

**Audit of the Department's P-Card Program  
Report Number A-1314DJJ-004  
December 2, 2013**

**By**

**The Office of the Inspector General  
Bureau of Internal Audit**

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Inspector General

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**STATE OF FLORIDA  
DEPARTMENT OF JUVENILE JUSTICE**

**INTEROFFICE MEMORANDUM**

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**DATE:** December 2, 2013  
**TO:** Wansley Walters, Secretary  
**FROM:** Robert A. Munson, Inspector General *RM*  
**SUBJECT:** Final Report - #A-1314DJJ-004, *Audit of the Department's P-Card Program*

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Please find the enclosed copy of our final audit report *Audit of the Department's P-Card Program*. The Bureau of Internal Audit will conduct a follow-up review to determine the status of corrective actions taken to address the reported findings.

We would like to thank the Office of Administrative Services, Bureau of Finance and Accounting for the assistance extended to our staff in the audit process. Please feel free to contact Michael Yu, Auditor Director, at 850-717-2468 if you have any questions.

RM/km

Attachment

**Cc:** Christy Daly, Deputy Secretary  
Jason Welty, Chief of Staff  
Fred Schuknecht, Director of Administration  
Melinda M. Miguel, Chief Inspector General, Executive Office of the Governor  
David W. Martin, CPA, Auditor General  
Kathy DuBose, Director, Legislative Auditing Committee

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**Rick Scott, Governor**

**Wansley Walters, Secretary**

*The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.*

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**Office of Inspector General  
Bureau of Internal Audit  
Audit of the Department's P-Card Program  
Audit No. A-1314DJJ-004**

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## **EXECUTIVE SUMMARY**

The Office of the Inspector General (OIG), Bureau of Internal Audit (BIA) has performed the Department's purchasing card (P-Card) program audit. The audit objective was to determine whether proper accountability measures and sufficient controls over the Department's purchasing cards are in place to ensure that P-Cards are used in accordance with applicable laws and regulations.

The Department's P-Card Agency Plan, P-Card Manual, and P-Card Policy FDJJ-1407.05P outline procedures for P-Cardholders to purchase commodities using a state-issued credit card to increase efficiency, reduce cost, and minimize paperwork for Department purchases. In addition, they define the roles and responsibilities of the Florida Department of Juvenile Justice P-Card Program Administrator (FDJJ PCPA), the Bureau of Finance and Accounting, P-Card approvers, P-Card liaisons, reconcilers, and supervisors/managers to ensure compliance and accountability.

The audit indicated that proper accountability measures over the Department's P-Card were established to ensure that P-Cards are used in accordance with applicable laws and regulations; and sufficient controls were in place to provide management with reasonable assurance that P-Card activities are performed in accordance with applicable administrative policies and procedures. Those accountability measures and controls, in conjunction with DFS oversight controls, provided an effective P-Card management system to identify and prevent the misuse of P-Cards by cardholders.

The audit also indicated that the P-Card FLAIR Aging Report should be retained; the "Justification for Delay" form required in the Department's policies and procedures should be enforced; and P-Card cancellation in a timely manner for separated employees can still be improved.

## **Audit of the Department's P-Card Program**

### **Audit # A-1314DJJ-004**

#### **INTRODUCTION**

The Office of the Inspector General conducted an audit of the Department's P-Card Management Program for the period July 1, 2012 through June 30, 2013, and related activities through the end of fieldwork. The audit was conducted in accordance with *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

#### **Background**

Under the guidance of the Department of Management Services (DMS) and the Department of Financial Services (DFS), the Florida Department of Juvenile Justice (FDJJ) has designed its Purchasing Card Program to permit employees to make small dollar purchases of goods and services as they are needed for operations and without undue delay or paperwork. Small dollar purchases are those that are normally less than \$1,000.

The State of Florida Purchasing Card Program is managed by the Statewide Purchasing Card Program Administrator (PCPA) located at DFS. FDJJ, as well as each of the other participating state agencies, has designated an agency PCPA who is responsible for the overall management of the agency's program. The management at each agency determines the level of participation in the purchasing card program and the number of cards issued.

