



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report
2018-A-0013
Town of Jupiter
Credit Cards
September 12, 2018

Insight – Oversight – Foresight



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AUDIT REPORT 2018-A-0013

DATE ISSUED: **SEPTEMBER 12, 2018**



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TOWN OF JUPITER – CREDIT CARDS

SUMMARY

WHAT WE DID

We conducted an audit of the Town of Jupiter (Town) credit card program. This audit was performed as part of the Office of Inspector General, Palm Beach County (OIG) 2018 Annual Audit Plan.

Our audit focused on the credit card program and controls for the credit card expenditures. The scope included review of the Town's credit card activities from October 1, 2016 to September 30, 2017.

WHAT WE FOUND

During the audit, we found that the Town has been working to establish stronger internal controls by creating a Cardholder's Agreement and Request Credit Card form.

We found internal control weaknesses and operational areas that need improvement.

We found weaknesses in the purchase review and approval process, the utilization of the rebate program, the card cancellation process, and the process for managing temporary changes to cardholders' credit card spending limits. Generally, the overall credit card program lacked adequate written guidance.

This audit report reflects what we found based on the policies and procedures, confirmed process, and documentation that we were provided access to at the time of the audit. After the delay by the Town in providing the requested records, in accordance with government auditing standards, we deemed the delay excessive and finalized the audit report.

It should be noted that after our draft audit report was presented and discussed at the August 9, 2018 exit meeting with Town Management, the Town Manager requested additional time to provide documentation that was not previously provided during the 10 month period. This information is noted in Exhibit 4 – Transaction Detail Additional Information Provided by Town.

Our audit identified a total of **\$83,741** in questioned costs¹, **\$109.01** in identified costs², and **\$29,145** in avoidable costs.³

Non-Compliance with Policy

We found that three former employees' credit cards were used to complete purchases after their last day of employment by other Town employees. Additionally, credit card purchases lacked proper approvals and adequate documentation, which resulted in approximately **\$83,741** in questioned costs. The Town paid sales tax in error. The sales tax improperly paid is an identified cost of **\$109.01**.

Rebate Revenue

The Town did not procure a more competitive rate for credit card rebates (i.e. cash back) that would have optimized the Town's rebate return on its purchases and cash transactions. Our recommendation to participate in a higher yield rebate program may result in approximately **\$29,145** in future avoidable costs over the next three years.

Cards Not Deactivated Timely

Three (3) out of four (4) (75%) former employee cardholder accounts tested were deactivated more than one day after the former employees separated from employment with the Town. The gap between the date of the employee's separation and the date of account

deactivation ranged from five (5) to 15 business days. The failure to deactivate credit card accounts timely increases the risk of unauthorized use.

Lack of Sufficient Written Guidance

The Town lacked sufficient written guidance in the following areas to help reduce inappropriate use of credit cards and enhance internal controls over the credit card program:

- Credit card issuance process;
- Cardholder acknowledgment of receipt of the credit card use guidelines and credit card;
- Spending limits and oversight / monitoring;
- Prohibited / disallowed purchases;
- Periodic transaction monitoring / oversight for all purchases;
- Credit card deactivation;
- Penalties for policy violations;
- Rebate program participation and rebate reconciliation / allocation; and
- Cardholder training.

Lack of adequate written guidance increases the risk of misuse of the Town's credit cards.

¹ Questioned costs can include costs or financial obligations incurred pursuant to: a potential violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

² Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

³ Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report. The maximum period for calculating Avoidable Costs shall typically be three years from the issuance of the OIG report, except in instances where it involves a contract with a specified contract period.

WHAT WE RECOMMEND

Our report contains four (4) findings and offers fourteen (14) recommendations. Implementation of the recommendations will 1) assist the Town in strengthening internal controls, 2) save approximately **\$29,145** in future avoidable costs, and 3) enhance compliance with the Town's credit card procedures.

Despite numerous requests by our office, the Town management did not provide us with certain documentation until after the audit was completed. At Town management's request, we considered the additional information and incorporated the information into Exhibit 4. We characterized the delayed production as a corrective action by the Town.

We provided the Town management with an opportunity to respond to the findings in this Audit Report. The Town management responded that it does not concur with our findings (see Attachment 1) and disputes

several statements in the Report. Although the Town management did not accept the findings, we are encouraged that the Town is implementing a number of our recommendations. By implementing the recommendations, the citizens of the Town of Jupiter will be better served and taxpayer funds will be better protected.

We disagree with multiple assertions in the Town management's response. Additionally, we do not agree that the Town management's production of documentation after the completion of the audit resolved many of the issues we identified. The Town did not timely provide sufficient evidence to our office to show that all of the identified exceptions were resolved. Moreover, the Town management's response contains several assertions that contradict the requirements in the Town Council's Resolution (74-16). Attachment 2 provides further information on our rebuttal to Town management's response.

Examples of Purchases in Violation of Town Policy or Lack of Sufficient Documentation:

- *\$4,100 in gift cards*
- *\$1,683 in food purchases*
- *\$13,601 in entertainment tickets*
 - *Miami Dolphin tickets*
 - *Marlins tickets*
 - *Sunday brunch on a cruise*
 - *Theater tickets*
- *\$17,903 for the purchase of 33 tablet devices (i.e. I-pads, Microsoft Surfaces, and Galaxy tablets)*

BACKGROUND



The Town was incorporated in 1925. The Charter of the Town was enacted by the Florida Legislature by Special Acts 1953. Subsequently, the Town adopted Ordinance Number 58-96 on March 10, 1998, under the provisions of the Home Rule Powers Act of the State of Florida, enacting the Amended Charter of the Town, which was ratified by the vote of the electors at a special election.

The Town is located on the Atlantic Ocean in northern Palm Beach County with more than 60,000 year-round residents. The Town operates under the Council-Manager form of government. Policy making and legislative authority are vested in the Town Council that consists of the Mayor and four other Council Members. The Town Manager is appointed by the Town Council and is responsible for carrying out the policies and ordinances established and approved by the Town Council and managing day-to-day activities of the Town.

The OIG 2018 Annual Audit Plan identified purchasing card programs as a high-risk global area. We selected the Town for audit based on our Purchasing Card Survey, Audit Report 2018-A-0008. We selected the Town because it reported \$6,000,000 in purchasing card expenditures for Fiscal Year (FY) 2017, had the highest average expenditure per purchasing card of all municipalities surveyed of \$127,660 for FY 2017, the Finance Director was assigned to oversee the purchasing card program⁴, and because the Town has not been previously audited by the OIG Audit Division.

Credit Card Program Background

The Town entered into a Commercial Card Agreement for credit card services with SunTrust Bank effective February 27, 2014. The Town had 52 active credit cards issued at the time of the audit, and credit card purchases for FY 2017 totaled \$6,450,544 (see Exhibit 1).

The Commercial Card Agreement includes a Net-Spend Rebate Program and Large Ticket Transaction Rebate Program that provide the Town with an annual rebate payment based upon purchases and cash transactions.

⁴ 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.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the audit were to determine whether the Town had internal controls in place and were adequate to appropriately govern credit card use, including controls to prevent and detect fraud, waste, and abuse, and to determine whether credit card expenditures were in compliance with policies and served a valid public purpose. The audit scope included credit card activities from October 1, 2016, to September 30, 2017 (FY 2017).

The audit methodology included:

- Reviewing internal controls;
- Interviewing appropriate personnel;
- Reviewing reports, contracts, and user agreements;
- Performing data analysis of the population of transactions;⁵ and
- Performing detailed testing of selected transactions.

Data analyses were used in the audit to select high-risk transactions and / or cardholders for detailed testing. Data analyses were performed in the CaseWare IDEA software and consisted of analyzing the population of credit card transactions and cardholders for attributes or combinations of attributes considered high risk. Attributes can be characteristics or traits of the cardholder or purchase transactions and may vary based on the entity, purchasing card system, or system configuration. Cardholder attributes may include, but are not limited to: employment status, credit and transaction limits, department, or title / position. Transaction attributes may include, but are not limited to: the purchase amount, purchase date, vendor / supplier, purchase description, Merchant Category Code, approval or lack of approval, or supporting documentation or lack of supporting documentation. Attributes are considered high risk if they are abnormal, inconsistent, or outliers in comparison to the population, subgroups of the population (e.g. by cardholder, department, Merchant Category Code, etc.), policy / procedure, best practices, or expected value / outcomes.

As part of the audit, we completed a data reliability assessment for the computer systems used by the Town related to administering and reporting of the credit card process. We determined that the computer-processed data contained in these computer systems were sufficiently reliable for the purposes of the audit.

This audit was conducted in accordance with generally accepted government auditing standards. These 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵ See Exhibit 5 for a detailed listing of data analyses.

FINDINGS AND RECOMMENDATIONS

Finding (1): Credit card transactions did not comply with policy.

The Town's Procurement Policy Standard Operating Procedures, Section IV(E). Credit Card Purchases, states in part,



credit cards may be utilized for incidental purchases for less than \$250 and not more than \$2,500 per month from a single vendor without incurring specific prior approval...The department utilizing the card is responsible for providing invoices (receipts) or other acceptable documentation signed by the appropriate Department Director or their designee to the Finance Department with the monthly credit card billing as supporting documentation for payment within the timeframe allowed by the Finance Department.

Section VIII(P). Sales Tax Exemption of the policy also states, "All employees who purchase goods or services on behalf of the Town shall supply each vendor with a copy of the Town's tax exemption certificate to avoid being assessed State Sales Tax."

