
MEMORANDUM

Date: October 19, 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 – July 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 July 2012

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

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;
- Transactions by Standard Industry Classification (SIC) codes; and
- Transactions from April 5 through August 4, 2012.

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The P-Card Administrator was unable to timely acquire and provide current data related to blocks currently assigned to each DOH cardholder for the month. We therefore were unable to perform analysis of such data this month.

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

There were 2,380 cardholders at DOH statewide as of August 7, 2012. There were 1,053 cardholders that used their card during July 2012, creating 7,315 individual charges totaling \$2,533,781 and 198 credits totaling \$(39,138). The average number of transactions per cardholder was seven.

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	Total Amount of Transactions
5047	Lab/Medical/Hospital Equip	\$413,991
5965	Combination Catalog & Retail	186,152
7399	Business Services – Default	164,459
5122	Drugs/Druggists Sundries	136,321
5111	Stationery/Office Supplies	123,792

What we found

We identified to the P-Card Administrator that:

There were instances where cardholders split purchases because they needed to make purchases that exceeded their Single Transaction Limit.

- A cardholder ordered computer-related equipment. By separately ordering the needed equipment totaling \$1,520.54, the cardholder was able to overcome the Cardholder's Single Transaction Limit of \$1,000.
- A cardholder had the vendor split a purchase of \$804.88 for car repairs into two separate charges to overcome the cardholder's Single Transaction Limit of \$500.
- A cardholder had the vendor split a purchase of \$2,323.50 for car repairs into two separate charges to overcome the cardholders Single Transaction Limit of \$2,000.

It appeared these were necessary purchases customary to the duties expected of the respective cardholders. 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 their 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 August 2012 data no later than November 15, 2012.

JDB/mhb

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