



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



FISH AND WILDLIFE CONSERVATION COMMISSION

PURCHASING CARD PROGRAM

Operational Audit

SUMMARY

The audit of the Fish and Wildlife Conservation Commission focused on the Purchasing Card Program. The audit included the period July 2002 through January 2004, and selected actions taken through June 2004.

Our audit disclosed that some program controls need to be established and others need strengthening, to improve Commission staff compliance with laws, rules, guidelines, and implemented controls. Specifically:

Finding No. 1: The Commission's Purchasing Card Program is not operating as intended, resulting in limited assurances that procurement activity is appropriate, efficiently executed, and in compliance with legal requirements.

Finding No. 2: The Commission lacks sufficient controls to ensure that purchasing cards are timely canceled or deactivated upon the cardholder's separation date or commencement of an extended absence.

Finding No. 3: The Commission does not have controls in place to prevent or detect the use of purchasing cards by individuals other than the approved cardholder. Approximately \$31,000 was charged on seven of eight purchasing cards not timely canceled or deactivated.

Finding No. 4: The Commission lacks procedures to periodically evaluate the adequacy and appropriateness of established purchasing card thresholds or to ensure that cardholders do not circumvent their established card limits or competitive purchasing requirements.

Finding No. 5: Commission employees did not follow established controls intended to demonstrate that purchasing card activity was properly documented, reviewed, and approved in compliance with applicable laws, rules, and regulations.

BACKGROUND

The Fish and Wildlife Conservation Commission¹ (Commission) is responsible for exercising regulatory and executive powers with respect to wild animal life, freshwater aquatic life, and marine life. During the audit period, the Commission's organizational structure included the following Divisions: Administrative Services, Law Enforcement, Freshwater Fisheries, Marine Fisheries, Wildlife, and Florida Marine Research Institute. The Legislature approved² an organizational restructuring of the Commission's operations effective July 1, 2004.

The State of Florida's Purchasing Card Program (Program) is intended to streamline acquisition and disbursement processes and reduce the cost of making small-dollar purchases. Oversight of the Program is provided by the Department of Financial Services (DFS) and the Department of Management Services (DMS). Specific oversight related to the Commission's use of purchasing cards is described in its Model Plan and is administered by a Purchasing Card Administrator within the Commission's Office of Finance and Budget.

During the last two fiscal years, Commission purchasing card activity averaged \$14 million annually. Exhibit A summarizes purchasing card totals over a two-year period by goods or services obtained.

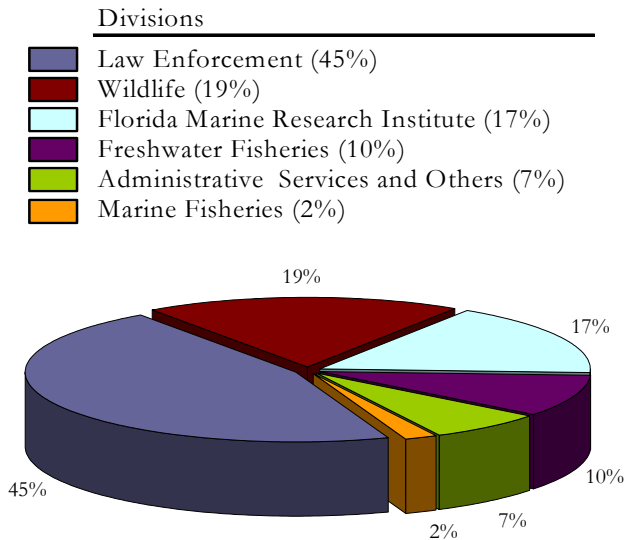
¹ Created by Article IV, Section 9 of the State Constitution.

² Chapter 2004-264, Laws of Florida.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Commission Oversight of Purchasing Card Activity

The Commission had 1,473 purchasing cards as of June 30, 2004. The chart below shows card assignment among the Commission’s divisions in existence during the audit period.



Our analysis of purchasing card data from both a Statewide and Commission perspective showed that:

- 82 percent of Commission employees had cards, the second highest percentage among the top 11 agencies (see Exhibit B for additional details)
- 99 percent of Commission payments over the two-year period ending June 2004 were for less than \$2,500 each.
- 6 percent of Commission cardholders were Other Personal Services (OPS) employees.

While DFS periodically audits agency purchasing card activities, the Commission is responsible for ensuring that appropriate controls are in place and purchases are in compliance with established controls and applicable laws, rules, and guidelines (a partial list of which is shown as Exhibit C).