We performed data analyses on the total population of credit card transactions to identify high risk transactions for detailed testing (see Exhibit 5 for a listing of the data analyses performed). We selected 142 credit card transactions for testing proper support and approval, compliance with the Town's procurement policy, exclusion of sales tax, and reconciliation to the credit card statements (see Exhibit 1 for statistics on the sample of transactions selected). Eighty-six (86) transactions of the 142 transactions (61%) sampled had one or more exceptions for a total of 100 different exceptions.

We noted the following violations of policy (see Exhibit 2 for a breakdown by Department):

- 10 of 142 transactions (7%) totaling \$658 made by former employees lacked proper approval.
- 11 of 142 transactions (8%) totaling \$33,723 lacked proper pre-approval.⁶
- 75 of 142 transactions (53%) totaling \$66,432 lacked proper approval by the department director or designee.
- 4 of 142 transactions (3%) that incorrectly included sales tax totaling \$109.01.

In addition to the policy violations detailed above, we also noted several conditions created by the lack of clear guidance in the Town's procurement policy. The procurement policy did not require that the invoices (receipts) supporting the credit card purchases be detailed or itemized. Neither the procurement policy nor the credit card authorization form

⁶ The Town's Procurement Policy required prior approval for purchases \$250 or more and when the total monthly expenditures with a single vendor exceed \$2,500 per month.

requires an explanation or reason for the credit card purchase to be documented and submitted with the supporting documentation.

Thirty-three (33) of 142 transactions (23%) totaling \$40,993 lacked adequate documentation to validate the items purchased or reason for the purchase (see Exhibit 2 for a breakdown by Department). We requested that the Town provide additional support relating to the transactions above, but there was an excessive delay in the Town providing access to the records. Therefore, we completed testing without the requested support and documented our findings without resolution.

Additionally, the Finance Department reviews credit card purchase documentation to ensure all transactions have support but did not routinely review or monitor credit card transactions to validate the items purchased, proper approval or pre-approval exists, or sales tax was excluded.

Furthermore, the Finance Department did not appear to have a written policy or procedure for reviewing credit card statements for credit cards used by former employees to ensure that no charges were incurred after an employee separates from employment with the Town.

Questioned costs resulting from transactions made by former employees, lacking proper approvals⁷, and lacking adequate documentation totaled **\$83,741**. Additionally, identified costs totaled **\$109.01** for purchases that incorrectly included sales tax in the purchase amount. See Exhibit 3 for a listing of the transactions that make up the questioned and identified costs.

Testing Procedure	Questioned Costs		Identified Costs	
	No. of Transactions	Total Amount	No. of Transactions	Total Amount
Purchases After Employee Termination	10	\$ 658	-	-
Lack of Pre-Approval	11	33,723	-	-
Lack of Approval	54	32,051	-	-
Lack of Adequate Documentation	11	17,309	-	-
Sales Tax Paid	-	-	4	\$ 109.01
Total	86	\$ 83,741	4	\$ 109.01

The risk for fraud, waste, and abuse increase when credit card purchases lack proper approvals and adequate documentation. Additionally, a lack of routine monitoring and oversight increases the risk for noncompliance with policy and procedure and increases the risk for fraud, waste, and abuse.

⁷ A portion of the transactions lacking proper pre-approval and approval also lacked adequate documentation but were only counted once for questioned costs.

Recommendations:

- (1) Ensure that state sales tax is not paid on credit card purchases and consider seeking reimbursement for sales tax improperly paid.
- (2) The Town require credit cardholders to obtain proper approvals for purchases.
- (3) Revise the Town's credit card policy and procedures to require credit cardholders to submit to the Finance Department supporting documentation for each credit card purchase, to include an itemized receipt or sufficient detail to clearly show all the items purchased, that sales tax was not paid, and documentation of the reason for the purchase.
- (4) The Town develop and implement a process to monitor credit card purchases routinely for compliance with policy requirements and to ensure adequate documentation is provided.
- (5) The Town use its credit card system (SunTrust Enterprise Spend Platform) to produce reports of purchase transactions for monitoring and review.

Management Responses:

See Attachments

Finding (2): The Town did not procure a competitive rate for the credit card rebate (i.e. cash back) that could lessen the taxpayer's burden.



The Town's procurement policy, Section III Procurement Methods states in part,

Certain expenditures, items or services are not appropriate for normal marketplace competition or for products where no competition exists. These will be procured by other means agreed upon in advance as authorized by the town manager or his designee. Examples of these items are artistic services, academic programs, health care or medical services, real property, utilities, legal services, *financing services* and proprietary computer software. (emphasis added)

The Town entered into a Commercial Card Agreement for credit card services with SunTrust Bank effective February 27, 2014. The Town had 52 active credit cards issued at the time of the audit. The Commercial Card Agreement includes a Net-Spend Rebate Program and Large Ticket Transaction Rebate Program that provide the Town with an annual rebate payment based upon purchases and cash transactions made during the rebate period (January through December). The expenses associated with this

agreement are minimal. Credit card spend totals for FY 2017 resulted in rebate revenue of approximately \$53,731.

The Finance Director stated that the Town competitively bid the Agreement; however, the Town did not provide documentation to show competitive bidding occurred.

The Town lost potential revenue by not procuring a higher yield rate for the rebate from SunTrust or contracting with a different institution offering a higher rate. The State of Florida Purchasing Card Services contract with Bank of American, N.A., which can be used by local governments in Florida, has more beneficial rebate rates.⁸ The rebate rate on standard transactions is higher at 1.45% versus 1.35% in the SunTrust Commercial Card Agreement. Similarly, the rebate rate on large ticket transactions in the State of Florida Purchasing Card Services contract is higher at 0.55% versus 0.35% in the SunTrust Commercial Card Agreement.

The Town could potentially increase its annual rebate revenue and lessen the taxpayer's burden by terminating its SunTrust⁹ Commercial Card Agreement and negotiating better rates, competitively bidding the credit card program contract, or implementing the Purchasing Card Services contract procured by the State of Florida. Based on the rebate rates in the State of Florida contract, the Town lost potential revenue of approximately \$9,715¹⁰ for FY 2017. If the Town implements the OIG recommendation to use a higher yield rate for the credit card program, it may result in approximately **\$29,145**¹¹ in future avoidable costs over the next three years.

Additionally, there was no written guidance for managing the rebate program, and the Town did not perform a review or reconciliation of the rebate amount to determine if it is accurate and in conformance with the agreement. The Town could be losing rebate revenue if it does not review or reconcile the amount received to verify it is accurate and in conformance with the agreement. We performed a recalculation of the rebate amount for FY 2017 purchases and determined the amount received by the Town was accurate and generally in conformance with the agreement.

Moreover, the Town had no policy governing how the credit card rebate revenue should be applied or booked to the Town's financials. As a result, there was no formal allocation method established to return funds to the originating departments or the general fund,

⁸ Purchases must total \$1,000,000 or more each year to obtain the rebate rates in the State of Florida Purchasing Card Services contract.

⁹ The SunTrust Commercial Card Agreement provides,
9(a) Term of Agreement. Unless terminated earlier as provided in this Agreement, the initial term of this Agreement will be for **Five (5)** years from the date of execution by both parties and will continue thereafter under the terms and conditions contained herein (as may be amended from time to time), provided, however, either party may terminate this Agreement at any time upon at least sixty (60) days prior written notice.

¹⁰ Estimated rebate revenue of \$63,446 was calculated based on the Town's FY 2017 spend. Estimated rebate revenue less actual rebate received of \$53,731 = \$9,715 in lost potential revenue.

¹¹ Lost potential revenue of \$9,715 for FY 2017 x 3 years = \$29,145 in future avoidable costs.
Note – the State of Florida contract is valid through 2021 with the rates used for the calculation of avoidable costs.

and application / allocation of rebate revenue may not be performed consistently when received and recorded.

Recommendations:

- (6) **The Town review other programs, such as, the State of Florida Purchasing Cards Services contract, to determine if a more beneficial rebate program is available that meets the Town's credit card program requirements.**
- (7) **The Town develop and implement written guidance to help manage and control the credit card rebate program, including but not limited to, reconciliation / review of rebate amounts and the application / allocation of rebate amounts to Town funds and departments.**

Management Responses:

See Attachments

Finding (3): Three former employees' credit cards / cardholder accounts were not deactivated in a timely manner.

Management should ensure cardholder accounts of separated employees are deactivated in a timely manner to reduce the risk of unauthorized credit card charges. Prompt deactivation of credit cards / cardholder accounts allows management to limit access to them to only authorized individuals and maintain accountability for their custody and use. Management may periodically compare credit cards / cardholder accounts with the recorded accountability for those resources to help reduce the risk of errors, fraud, or misuse.¹²

The Town's Finance Department staff advised our office that they typically deactivate cardholder accounts of former employees the day after the employee separates from employment. During the audit, the Town implemented a Cardholder's Agreement requiring the cardholder surrender the card to the Human Resources Department if separating from employment.

We noted three (3) out of four (4) (75%) former employee cardholder accounts tested were deactivated more than one day after the former employees separated from employment with the Town. The gap between the date of the employee's separation and the date of account deactivation ranged from five (5) to 15 business days, leaving the Town exposed to unauthorized use.

It appeared the Town's actual process for deactivating cardholder accounts upon an employee's separation is inconsistent with the process the Town's Finance Department communicated to our office. Additionally, the Town's process was not documented in a

¹² The best practice is provided in The Government Accountability Office (GAO) Standards for Internal control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

policy or procedure to provide clear guidance to responsible personnel, which may have contributed to the delays in card deactivations.

As a result of the delayed card deactivations, 10 credit card purchases totaling \$658 were made on the credit card accounts after the employees separated from employment and are considered questioned costs in Finding (1).

Recommendations:

- (8) The Town review all credit card statements for credit cards used by former employees for potential use after employee separation dates and determine if the transactions completed were appropriate.**
- (9) The Town should timely deactivate credit cards when an employee's employment with the Town ends.**

Management Responses:

See Attachments

Finding (4): The credit card program lacked adequate written guidance.



