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

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

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;
- Cardholder limits;
- Charges occurring after the card expiration date; and
- Transactions by Standard Industry Classification (SIC) codes.

OFFICE OF INSPECTOR GENERAL

Mailing Address: 4052 Bald Cypress Way, Bin #A03 • Tallahassee, Florida 32399-1704

Physical Address: 2585 Merchants Row Boulevard, Prather Building, Suite 235

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

There were 2,349 cardholders at DOH statewide as of September 13, 2012. There were 1,084 cardholders that used their card during August 2012, creating 8,427 individual charges totaling \$2,839,172 and 211 credits totaling \$(32,852). The average number of transactions per cardholder was eight.

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	\$535,752
5965	Combination Catalog & Retail	256,060
5111	Stationery/Office Supplies	145,397
5122	Drugs/Druggists Sundries	128,985
5045	Computers/Peripherals/Software	128,424

What we found

We identified to the P-Card Administrator that there was an instance where a purchase was split into two transactions because the cardholder needed to make purchases that exceeded the Single Transaction Limit.

A cardholder purchased supplies totaling \$4,490.22 at a retail store in two separate transactions, first ringing up 497 items totaling \$2,005.97, and then immediately ringing up another 398 items totaling \$2,484.25. Breaking the transactions into two separate purchases assisted to overcome the Cardholder's Single Transaction Limit of \$2,499.

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 cardholder to request an approval from the 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 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 September 2012 data no later than December 18, 2012.

JDB/mhb

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