One aspect of the Commission’s oversight activities is the Purchasing Card Administrator’s post-audit reviews of the Commission’s purchasing card activities. However, we noted that these post-audit reviews were completed for only two months during the 2003-04 fiscal year and that the sample items were limited to large dollar payments and select purchases of high volume users.

The findings described throughout this report highlight the absence of key internal controls, noncompliance with other established controls, and the existence of uncorrected deficiencies described in a 2001 DFS audit report of the Commission’s purchasing card activity. In this procurement environment, management has limited assurances that purchasing card activity is appropriate, efficiently executed, and made in compliance with established laws, rules, agreements, and guidelines.

Recommendation: To strengthen the Commission’s procurement function and enhance the efficiency and effectiveness of its disbursement process, we recommend that the Commission:

- Identify risks and develop an appropriate methodology for monitoring the Commission’s purchasing card activity.
- Retrain employees regarding Program responsibilities.
- Reevaluate Commission controls and revise its Model Plan as appropriate.

Additional recommendations are made throughout this report that address specific aspects of purchasing card activity.

Finding No. 2: Cancellation or Deactivation of Purchasing Cards

As a condition of participation in the Program, the Commission is responsible for the implementation of key internal controls, including the timely cancellation or deactivation of purchasing cards upon a cardholder’s separation from the Commission, or other applicable circumstances, such as periods of extended leave.

According to the Model Plan, the Purchasing Card Administrator should be notified by the cardholder’s supervisor (and Personnel Office) upon a cardholder’s resignation or termination so that the purchasing card assigned to the terminated employee can be canceled. However, we noted that the Commission lacks specific controls, such as the required use of its out-processing checklist, to ensure that purchasing cards are obtained and canceled upon an individual’s separation from the Commission. Additionally, in response to our inquiry for a list of employees on extended leave during the audit period, the Personnel Office indicated that they were unable to readily extract the information from the personnel records.

Through various audit procedures, we identified 8 purchasing cards that were not promptly canceled or deactivated, for periods ranging from 43 to 495 days after the cardholders' separation from the Commission or commencement of extended leave. For 1 of these purchasing cards, the Commission failed to cancel the purchasing card upon the cardholder's death. Subsequent to our inquiry, the card was canceled 495 days later.

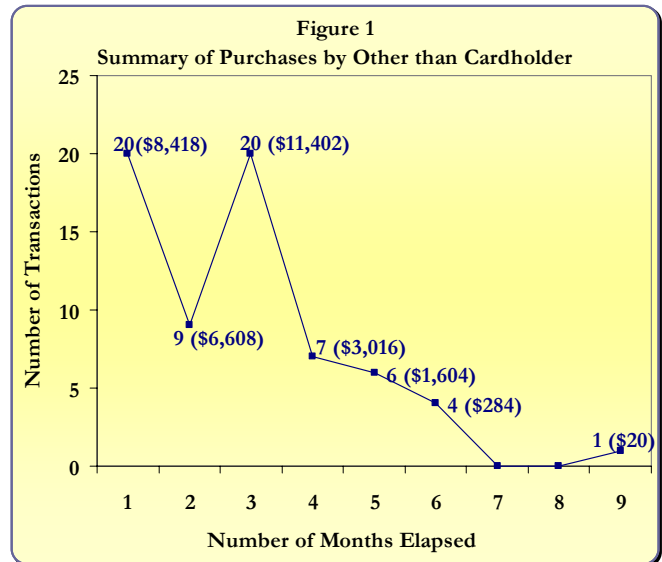
Absent the routine identification of employees on extended leave and employees that have separated from the Commission, and the review of any purchasing card activity for cards assigned to these individuals, unauthorized purchases may occur and remain undetected (see Finding No. 3).

Recommendation: We recommend that the Commission immediately implement controls to ensure the timely cancellation or deactivation of purchasing cards upon a cardholder's separation or extended absence from the Commission.

Finding No. 3: Purchases by Other Than the Cardholders

The Florida Purchasing Card Program Cardholder Agreement (Agreement) states that purchasing cards issued by the Commission are intended for use by only the individual named on the face of the card. By signing the Agreement, the approved cardholder acknowledges the responsibility for ensuring that all purchases executed by his or her card are made in accordance with all applicable rules and regulations. The Agreement also provides that willful intent by the approved cardholder to use the card for personal gain or other unauthorized use may result in disciplinary actions up to and including termination of employment and prosecution to the extent permitted by law.

Our review of the Commission's purchasing card activity showed that approximately \$31,000 was charged on seven purchasing cards after the individuals' separation dates or commencement of extended leaves of absence. The number of purchases and dollar totals authorized by individuals other than the cardholders is shown in Figure 1.