Management is responsible for establishing and implementing the control activities of an entity. This includes designing appropriate controls and implementing policies and procedures to facilitate the entity's achievement of objectives and response to relevant risks. Control activities include reviews by management at the functional or activity level, proper execution of transactions, accurate and timely recording of transactions, access restrictions to and accountability for resources and records, and appropriate documentation of transactions and internal control.¹²

The Town had two documents that provide written guidance regarding the Town's credit card program: 1) the Procurement Policy Standard Operating Procedures and 2) a Cardholder's Agreement and Request Credit Card Form. The Town implemented the Cardholder's Agreement and Request Credit Card Form during the audit; however, the forms have not been incorporated by reference into the Town's Procurement Policy. The new forms address several weakness identified in the policy.

The Town did not provide our office with all Cardholder's Agreements and Request Credit Card forms as we requested during the audit.

The Town's procurement policy did not provide adequate written guidance regarding:

- Which employees or class of employees are eligible to request and obtain a credit card;
- The criteria used for approving requests for credit cards and the process and timeline for evaluating and approving requests for credit cards¹³ (i.e. the credit card issuance process, responsible parties, and documentation);
- Cardholder responsibilities;¹⁴
- Cardholder acknowledgment of receipt of the procurement policy¹⁴ and credit card;
- The criteria justifying changes to spending limits¹³, process for implementing spending limit changes, and obligations for oversight / monitoring of the spending limits;
- Prohibited / disallowed purchases¹³ and the requirements for oversight / monitoring of all purchases;
- Periodic review and transaction monitoring / oversight for all purchases;
- Credit card deactivations / cancellations;¹³ (e.g. employee separation - see also Finding (3));
- Credit card repayment, revocation,¹⁴ or penalties for inappropriate usage;¹⁴
- Identify employees responsible for reporting and addressing lost / stolen cards,¹⁴ disputes,¹⁴ unauthorized employee purchases,¹⁴ or fraudulent transactions;¹⁴
- Rebate program participation and rebate allocation (see also Finding (3)); and
- Cardholder training.

Additionally, on September 7, 2017, the Town Finance Director authorized a temporary credit limit increased from \$15,000 to \$30,000 for 48 cardholders in anticipation of Hurricane Irma. After the hurricane-related emergency ended, the Finance Director authorized a reduction in the credit limits to pre-hurricane levels on October 2, 2017. A SunTrust bank control statement dated October 27, 2017 showed the credit limits were decreased to the pre-hurricane amounts; however, the SunTrust computer system Account Listing as of October 26, 2017 showed that a decrease had not occurred. Based on the information, we requested additional documentation necessary to determine if the limits were reduced to pre-hurricane limits, but there was an excessive delay in receiving access to the records and no support was provided. Therefore, we were unable to determine if the decrease occurred.

Management should ensure temporary changes to credit limits are reversed in a timely manner to align with the credit card spending limits authorized by the Finance Director, thereby reducing the risk of unauthorized credit card charges. In doing so, management limits access to credit cards to authorized individuals and maintains accountability for their use.¹¹ The Town's Procurement Policy did not address temporary credit card limit increases, which may be necessary for emergency purchases.

¹³ This was partially addressed in the Cardholder Agreement and Credit Card Request Form implemented during the audit.

¹⁴ This was adequately addressed in the Cardholder Agreement and Credit Card Request Form implemented during the audit.

A lack of adequate written guidance for personnel regarding the credit card program exposes the Town to inconsistent processing of transactions, risk of error, credit card misuse, and inappropriate transactions that go undetected. It appears management did not properly monitor credit limits, and there was a lack of adequate oversight over credit card limits to ensure actions are performed appropriately. The risk for unauthorized purchases is increased when controls, such as the normal established cardholder credit limit, are not in place or monitored.

Our testing of the 142 sampled credit card transactions identified a total of 100 instances of noncompliance with the Town's procurement policy, as well as, 33 transactions that lacked adequate documentation to validate the purchase (see also Finding (1)). These policy violations and lack of documentation indicate cardholders were not provided adequate guidance and training regarding the credit card program and that there was a lack of proper monitoring and oversight for the credit card program expenditures.

Recommendations:

- (10) The Town update the procurement policy or develop a separate written policy and procedures for the Credit Card program to, at a minimum, include:**
- a. Which employees or class of employees are eligible to request and receive a credit card.**
 - b. The criteria used for approving requests for credit cards and the process and timeline for evaluating and approving requests for credit cards, including but not limited to, identifying employees responsible for managing the program and required documentation (i.e. itemized receipts) needed prior to approving requests.**
 - c. Requirement for the cardholder to acknowledge receipt of the Cardholder Agreement and credit card.**
 - d. Factual basis to justify changes to spending limits and the documentation thereof.**
 - e. A process for ensuring that credit card spending limits align with the limits authorized by the Finance Director and the criteria justifying changes to spending limits, a process for implementing spending limit changes, and obligations for oversight / monitoring of the spending limits.**
 - f. Detailed guidance for allowable purchases and penalties for accidental, personal, or disallowed purchases.**
 - g. The process for deactivating cardholder accounts of employees who separate from employment with the Town, including but not limited to, assigning responsibility and timeline for notifying the Finance Department of the employee's separation, collection of the physical credit card, deactivation of the cardholder's account, and review of transactions that occur after the separation date, if any.**
 - h. Periodic transaction monitoring and oversight of all purchases for compliance with policy and adequate documentation.**
 - i. Cardholder training.**

- (11) The Town update the procurement policy to include the recently implemented Cardholder's Agreement and Request Forms.
- (12) The Town ensure all current cardholders complete a new Cardholder Request Form acknowledging acceptance of the Cardholder's Agreement.
- (13) The Town provide training on the updated policy and procedures to current cardholders, department directors, and any new cardholders prior to issuance of a credit card.
- (14) The Town review all cardholder accounts to determine if the current credit limits are accurate and appropriate for all users.

Management Responses:

See Attachments

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
1	Purchases After Employee Separation	\$ 658
1	Lack of Pre-Approval	33,723
1	Lack of Approval	32,051
1	Lack of Adequate Documentation	<u>17,309</u>
	TOTAL QUESTIONED COSTS	\$83,741

Identified Costs

Finding	Description	Identified Costs
1	Sales Tax Paid in Error	<u>\$109.01</u>
	TOTAL IDENTIFIED COSTS	\$109.01

Avoidable Costs

Finding	Description	Avoidable Costs
2	Rebate Revenue	<u>\$29,145</u>
	TOTAL AVOIDABLE COSTS	\$29,145

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

ATTACHMENT

Attachment 1 – Town of Jupiter’s Management Response, page 26 – 37

Attachment 2 – OIG Rebuttal to Town of Jupiter’s Management Response – page 38 - 39

Enclosure 1 – Timeline of Actual Events Related to Management’s Excessive Delays – page 40

EXHIBIT LIST

Exhibit 1 – Audit Sample Statistics

Exhibit 2 – Summary of Testing Exceptions

Exhibit 3 – Transaction Detail for Questioned / Identified Costs

Exhibit 4 – Transaction Detail Additional Information Provided by Town

Exhibit 5 – Data Analyses Performed

EXHIBIT 1 – Audit Sample Statistics

Audit Sample Statistics							
Department	Cards Issued	Total Purchases by Department			Audit Sample		
		No. of Credit Card Transactions	Total Credit Card Purchases	% of Total Amount	No. of Credit Card Transactions	Total Credit Card Purchases	% of Total Amount
Building	1	134	41,755	8%	7	\$ 11,528	8%
Business Development	2	28	3,454	1%	2	639	0%
Community Redevelopment	2	15	2,549	1%	-	-	0%
Community Relations	1	122	24,938	5%	6	5,478	4%
Engineering	1	60	12,273	2%	1	1,410	1%
Finance	12	297	56,768	11%	47	22,601	16%
Human Resources	2	59	13,223	3%	4	2,383	2%
Information Systems	1	10	5,679	1%	1	3,468	2%
Planning & Zoning	3	52	13,070	3%	-	-	0%
Police Department	7	459	117,585	24%	21	31,938	22%
Public Works	4	121	22,035	4%	1	379	0%
Recreation	8	337	96,001	19%	19	34,377	24%
Storm Water	1	75	12,570	3%	2	2,176	2%
Town Clerk	2	31	4,672	1%	-	-	0%
Town Manager	1	22	3,736	1%	2	1,236	1%
Utilities	3	147	38,326	8%	12	14,056	10%
Water Plant	1	85	28,551	6%	8	11,824	8%
Total	52	2,054	\$ 497,185	100%	133	\$ 143,493	100%
Florida Power & Light		625	2,636,181	41%	8	32,747	7%
Waste Management		20	3,317,178	51%	1	284,956	62%
Grand Total		2,699	\$ 6,450,544		142	\$ 461,196	

EXHIBIT 2 – Summary of Testing Exceptions

Summary of Testing Exceptions ¹											
Department	Purchases After Employee Separation and Lack of Approval (Policy Violation)		Lack of Proper Pre-Approval ² (Policy Violation)		Lack of Proper Approval (Policy Violation)		Sales Tax Paid (Policy Violation)		Lack of Adequate Documentation ³		
	No. of Transactions	Total Amount	No. of Transactions	Total Amount	No. of Transactions	Total Amount	No. of Transactions	Total Amount	No. of Transactions	Total Amount	
Business Development	-	-	-	-	1	\$ 1,399	-	-	1	\$ 1,399	
Community Relations	-	-	-	-	-	-	-	-	1	1,075	
Engineering	-	-	-	-	1	1,410	-	-	-	-	
Finance	-	-	-	-	8	3,581	-	-	-	-	
Human Resources	-	-	-	-	4	2,315	-	-	-	-	
Information Systems	-	-	-	-	1	3,468	-	-	4	2,315	
Police Department	-	-	1	\$ 3,468	1	3,468	-	-	-	-	
Public Works	-	-	4	14,665	14	25,603	1	21,38	5	6,004	
Recreation	-	-	-	-	1	379	-	-	-	-	
Storm Water	10	\$ 658	-	-	1	1,575	-	-	8	15,388	
Town Manager	-	-	3	7,500	35	16,905	1	7.83	7	10,063	
Utilities	-	-	-	-	-	-	1	11,55	2	1,225	
Water Plant	-	-	3	8,100	9	11,056	-	-	5	4,785	
Total	10	\$ 658	11	\$ 33,723	75	\$ 66,432	4	\$ 109.01	33	\$ 40,993	

¹ Transactions may be included more than once in the table above if the transaction was an exception in two or more testing procedures; therefore, the total amounts above do not agree to the Questioned Cost / Identified Cost total amounts, because the transaction amount was counted only once.

