
MEMORANDUM

Date: September 5, 2012

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

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

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

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 will continue on a monthly basis for at least six months, but no longer than one year.

The objective of this continuous audit engagement is 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 June 2012

We analyzed data related to all P-Card transactions statewide at DOH for the period June 5 through July 4, 2012 (hereafter referred to as June).

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 merchant and by amount charged;
- Transactions by Standard Industry Classification (SIC) codes;
- Credit transactions;
- Cardholder limits;

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- Cardholders with single transactions greater than the per-charge limit;
- Cardholders with total transactions greater than the maximum amount allowed to be charged on the card;
- Charges occurring after the card expiration date;
- Charges to types of businesses with inappropriate SIC codes;
- Cardholders restricted to travel;
- Cardholder issue date and card expiration date fields left unpopulated.

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

There were 2,382 cardholders at DOH statewide as of July 6, 2012. There were 1,145 cardholders that used their card during June 2012, creating 9,684 transactions. 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	Number of Transactions	Total Amount of Transactions
5047	Lab/Medical/Hospital Equip	1,491	\$916,213
5965	Combination Catalog & Retail	1,902	355,692
5045	Computers/Peripherals/Software	248	255,352
5111	Stationery/Office Supplies	609	189,346
7399	Business Services – Default	757	179,658
8071	Medical/Dental Labs	232	163,286

What we found

We identified to the P-Card Administrator that:

DOHP 56-44-11, *Purchasing Card Guidelines*, explains, “Membership dues are not allowed on a purchasing card. Wholesale club memberships are a blocked merchant category code. This block is in place to ensure that the state does not pay for any membership dues to entities that are unwilling to provide an open records statement to the state”.

The control used to prevent purchases from merchants identified as Wholesale Clubs was not sufficient to prevent cardholders assigned to commodities-only type purchases.

A Standard Industry Classification (SIC) code is assigned to each type of merchant. DOH can then restrict cardholders to certain types of purchases for which the cardholder is approved. This is accomplished by assigning “blocks” to other types of merchant SIC codes for which the cardholder is not approved and to SIC codes that are not appropriate for any DOH cardholder.

Only the DOHALLOW block is assigned to SIC Code 5300 – Wholesale Clubs. To be effective, the DOHTRAVEL Block Group would also be required to be assigned to this SIC Code.

We did not identify any P-Card transactions for the months of April, May, and June 2012 made with vendors from this SIC Code.

We were able to identify this issue because we analyzed the data for SIC codes.

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 is being 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.

We intend to publish our next interim report addressing July 2012 data no later than September 21, 2012.

JDB/mhb

cc: Kristina L. Wiggins, Deputy Secretary for Health
Lynn Robinson, Acting Chief, Bureau of Finance and Accounting
Lisa Punausuia, Purchasing Card Administrator