



PURCHASING CARD AND GAS CARD AUDIT

March 2020

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

TABLE OF CONTENTS

Section	Page
Executive Summary	3
Summary of Audit Procedures Performed and Results	4
Detailed Observations	6

EXECUTIVE SUMMARY



Overview

Overview and Objectives

In accordance with the fiscal year 2020 Internal Audit Plan, Internal Audit reviewed the Central Florida Expressway Authority (“CFX”) Purchasing Card (P-Card) and Gas Card processes. CFX issues P-Cards and Gas Cards to employees for routine expenses. P-Cards and Gas Cards are to be used as outlined in the CFX Procurement Policy and Manual.

The objectives of this audit were to (1) identify and test key processes and internal controls within the P-card and Gas Card processes, (2) review selected transactions and activities for compliance with the CFX’s P-Card and Gas Card policies and procedures, and (3) propose recommendations, enhancements, and clarifications to strengthen CFX policies and internal controls.



Project Scope and Approach

This audit was performed using a three-phased approach as outlined below:

Phase I – Documentation of Current State Processes

Internal Audit interviewed management and reviewed existing policies and procedures in order to gain an understanding of key risks and controls related to the P-Card and Gas Card processes.

Phase II – Review of Key Controls for Design and Operating Effectiveness

Internal Audit documented key controls relevant to the P-Card and Gas Card processes and evaluated the design effectiveness of the existing internal control structure. Following this evaluation, Internal Audit performed detailed procedures to review process infrastructure, card issuances, monitoring, spending review, deactivations, and other key attributes for each of the cards and related statements selected for audit. A summary of the procedures performed, results, and observations is provided on the following pages.

Phase III – Reporting and Deliverables

Internal Audit prepared this report for management review and comment and issuance to the CFX Audit Committee.

EXECUTIVE SUMMARY

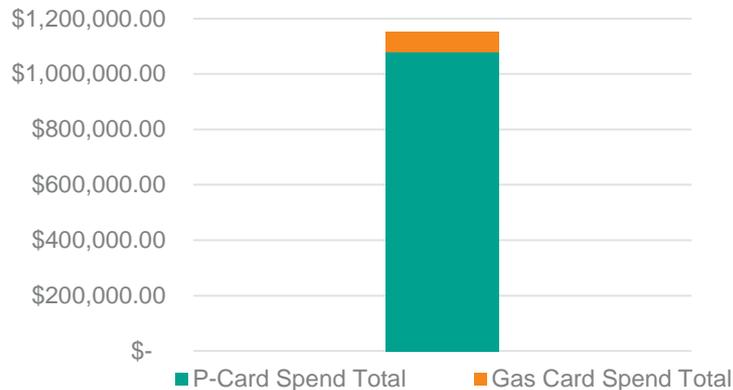


Summary of Audit Procedures Performed and Results

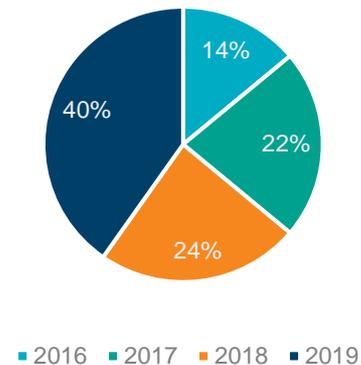
As of March 2020, the time of this audit, CFX had 49 active P-Cards and 19 active Gas Cards. P-Cards are used to cover qualified business-related expenses, such as training registrations and office supplies. Gas Cards are used to cover fuel expenditures related to CFX business travel. Internal Audit selected a period of three and a half years, July 1, 2016 – December 31, 2019, and conducted a review of the design and operating effectiveness of internal controls in place during this time frame. During the period of audit, CFX processed over 2,800 total P-Card and Gas Card statements and incurred over \$1.1M in total spend. As part of the internal control evaluation, Internal Audit selected 72 monthly statements consisting of 42 P-Card statements and 30 Gas Card statements for detailed spend transaction review. This detailed spend transaction review of 72 monthly statements covered \$55K in spend. Further detail on the total spend from July 1, 2016 – December 31, 2019 by card type, percentage of spend tested, and distribution of samples tested by year is summarized below:

Card Type	Population of Statements	Statements Tested	% of Statements Tested [1]	Total Spend During Testing Period	Total Spend Tested	% of Spend Tested [1]
P-Cards	2,058	42	2.04%	\$1,077,911	\$52,617	4.88%
Gas Cards	798	30	3.76%	\$72,233	\$2,162	2.99%

Total Spend by Card Type



Sample Distribution by Calendar Year



[1] Percentages are specific to statement and spend totals for each card type.