² The sum of purchases for the vendor over a month exceeded \$2,500 which requires specific prior approval; however, these purchases either lacked approval or were approved after the purchase transaction occurred which is a policy violation.

³ Testing procedures could not be completed for certain transactions due to a lack of adequate documentation. Additional support was requested, but there was an excessive delay in providing access to records; therefore, testing was completed without the requested support and items requiring additional support were noted as a Questioned Cost for lack of adequate documentation.

EXHIBIT 3 – Transaction Detail for Questioned / Identified Costs¹⁵

Department	Transaction date	Vendor	Description	Questioned Costs	Identified Costs	Purchases After Employee Termination	Lack of Proper Pre-Approval	Lack of Adequate Documentation	Sales Tax Paid
Storm Water	1/30/2017	Florida Floodplain Man	Membership – FL Floodplain Managers Assoc. Registration to attend "Essentials of CRS"	\$ 60.00	\$ -	✓	x		
Storm Water	1/30/2017	Florida Floodplain Man	(Community Rating System)	\$ 50.00	\$ -	✓	x		
Storm Water	1/30/2017	Florida Floodplain Man	Registration to attend "Essentials of CRS" (Community Rating System)	\$ 50.00	\$ -	✓	x		
Storm Water	1/31/2017	The Home Depot #0274	28" Water shut off key, Long screw driver, worktool Bucket	\$ 21.14	\$ -	✓	x		
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	\$ 50.00	\$ -	✓	x		
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	\$ 50.00	\$ -	✓	x		
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	\$ 50.00	\$ -	✓	x		
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	\$ 50.00	\$ -	✓	x		
Storm Water	3/20/2017	Frameworks Pictur Fram	Reglass & tit photo - EOC Lobby, Clean existing frame	\$ 141.62	\$ -	✓	x		
Storm Water	3/22/2017	Wayne Akers Ford Inc	Bill for Transfer of Title - 2001 Ford Explorer Sport	\$ 135.00	\$ -	✓	x		
Storm Water	10/4/2016	Best Buy Mkt 00006882	(9) Galaxy tablets E916; (11) Galaxy tablets 16GB Titanium	\$ 3,799.81	\$ -	✓	x	x	
Storm Water	10/4/2016	Best Buy Mkt 00006882	(4) Galaxy tablets 16GB Titanium	\$ 799.96	\$ -	✓	x	x	
Storm Water	10/16/2016	Best Buy Mkt 00006882	Microsoft Surface book & dock	\$ 2,899.98	\$ -	✓	x	x	
Information Systems	8/14/2017	Wired Tree	Outside server for the waterway trail app	\$ 3,468.00	\$ -	✓	x	x	
Police Department	5/11/2017	Gaylord Opryland Retail	Lodging	\$ 1,096.92	\$ -	✓	x	x	
Police Department	5/11/2017	Gaylord Opryland Retail	Lodging	\$ 1,096.92	\$ -	✓	x	x	
Police Department	6/6/2017	Labcorp 7036469808	DNA Testing (Analysis of Evidence Items excluding skeletal remains)	\$ 3,696.00	\$ -	✓	x		
Police Department	9/5/2017	Real Time Laboratories	AC for high water rescue vehicle	\$ 8,875.66	\$ -	✓	x		
Utilities	8/29/2017	Best Buy Mkt 00008813	Microsoft Surface book and accessories	\$ 2,919.97	\$ -	✓	x	x	
Utilities	1/19/2017	Life Fitness	(7) Stand Up Desks and Anti-fatigue mats	\$ 2,653.35	\$ -	✓	x		
Utilities	4/14/2017	Best Buy Mkt 00006882	Surface Book 16GB	\$ 2,526.99	\$ -	✓	x		
Business Development	9/21/2017	Einsteins Bros - Online C	Breakfast for the Group (Series 20)	\$ 138.99	\$ -	✓	✓	x	
Engineering	11/3/2016	Annes Engineering	GPS-DIM Assembly Pro	\$ 1,410.00	\$ -	✓	✓		
Storm Water	10/18/2016	Apple Store #127	(2) iPad Air 2 Wi-Fi Cell 128GB and chargers	\$ 1,593.90	\$ -	✓	✓		
Storm Water	11/2/2016	Alfons Factory Outlet	WF/SW Shed deposit	\$ 2,394.40	\$ -	✓	✓		
Storm Water	1/10/2017	Gander Mt Plm Bch Grdn	(2) Pair waders & warranty	\$ 169.97	\$ -	✓	✓		
Storm Water	1/19/2017	Western Analytical Lab	(2) Asbestos tests	\$ 50.00	\$ -	✓	✓	x	
Storm Water	1/20/2017	Jc Western Supply St 1	(1) Pair of boots	\$ 179.98	\$ -	✓	✓		
Storm Water	1/20/2017	Wal-Mart #2176	(1) Pair of work pants/uniform	\$ 11.96	\$ -	✓	✓		
Storm Water	1/21/2017	Walmart.com	(7) Pair of work pants/uniform	\$ 89.57	\$ -	✓	✓		
Storm Water	1/24/2017	Vmynys Pizza	Office supplies	\$ 247.04	\$ -	✓	✓	x	
Storm Water	1/20/2017	Ergotech Group	Triple horizontal sand w/16" pole.	\$ 136.84	\$ -	✓	✓		
Storm Water	1/26/2017	Publix #228	Soda, salad, paper products/eating utensils, and cleaning products	\$ 99.95	\$ -	✓	✓	x	
Storm Water	1/26/2017	ERM Department (PBC)	Well Field permit/Pesticide applicator Renewal, and Fee	\$ 60.00	\$ -	✓	✓		
Storm Water	1/26/2017	ERM Department (PBC)	Well Field permit/Pesticide applicator Renewal, and Fee	\$ 60.00	\$ -	✓	✓		

¹⁵ This chart is in actual dollars and cents based on the amount of the transactions. This amount is slightly different from the totals used in the report based on rounding.