The P-Card program was introduced to increase efficiency, reduce cost and minimize paperwork. The Office of Administrative Services, Bureau of Finance and Accounting is responsible for overseeing the P-Card program and all of its components. The FDJJ PCPA establishes internal controls and ensures that cardholders adhere to program regulations. A corporate account has been established with Bank of America (BoA) for the P-Card program. The P-Card is just like a "regular" credit card issued to FDJJ employees for direct merchant purchases for use in official business of the state, or to pay for travel expenses incurred while conducting state business. Payments are made to the vendor by BoA, and FDJJ reimburses BoA through an electronic process.

P-Cards are issued to employees with the Department's Secretary and managers/supervisors' approval. Online training must be completed by the cardholder and a passing score must be obtained on the test at the end of the training, before a card is issued. Once all of the requirements are satisfied, and all of the forms have been completed, a P-Card will be issued to the employee. When purchases are made the

cardholder must provide receipts and supporting documents as required by FDJJ policies.

### **Objective, Scope, and Methodology**

The audit objective was to determine whether proper accountability measures and sufficient controls over the Department's purchasing cards are in place to ensure that P-Cards are used in accordance with applicable laws and regulations. The audit scope was the accountability measures and controls for the Department's P-Card activities from July 1, 2012 through June 30, 2013, and related activities through the end of fieldwork.

To achieve the audit objective, we:

- reviewed applicable statutes and rules;
- reviewed Department policies and procedures;
- reviewed the Agency Plan (P-Card);
- reviewed the Department's Purchasing Card Manual;
- reviewed statistically sampled P-Card transactions, and when appropriate, implemented judgmental sampling of reconciliation reports, FLAIR Aging Report, FLAIR profiles, and position descriptions of staff involved in the P-Card process;
- interviewed Finance and Accounting management/staff, FDJJPCPA, P-Card processing staff; and,
- conducted other activities deemed necessary.

The P-Card transactions reviewed in the audit process were statistically generated using a desired confidence level of 95 percent, with an expected error rate of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

Because of inherent limitations associated with sample selection, errors or irregularities could have occurred but were not detected. As such, projection of the auditor's conclusions based on the selected sample may be different from that reached if all P-Card transactions were subject to the audit procedure.

### **RESULT OF AUDIT**

The audit revealed that the Department's P-Card accountability measures and internal control processes were generally in compliance with applicable laws and regulations. P-Card transactions were authorized properly and reviewed/reconciled in an effective and efficient manner, and sufficient internal controls were in place to prevent and detect misuse and irregularities. However, the audit indicated that improvements are needed in



retaining FLAIR Aging Reports, enforcing the requirement of a "Justification for Delay" form when a transaction reaches nine days without approval, and cancelling P-Cards of separated employees in a timely manner.

### **Details of Findings and Recommendations**

#### **Finding 1: The Bureau of Finance and Accounting generated FLAIR Aging Reports from the Reports Distribution System (RDS), but did not retain the reports.**

The DMS Purchasing Card Guidelines require cardholders to forward their signed and dated receipts within 3 calendar days from the date of purchase to their approver for processing. By using FLAIR Aging Reports, the FDJJ PCPA is able to review any transactions that may be nearing the 10 day processing limit on a daily basis and notify the P-Card Liaison/P-Card Approver of untimely transaction approval and provide assistance if necessary.

During the audit, we reviewed 378 statistically selected P-Card transactions and noted that 40 of the transactions were not signed within 3 business days of the date reflected on the transaction receipt. We requested copies of the FLAIR Aging Reports to verify if there were any issues associated with payment in a timely manner for the 40 transactions. However, the FLAIR Aging Reports were archived through the RDS and P-Card management staff did not retain the reports. Re-generating those reports would take a significant amount of time. Since this was not a critical step of the audit, we decided not to request the P-Card management staff to re-generate the reports after weighing the cost and benefit.

Retaining the FLAIR Aging Reports would help P-Card management to conduct a follow-up review if needed, and provide a mechanism to identify and provide assistance to the units which have consistent delays in the P-Card process. Additionally, retention of the reports would provide records for review or audit.