EXECUTIVE SUMMARY



Summary of Audit Procedures Performed and Results

The areas reviewed, audit observations, and related recommendations are outlined below:

Process	Key Areas Reviewed	Total Samples Tested	Number of Observations	Observation Reference	Relative Priority
Program Governance	Purchasing Card Manual, CFX procurement policies and procedures	-	2	1,2	1 - High 2 - Moderate
Card Issuance	New card request documentation, card issuance authorization requirements, and card reissuance documentation	18	0	N/A	N/A
Card Monitoring	Internal card tracking logs, online banking and vendor portals, and physical card files	-	1	3	3 - Moderate
Spending Review	Monthly statement review, supporting documentation for incurred charges, authorization of significant charges, sales tax benchmarking and considerations	72	3	4, 5, 6	4 - Moderate 5 - Moderate 6 - Moderate
Card Deactivation	Bank and vendor portal logs of closed accounts, Human Resources listing of terminated employees, physically retained deactivated cards and documentation	12	0	N/A	N/A
TOTALS:		102	6		

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – P-Card and Gas Card Policies and Procedures

Relative Priority

High

Program Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

The CFX P-Card Manual establishes procedures governing card issuance and deactivation, acceptable use, monthly spend monitoring, and consequences for noncompliance. However, the Manual contains outdated procedures and does not include documentation of the Contract Compliance Manager's quarterly audit process. For Gas Cards, no documented policy or procedure manual exists to govern issuances, deactivations, card changes, or spend monitoring processes at CFX.

Written policies and procedures are an integral component of the governance surrounding each critical business process. Policies and procedures provide guidance in the pursuit of achieving the objectives of the process, help reduce misunderstandings, and increase distribution of pertinent information to those involved in the process.

Recommendation

Management should review and update the P-Card Manual to reflect current operating procedures, including consideration for the following:

- Procedures for the Contract Compliance Manager's quarterly compliance audit and follow-up actions for deviations identified.
- Policies regarding the appropriate use and storage of the P-Card for the main CFX bank account.
- Credit limit and monthly transaction limit authority matrix based on job title and required documentation for credit limit exceptions.
- Sales tax exemption process updates including a new exception process in which employees must seek prior approval for and substantiate taxed purchases as more economical than a tax-exempt alternative.

Management should develop a comprehensive Gas Card policy and procedure manual including the following features:

- Clearly defined responsibilities and requirements for Gas Card issuance, monitoring, spending review, and deactivation.
- Appropriate use of Gas Cards, such as limiting cards for fuel expenditures only, with no maintenance spending permitted.
- Procedures for tracking pooled vehicle use, monitoring expenditures, and documenting responsible employees for charges incurred.

DETAILED OBSERVATIONS

Observation 1 – P-Card and Gas Card Policies and Procedures (continued)

Relative Priority

High

Management Response

Management concurs.

Management Action Plan

Management will update the Procurement Policy to incorporate a Gas Card policy. Management will update the P-Card Manual to reflect current procedures as recommended and will develop Gas Card procedures to supplement the documentation set.

Action Plan Owner / Due Date

Aneth Williams, Director of Procurement / December 31, 2020

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

DETAILED OBSERVATIONS

Observation 2 – Digital Workflow Opportunities

Relative Priority

Moderate

Program Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

To appropriately record P-Card and Gas Card issuance, reissuance, and deactivation, request forms are circulated manually for various approvals and maintained in paper form by the Program Administrator. Through control testing, the following process and documentation inconsistencies were identified:

- a. For all ten **new card issuances** tested, Division Chief approval was not documented on the request form;
- b. All five **card deactivations** tested were processed without a request form and documented approvals;
- c. For all 14 **card re-issuances** due to card expiration or card security concerns that were tested, the re-issuances were processed without a request form and documented approvals;
- d. For the new card issuances tested, employee acknowledgement of P-Card and Gas Card policies and completion of training was inconsistently documented through varying forms and language.

Recommendation

CFX would benefit from more standardization in its process and the implementation of a digital workflow. A digital workflow would help CFX achieve greater consistency in the execution of internal controls and enhance the overall maturity of the P-Card and Gas Card issuance and deactivation processes.