EXHIBIT 3 – Continued

Transaction Detail for Questioned / Identified Costs										
Department	Transaction date	Vendor	Description	Questioned Costs	Identified Costs	Purchases After Employee Termination	Lack of Proper Pre-Approval	Lack of Proper Approval	Lack of Adequate Documentation	Sales Tax Paid
Storm Water	1/26/2017	Batteries Plus 773	(2) 2-pak 1.2v NiMH batteries for laser level	\$ 55.90	\$ -		✓	✓		
Storm Water	1/26/2017	Erm Department (PBC)	Fee	\$ 1.50	\$ -		✓	✓		
Storm Water	1/26/2017	Erm Department (PBC)	Well Field permit/Pesticide applicator Renewal, and	\$ 1.50	\$ -		✓	✓		
Finance	3/6/2017	Ups*000000598368067	UPS Charges	\$ 1,337.13	\$ -		✓	✓		
Finance	4/7/2017	Americapay	Registration for 2017 Congress All-Access Pass	\$ 1,800.00	\$ -		✓	✓		
Finance	5/3/2017	Ups*000000598368177	UPS - Town Hall	\$ 64.32	\$ -		✓	✓		
Storm Water	2/24/2017	Circle K 05338	Dump truck fuel purchase - fuel card not working	\$ 100.00	\$ -		✓	✓		
Storm Water	3/3/2017	Wal-Mart #2176	(1) pair of work shoes and (2) pairs of boots	\$ 139.28	\$ -		✓	✓		
Storm Water	3/3/2017	Walmart.Com	(8) Wrangler Men's 5 pocket short	\$ 111.70	\$ 7.83		✓	✓		✓
Storm Water	3/3/2017	Florida Water 00 Of 00	5-day Stormwater training FL Water & Pollution Control Operators Association	\$ 1,040.00	\$ -		✓	✓		
Storm Water	3/16/2017	Usps P o 1145000420	First Class and Certified Mail Postage for 4 large envelopes	\$ 28.32	\$ -		✓	✓		
Finance	6/23/2017	Shell Oil 57543701809	Fuel purchase to attend service for fallen officer - Honor Guard	\$ 20.00	\$ -		✓	✓		
Finance	9/13/2017	Circle K 05338	Fuel for pull-behind trailer	\$ 100.00	\$ -		✓	✓		
Finance	9/13/2017	Circle K 05338	Fuel for pull-behind trailer	\$ 100.00	\$ -		✓	✓		
Finance	9/13/2017	Circle K 05338	Fuel for pull-behind trailer	\$ 100.00	\$ -		✓	✓		
Finance	9/24/2017	Shell Oil 575428291ops	Fuel for pull-behind trailer	\$ 60.00	\$ -		✓	✓		
Human Resources	4/6/2017	Publix #1050	(20) Gift cards for Employee Picnic Raffle	\$ 700.00	\$ -		✓	✓		X
Human Resources	5/18/2017	Dunkin #351046 Q	(5) dozen donuts for May 2017 Safety Training	\$ 39.95	\$ -		✓	✓		X
Human Resources	6/7/2017	Old Florida Bar & Grill	Gift card for Team of the Year	\$ 600.00	\$ -		✓	✓		X
Human Resources	6/23/2017	BlueLine Surf & Paddle	Paddleboard Event - Eco tour for 39 (to be reimbursed by Cigna)	\$ 975.00	\$ 68.25		✓	✓		✓
Police Department	11/30/2016	Wal-Mart #2176	(20) Giftcards	\$ 2,000.00	\$ -		✓	✓		X
Police Department	12/12/2016	Publix #1049	(16) Publix Giftcards for Police Department Volunteers	\$ 400.00	\$ -		✓	✓		X
Police Department	1/26/2017	Martin Tax Collector	(9) title transfers; (9) City License plates; (9) vehicle registrations	\$ 1,057.95	\$ -		✓	✓		
Police Department	2/2/2017	Amazon Mktplace Prrts	Desk risers and floor mats	\$ 1,901.66	\$ 21.38		✓	✓		✓
Police Department	2/15/2017	Amazon Mktplace Prrts	Canon Cameras	\$ 1,409.70	\$ -		✓	✓		X
Police Department	4/12/2017	Amazon Mktplace Prrts	(42) Performance Polo short sleeve shirts	\$ 1,676.18	\$ -		✓	✓		
Police Department	4/24/2017	Chevron 0308827	Fuel for trip to Tallahassee for Florida Police Memorial	\$ 20.00	\$ -		✓	✓		
Police Department	4/26/2017	Amazon Mktplace Prrts	KVH Tracvision for Mobile Command Vehicle	\$ 2,040.88	\$ -		✓	✓		
Police Department	9/6/2017	The Home Depot #0274	Freezers for EOC and Community Center - IRMA	\$ 400.00	\$ -		✓	✓		
Police Department	9/8/2017	Cox Health	Subpoena Charge	\$ 42.05	\$ -		✓	✓		
Public Works	4/2/2017	GHR*globalindustrialteq	Truck tire rack - 3 tier starter	\$ 379.43	\$ -		✓	✓		
Recreation	11/15/2016	Bcp Performing Arts	Tickets for Malmee Showing of Cabaret	\$ 1,575.00	\$ -		✓	✓		X
Storm Water	5/3/2017	Wal-Mart #2176	Office supplies for retirement party	\$ 10.02	\$ -		✓	✓		
Storm Water	7/26/2017	Apple Store #024	(3) 128GB Pads and chargers	\$ 2,166.15	\$ -		✓	✓		X
Utilities	11/17/2016	Awwa.Org	AWWA Dues	\$ 2,005.00	\$ -		✓	✓		

EXHIBIT 3 – Continued

Transaction Detail for Questioned / Identified Costs										
Department	Transaction date	Vendor	Description	Questioned Costs	Identified Costs	Purchases After Employee Termination	Lack of Proper Pre-Approval	Lack of Proper Approval	Lack of Adequate Documentation	Sales Tax Paid
Utilities	1/10/2017	Guanabanas Restaurant	Gift Cards for Guanabanas and Jetty's for King Tide Contest	\$ 200.00	\$ -			✓	X	
Utilities	1/10/2017	Jetty's Restaurant	Gift Cards for Guanabanas and Jetty's for King Tide Contest	\$ 200.00	\$ -			✓	X	
Utilities	5/9/2017	Maplewood Bagel & Deli	Beverages, snacks, lunch, and supplies to host the AMTA workshop at the Community Center	\$ 269.40	\$ -			✓		
Utilities	8/24/2017	Jupiter- Misc-Payment	Building Permit Fee	\$ 220.44	\$ -			✓	X	
Utilities	8/24/2017	Panera Bread #204722	Bagels for Lox RAP workshop	\$ 60.37	\$ -			✓		
Community Relations	3/4/2017	Toolays Jupiter	Jup U Welcome breakfast	\$ 1,074.62	\$ -			✓		
Recreation	6/13/2017	Tickets@miami Marlins	(37) Marlins Trip tickets	\$ 1,360.25	\$ -			✓		
Recreation	5/25/2017	Ancamwalmart-PartyMn	Easter Eggs 2017	\$ 1,787.50	\$ -			✓		
Recreation	5/11/2017	Miami Dolphins	(48) Miami Dolphins tickets	\$ 5,308.00	\$ -			✓		
Recreation	10/3/2016	Delray Intra-coastal Cr	Final Payment for Sunday Brunch Cruise trip	\$ 1,296.60	\$ -			✓		
Recreation	11/5/2016	Kravis Center Box Off	(33) American in Paris tickets - final payment	\$ 1,540.75	\$ -			✓		
Recreation	2/16/2017	Bcp*performing Arts	Deposit for tickets to see "Mama Mia" at the Broward Performing Arts Center	\$ 1,280.00	\$ -				✓	
Recreation	3/24/2017	Bcp*performing Arts	Tickets for Mama Mia	\$ 1,280.00	\$ -				✓	
Town Manager	11/18/2016	Guanabanas Restaurant	Items purchased could not be identified	\$ 1,060.00	\$ -				✓	
Town Manager	6/22/2017	Flowermatt	Items purchased could not be identified	\$ 164.94	\$ 11.55				✓	✓
Utilities	6/28/2017	Apple Store #1024	(1) Ipad Pro 12.9 256GB and accessories	\$ 1,196.00	\$ -				✓	
			Total	\$ 85,740.41	\$ 109.01	10	11	75	33	4

✓ Counted toward Questioned Cost or Identified Cost.
 X Noted as an exception but already counted toward Questioned or Identified Costs for another testing procedure.

EXHIBIT 4 – Transaction Detail Additional Information Provided by Town

Transaction detail Additional Information Provided by Town - Exceptions Remaining									
Department	Transaction date	Vendor	Description	Purchases After Employee Termination	Lack of Proper Pre-Approval	Lack of Proper Approval	Lack of Adequate Documentation	Sales Tax Paid	
Storm Water	1/30/2017	Florida Floodplain Man	Membership - FL Floodplain Managers Assoc.	✓					
Storm Water	1/30/2017	Florida Floodplain Man	Registration to attend "Essentials of CRS": (Community Rating System)	✓					
Storm Water	1/30/2017	Florida Floodplain Man	Registration to attend "Essentials of CRS": (Community Rating System)	✓					
Storm Water	1/31/2017	The Home Depot #0274	28" Water shut off key, Long screw driver, work/tool Bucket	✓					
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	✓					
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	✓					
Storm Water	3/7/2017	Fdep Payment System	FDEP Operating License Renewals	✓					
Storm Water	3/20/2017	Frameworks Pictur Fram	Reglass & fit photo - EOC Lobby, Clean existing frame	✓					
Storm Water	3/22/2017	Wayne Akers Ford Inc	Bill for Transfer of Title - 2001 Ford Explorer Sport	✓					
Storm Water	10/4/2016	Best Buy Mht 00006882	(9) Galaxy tablets E 9.6; (11) Galaxy tablets 16GB Titanium			✓	✓		
Storm Water	10/4/2016	Best Buy Mht 00006882	(4) Galaxy tablets 16GB Titanium			✓	✓		
Storm Water	10/18/2016	Best Buy Mht 00006882	Microsoft Surface book & dock			✓			
Information Systems	8/14/2017	Wired Tree	Outside server for the waterway trail app		✓				
Police Department	5/11/2017	Gaylord Opryland Retail	Lodging			✓			
Police Department	5/11/2017	Gaylord Opryland Retail	Lodging			✓			
Police Department	6/8/2017	Labcorp 7036469808	DNA Testing (Analysis of Evidence Items excluding skeletal remains)			✓			
Police Department	9/5/2017	Real Time Laboratories	AVC for high water rescue vehicle			✓			
Utilities	8/29/2017	Best Buy Mht 000068813	Microsoft Surface book and accessories			✓			
Utilities	1/19/2017	Life Fitness	(7) Stand Up Desks and Anti-fatigue mats			✓			
Utilities	4/14/2017	Best Buy Mht 00006882	Surface Book 16GB		✓				
Business Development	9/21/2017	Einstein Bros -Online C	Breakfast for the Group (Serves 20)			✓			
Engineering	11/3/2016	Ames Engineering	GPS-DMI Assembly Pro			✓			
Storm Water	10/18/2016	Apple Store #127	(2) Ipad Air 2 Wifi Cell 128GB and chargers			✓			
Storm Water	11/2/2016	Alans Factory Outlet	WF/SW Shed deposit			✓			