We recommend the FLAIR Aging Reports be retained by the Bureau of Finance and Accounting to ensure transactions are approved in a timely manner and identify issues of non-compliance.

#### **Finding 2: P-Card Management Staff did not require the use of "Justification for Delay" forms when payment is delayed.**

The Department's Purchasing Card Manual requires the appropriate manager to complete a "Justification for Delay" form and return it to the FDJJ PCPA within five (5) working days, if the transaction reaches the ninth (9) day and no action has been taken to approve the transaction.

During our audit, we noted that P-Card management staff did not require appropriate managers to submit the "Justification for Delay" form when a payment is delayed. In a follow-up interview, P-Card management staff stated that the "Justification for Delay" form was created by the Department for use in conjunction with Level 008 P-Card Override Requests, to ensure timely P-Card payments. Level 008 Override Requests can only be performed by DFS, and they no longer want agencies to request such overrides. Therefore, while the "Justification for Delay" form may be requested from managers/supervisors, P-Card management staff did not believe they possessed the authority to require such forms to be completed and submitted.

Requiring the "Justification for Delay" form would help the P-Card management staff ensure timely payments and provide an additional measure for detecting issues of non-compliance.

We recommend that the Department enforce the policy and procedure requiring a "Justification for Delay" form be signed by the manager within five (5) working days and submitted to the FDJJ PCPA when a transaction reaches the ninth (9) day and no action has been taken to approve the transaction.

**Finding 3: P-Card cancellation in a timely manner for separated employees has been significantly improved; however, there is still room for further improvement.**

The Department's Procedure FDJJ-1407.05P and Purchasing Card Manual require supervisors to notify the FDJJ PCPA of the effective date of employment separation for a separated employee who had been issued a P-Card, through the DJJ Separation Notification System. In addition, the supervisors are to notify their P-Card Liaison of the effective date of the employee's separation in writing, and the P-Card Liaison submits the employee separation notice to the FDJJ PCPA. The FDJJ PCPA is responsible for terminating the cardholder's account on the employee's effective separation date.

As an added security measure, the Bureau of Personnel sends bi-weekly personnel action reports listing employees that have separated from the Department to the FDJJ PCPA.

In a previous DJJ Operational Audit conducted by the Auditor General, audit tests indicated that during July 2011 through December 2012, the P-Card accounts for a material portion (35 percent) of the cardholders separated from employment were not terminated in a timely manner. "The number of days that had elapsed from the dates of employment separation to the dates of purchasing card cancellation ranged from 2 to 389, and averaged 36."

During the audit, we evaluated the P-card security and examined Department records to determine if cancellation of the P-Card for cardholders who had been separated from

employment was made in a timely manner for the period July 1, 2012 through June 30, 2013. According to Department records, there were 752 employees separated from employment during this time period. Using statistical sampling methodology, we selected 255 among the 752 employees and found that 67 of the 255 sampled employees held P-Cards at the time of separation. Our audit tests disclosed that for 9 of the 67 cardholders, the number of days that had elapsed from the dates of employment separation to the dates of purchasing card cancellation ranged from 5 to 83 calendar days.

Considering that part of our sample may have been included in the Auditor General's review period, we further reviewed those cancelled P-Cards for the time period between January 1, 2013 and June 30, 2013, a time period after the Auditor General's audit coverage. The review reflected that four of the 49 P-Card accounts in this time period, or eight percent, were not cancelled in a timely manner and the number of days that had elapsed from the dates of employment separation to the dates of purchasing card cancellation ranged from 6 to 37 days.

Our records review indicated that one of the reasons for not canceling the P-Cards in a timely manner was that the P-Card management staff did not always receive the employee separation notification in a timely manner.

Although the cancellation of separated employees' P-Card in a timely manner has been significantly improved subsequent to the Auditor General's audit, we determined that there is still room for improvement.

We recommend the Department continue to improve the Separation Notification System. We also recommend that the P-Card management staff focus their attention on the Separation Notification System and other control mechanism in place to ensure the cancellation of the P-Cards in a timely manner when cardholders are separated from the Department, eliminating the potential for issues of non-compliance or misuse.


