

Final Audit Follow Up

As of September 30, 2004



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“City P-Card Audit”

(Report #0326, Issued September 22, 2003)

Report #0516

February 1, 2005

Summary

The departments and offices reviewed as part of the City P-Card Audit have completed 129 of the 131 (98%) action plan steps identified for that audit. In view of these successful efforts to date, the two remaining steps are referred to management for final resolution and disposition. Actions taken to date should significantly improve controls over City P-Card activity and help ensure that City P-Cards are used for authorized and valid purposes.

In audit report #0326 we audited a cross section of City cost centers (departments/offices/divisions). Our audit showed, for the most part, that transactions were proper and controls were in place. Tests disclosed no instances of fraud or activities for personal gain. However, risks were identified at several locations that increased the likelihood that unauthorized transactions could occur and not be timely detected. Action plan steps were developed to address and mitigate those risks.

Nine City cost centers and the Department of Management and Administration (DMA) had a total of 131 action plan steps. Of those 131 steps, 129 (98%) have been completed. The remaining steps have been referred to management for final resolution and disposition. These steps include:

- Analyzing P-Card purchases by vendor to determine if attempts should be made to negotiate purchase volume discounts. Completion of this step was temporarily postponed due to the priority given to implementation of the new P-Card module (DMA).
- Making further revisions to internal written procedures to address transaction limits and pre-approval requirements (Taltran).

Scope, Objectives, and Methodology

The audit and subsequent follow ups were conducted in accordance with Generally Accepted Government Auditing Standards and Standards for the Professional Practice of Internal Auditing, as appropriate.

Report #0326

The scope of report #0326 included a review of P-Card activity within a representative cross section of City cost centers (departments/offices/divisions). Nine separate City cost centers were reviewed. P-Card program oversight and administrative duties within the Department of Management and Administration (DMA) were also examined. The audit addressed activity during the fourteen-month period October 5, 2001, through December 4, 2002. The nine cost centers reviewed are shown in the following table.

Audited Cost Centers	
No.	Cost Center
1.	City Attorney's Office
2.	Communications Department (Comm.)
3.	Fire Department
4.	Electric Control Center (ECC)
5.	Hopkins Power Plant
6.	Purdom Power Plant
7.	Treasurer-Clerk's Office
8.	Procurement Services
9.	Taltran

The objectives of the audit were to determine whether the City's P-Card program was operating efficiently, effectively, and in accordance with good business practices. Determinations were made as to whether: (1) purchases made with City P-Cards were proper and documented to show the public purpose served and (2) adequate controls were in operation to reasonably

ensure those purchases were in accordance with controlling rules, regulations, and guidelines.

Report #0516

This is our second and final follow up on action plan steps identified in audit report #0326. In our first follow up, we reported on progress and/or status of efforts to implement action plan steps due as of March 31, 2004. The purpose of this second and final audit follow up is to report on the progress and/or status of efforts to complete all remaining action plan steps due for completion during the period April 1, 2004, through September 30, 2004. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Previous Conditions and Current Status

In report #0326 we identified risks that needed to be addressed in regard to P-Card activity. Those risks indicated the need to take actions that:

- Control access to P-Card account information;
- Ensure appropriate management and supervisory reviews;
- Ensure each cardholder's transactions are independently reviewed and approved;
- Provide physical security over P-Card account numbers;
- Ensure transactions are properly executed;
- Document events such as public purpose served, supervisory reviews, receipt of items, procurement method used, etc.;

- Provide for cardholder review of their monthly statements and reconciliations and analyses of P-Card activity; and
- Establish or enhance written procedures and policies.

A total of 131 action plan steps were developed to address the identified risks. The current status of those steps is as follows:

Status of Steps Due as of September 30, 2004			
Cost Center	Total Tasks Due	Completed	Not Completed – referred to management for resolution
City Attorney	14	14	
Comm.	14	14	
Fire	12	12	
ECC	15	15	
Hopkins	14	14	
Purdom	15	15	
Treas.-Clerk	12	12	
Procurement Services	12	12	
Taltran	13	12	1
DMA (oversight)	10	9	1
Total	131	129	2

In summary, the ten cost centers (departments/offices/divisions) have completed 129 of the 131 action plan steps (98%) identified for this audit. The two steps not completed are being referred to management to ensure proper resolution and disposition. Table 1 provides a description of each of those 131 action plan steps and their status.