EXHIBIT 4 – Continued

Transaction detail Additional Information Provided by Town - E xceptions Remaining								
Department	Transaction date	Vendor	Description	Purchases After Employee Termination	Lack of Proper Pre-Approval	Lack of Proper Approval	Lack of Adequate Documentation	Sales Tax Paid
P. olice Department	4/12/2017	Amazon Mkiplace Pmts	(42) Performance Polo short sleeve shirts			-41		
P. olice Department	4/24/2017	Chevron 0308827	Fuel for trip to Tallahassee for Florida Police Memorial			-41		
P. olice Department	4/26/2017	Amazon Mkiplace Pmts	KWH Tracvision for Mobile Command Vehicle			-41		
P. olice Department	9/6/2017	The Home Depot #0274	Frezers for EOC and Community Center - IRMA					
P. olice Department	9/6/2017	Ciox Health	Subpoena Charge					
P. ublic Works	4/2/2017	Gih'globalindustrial	Truck tire rack - 3 tier starter					
Recreation	11/15/2016	Bcp*performing Arts	Tickets for Malinee Showing of Cabaret			-4		
Storm Water	5/3/2017	Wal-Mart #2176	Office supplies for retirement party				-4	
Storm Water	7/26/2017	Apple Store #024	(3) 128GB iPads and chargers					
Utilities	11/17/2016	Awwa.Org	AWWA Dues			-4		
Utilities	1/10/2017	Guanabanas Restaurant	Gift Cards for Guanabanas and Jetty's for King Tide Contest				-4	
Utilities	1/10/2017	Jetty's Restaurant	Gift Cards for Guanabanas and Jetty's for King Tide Contest				-4	
Utilities	5/9/2017	Maplewood Bagel & Deli	Beverages, snacks, lunch, and supplies to host the AMT A workshop at the Community Center				-4	
Utilities	8/24/2017	Jupiter Misc-Payment	Building Permit Fee					
Utilities	8/24/2017	Panera Bread #204722	Bagels for Lox RAP workshop					
Community Relations	3/4/2017	TooJays Jupiter	Jup U Welcome breakfast				-4	
Recreation	6/13/2017	Tickets/miami Marlins	(37) Marlins Trip tickets				-4	
Recreation	5/25/2017	Am carnivalmart - P artyIn	Easter Eggs 2017				-4	
Recreation	5/11/2017	Miami Dolphins	(48) Miami Dolphins tickets				-4	
Recreation	10/3/2016	Delray Intracoastal Cr	Final Payment for Sunday Brunch Cruise trip				-4	
Recreation	11/5/2016	Kravis Center Box Off	(33) American in Paris tickets - final payment				-4	
Recreation	2/16/2017	Bcp*performing Arts	Deposit for tickets to see "Mama Mia" at the Broward Performing Arts Center					
Recreation	3/24/2017	Bcp*performing Arts	Tickets for Mama Mia					
Town Manager	11/18/2016	Guanabanas Restaurant	Items purchased could not be identified				-4	
Town Manager	6/22/2017	Flowermart	Items purchased could not be identified				-4	
Utilities	6/28/2017	Apple Store #024	(1) iPad Pro 12.9 256GB and accessories				-4	
Total Exceptions Remaining				10	2	32	24	4

-4 Exception not resolved from additional documentation.
 -41 The exception was an exception for the audit report and corrective action was properly implemented in additional documentation provided.

EXHIBIT 5 – Data Analyses Performed

High risk transactions were selected for detailed testing based on the following data analyses:

- Abnormal purchases by department and cardholder by month and year.
- Abnormal purchases by department and Merchant Category Codes (MCC).
- Unauthorized card use (transactions using cards that are not assigned to an authorized cardholder).
- Inactive cards (cards assigned to an authorized user that have had no transactions within the last 12 months).
- Inactive employee usage (transactions for cards assigned to inactive employees and after their last day of work, i.e. separated / terminated, retired, on extended leave).
- Employees with multiple cards (multiple cards assigned to one employee).
- Duplicate payments.
- Procurement policy thresholds exceeded (by vendor and transaction amount).
- Purchases made on Town holidays.
- Purchases that could potentially be cash advances (rounded numbers).
- Purchases with MCCs that could potentially be personal (e.g. restaurants / bars, casinos / pawn shops, cruises, souvenir shops, florists, gas stations, charities, etc.).
- Purchases from blacklisted vendors.
- Transactions split across multiple cards or on one card.
- Key words (e.g. miscellaneous, gift, other).
- Excessive year-end budget usage or misuse.

ATTACHMENT 1 – TOWN OF JUPITER'S MANAGEMENT RESPONSE



TOWN OF JUPITER

Date: September 11, 2018

To: John Carey, Inspector General
Megan Gaillard, Director of Audit

From: Michael Vilella, Finance Director

cc: Matt Benoit, Town Manager

Subject: Town of Jupiter Response to the Credit Card Audit Report Draft

Attached please find our detailed response to the draft audit report received by the Town on September 10, 2018. Our responses clearly indicate disagreement with the findings of your staff and are supported by substantial documentation that has been provided to your staff regarding all the transactions reviewed during the course of the audit. The findings detailed in the draft audit report do not reflect the documentation that has been provided. The Town of Jupiter continues to believe there is proper supporting documentation for the transactions that were reviewed during the audit engagement. The documentation provided and processes the Town has implemented are in accordance with the Town's Purchasing Policies, generally accepted government accounting practices and State Law.

The Town has a firm grasp on what is required of our internal control systems, and we maintain control of the resources provided to us by our citizens. In the Town's most recent audit report completed for the fiscal year ended 9-30-17, issued by the outside CPA firm of Caler, Donten, Levine, et al, no management letter comments were provided indicating the Town is required to make changes to our internal control systems or credit card purchasing procedures. The Town and our staff have worked hard to implement systems that are updated and provide the most cost effective means of providing services to our residents while ensuring that proper controls of the resources entrusted to us are in place. Town staff is of the belief that the only way to satisfy the concerns identified in this audit would be to utilize paper transactions and approvals. Paper approvals offer their own set of internal control problems (namely they are just as susceptible to undocumented transactions as automated approval). Your office provides no evidence or supporting information to substantiate any belief that paper transactions and approvals improve internal controls or would necessarily eliminate or reduce the findings contained herein. Furthermore, there is no commonly accepted government accounting practice that necessitates manual or paper approvals. The Town further believes that if the same audit was conducted on any incorporated municipality, your office would quickly discern that manual or paper approvals is an antiquated documentation processes and has been

replaced by more modern forms of electronic controls. The Town has been asked by the IG office to provide paper forms of supporting documentation that simply do not exist and are not required. As a result, the expectations of your office left the Town with little opportunity for success. The audit report indicates audit findings of 11 transactions not having proper Pre-Approval and 54 transactions lacking proper Approval. These findings are categorically false, as the Town utilizes the Munis purchasing and approval system and all the transactions questioned in the audit have proper documentation and approval in that system.

The draft audit report indicates in several places that the Town delayed in providing supporting documentation to your staff. I have provided a detailed timeline of the audit engagement as part of the Town's response. The timeline very clearly shows that the Town was an early adopter and freely cooperated with IG staff in the audit process that began on September 28, 2017. It was agreed during our audit kickoff meeting on October 17, 2017, that the IG audit would be completed before the end of December, 2017, as the Town's outside auditors would begin their work in early January 2018. Town of Jupiter staff became very concerned about the resources that would be required to complete the audit engagement when on January 11, 2018, after the agreed upon completion date of the audit, the IG office made its first request for supporting documentation relating to 954 credit card transactions. The Town pointed out that a sample of 954 transactions on a total of 2,699 credit card transactions was completely unreasonable and outside the scope of any standard audit practice. The IG office on January 23, 2018 reduced their request to 142 transactions. Even with this reduced number of transactions, providing the details while our outside audit engagement was underway was very burdensome to Town of Jupiter staff.

On August 9, 2018, the Town of Jupiter and IG staff met to discuss an initial draft of the audit report and the remaining open items from the audit. Since that time, the Town has provided significant supporting documentation for all of the transactions still in question by the IG office. The Town received email confirmation from IG office staff indicating that several of the audit findings from the initial draft report were satisfied by the additional supporting documentation submitted. Upon review of the current draft report, none of these cleared issues have been removed from the audit report, leaving Town of Jupiter staff completely confused and unable to understand how the Town could possibly avoid anything but a negative result from this audit.

The Town again requests that the IG office take into account the electronic supporting documentation along with other supporting documents and modify the findings in the audit report to properly reflect the systems of internal control that exist at the Town of Jupiter.

Regards,



Michael Vilella
Finance Director

Finding (1) Credit card transactions did not comply with policy.

A. 10 of 142 transactions (7%) totaling \$658 made by former employees lacked proper approval.

Response – Approval of the 10 items stated above were authorized by an authorized approver.

B. 11 of 142 transactions (8%) totaling \$33,723 lacked proper pre-approval.

Response – Out of the 11 instances cited only 3 lacked pre authorization as indicated in policy, one was an auto renewal of a software package used by the Town and the others were for a purchases that was authorized by management in the Munis electronic workflow after.

C. 75 of 142 transactions (53%) totaling \$66,432 lacked proper approval by the department director or designee.

Response – All 75 transactions stated above received proper approval with either a signed form or through the Town’s electronic workflow or both. Detailed back up for these items have been provided to IG staff.

D. 4 of 142 transactions (3%) that incorrectly included sales tax totaling \$109.01.

Response – The Town agrees sales tax was paid.

E. In addition to the policy violations detailed above, we also noted several conditions created by the lack of clear guidance in the Town's procurement policy. The procurement policy did not require that the invoices (receipts) supporting the credit card purchases be detailed or itemized.

Response – Training occurs for the purchasing policy with new employees that are involved in the purchasing process.

F. Neither the procurement policy nor the credit card authorization form requires an explanation or reason for the credit card purchase to be documented and submitted with the supporting documentation.

Response – The only authorized reason for any transaction is for “Town Use and Purchases Only”, as required in the Town purchasing policy.

G. Thirty-four (34) of 142 transactions (23%) totaling \$42,587 lacked adequate documentation to validate the items purchased or reason for the purchase (see Exhibit 2 for a breakdown by Department).

Response – No written reason is required per the Town purchasing policy as all purchases must be for Town business, if they were not they would not be approved by the department approvers.

H. The Finance Department did not appear to have a written policy or procedure for reviewing credit card statements for credit cards used by former employees to ensure that no charges were incurred after an employee separates from employment with the Town.

Response – Credit card statements are reconciled on monthly basis and those reconciliations were made available for the IG office review. Credit cards are collected when an employee separates employment with the Town once a replacement card is issued to the replacement employee assigned those duties.

