27,778
West Palm Beach	1486	283	\$ 3,671,297	\$ 12,973
Riviera Beach	543	98	\$ 796,197	\$ 8,124
Town of Palm Beach	327	106	\$ 734,971	\$ 6,934
Lake Worth	351	63	\$ 732,876	\$ 11,633
Palm Springs	176	43	\$ 509,522	\$ 11,849
Boynton Beach	755	122	\$ 460,816	\$ 3,777
North Palm Beach	193	19	\$ 269,178	\$ 14,167
Greenacres	149	29	\$ 220,979	\$ 7,620
Royal Palm Beach	138	89	\$ 159,844	\$ 1,796
Lake Park	50	9	\$ 150,000	\$ 16,667
Lantana	84	14	\$ 149,209	\$ 10,658
Delray Beach	894	138	\$ 116,505	\$ 844
Palm Beach Shores	25	7	\$ 83,756	\$ 11,965
Manalapan	39	6	\$ 78,327	\$ 13,054
Lake Clarke Shores	24	12	\$ 73,000	\$ 6,083
Highland Beach	48	10	\$ 69,222	\$ 6,922
Belle Glade	119	8	\$ 66,204	\$ 8,275
Pahokee	43	10	\$ 57,489	\$ 5,749
Juno Beach	34	4	\$ 55,737	\$ 13,934
Tequesta	108	25	\$ 50,350	\$ 2,014
Jupiter Inlet Colony	15	4	\$ 48,711	\$ 12,178
South Bay	16	6	\$ 42,602	\$ 7,100
Ocean Ridge	27	13	\$ 34,879	\$ 2,683
South Palm Beach	13	3	\$ 34,062	\$ 11,354
Golf	10	2	\$ 32,771	\$ 16,385
Loxahatchee Groves	0	2	\$ 27,294	\$ 13,647
Haverhill	4	9	\$ 22,590	\$ 2,510
Atlantis	28	1	\$ 8,680	\$ 8,680
Westlake	0	3	\$ 4,429	\$ 1,476
Glen Ridge	1	1	\$ 3,682	\$ 3,682
Hypoluxo	3	3	\$ 2,870	\$ 957
Cloud Lake	1	1	\$ 2,238	\$ 2,238
Mangonia Park	13	1	\$ 1,500	\$ 1,500
Totals	6,967	1,448	\$ 28,459,158	

EXHIBIT 4 – OVERSIGHT

Survey Results (Self-Reported by Entity)			
Municipality	Oversight of Program	Last Audit	Type of Audit/Review
Lantana	Finance	2007	External
Town of Palm Beach	Purchasing	10/2010	External
Lake Worth	Finance	4/2013	Internal Audit
Palm Beach Gardens	Purchasing	9/2013	PBC OIG
Belle Glade	Finance	9/2014	PBC OIG
West Palm Beach	Finance	7/2015	Internal Audit
Royal Palm Beach	Purchasing	4/2016	PBC OIG
Hypoluxo	Town Mayor	9/2016	External
Loxahatchee Groves	None	9/2016	PBC OIG
Juno Beach	Town Manager	9/2016	External
Greenacres	Purchasing	9/2016	External
Highland Beach	Finance	3/2017	External
Jupiter	Finance	3/2017	External
North Palm Beach	Finance	3/2017	External
Jupiter Inlet Colony	Town Administrator	4/2017	External
South Palm Beach	Town Manager Office	4/2017	External
Delray Beach	Finance	4/2017	External
South Bay	City Manager	6/2017	External
Tequesta	Finance	6/2017	External
Wellington	Purchasing	9/2017	Internal Audit
Westlake	City Manager	In process	External
Pahokee	City Manager	Monthly	Internal Review
Haverhill	Town Administrator	Yes	External
Palm Springs	Finance / CFO	Yes	PBC OIG
Riviera Beach	Purchasing	Yes	PBC OIG
Boynton Beach	Finance / Warehouse Manager	Yes	PBC OIG
Cloud Lake	Town Clerk	None	N/A
Lake Clarke Shores	Utility Administration	None	N/A
Golf	Village Manager	None	N/A
Lake Park	Other	None	N/A
Mangonia Park	Town Mayor	None	N/A
Atlantis	City Manager	None	N/A
Palm Beach Shores	Finance / Town Treasurer	None	N/A
Manalapan	Town Manager	None	N/A
Ocean Ridge	Town Clerk	None	N/A
Glen Ridge	Town Mayor	None	N/A