**Table 1
Action Plan Steps from Report #0326 and Current Status**

Action Plan Steps	Current Status
Department of Management and Administration Program Administration and Oversight	
<i>Enhance results of on-site monitoring efforts</i>	
<ul style="list-style-type: none"> • Security over P-Card account information will be added as a review criteria addressed in on-site monitoring of selected departments/offices/divisions. 	<ul style="list-style-type: none"> ✓ Security over P-Card account information is now a standard criterion that is addressed in the Department of Management and Administration's (DMA'S) on-site monitoring reviews.
<ul style="list-style-type: none"> • Monitoring staff will follow up on each on-site monitoring review within six months of the release of the initial report. Follow up reviews will determine the status of management's corrective action on the issues addressed in the initial report. A follow up report will be prepared and issued to management. 	<ul style="list-style-type: none"> ✓ Monitoring staff is now conducting follow up reviews for findings noted in initial on-site visits. Follow up reports showing the status of corrective actions are prepared and made available to management.

Enhance P-Card training	
<ul style="list-style-type: none"> • Training provided to new cardholders, P-Card administrative staff, and management will be enhanced to address: (1) the requirement that cardholders review and sign their monthly statements, (2) need for management review of applicable P-Card activity, (3) securing P-Card account information, (4) defacing vendor invoices after payment, (5) documenting receipt of purchased items, (6) reconciling activity within the accounting system, and (7) establishing documented internal guidelines. 	<ul style="list-style-type: none"> ✓ Training has been enhanced to address the noted items. For example, these items are addressed in formal training sessions provided to each new cardholder and through training provided on the new PeopleSoft P-Card module that was implemented in October 2004. In addition, the City P-Card policy was revised to specifically address many of these items (see next action step). That policy also is addressed during the formal training sessions.
Ensure City P-Card policy is comprehensive	
<ul style="list-style-type: none"> • Current P-Card policy will be revised and enhanced to: (1) address replacement cards and related actions, (2) require management to review P-Card activity to ensure reasonableness and to detect potential fraudulent transactions, (3) require safeguarding and securing records containing account numbers and expiration dates, (4) limit access to documentation containing account numbers and expiration dates to authorized staff, (5) provide that destroyed cards be disposed of by departmental administrative staff, (6) allow for the issuance of P-Cards to temporary staff when appropriate, (7) require departments/offices to implement standard methods for defacing vendor invoices and documenting receipt of purchased items, (8) require documented supervisory approvals of cardholder monthly statements, and (9) reconcile activity within the accounting system. 	<ul style="list-style-type: none"> ✓ DMA revised the City P-Card policy, effective March 1, 2004, to address the noted items.
Ensure that charges are proper and valid	
<ul style="list-style-type: none"> • The P-Card program (contract) manager will make information available to all City P-Card administrative staff on P-Card transactions charged to their budgets by cardholders of other City departments and offices. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Enhance review of P-Card activity	
<ul style="list-style-type: none"> • DMA staff will work with the administering bank to eliminate the system bug that precludes department/office P-Card administrators from using the InfoSpan management reporting module. 	<ul style="list-style-type: none"> ✓ In October 2004, the InfoSpan system was replaced with the PeopleSoft P-Card module. Standard queries from the PeopleSoft system are now available for management to review P-Card activity.
Ensure competitive acquisitions	
<ul style="list-style-type: none"> • The DMA contract manager will analyze P-Card purchases by vendor to determine if attempts should be made to negotiate purchase volume discounts with applicable vendors. 	<ul style="list-style-type: none"> ■ Because of the priority given to implementation of the new PeopleSoft P-Card module, completion of this action step has been postponed. However, with the successful implementation of the new P-Card module, DMA indicated that this would be done on an annual basis, with the first review completed by March 2005.
Ensure accurate records	
<ul style="list-style-type: none"> • Errors and duplicate information within the InfoSpan and administering banks' records will be researched and corrected, if possible. A permanent record of uncorrectable items will be prepared and made available to City P-Card administrators/coders. 	<ul style="list-style-type: none"> ✓ In October 2004, the InfoSpan system was replaced with the PeopleSoft P-Card module. P-Card data entered into that new module was obtained from and verified to the administering bank's records.
Ensure accountability for transactions and events	
<ul style="list-style-type: none"> • Records will be retained to document all requests for P-Card actions (1) received from City departments/offices and (2) made of the administering bank. 	<ul style="list-style-type: none"> ✓ DMA now retains all documentation (e.g., e-mails) regarding requests for P-Card actions.
Ensure deposit of rebate checks	
<ul style="list-style-type: none"> • Rebates received for participation in the P-Card program will be timely deposited. 	<ul style="list-style-type: none"> ✓ The most recent rebate check was timely deposited.