I. Questioned costs resulting from transactions made by former employees, lacking proper approvals⁷, and lacking adequate documentation totaled \$83,741.

Response – All the transactions in question received authorization from assigned managers over that department either by a preauthorization form or through the Town's electronic workflow approval system. All transactions have attached and adequate documentation for approval by management and staff.

J. Additionally, identified costs totaled \$109.01 for purchases that incorrectly included sales tax in the purchase amount. See Exhibit 3 for a listing of the transactions that make up the questioned and identified costs.

Response – The Town paid sales tax on these transactions.

Recommendations:

(1) Ensure that state sales tax is not paid on credit card purchases and consider seeking reimbursement for sales tax improperly paid.

Response – The Town will review training procedures with employees in an effort to gain higher compliance in this area.

(2) The Town require credit cardholders to obtain proper approvals for purchases.

Response – Proper approvals are done in accordance with the Town's purchasing policy for all purchases as detailed in our supporting documentation and in the Munis workflow, see excel spreadsheet attached.

(3) Revise the Town's credit card policy and procedures to require credit cardholders to submit to the Finance Department supporting documentation for each credit card purchase, to include an itemized receipt or sufficient detail to clearly show all the items

purchased, that sales tax was not paid, and documentation of the reason for the purchase.

Response – Itemized receipts are required and the preferred form of documentation. The Town requires all purchases on Town credit cards to be for Town business purposes thus our policy does not require a written explanation on each receipt stating the same.

(4) The Town develop and implement a process to monitor credit card purchases routinely for compliance with policy requirements and to ensure adequate documentation is provided.

Response – Credit card purchases like all Town purchases and are reconciled and reviewed for compliance on a weekly and monthly basis.

(5) The Town use its credit card system (SunTrust Enterprise Spend Platform) to produce reports of purchase transactions for monitoring and review.

Response – The reconciliation which includes downloading of the SunTrust report is completed on a monthly basis and was made available for IG office review.

Finding (2) The Town did not procure a competitive rate for the credit card rebate (i.e. cash back) that could lessen the taxpayer's burden.

K. The Finance Director stated that the Town competitively bid the Agreement; however, the Town did not provide documentation to show competitive bidding occurred. The Town lost potential revenue by not procuring a higher yield rate for the rebate from SunTrust or contracting with a different institution offering a higher rate. The State of Florida Purchasing Card Services contract with Bank of American, N.A., which can be used by local governments in Florida, has more beneficial rebate rates.⁸ The rebate rate on standard transactions is higher at 1.45% versus 1.35% in the SunTrust Commercial Card Agreement. Similarly, the rebate rate on large ticket transactions in the State of Florida Purchasing Card Services contract is higher at 0.55% versus 0.35% in the SunTrust Commercial Card Agreement.

Response – Competitive quotes were secured from Bank of America, JP Morgan and Suntrust at the time the rebate program was put in place. At that time, the total spend on credit cards issued by the incumbent provider, Bank of America was in the range of \$1million annually. Given that annual spend, the rebate was expected to be in the range of \$15,000 annually so a formal RFP process was not required. Based on the pricing submitted and discussions with each bank, Suntrust was deemed to provide the best combination of rebate and customer

support. Suntrust has continually provided superior customer support over the incumbent provider and through the efforts of their customer support staff the Town has secured other more substantial vendors to accept payment by the Town's credit card allowing the Town to increase our volume to the current level. This increased volume of spend advocated by Suntrust has allowed the Town and our residents to earn a higher rebate than was available prior to securing services from Suntrust.

L. No written guidance document exist for managing the rebate program, and the Town did not perform a review or reconciliation of the rebate amount to determine if it is accurate and in conformance with the agreement. The Town could be losing rebate revenue if it does not review or reconcile the amount received to verify it is accurate and in conformance with the agreement. We performed a recalculation of the rebate amount for FY 2017 purchases and determined the amount received by the Town was accurate and generally in conformance with the agreement.

Response – Rebates are reconciled annually to expenses and balanced back to contracted percentage rate. This reconciliation was made available for IG office review.

Moreover, the Town had no policy governing how the credit card rebate revenue should be applied or booked to the Town's financials. As a result, there was no formal allocation method established to return funds to the originating departments or the general fund, and application / allocation of rebate revenue may not be performed consistently when received and recorded.

Response – Revenue is booked to general fund, there is no allocation between funds. 100% of the resources used to implement and manage this program are paid for with general fund dollars, thus no allocation is deemed necessary.

Recommendations:

(6) The Town review other programs, such as, the State of Florida Purchasing cards Services contract, to determine if a more beneficial rebate program is available that meets the Town's credit card program requirements.

Response – The Town will review other options in the future to increase yield.

(7) The Town develop and implement written guidance to help manage and control the credit card rebate program, including but not limited to, reconciliation / review of rebate amounts and the application / allocation of rebate amounts to Town funds and departments.

Response – Reconciliation is completed annually when rebate deposit is received. No allocation procedure required.

Finding (3): Three former employees' credit cards / cardholder accounts were not deactivated in a timely manner.

M. We noted three (3) out of four (4) (75%) former employee cardholder accounts tested were deactivated more than one day after the former employees separated from employment with the Town. The gap between the date of the employee's separation and the date of account deactivation ranged from five (5) to 15 business days, leaving the Town exposed to unauthorized use.

As a result of the delayed card deactivations, 10 credit card purchases totaling \$658 were made on the credit card accounts after the employees separated from employment and are considered questioned costs in Finding (1).

Response – The Town keeps an active list of card holders and has provided this list for human resource to use when employees are leaving employment with the Town so the cards can be collected at that time. The HR department has added this item to their check list of items to be collected by HR personnel.

The charges in question were on a Town issued credit card and the charges were authorized by the manager until a replacement card was issued to the employee assigned to these tasks. See excel spreadsheet attached.

Recommendations:

(8) The Town review all credit card statements for credit cards used by former employees for potential use after employee separation dates and determine if the transactions completed were appropriate.

Response – Credit card statements are reconciled on a monthly basis and credit cards are collected when an employee separates employment with the Town.

(9) The Town should timely deactivate credit cards when an employee's employment with the Town ends.

Response – Incorporated into HR form for collection of card upon separation of employment and delivered to Finance for deactivation.

Finding (4): The credit card program lacked adequate written guidance.

N. The Town created and implemented Cardholder's Agreements and Request Credit Card Forms during the audit; however, the forms have not been incorporated by reference into the Town's Procurement Policy.

Response – The purchasing policy adopted by the Town Council is updated on a periodic basis and the credit card forms in question will be a part of the next update of the document. But, in the meantime the Town did develop the forms and distribute to the departments for use.

O. The Town did not provide our office with all Cardholder's Agreements and Request Credit Card forms as we requested during the audit.

Response – These Cardholder Agreements with employees were made available for IG office review.

P. The Town's procurement policy did not provide adequate written guidance regarding:

- *Which employees or class of employees are eligible to request and obtain a credit card; - **Town Director's are allowed to determine which employees job functions require use of a Town provided credit card and then those employees are authorized by the Finance Director to be issued a credit card.***
- *The criteria used for approving requests for credit cards and the process and timeline for evaluating and approving requests for credit cards¹³ (i.e. the credit card issuance process, responsible parties, and documentation); - **Town Director's decision through the request form, authorized by the Finance Department.***
- *Cardholder responsibilities; – **Credit Card Authorization forms.***
- *Cardholder acknowledgment of receipt of the procurement policy¹⁴ and credit card; - **Credit Card Authorization form.***
- *The criteria justifying changes to spending limits, process for implementing spending limit changes, and obligations for oversight / monitoring of the spending limits; - **All purchasing limits must follow the adopted purchasing policy. The use of a credit card does not circumvent the purchasing policy adopted by Town Council.***
- *Prohibited / disallowed purchases and the requirements for oversight /monitoring of all purchases; - **All purchases must be authorized through the purchasing process and all items purchased are for Town use.***

- *Periodic review and transaction monitoring / oversight for all purchases; - **Already performed once a month and processes shown to IG Audit team and documented by IG on 10/26/2017.***
- *Credit card deactivations / cancellations; (e.g. employee separation - see also Finding (3)); - **Incorporated into HR form for collection of card upon separation of employment.***
- *Credit card repayment, revocation, or penalties for inappropriate usage; – **Credit Card Authorization form.***
- *Identify employees responsible for reporting and addressing lost / stolen cards, disputes, unauthorized employee purchases, or fraudulent transactions; - **Credit Card Authorization form.***
- *Rebate program participation and rebate allocation (see also Finding (3)); and – **No allocation required.***
- *Cardholder training. – **Training performed with issuance of card.***

Q. *On September 7, 2017, the Town Finance Director authorized a temporary credit limit increase from \$15,000 to \$30,000 for 48 cardholders in anticipation of Hurricane Irma. After the hurricane-related emergency ended, the Finance Director authorized a reduction in the credit limits to pre-hurricane levels on October 2, 2017. A SunTrust bank control statement dated October 27, 2017 showed the credit limits were decreased to the pre-hurricane amounts; however, the SunTrust computer system Account Listing as of October 26, 2017 showed that a decrease had not occurred. Based on the conflicting information, we requested additional documentation necessary to determine if the limits were reduced to pre-hurricane limits, but there was an excessive delay in receiving access to the records and no support was provided. Therefore, we were unable to determine if the decrease occurred.*

Response – There appeared to be conflicting limits in the banking system but the issue was indeed resolved by October 27th and no violations in policy relating to spending limits occurred during that time period. This was the first instance of an increase in credit limit as a result of an emergency declaration leading to the delay that resulted in reversing the temporary credit limit increase.