Although required documentation such as itemized receipts or invoices to substantiate that the purchases met the public-purpose requirements were provided for our review for 58 of the 67 transactions, documentation for the remaining 9 transactions totaling approximately \$6,489 have not been provided. A summary of the types of purchases made by someone other than the cardholder is shown in Figure 2.

Figure 2		
Transaction Detail Characteristics	Number of Charges	Amount Charged
<i>Receipts signed by other employees</i>		
Cell Phone	2	\$ 29.07
Print/Film Processing	3	82.36
Repair/Maintenance	2	895.08
Training Weapons/Materials	3	814.50
Vehicle/Boat Parts	4	3,050.11
Field Materials/Supplies	4	738.25
Dockage Rent	7	3,391.00
<i>Total</i>	<u>25</u>	<u>9,000.37</u>
<i>Receipts not signed</i>		
Signs Made	1	1,924.25
Cell Phone	10	434.72
Repair/Maintenance	1	248.90
Hotel Charges	1	295.64
Uniforms	1	60.78
Dock Repair	8	10,891.00
Vehicle/Boat Parts	1	69.52
Office Supplies	3	201.55
Field Materials/Supplies	4	728.00
Equipment Rent	1	387.50
Dockage Rent	1	153.00
<i>Total</i>	<u>32</u>	<u>15,394.86</u>
<i>Receipts signed by cardholder upon return from military leave</i>		
Training Weapons/Materials	1	467.18
<i>Total</i>	<u>1</u>	<u>467.18</u>
<i>Receipts not provided</i>		
Mail and Delivery	2	7.13
Print/Film Processing	2	1,152.00
Training Weapons/Materials	1	1,440.00
Vehicle/Boat Parts	1	2,108.46
Furniture, Field Materials/Supplies	2	1,761.51
Toll	1	20.00
<i>Total</i>	<u>9</u>	<u>6,489.10</u>
Total	<u>67</u>	<u>\$ 31,351.51</u>

Source: FLAIR, COPES, employee timesheets, and agency files for purchasing card transactions.

In response to our inquiries and requests for further clarification, Commission staff indicated that an internal review of these purchases is currently in progress and that additional actions will be taken as appropriate.

Recommendation: We recommend that the Commission identify circumstances surrounding purchases charged by persons other than the cardholders and take appropriate actions to eliminate the practice, several of which are included in our Finding No. 1 recommendation. Additionally, we recommend that the Commission seek the involvement of its General Counsel and Inspector General to evaluate whether the noted deficiencies and undocumented purchases require more than procedural changes in Commission practices.

Finding No. 4: Circumvention of Purchasing Card Thresholds

Pursuant to the Model Plan, purchasing card thresholds are established by Division management based on the cardholder’s position responsibilities. The purpose of these thresholds is to minimize the risk of excessive or unauthorized purchases charged to the Commission and to appropriately assign responsibility for ensuring that purchases meet the applicable competitive purchasing requirements, as described in Exhibit D. In addition, according to the Commission’s policies and procedures³ and the Beginning Purchasing Card Training Program, purchases shall not be split to avoid the card thresholds or competitive purchasing requirements.

As part of our audit procedures, we reviewed 250 purchasing card payments totaling \$982,319 for compliance with governing laws, rules, and guidelines. We identified 22 purchases that were split into multiple purchasing card payments totaling \$315,355. Regarding these purchases, we noted that:

- One or more of the applicable cardholders had insufficient transaction thresholds to execute the original procurement action without the use of multiple card payments (see Exhibit E).
- Based on our review of the combined payment amounts, competitive purchasing requirements, such as documented quotes or bids, were not obtained for 6 purchases totaling approximately \$87,000.

Although these purchases appear to serve a public purpose, the continued use of more than one purchasing card to complete a Commission purchase may result in the intentional or unintentional circumvention of established controls and mandated competitive purchasing requirements. A summary of these purchases and the noncompliance noted is included in Exhibit F.

Recommendation: We recommend that the Commission:

- Review current cardholder thresholds for sufficiency and revise, as appropriate.
- Implement monitoring procedures to identify instances in which purchases are executed

³ Section 4.1.3, Internal Management Policies and Procedures Manual.

using more than one purchasing card and take any necessary action.

- Conduct training classes to ensure that cardholders understand their responsibility to follow established policies and procedures regarding purchasing card use.