Office of the City Attorney	
<i>Enhance managerial review of P-Card activity</i>	
<ul style="list-style-type: none"> Cost Allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and the monthly reports retained for post-audit purposes. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Transactions of each cardholder, including the P-Card administrator, will be independently reviewed and approved. Those reviews will be documented on a standard form. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Improve security over P-Card information</i>	
<ul style="list-style-type: none"> P-Card purchase documentation will be maintained in locked file cabinets. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Upon receipt in the City Attorney's Office, cardholder statements will be delivered unopened directly to the P-Card administrator. The statements will no longer be left unsecured in the administrator's in-box. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Ensure continuity of operations</i>	
<ul style="list-style-type: none"> A backup coder will be designated and trained. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Ensure accountability for transactions</i>	
<ul style="list-style-type: none"> Employees will be instructed to not provide their P-Card or account information to other employees to make purchases. In the event that a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Reduce the risk of duplicate payments</i>	
<ul style="list-style-type: none"> A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Ensure that transactions are valid and proper</i>	
<ul style="list-style-type: none"> Cardholders will be provided their monthly statements to review for validity and propriety. Cardholders will sign and date the statements as evidence of their review. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Cardholders will provide their signed/dated monthly statements to the supervisor/manager responsible for reviewing and approving their transactions. The supervisor/manager will review, sign, and date the monthly statements. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> The supervisor/manager will return the signed statements to the P-Card administrator for safeguarding and retention. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<i>Ensure that budget charges are proper</i>	
<ul style="list-style-type: none"> Upon availability of information from DMA, monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly system interface. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> Comprehensive written procedures will be developed and distributed to each cardholder and applicable administrative staff. Those procedures will address the essential aspects of administering/operating the P-Card Program within the Office, including those areas prescribed by City Policy #603. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Cardholders will be reminded of the requirements to properly document food purchases and to pay invoices timely. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Department of Communications	
Improve security over P-Card information	
<ul style="list-style-type: none"> File cabinets containing P-Card records and related documentation will be locked when custodial staff are away from their workstations for extended periods. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure accountability for transactions, events, and assets	
<ul style="list-style-type: none"> Employees will be instructed to not provide their P-Card or account information to other employees to make purchases. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> In the event that a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Purchases of tangible personal property with P-Cards will be coded to account codes established for capital outlay. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Staff purchasing tangible personal property with P-Cards will be instructed to timely complete and submit Fixed Asset Record Report (FARR) forms to Accounting Services. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Reduce the risk of duplicate payments	
<ul style="list-style-type: none"> A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure that transactions are valid and proper	
<ul style="list-style-type: none"> Cardholders will be provided their monthly statements to review for validity and propriety. Cardholders will sign and date the statements as evidence of their review. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Cardholders will provide their signed/dated monthly statements to the supervisor/manager responsible for reviewing and approving their transactions. The supervisor/manager will review, sign, and date the monthly statements. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> The supervisor/manager will return the signed statements to the P-Card administrator for safeguarding and retention. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Cardholders will be reminded to: (1) use competitive procurement practices when applicable, (2) purchase items through the Internet only when the vendor provides a secured site, (3) not pay sales taxes. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