Specifically, CFX should consider transitioning the following manual processes to a digital workflow by leveraging SharePoint or another available technology:

- Card issuance and re-issuance requests and approvals
- Card deactivation requests and approvals
- Employee acknowledgement of key policies, training, and receipt of P-Cards and Gas Cards
- Advance approvals for significant purchases
- Advance approvals and documentation of transactions with sales tax

DETAILED OBSERVATIONS

Observation 2 – Digital Workflow Opportunities (continued)

Relative Priority

Moderate

Management Response

Management concurs.

Management Action Plan

Procurement will work with the IT team to determine the best workflow option for each part of the recommendation (Adobe Sign, SharePoint, or others). Management will develop and implement the digital workflow(s) in accordance with the recommendation.

Action Plan Owner / Due Date

Aneth Williams, Director of Procurement / December 31, 2020

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

DETAILED OBSERVATIONS

Observation 3 – Monitoring of Active Cards

Relative Priority

Moderate

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

Active card rosters for P-Cards and Gas Cards are not reviewed on a periodic basis for appropriateness by an individual other than the Program Administrator. Lack of periodic review of employees with active P-Cards or Gas Cards elevates the risk of improper use or unauthorized spending.

Recommendation

Active cards per the issuer online portals should be reviewed on a semi-annual basis by the Chief Financial Officer. The CFO should adopt the following procedures for this review:

- 1) Reconciliation of open cards in the card issuer online portals to the active employee roster to review for terminated employees,
- 2) Reconciliation of Pool Vehicle Gas Cards to vehicles in use and to verify the assigned custodian is appropriate and documented for each Gas Card,
- 3) Review for existence of more than one active card for an individual employee, and
- 4) Review credit/transaction limits for appropriateness based on job title and role.

Management Response

Management concurs.

Management Action Plan

Management will implement a review of active card users to be performed twice per year by the CFO.

Action Plan Owner / Due Date

Lisa Lumbard, Chief Financial Officer / June 30, 2020

DETAILED OBSERVATIONS

Observation 4 – Pool Vehicle Gas Cards

Relative Priority

Moderate

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

CFX maintains four Pool Vehicles and four associated Gas Cards for shared business use. The following processes to manage Pool Vehicles and review monthly Gas Card spend can be enhanced to reduce CFX's risk of card theft or misuse:

1. Gas Cards are stored within each Pool Vehicle along with the Gas Card PIN number.
2. The keys for the Pool Vehicles are maintained by administrative employees, giving these administrative employees unrestricted access to the vehicles, Gas Cards, and PIN numbers.
3. The tracking process for employee use of Pool Vehicles and Gas Cards is inconsistently performed for the four Pool Vehicles.
4. Within the Gas Card transactions tested, four transaction receipts were not signed by an employee to document responsibility and one transaction was not supported by a receipt.

Appropriate segregation of duties, tracking of assets, and documentation may help CFX enhance accountability for spending, enforce policies, and identify inappropriate charges.

Recommendation

Management should consider the following process improvements for Pool Vehicles and related Gas Cards:

- To reduce the risk of theft and misuse, Gas Cards should not be stored in Pool Vehicles.
- One tracking log should be created for each Pool Vehicle to track vehicle use and enable the assignment of responsibility for Gas Card charges. The tracking logs should be provided to the Procurement Department for review and retention with the monthly Gas Card statements.
- During the monthly spending review for each Pool Vehicle Gas Card, a detailed analysis should be performed between tracking logs and Gas Card statements to assign and document the employee responsible for each charge. This procedure may help detect fraudulent charges if a charge was incurred when the vehicle was not checked out to an employee.

DETAILED OBSERVATIONS

Observation 4 – Pool Vehicle Gas Cards (continued)

Relative Priority

Moderate

Management Response

Management concurs.

Management Action Plan

Management will remove the Gas Cards from the Pool Vehicles and will implement a standard tracking log to be used consistently for all Pool Vehicles. Management will improve the monthly review of Gas Card spend through use of the tracking logs to assign and document the employee responsible for each charge.

Action Plan Owner / Due Date

Lisa Lumbard, Chief Financial Officer / July 31, 2020

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

DETAILED OBSERVATIONS

Observation 5 – ERP Integration

Relative Priority

Moderate

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

Per CFX's P-Card Manual, all charges incurred must be supported by original receipts, each P-Card statement must be signed by the cardholder's supervisor and Program Administrator as evidence of review, and all charges exceeding Procurement Level 1 (\$999.99) require prior approval from the Program Administrator.