R. *A lack of adequate written guidance for personnel regarding the credit card program exposes the Town to inconsistent processing of transactions, risk of error, credit card misuse, and inappropriate transactions that go undetected. It appears management did not properly monitor credit limits, and there was a lack of adequate oversight over credit card limits to ensure actions are performed appropriately. The risk for unauthorized purchases is increased when controls, such as the normal established cardholder credit limit, were not in place or monitored.*

Response – There was no credit card misuse or credit limits exceeded and credit card utilization is monitored regularly via the online banking portal. An increase or decrease of available credit does not negate the requirements of the Town's Purchasing policy or the purchasing procedures in place which requires management as well as department director approval or their designee of all purchases. These controls are and have been in place so this statement is not an accurate reflection of the Town of Jupiter policies, procedures or controls.

- S. *Our testing of the 142 sampled credit card transactions identified a total of 100 instances of noncompliance with the Town's procurement policy, as well as, 34 transactions that lacked adequate documentation to validate the purchase (see also Finding (1)). These policy violations and lack of documentation indicate cardholders were not provided adequate guidance and training regarding the credit card program and that there was a lack of proper monitoring and oversight for the credit card program expenditures.*

Response – This statement is not factually accurate as supporting document has been provided to the IG office. The Town has a firm grasp on what is required of our internal control systems and we maintain control of resources provided to us by our citizens. In the Town audit report for the fiscal year ended 9-30-17 issued by the outside CPA firm of Caler, Donten, Levine, et al, no management letter comments were provided indicating the Town is required to make changes to our systems. The Town and our staff have worked hard to implement systems that are updated and provide the most cost effective means of providing services to our residents while ensuring the proper controls of the resources entrusted to us. We will not resort to antiquated documentation processes (paper approvals) that have been replaced by more modern forms of electronic controls just to satisfy an outdated level of expectation of the Town to provide the IG office with paper forms of documentation.

Recommendations:

*(10) The Town up-date the procurement policy or develop a separate written policy and procedures for the Credit Card program to, at a minimum, include: **items a, b, c, f & g we responded to above.***

d. Factual basis to justify changes to spending limits and the documentation thereof.

Response – The only change in spending limit was in response to hurricane preparation. The change in limit was done in accordance with Town code and no violation in policy occurred.

e. **See response to Finding 4 S.**

h. *Periodic transaction monitoring and oversight of all purchases for compliance with policy and adequate documentation.*

Response – All purchases must be authorized through the purchasing process which is reviewed and approved by departments and management for compliance with policy.

DATE	ACTION	DETAIL
9/28/2017	e-mail	Purchasing Card Survey Form
9/29/2017	e-mail	Completed Survey Form
10/12/2017	Memorandum received	Notice they will be auditing credit card activities from 10/1/16 to 9/30/17
10/17/2017	Site Visit	Kick off meeting -- should have everything completed by year end
26-Oct	Site Visit	Reviewed processes
	documents sent	Card Holder List, FY17 Transactions, Purchasing Policy Version 12-21-16, TOJ P Card Agreement with Suntrust, 2017 Fin Org Chart
	documents sent	Test Sample: 10/2016 Control Statement, 3 individual statements reflecting the FY16/17 charges being expensed accordingly
	documents sent	Control statements sent from 10/2016 to 9/2017
	documents sent	Credit Card policy extracted from Purchasing Policy
2-Nov	documents sent	Proof of closed account: Burgess, A; Lukasik, A; Ficarro, C. Credit Card limit increase Irma; Credit Card limit decrease Irma
3-Nov	e-mail	response to a 11/2 email clarifying processes
8-Nov	MV email	response to a 11/2 email regarding the SunTrust Commercial Card Agreement
14-Nov	documents sent	Provided statements showing purchases from 9/28/16-9/30/16 and 9/28/17-9/30/17 (26 statements)
15-Nov	documents sent	Provided FPL and WM statements for Oct 2016 and Oct 2017
21-Nov	documents sent	Munis User ID and Password assignment 'steps',
29-Nov	documents sent	Transaction Search 9/28/16-10/27/17
8-Dec	e-mail	IG requesting confirmation of CC process, blacklist?? And sample CC next week so can set up site visit
14-Dec	documents sent	Confirmation that the write up of our CC process was explained correctly
14-Dec	e-mail	IG to have sample data by end of next week. Delay caused by other assignments that required immediate attention.
20-Dec	e-mail	response to: No blacklisted customers and detail on an inactivated CC holder Budd
22-Dec	documents sent	Transaction Search 9/28/16-10/27/17 and Travel Policy requested in 12/21 email
11-Jan	email	IG sample set received 954 sample records selected, with 30 requesting add'l info
23-Jan	email	IG reduced sample set 142, with 30 requesting add'l info
2/8 - 2/9	Site Visit	Detailed Transaction Testing, all documents for sample set provided in a folder on a stand alone computer
	documents sent	SBudd screen shot inactivated; Audit Tracking report reflecting limit increase for Irma; Proof of payment for Rebate: 2016 and 2017
12-Feb	email	Response to IG email on 2/12 requesting clarification.
13-Feb	email	Response to IG email on 2/13 requesting clarification
2/22-2/23	Site Visit	Detailed Transaction Testing follow up email ...stated you get back to us the following week -- Resonse from IG. Will do best to get back with follow up questions by end of business on Thursday
13-Mar	email	6:44pm from Megan Gaillard with request for add'l records 79
15-Mar	email	Finance Director email indicating the Town and IG office agreed to complete the audit by 12-31-17 and Town staff time is limited
3-Apr	email	

ATTACHMENT 2 – OIG REBUTTAL OF MANAGEMENT RESPONSE**Introduction / Summary Rebuttal**

Despite numerous requests by our office, the Town management did not provide us with certain documentation until after the audit was completed. The additional information provided was considered and incorporated into Exhibit 4 as part of Town management's corrective action. Nevertheless, our audit findings are unchanged for two reasons. First, the information requested by our office during the audit was not provided to us until after the audit was completed and the Town management received our draft audit report. Second, the Town did not provide documented evidence to resolve all the exceptions.¹⁶ The exceptions that were not resolved are shown in Exhibit 4.

External Audit

Town management indicates in its response that in its most recent external audit completed for fiscal year ending September 30, 2017, no management letter comments were provided requiring the Town to make changes to its internal control systems or credit card purchasing procedures. It should be noted that there is a distinct difference between an external audit and an OIG audit in that an external audit focuses on materiality and fair presentation of the financial statements; whereas, the OIG audit focuses on the use of taxpayer money. In this audit, we found weak controls that **did not fully protect taxpayer's funds and exposed the taxpayer funds to waste, fraud, and abuse**. Additionally, an external auditor's review of internal controls is based on expressing an opinion on the financial statements and **not** on the effectiveness of the Town's internal control. This OIG audit included a review of the effectiveness of the Town's internal controls for operations rather than the impact of internal control on the financial statements. These are two completely different types of audits with different objectives, methodology, and procedures.

Paper Transactions

Town Management states that "Town staff is of the belief that the only way to satisfy the concerns identified in this audit would be to utilize paper transactions and approvals." The Town staff's belief is mistaken. **The OIG office never required "paper" transactions and approvals**. The OIG office requested evidence of approval (electronic or paper) but evidence was not provided. Although Town Management states the Town has an appropriate internal control system, the Town's staff did not provide our office with information to support their statements regarding that system.

This OIG audit focused on whether Town management complies with the Town's policies and requirements, and we found instances where the Town violated the resolution that the Town Council approved, as shown in Finding 1. In addition, the OIG requested access to the Town's computer system to conduct the audit to avoid paper or manual copies being needed, and the Town declined to provide access.

¹⁶ An exception is one instance of an issue; whereas, a finding is the combined total of exceptions and/or the overall issue indicated by the exceptions. The Town did not resolve any of the findings in totality with the documentation provided.

Town management states that Munis (computer system) was used for approvals; however, the policy, approved by the Town Council in Resolution 74-16 requires “invoices (receipts) or other acceptable documentation **signed** by the appropriate Department Director or their designee.” [Emphasis added] Management’s statement regarding the Town’s process contradicts the Town’s written policy. Additionally, documentation was not provided for all exceptions when requested either by electronic records or paper files.

The policy, approved by Council in Resolution 74-16 on December 20, 2016, requires purchases of more than \$2,500 per month from a single vendor receive prior specific approval. This documentation was not provided for all exceptions when requested either by electronic records or paper files.

Timeline

The timeline provided in the Town management’s response only includes a portion of the relevant dates and information. During the entrance conference on September 28, 2017, the OIG stated we would attempt to complete the audit by December 2017; however, we encountered significant delays caused by the Town’s delay in providing requested documentation and the Town’s request that we review all files in person, as shown in Enclosure 1. In order to review documents in person, we had to wait until Town staff was available to meet to review the documentation. Thus, it was not possible to complete the audit by December 2017.

On March 15, 2018, we followed-up with Town management on requests initiated during fieldwork and prior emails. On April 3, 2018, the Town provided a response stating it would be “a couple months” for them to provide documentation. The Town did not provide the requested documentation until the audit was completed and a draft audit report was provided -- seven months after the initial request on January 23, 2018.

During the exit conference on August 9, 2018, the OIG stated that any additional documentation submitted would be considered. The information was considered and incorporated into Exhibit 4. Because the information was provided after the audit was completed, we characterized the delayed production as a corrective action by the Town.

Finally, even with the additional documentation provided, all four findings would remain because the Town did not provide sufficient evidence to show resolution. The Town provided sufficient information to only resolve **some** exceptions.

ENCLOSURE 1 – TIMELINE OF ACTUAL EVENTS RELATED TO MANAGEMENT’S EXCESSIVE DELAYS