<ul style="list-style-type: none"> • P-Card administrators and cardholders will be reminded of the requirement to timely cancel P-Cards of terminating employees. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Ensure that budget charges are proper</p>	
<ul style="list-style-type: none"> • Upon availability of information from the Department of Management and Administration (DMA), monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly systems interface. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Fire Department</p>	
<p>Enhance managerial review of P-Card activity</p>	
<ul style="list-style-type: none"> • Cost Allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-Card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and the monthly reports retained for post-audit purposes. 	<ul style="list-style-type: none"> ✓ Prior to the implementation of the PeopleSoft P-Card module in October 2004, the Fire Department was generating, reviewing, and retaining monthly InfoSpan reports. Under the new PeopleSoft P-Card module, similar information is available for management's review through system queries.
<p>Improve security over P-Card information</p>	
<ul style="list-style-type: none"> • After approval of a cardholder's transactions on the standard monthly P-Card log, the supervisor/manager will mark/deface the log in a manner that precludes the addition of more transactions. 	<ul style="list-style-type: none"> ✓ The Fire Department implemented a process whereby cardholders mark or deface their monthly logs in a manner to preclude the addition of more transactions after the log is turned in for review and processing. Our review showed that these logs are generally marked or defaced.
<ul style="list-style-type: none"> • P-Card documentation (monthly P-Card log and attached vendor invoices, receipts, etc.) will be remitted directly to the P-Card coder by applicable supervisors/managers after their review and approval of the cardholders' transactions. Those records will no longer be placed in the coder's unsecured in-box. In the event that the coder is temporarily away, the approving supervisors/managers will either hold the documentation until the coder returns or place the documents in a sealed envelope for the coder. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<p>Document compliance with procurement requirements</p>	
<ul style="list-style-type: none"> • Documentation will be prepared and retained to show the procurement method used for P-Card purchases exceeding competitive procurement thresholds. 	<ul style="list-style-type: none"> ◆ As noted in our prior follow up report, procedures were developed and distributed to cardholders that require cardholders to comply with applicable procurement procedures and policies. Our review of selected transactions showed that documentation was not always prepared and retained to demonstrate the procurement method used for acquisitions exceeding competitive procurement thresholds. We recommend that management continue efforts to require cardholders to document the procurement method used.
<ul style="list-style-type: none"> • P-Card support will be referenced to applicable contracts or price agreements for purchases made through those contracts/agreements. 	<ul style="list-style-type: none"> ◆ As noted in our prior follow up report, procedures were developed and distributed to cardholders that require cardholders to reference purchases made on contracts/price agreements to those documents. Our review of selected transactions showed that staff did not always reference contracts or price agreements for applicable purchases. We recommend that management continue efforts to require cardholders to reference contracts/price agreements when used.
<p>Reduce the risk of duplicate payments</p>	
<ul style="list-style-type: none"> • A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Ensure accountability for transactions, events, and assets	
<ul style="list-style-type: none"> • A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ◆ As noted in our prior follow up report, procedures were developed and distributed to cardholders that require cardholders to document receipt of items that are not received at the time of purchase (e.g., purchases made by telephone or through the Internet). Our review of selected transactions showed that receipt sometimes was not documented for items purchased using those methods. We recommend that management continue efforts to require staff to document receipt of purchased items.
<ul style="list-style-type: none"> • E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure that transactions are valid and proper	
<ul style="list-style-type: none"> • Cardholders will be provided their monthly statements to review for validity and propriety. Cardholders will sign and date the statements as evidence of their review. Cardholders will then provide their signed/dated monthly statements to the supervisor/manager responsible for reviewing and approving their transactions. The supervisor/manager will review, sign, and date the monthly statements. The supervisor/manager will return the signed statements to the P-Card administrator for safeguarding and retention. 	<ul style="list-style-type: none"> ✓ The department implemented procedures whereby each cardholder statement must be reviewed and signed by both the cardholder and the cardholder's supervisor. Our review of the August 2004 monthly statements showed that they had been properly reviewed and approved by the cardholders and their supervisors. Their signatures indicating review/approval were properly dated.
Ensure that budget charges are proper	
<ul style="list-style-type: none"> • Upon availability of information from the Department of Management and Administration (DMA), monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly systems interface. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> • Comprehensive written procedures will be developed and distributed to each cardholder and applicable administrative staff. Those procedures will address the essential aspects of administering/operating the P-Card Program within the department, including those areas prescribed by City Policy #603. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> • Cardholders and administrative staff will be reminded to: (1) obtain and retain support for all P-Card purchases (e.g., vendor invoices), (2) timely complete and submit FARR forms for tangible personal property purchases, (3) pay invoices timely, (4) properly code capital outlay transactions, (5) document the City business served by each purchase, and (6) document that cellular phone services are properly reviewed. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Electric Operations – Control Center	
Enhance managerial review of P-Card activity	
<ul style="list-style-type: none"> • Cost allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-Card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and retained for post-audit purposes. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Department management will timely review and sign/date the center director's monthly statements. 	<ul style="list-style-type: none"> ✓ Completed during prior period.

Improve security over P-Card information	
<ul style="list-style-type: none"> • P-Card purchase documentation will be maintained in locked file cabinets. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • For instances when the P-Card coder is temporarily away from his/her workstation, cardholders will be instructed to hold P-Card documentation until the coder returns or place those records in a sealed envelope for the coder. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • The number of backup coders will be limited. Administrative division staff will no longer be assigned as backup coders for the Control Center. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • System permissions of administrative division staff formerly serving as backup coders to the center's coders will be changed, such that they no longer have access to the center's P-Card information. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • System permissions of administrative division staff responsible for monitoring P-Card activity at the Control Center will be revised from "update" to "inquiry only." 	✓ Completed during prior period.
Ensure accountability for transactions and events	
<ul style="list-style-type: none"> • Employees will be instructed to not provide their P-Card or account information to other employees to make purchases. In the event that a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance). 	✓ Completed during prior period.
<ul style="list-style-type: none"> • A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • The P-Card coder will track the receipt, distribution, and return of cardholder monthly statements. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • Cardholders and approving supervisors will be instructed to date their signatures when signing the monthly statements. 	✓ Completed during prior period.
<ul style="list-style-type: none"> • The standard "Request for Purchase" form and related instructions will be revised to clearly document the employee making a P-Card purchase and the employee requesting the related goods and services. 	✓ Completed during prior period.
Reduce the risk of duplicate payments	
<ul style="list-style-type: none"> • A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	✓ Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> • Cardholders and supervisory and administrative staff will be reminded of the requirements to: (1) review vendor invoices to ensure that goods/services are received and charges are correct, (2) not pay sales taxes, (3) make reasonable efforts to recover sales taxes if paid and document those efforts when recovery is not made, (4) timely complete and submit FARR forms for tangible personal property purchases, (5) not e-mail P-Card account information, and (6) document compliance with City Manager food guidelines. 	✓ Completed during prior period.
Ensure that budget charges are proper	
<ul style="list-style-type: none"> • Upon availability of information from DMA (i.e., InfoSpan detail and PeopleSoft Financial summary entries), efforts will be made to reconcile monthly transactions reflected in InfoSpan to the summary entries recorded in PeopleSoft Financials during the monthly systems interface. 	✓ Completed during prior period.

