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## MEMORANDUM

Date: December 18, 2012

To: Edward G. McEachron, Director, Division of Administration

From: James D. Boyd, C.P.A., M.B.A., Inspector General

Subject: Final Report related to Office of Inspector General Project  
No. A-1112DOH-020 - *Use of DOH's Purchasing Card, A Continuous Audit Project – September 2012*

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### **Background**

We identified the Purchasing Card (P-Card) process as a component of the continuous audit cycle. Continuous audits provide regular testing of controls and risks and result in timely notification of gaps and weaknesses to allow immediate follow-up and remediation. The scope of these audits is very narrow and the audits are performed on an ongoing basis.

### **Scope and Objective**

The scope of this project is to periodically analyze current P-Card data as it becomes available throughout the life of the audit. The length of the audit began with April 2012 data and continued on a monthly basis for six months.

The objective of this continuous audit engagement was to identify whether sufficient key controls over DOH's P-Card are in place so that the P-Cards are used in accordance with applicable DOH policy.

While this project relies heavily on P-Card data from the Florida Accounting Information Resource (FLAIR), it was not within the scope of this audit to test the validity or integrity of the underlying data.

### **What we analyzed for September 2012**

We analyzed data related to all P-Card transactions statewide at DOH for the period April 5 through October 4, 2012.

We analyzed the data from the following perspectives:

- Transactions by individual P-Card user (cardholder), including cardholders with the highest number of transactions and with large transaction amounts;
- Transactions by Standard Industry Classification (SIC) codes;
- Transactions by merchant and by amount charged;
- Transactions with a charge date occurring on a weekend;
- Comparing charges by cardholders to charges to the same vendor on the same date;
- Number of transactions made by the same cardholder to same vendor during the six month period;
- Transactions by cardholders restricted to travel;

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- Cardholder limits; and
- Charges occurring after the card expiration date.

We requested the P-Card Administrator to review documentation for additional analysis on certain transactions.

There were 2,355 cardholders at DOH statewide as of September 13, 2012. There were 1,068 cardholders that used their card during September 2012, creating 9,299 individual charges totaling \$3,346,787 and 268 credits totaling \$(53,944). The average number of transactions per cardholder was nine (9).

We analyzed purchases by SIC code and identified that the largest number of purchases and amounts purchased using the P-Card were for the following types of purchases.

SIC Code	Description	Transaction Amount
5047	Lab/Medical/Hospital Equip	\$633,186
5965	Combination Catalog & Retail	291,072
5045	Computers/Peripherals/Software	211,979
5122	Drugs/Druggists Sundries	204,104
8071	Medical/Dental Labs	146,902
5111	Stationery/Office Supplies	123,294

### **What we found**

We identified to the P-Card Administrator that there were instances during September where purchases were split into at least two transactions because the cardholder needed to make purchases that exceeded the Single Transaction Limit.

- A cardholder ordered office supplies. By splitting the order into purchases of \$2,384.03 and \$358.04 moments apart, the cardholder was able to overcome the cardholder's Single Transaction Limit of \$2,499.
- The same cardholder as above needed to purchase print. By requesting the vendor to split the order into two purchases of \$2,499.00 and \$1,119.18 the cardholder was able to overcome the cardholder's Single Transaction Limit of \$2,499.
- A cardholder ordered office supplies and equipment. By separately ordering the needed items into four separate purchases totaling \$1,542.24, the cardholder was able to overcome the cardholder's Single Transaction Limit of \$1,000.
- A cardholder needed to purchase printing services for \$2,710.45. By splitting the order into two purchases of \$2,132.88 and \$577.57, the cardholder was able to overcome the cardholder's Single Transaction Limit of \$2,499.
- A cardholder needed to purchase scanners totaling \$3,548.58. The cardholder split the purchase into two transactions of two scanners for \$1,182.86 and four scanners for \$2,365.72 to overcome the cardholder's Single Transaction Limit of \$2,500.

It appeared these were necessary purchases customary to the duties expected of the cardholder. However, according to DOHP 56-44-11, *Purchasing Card Guidelines*, “[c]ardholders are not allowed to split a charge to circumvent the single transaction limit.” The P-Card Administrator should consider asking the cardholders to request an approval from their appropriate supervisor of an increase in the Single Transaction Limit so that the cardholder may adequately perform required duties without circumventing applied restrictions and policy.

### **Supplemental Information**

Section 20.055(2), *Florida Statutes*, charges each Office of Inspector General responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government.

We are conducting this audit engagement in conformance with *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors, as provided by Section 20.055(5)(a), *Florida Statutes*, and as recommended by Quality Standards for Audits by Offices of Inspector General (*Principles and Standards for Offices of Inspectors General*, Association of Inspectors General).

The audit was conducted by Office of Inspector General audit staff Mark H. Boehmer, Certified Public Accountant, under the supervision of Michael J. Bennett, Certified Internal Auditor, Director of Auditing.

### **Closing Remarks**

We would like to thank the Division of Administration's Bureau of Finance & Accounting, P-Card Administrator and her staff for providing their cooperation and assistance to us during the course of this audit.

JDB/mhb

cc: Kristina L. Wiggins, Deputy Secretary for Health  
Joanne Lane, Chief, Bureau of Finance and Accounting  
Lisa Punausua, Purchasing Card Administrator