Finding No. 5: Documentation, Review, and Approval of Purchasing Card Transactions

The *Department of Financial Services' Reference Guide for State Expenditures (Guide)* specifies that purchasing card transactions must be supported by itemized sales receipts that are signed and dated by the cardholder to indicate delivery, inspection, and acceptance of the goods or services. Additionally, card purchases are subject to the same rules and regulations as other agency purchases and disbursements. For example, card purchases must include documentation sufficient to evidence compliance with the competitive purchasing requirements and contract requirements, as described in Chapter 60A, Florida Administrative Code.

In accordance with the Model Plan, the Commission has designated the persons responsible for the review of the card purchases for each of its cardholders. These designated approvers are responsible for reviewing all required documentation prior to his or her electronic approval of the purchase (which is required to initiate the payment process). Upon completion of the approval process, these documents are maintained in the various field offices of the Commission and are subject to post-audit by the Purchasing Card Administrator.

As described in Finding No. 4, we reviewed 250 purchasing card payments totaling \$982,319 for compliance with governing laws, rules, and regulations. Some deficiencies were addressed elsewhere in this report; the others are described below. A summary of all deficiencies is included as Exhibit F.

- For eight purchases, statutory and other purchasing requirements were not followed. Specifically:
 - Required⁴ competitive quotes or bids were not obtained or documented for four

⁴ Section 287.058, Florida Statutes, and Chapter 60A-1, Florida Administrative Code.

purchases totaling \$18,247. These items included information technology equipment, lab equipment, and repair and maintenance services.

- The Commission paid a total of \$75,330 to the University of South Florida for the use of 243 parking spaces for employees of the Florida Marine Research Institute on September 2, 2003. Two Commission employees executed transactions of \$46,500 and \$28,830 using purchasing cards. Contrary to law and rule⁴, the purchases were not evidenced by a written agreement. The Commission also violated the *Guide* in that cards cannot be used for contractual services that exceed \$75,000 in a State fiscal year.
- The Commission paid a total of \$9,985 to the University of Miami for research related to *Karenia brevis*, a harmful algal bloom species. The payments were made three days subsequent to the order of the work. According to the available documentation, the purpose of the research was “to assess the effect of surface water concentration mechanisms on a coincident bloom of *Karenia brevis* for the period 1995 to present.”

The transaction was supported by two unsigned receipts in the amounts of \$4,985 and \$5,000 and a brief scope of work document. We noted that the Commission did not adhere to its own internal policies and procedures or the Florida Single Audit Act process applicable to this transaction. For example, the Commission did not communicate the State Financial Assistance number or the related compliance requirements to the University of Miami. Additionally, the Commission did not record the payments as State Financial Assistance in FLAIR.

- The Commission failed to use the lowest documented quote for the purchase of law enforcement equipment totaling \$16,290 resulting in excess costs of \$4,207. Commission documentation described the vendor choice as an unintentional error.
- Contrary to law and applicable guidance⁵, the Commission paid sales tax of \$99 associated with its purchase of law enforcement equipment.
- Itemized receipts or invoices were not provided for 47 payments totaling approximately \$110,000.

⁵ Section 212.08(6), Florida Statutes and the *Guide*.

Purchases included items such as signs, miscellaneous equipment, vehicle and boat maintenance, and information technology equipment.

- Other required documentation, such as travel vouchers related to hotel expenses, justification for certain items, and required information technology forms, was not provided for 71 payments totaling approximately \$271,000.
- We noted that travel-related approvals were not obtained prior to the travel for three transactions totaling \$6,000.

Absent all of the required supporting documentation and evidence of required approvals, the Commission cannot demonstrate that these purchases served a public purpose and that all competitive purchasing and contract requirements, as specified by law, were met.

Recommendation: We recommend that the Commission strengthen its oversight of the Purchasing Card Program to ensure that all card purchases are properly supported, reviewed, and approved in accordance with applicable laws, rules, and regulations. Additionally, we recommend that the Commission seek the involvement of its General Counsel and Inspector General to evaluate whether the noted deficiencies and employee actions require more than procedural changes in Commission practices.

OBJECTIVES, SCOPE, AND METHODOLOGY

The scope of this audit focused on the Commission's administration of its Purchasing Card Program. Our objectives were:

- To evaluate the effectiveness of established internal controls applicable to the Purchasing Card Program for processes such as: the assignment, control, and cancellation of

purchasing cards; the establishment of cardholder limits and restrictions; the execution of purchases and receipt of goods; the receipt of invoices and logging of purchases; the approval and processing of charges for payment; and the monitoring of purchasing card usage.

- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic and efficient operation of State Government; the validity and reliability of records and reports; and the safeguarding of assets.