Electric Operations – Hopkins Power Plant	
<i>Enhance managerial review of P-Card activity</i>	
<ul style="list-style-type: none"> For each cardholder that the monthly InfoSpan report shows activity, an employee that does not have P-Card coding capabilities will ensure that there is a monthly cardholder statement on file signed by that cardholder. 	✓ Completed during prior period.
<ul style="list-style-type: none"> The monthly InfoSpan (cost allocation reports) will be documented to reflect the review described in the preceding step. 	✓ Completed during prior period.
<i>Ensure transactions are valid and proper</i>	
<ul style="list-style-type: none"> Procedures will be developed to instruct staff to process change orders in the CHAMPS purchasing system for differences between pre-approved costs and actual costs. 	✓ Completed during prior period.
<ul style="list-style-type: none"> The P-Card coder will track the receipt, distribution, and return of cardholder monthly statements. 	✓ Completed during prior period.
<ul style="list-style-type: none"> Cardholders and approving supervisors will be instructed to date their signatures when signing the monthly statements. 	✓ Completed during prior period.
<i>Improve security over P-Card information</i>	
<ul style="list-style-type: none"> The number of backup coders will be limited. Administrative division staff will no longer be assigned as backup coders for the power plants. 	✓ Completed during prior period.
<ul style="list-style-type: none"> System permissions of administrative division staff formerly serving as backup coders to the plants' coders will be changed, such that they no longer have access to the power plants' P-Card information. 	✓ Completed during prior period.
<ul style="list-style-type: none"> System permissions of administrative division staff responsible for monitoring P-Card activity at the power plants will be revised from "update" to "inquiry only." 	✓ Completed during prior period.
<i>Reduce the risk of duplicate payments</i>	
<ul style="list-style-type: none"> A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	✓ Completed during prior period.
<i>Ensure that budget charges are proper</i>	
<ul style="list-style-type: none"> Upon availability of information from DMA (i.e., InfoSpan detail and PeopleSoft Financial summary entries), efforts will be made to reconcile monthly transactions reflected in InfoSpan to the summary entries recorded in PeopleSoft Financials during the monthly systems interface. 	✓ Completed during prior period.
<i>Provide adequate internal guidance for P-Card operations</i>	
<ul style="list-style-type: none"> Comprehensive written procedures that address the essential aspects of administering/operating the P-Card program within the plant will be distributed to each cardholder and applicable administrative staff. 	✓ Completed during prior period.
<i>Ensure accountability for transactions, events, and assets</i>	
<ul style="list-style-type: none"> E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	✓ Completed during prior period.

Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Cardholders and supervisory and administrative staff will be reminded of the requirements to: (1) not pay sales taxes, (2) make reasonable efforts to recover sales taxes if paid and document those efforts when recovery is not made, (3) document compliance with the City Manager's food guidelines, and (4) document exemptions from competitive procurement requirements. 	✓ Completed during prior period.
<ul style="list-style-type: none"> P-Card administrators and cardholders will be reminded of the requirement to timely cancel P-Cards of terminating employees. 	✓ Completed during prior period.
Electric Operations – Purdom Power Plant	
Enhance managerial review of P-Card activity	
<ul style="list-style-type: none"> For each cardholder that the monthly InfoSpan report shows activity, an employee that does not have P-Card coding capabilities will ensure that there is a monthly cardholder statement on file signed by that cardholder. 	✓ Completed during prior period.
<ul style="list-style-type: none"> The monthly InfoSpan (cost allocation reports) will be documented to reflect the review described in the preceding step. 	✓ Completed during prior period.
Improve security over P-Card information	
<ul style="list-style-type: none"> The cabinets in which P-card documentation is filed will be locked when the P-Card administrative staff are away from their workstations for extended periods. 	✓ Completed during prior period.
<ul style="list-style-type: none"> The number of backup coders will be limited. Administrative division staff will no longer be assigned as backup coders for the power plants. 	✓ Completed during prior period.
<ul style="list-style-type: none"> System permissions of administrative division staff formerly serving as backup coders to the plants' coders will be changed, such that they no longer have access to the power plants' P-Card information. 	✓ Completed during prior period.
<ul style="list-style-type: none"> System permissions of administrative division staff responsible for monitoring P-Card activity at the power plants will be revised from "update" to "inquiry only." 	✓ Completed during prior period.
Ensure accountability for transactions, events, and assets	
<ul style="list-style-type: none"> Appropriate support (e.g., vendor invoices) will be timely obtained and retained for all P-Card purchases. 	✓ Completed during prior period.
<ul style="list-style-type: none"> Staff purchasing tangible personal property with P-Cards will be instructed to timely complete and submit FARR forms to Accounting Services. 	✓ Completed during prior period.
<ul style="list-style-type: none"> Procedures will be revised to require clear documentation of the employee requesting the applicable goods/services and the employee making the P-Card purchase for those items. 	✓ Completed during prior period.
<ul style="list-style-type: none"> E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	✓ Completed during prior period.
Ensure transactions are valid and proper	
<ul style="list-style-type: none"> Procedures will be developed to instruct staff to process change orders in the CHAMPS purchasing system for differences between pre-approved costs and actual costs. 	✓ Completed during prior period.
<ul style="list-style-type: none"> Cardholders and approving supervisors will be instructed to date their signatures when signing the monthly statements. 	✓ Completed during prior period.