Through detailed P-Card statement testing, the following instances of noncompliance with CFX's P-Card Manual were identified:

1. For two of 42 samples tested, charges were not supported by receipts and a Lost Receipt Form was not completed.
2. For three of 42 samples tested, approvals from either the employee's supervisor or the Program Administrator were not documented to show evidence of the required review.
3. For seven of nine charges exceeding \$999.99, advance approval from the Program Administrator was not documented or retained with the P-Card statement.

Inconsistency in reviews and approvals and evidence of such may result in inappropriate purchases remaining undetected.

Recommendation

As procurement criteria are defined in conjunction with CFX's new ERP, CFX should consider the opportunity to integrate P-Card transaction data. A digital workflow and integration of P-Card transactions may assist CFX with consistent documentation retention and approval evidence in accordance with the P-Card Manual.

In the interim, to help create more consistency with managing lost receipts and appropriate levels of review and approval, each cardholder's supervisor and Program Administrator should sign off on a checklist documenting review responsibilities, a completeness check for receipts and completion Lost Receipt Forms, and advance approval for purchases exceeding Procurement Level 1. The Contract Compliance Manager's quarterly audit checklist can be leveraged as a basis for creating this review checklist.

For spending in excess of Procurement Level 1, implementation of a digital workflow could be leveraged to support consistency and documentation of advance approvals for significant purchases.

DETAILED OBSERVATIONS

Observation 5 – ERP Integration (continued)

Relative Priority

Moderate

Management Response

Management concurs.

Management Action Plan

Management will develop a checklist for supervisors to be used during their monthly review of P-Card transactions. P-Card/Gas Card integrations and process improvements will be included in the ERP requirements during RFP development.

Action Plan Owner / Due Date

Aneth Williams, Director of Procurement / September 30, 2020

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

DETAILED OBSERVATIONS

Observation 6 – Quarterly Audit

Relative Priority

Moderate

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Observation

The Contract Compliance Manager performs a quarterly P-Card compliance audit which includes a review of all P-Card monthly statements and transactions and re-performance of the Program Administrator's monthly review to identify any deviations from policy as outlined in the CFX P-Card Manual.

During the testing period, the quarterly review process was not completed in a timely manner due to the level of detail necessary and volume of transactions involved. Additionally, the current P-Card vendor does not provide CFX with access to consolidated P-Card transaction data in Excel or other digital format. Access to digital transaction data would help speed up the quarterly audit and enable CFX to take a more risk-based approach to detect errors or fraudulent charges.

Recommendation

CFX should coordinate with the P-Card vendor to seek transaction data in a digital format such as Excel. Having consolidated transaction data in a digital format would facilitate risk-based sampling for the P-Card compliance audit rather than auditing entire populations of data, thus making the process more efficient, and also enable CFX to perform basic data analytics each quarter.

If CFX is successful at obtaining P-Card transaction data in a digital format, CFX should update its quarterly P-Card compliance audit process to incorporate a more risk-based approach. In doing so, CFX may consider incorporating the following guidelines for conducting quarterly audits:

1. Audit at least ten percent coverage of total spend per quarter
2. Audit P-Cards and employees with the largest spend per quarter
3. Review data for abnormally large P-Card spend and audit large transactions
4. Audit all transactions exceeding Procurement Level 1 (\$999.99)
5. Apply other data analytical procedures to detect potential fraud or abuse
6. Review for deactivated card and terminated employee use

DETAILED OBSERVATIONS

Observation 6 – Quarterly Audit (continued)

Relative Priority

Moderate

Management Response

Management concurs.

Management Action Plan

Management will review P-Card vendor reporting capabilities to extract transaction data. The Manager of Contract Compliance will implement a process to review transaction data and sample P-Card monthly statements for the quarterly audit. Procedures will be updated as the process is developed.

Action Plan Owner / Due Date

Carrie Baker, Manager of Contract Compliance / October 31, 2020

Program
Governance

Card Issuance

Card Monitoring

Spending Review

Card Deactivation

Face the Future with Confidence

© 2020 Protiviti Inc. All Rights Reserved. This document has been prepared for use by CFXs management, audit committee, and board of directors. This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

protiviti®