**APPENDIX**  
**Management Response**



**STATE OF FLORIDA  
DEPARTMENT OF JUVENILE JUSTICE**

**INTEROFFICE MEMORANDUM**

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**DATE:** November 26, 2013  
**TO:** Michael Yu  
Audit Director  
**FROM:**  Libby Grimes  
Chief, Finance and Accounting  
**SUBJECT:** Audit No. A-1314DJJ-004-Department's PCard Program

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We have received your draft report of the above referenced audit and have provided a written response to the findings and recommendations in the report. Please contact me if additional information or clarification is needed.

**Finding 1: The Bureau of Finance and Accounting generated FLAIR Aging Reports from the Reports Distribution System (RDS), but did not retain the reports.**

The DMS Purchasing Card Guidelines require cardholders to forward their signed and dated receipts within 3 calendar days from the date of purchase to their approver for processing. By using FLAIR Aging Reports, the FDJJ PCPA is able to review any transactions that may be nearing the 10 day processing limit on a daily basis and notify the P-Card Liaison/P-Card Approver of untimely transaction approval and provide assistance if necessary.

***Agency Response: We concur with this finding. The reports are not maintained in the FLAIR Information Warehouse once they are run by the agency. To correct this issue the reports are being run in a .pdf format and maintained on the agency's k:drive for future reference. Finance and Accounting began this practice during the audit.***

**Finding 2: P-Card Management Staff did not require the use of "Justification for Delay" forms when payment is delayed.**

The Department's Purchasing Card Manual requires the appropriate manager to complete a "Justification for Delay" form and return it to the FDJJ PCPA within five (5) working days, if the transaction reaches the ninth (9) day and no action has been taken to approve the transaction.

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Rick Scott, Governor

Wansley Walters, Secretary

*The mission of the Department of Juvenile Justice is to increase public safety by reducing juvenile delinquency through effective prevention, intervention, and treatment services that strengthen families and turn around the lives of troubled youth.*

**Agency Response:** *We concur with this finding. The Justification Delay Form is no longer a mandatory requirement by DFS since the development of the daily reports showing aged outstanding PCard transactions. Finance and Accounting monitors charges daily and any transaction unresolved as of close of business on the eighth day is escalated to the cardholder's manager for action. Therefore, Finance and Accounting will be updating the department's policy and procedures to reflect the deletion of this requirement, while continuing to ensure prompt payment to Bank of America and continue to document any delays.*

**Finding 3:** P-Card cancellation in a timely manner for separated employees has been significantly improved; however, there is still room for further improvement.

The Department's Procedure FDJJ-1407.05P and Purchasing Card Manual require supervisors to notify the FDJJ PCPA of the effective date of employment separation for a separated employee who had been issued a P-Card, through the DJJ Separation Notification System. In addition, the supervisors are to notify their P-Card Liaison of the effective date of the employee's separation in writing, and the P-Card Liaison submits the employee separation notice to the FDJJ PCPA. The FDJJ PCPA is responsible for terminating the cardholder's account on the employee's effective separation date.

**Agency Response:** *This was also a finding in the Operational Audit earlier this year. Since the termination of employees from the PCard program is contingent upon the managers use of the department's Separation Notification System, Finance and Accounting took the following steps, in response to the referenced finding, to ensure timely cancellation of separated department employee's P-cards;*

- A) Finance and Accounting coordinated with the Bureau of Personnel to receive the termination report for the department on a consistent bi-weekly basis. This extra safeguard is in place to catch separated employees who have separated without using the notification system. This may still cause a delay in the cancellation of the P-card depending on when the employee separates.**
- B) As a second line of defense, Finance and Accounting is also requiring the field liaisons to cut up the PCard and submit to Finance and Accounting for destruction. This practice may assist in minimizing the number of days between separation and cancellation.**

**Management needs to remind supervisors and managers of the requirement to remove employees from departmental systems via the Separation Notification System. Another help will be to remind the managers that the separation notice can be sent in advance of the employee leaving the agency and held for action by the unit until the separation date. This may also assist in the delay of processing the employee out of the system.**

cc: Jason Welty, Chief of Staff  
Fred Schuknecht, Director of Administration  
Robert Munson, Inspector General