Ensure that budget charges are proper	
<ul style="list-style-type: none"> Upon availability of information from DMA (i.e., InfoSpan detail and PeopleSoft Financial summary entries), efforts will be made to reconcile monthly transactions reflected in InfoSpan to the summary entries recorded in PeopleSoft Financials during the monthly systems interface. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> Comprehensive written procedures that address the essential aspects of administering/operating the P-Card Program within the plant will be distributed to each cardholder and applicable administrative staff. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Cardholders and supervisory and administrative staff will be reminded of the requirements to: (1) ensure that amounts charged/paid are in accordance with applicable contractual provisions, (2) document compliance with the City Manager's food guidelines, and (3) document exemptions from competitive procurement provisions. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Office of the City Treasurer-Clerk	
Enhance managerial review of P-Card activity	
<ul style="list-style-type: none"> Cost Allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and the monthly reports retained for post-audit purposes. 	<ul style="list-style-type: none"> ✓ Prior to the implementation of the new PeopleSoft P-Card module in October 2004, management elected to review cardholder activity in InfoSpan online (i.e., hardcopy reports were not produced for management's review and retention). Under the new PeopleSoft P-Card module, system queries are available that provide the same information for management's review and approval.
Improve security over P-Card information	
<ul style="list-style-type: none"> P-Card account numbers and expiration dates will be redacted from copies of documents provided to requesting parties pursuant to public records requests. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure accountability for transactions and events	
<ul style="list-style-type: none"> Employees will be instructed to not provide their P-Card or account information to other employees to make purchases. In the event that a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Purchases of tangible personal property will be coded to account codes established for capital outlay. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ✓ Management indicated that the same stamp used to denote invoices paid by City P-Card (see next step) is now also used to document receipt of purchased items.
Reduce the risk of duplicate payments	
<ul style="list-style-type: none"> A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ A stamp has been obtained and used to denote invoices paid by City P-Card.

Ensure that budget charges are proper	
<ul style="list-style-type: none"> Upon availability of information from DMA, monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly system interface. 	<ul style="list-style-type: none"> Effective October 2004, the City implemented the PeopleSoft P-Card module that replaced the InfoSpan system. The PeopleSoft system automatically updates the financial records on a daily basis for P-Card purchases. System queries are available that allow P-Card managers to review all P-Card purchases charged to their budgets. This process eliminates the need for separate manual reconciliations at the department/office/division level.
Ensure that transactions are valid and proper	
<ul style="list-style-type: none"> Cardholders will be provided their monthly statements to review for validity and propriety. Cardholders will sign and date the statements as evidence of their review. Subsequent to the review and approval by the cardholders, supervisors/managers will review and then sign and date cardholder monthly statements as evidence of their approval. 	<ul style="list-style-type: none"> Cardholders now receive, review, and sign their monthly statements and then provide the statements to their managers/supervisors for review and approval. The supervisors/managers also sign and date the statements to evidence their review and approval.
Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> Comprehensive written procedures will be developed and distributed to each cardholder and applicable administrative staff. Those procedures will address the essential aspects of administering/operating the P-Card Program within the Office, including those areas prescribed by City Policy #603. 	<ul style="list-style-type: none"> Completed during prior period.
Ensure efficient operations	
<ul style="list-style-type: none"> A determination will be made as to the most efficient method for retaining P-Card documentation (i.e., EDMS or hardcopy file storage). The most efficient method will be used. Staff will no longer maintain two separate sets of records. 	<ul style="list-style-type: none"> Completed during prior period.
Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Office cardholders will be reminded of the requirement to use competitive procurement practices when applicable. 	<ul style="list-style-type: none"> Completed during prior period.
<ul style="list-style-type: none"> P-Card administrators and cardholders will be reminded of the requirement to timely cancel P-Cards of terminating employees. 	<ul style="list-style-type: none"> Completed during prior period.
Procurement Services	
Enhance managerial review of P-Card activity	
<ul style="list-style-type: none"> Cost Allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-Card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and the monthly reports retained for post-audit purposes. 	<ul style="list-style-type: none"> Prior to the implementation of the new PeopleSoft P-Card module in October 2004, management elected to review cardholder activity in InfoSpan online (i.e., hardcopy reports were not produced for management's review and retention). Under the new PeopleSoft P-Card module, system queries are available that provide the same information for management's review and approval.
Improve security over P-Card information	
<ul style="list-style-type: none"> For instances when the P-Card coder is temporarily away from his/her workstation, cardholders will be instructed to hold P-Card documentation until the coder returns or place those records in a sealed envelope for the coder. 	<ul style="list-style-type: none"> Management indicated that all division cardholders were instructed to hold P-Card documentation when the coder is temporarily away or place the records in a sealed envelope.

Ensure accountability for transactions and events	
<ul style="list-style-type: none"> Employees will be instructed to not provide their P-Card or account information to other employees to make purchases. In the event that a cardholder provides his/her P-Card or account information to another employee to make a purchase, the reasons will be documented on the P-Card support (e.g., emergency or other unique circumstance). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ✓ A standard method for documenting receipt of purchased items has been established. Management indicates that the employee's signature on the applicable invoice is used to document receipt of the purchased items.
<ul style="list-style-type: none"> For P-Card purchases made by division staff on behalf of other City departments/offices, records showing receipt of the purchased items will be obtained from the applicable City departments/offices and retained within the division as evidence the items were properly received. 	<ul style="list-style-type: none"> ✓ The division now obtains and retains evidence that items purchased by City P-Card on behalf of other City departments/offices are properly received.
<ul style="list-style-type: none"> E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> Division cardholders will be reminded of the requirements to: (1) not pay sales taxes, (2) make reasonable efforts to recover sales taxes if paid and document those efforts when recovery is not made, and (3) document compliance with the City Manager's food guidelines. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> P-Card support will be referenced to applicable contracts or price agreements for purchases made through those contracts/agreements. 	<ul style="list-style-type: none"> ✓ P-Card support is generally referenced to applicable contracts and price agreements.
<ul style="list-style-type: none"> Division staff will be instructed to purchase food only in accordance with the City Manager's food guidelines. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Reduce the risk of duplicate payment	
<ul style="list-style-type: none"> A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ A stamp has been obtained and used to denote invoices paid by City P-Card.
Ensure that budget charges are proper	
<ul style="list-style-type: none"> Upon availability of information from DMA, monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly system interface. 	<ul style="list-style-type: none"> ✓ Effective October 2004, the City implemented the PeopleSoft P-Card module that replaced the InfoSpan system. The PeopleSoft system automatically updates the financial records on a daily basis for P-Card purchases. System queries are available that allow P-Card managers to review all P-Card purchases charged to their budgets. This process eliminates the need for separate manual reconciliations at the department/office/division level.
Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> Existing written procedures will be enhanced to address (1) required review and approval of monthly statements by cardholders and (2) storing and securing P-Card information and documentation. 	<ul style="list-style-type: none"> ✓ Existing procedures were revised to include a reference to the revised City P-Card policy, which specifically addressed these issues.
Taltran	
Enhance managerial review of P-Card activity	
<ul style="list-style-type: none"> Cost Allocation reports will be generated monthly directly from InfoSpan and provided to management. Management will review those reports: (1) to ascertain the volume and reasonableness of P-card purchases and (2) to ensure that, for each cardholder showing activity, there is a monthly cardholder statement on file signed by that cardholder. The management reviews will be documented and the monthly reports retained for post-audit purposes. 	<ul style="list-style-type: none"> ✓ Prior to the implementation of the PeopleSoft P-Card module in October 2004, Taltran was generating, reviewing, and retaining monthly InfoSpan reports. Under the new PeopleSoft P-Card module, similar information is available for management's review through system queries.

Improve security over P-Card information	
<ul style="list-style-type: none"> • Cabinets in which P-Card documentation is filed will be locked when the P-Card administrative staff are away from their workstations for extended periods. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • For instances when the P-Card coders are temporarily away from their workstations, cardholders will be instructed to hold P-Card documentation until the coders return or place those records in a sealed envelope for the coders. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure accountability for transactions, events, and assets	
<ul style="list-style-type: none"> • Employees will be instructed to not provide their P-Cards or account information to other employees to make purchases. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • Consider raising the cardholder spending limits for those employees still needing to make valid purchases after reaching their monthly limits. 	<ul style="list-style-type: none"> ✓ Based on management's review and request, cardholder limits for two employees (parts specialists) were increased to improve efficiency and reduce the likelihood of card sharing.
<ul style="list-style-type: none"> • Staff purchasing tangible personal property with P-Cards will be instructed to timely complete and submit FARR forms to Accounting Services. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
<ul style="list-style-type: none"> • A standard method will be developed and used to document receipt of goods and services purchased with a City P-Card. 	<ul style="list-style-type: none"> ✓ Taltran developed and implemented a method to document receipt of purchased items (e.g., bus parts).
<ul style="list-style-type: none"> • E-mails will be retained to document all management requests for P-Card actions (new cards, card cancellations, etc.). 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure efficient operations	
<ul style="list-style-type: none"> • For purchases not otherwise exempt from competitive procurement requirements, quotes will be obtained and used to select vendors when the purchases exceed the established (\$1,000) threshold. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Reduce the risk of duplicate payments	
<ul style="list-style-type: none"> • A stamp indicating payment by City P-Card will be obtained and used to mark each vendor invoice paid by City P-Card. 	<ul style="list-style-type: none"> ✓ Completed during prior period.
Ensure that budget charges are proper	
<ul style="list-style-type: none"> • Upon availability of information from DMA, monthly transactions reflected in InfoSpan will be reconciled to the summary entries recorded in the PeopleSoft Financials during the monthly system interface. 	<ul style="list-style-type: none"> ✓ Effective October 2004, the City implemented the PeopleSoft P-Card module that replaced the InfoSpan system. The PeopleSoft system automatically updates the financial records on a daily basis for P-Card purchases. System queries are available that allow P-Card managers to review all P-Card purchases charged to their budgets. This process eliminates the need for separate manual reconciliations at the department/office/division level.
Provide adequate internal guidance for P-Card operations	
<ul style="list-style-type: none"> • Current written procedures will be enhanced to address: (1) pre-approval requirements, (2) establishing transaction and spending limits, and (3) the process for supervisory review and approval of cardholder transactions; and to clarify that cardholder statements are required to be reviewed by the cardholders. 	<ul style="list-style-type: none"> ■ Former management revised procedures to address supervisory review and approval of cardholder statements. However, the written internal procedures were not revised to address establishing limits and pre-approval requirements. We recommend that current management reconsider former management's decision to not address these items in Taltran's internal written procedures.

Ensure compliance with controlling regulations	
<ul style="list-style-type: none"> Cardholders and administrative staff will be reminded of the requirements to: (1) obtain and retain support for all P-Card purchases, (2) comply with the City Manager's food guidelines, (3) comply with and document exemptions from competitive procurement requirements, (4) not split purchases to circumvent competitive procurement requirements, and (5) document the City business served by each purchase. 	<ul style="list-style-type: none"> Completed during prior period.

Table Legend:

- Issue addressed in the original audit
- ✓ Issue addressed and resolved

- ◆ Action step completed but efforts need to continue to ensure compliance
- Action step postponed and/or not completed; issue referred to management to ensure proper resolution and disposition

Significant Outstanding Issues

As described in Table 1 above, management has been successful in completing the majority (98%) of the action plan steps that were due to date. Only two of the 131 action plan steps were not completed. Those two steps, which are being referred to management to ensure proper resolution and disposition, include the following:

- DMA needs to analyze City P-Card activity by vendor to determine if attempts should be made to negotiate purchase volume discounts with applicable vendors. Completion of this step was temporarily postponed while DMA staff implemented the new PeopleSoft P-Card module. DMA plans to perform this step annually, with the first review to be completed in March 2005.
- Taltran needs to further consider revising its internal written procedures to address pre-approval requirements and establishing cardholder transaction and spending limits.

In addition to those two steps, DMA needs to ensure that proper internal controls are established and/or available for applicable changes resulting from the implementation of the new PeopleSoft P-Card module (which replaced the InfoSpan system used during our initial audit). For example, DMA needs to ensure that capabilities, bring it more in line with other City financial systems, and help to better facilitate future program improvements. The P-Card program is a very important part of the City's procurement process and staff has done an excellent job in ensuring that this program continues to operate efficiently, effectively, and in accordance with good business practices.

City Treasurer-Clerk Response:

We have implemented all action plan steps pertaining to the Treasurer-Clerk's Office. We agree with the recommendations made in the audit and believe that they will enhance our operating efficiency and enhance internal controls regarding processing P-Card transactions.

department/office management has access to queries that provide P-card activity for their respective areas.

Conclusion

Applicable City departments and offices have completed the majority (129 of 131, or 98%) of action steps identified for this audit. The two remaining steps are referred to City management for proper resolution and disposition.

We commend applicable City staff for their efforts and appreciate their assistance during this audit follow-up.

Response from Appointed Officials

City Manager Response:

I appreciate the assistance that has been provided by the City Auditor and his staff in helping address the issues identified in the audit. I am very pleased with the progress made in completing the action plan and implementing the recommendations for the P-Card program, especially as staff was involved in implementing the PeopleSoft P-Card module during the same time period. As we continue to improve upon our processes the implementation of this module will enhance the system's management

(NOTE - No response was solicited from or provided by the City Attorney as all action steps for that office were completed as reported in the prior audit follow up - see report #0416).

Copies of this Final Audit Follow Up #0516 or audit report #0326 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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