In conducting our audit, we interviewed Commission personnel, observed selected operations, tested selected Commission records, and completed various analyses and other procedures. Our audit included examinations of various documents (as well as events and conditions) applicable to the period July 2002 through January 2004, and selected actions taken through June 2004.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

William O. Monroe

William O. Monroe, CPA
Auditor General

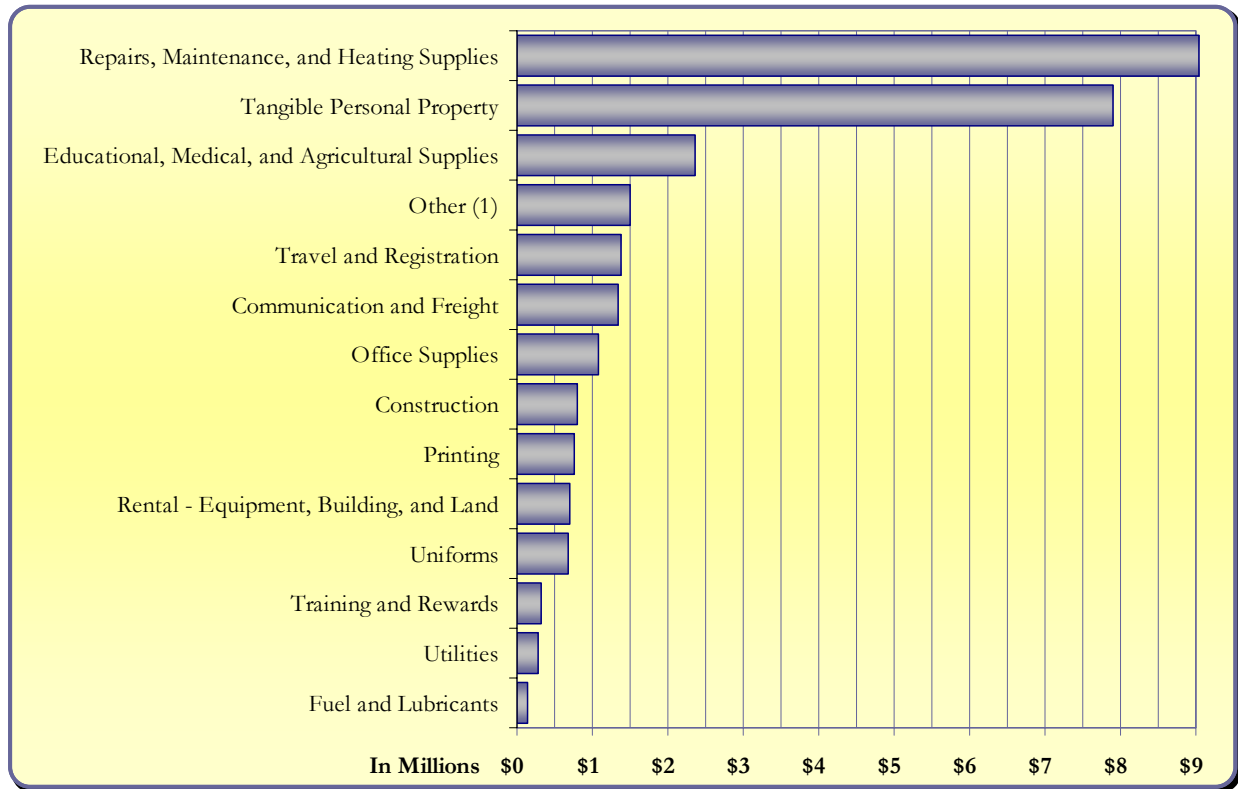
AUDITEE RESPONSE

In a letter dated December 17, 2004, the Executive Director generally concurred with our findings and recommendations and described corrective actions already taken or planned for future implementation. His response may be viewed on the Auditor General Web site.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was conducted by Haesun Baek, CPA, and supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to Laurence W. Noda, CPA, Audit Manager, via E-mail at larrynoda@aud.state.fl.us or by telephone at (850) 487-9112.

This report and audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone ((850) 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

EXHIBIT A
CHARGED AMOUNTS BY EXPENDITURE OBJECT CODES
JULY 2002 – JUNE 2004



Description	Purchasing Card Purchases	Total All Methods	Percent of Total
Repairs, Maintenance, and Heating Supplies	\$ 9,033,988	\$ 15,106,253	59.8%
Tangible Personal Property	7,902,497	30,776,135	25.7%
Educational, Medical, and Agricultural Supplies	2,361,768	3,849,695	61.3%
Other (1)	1,506,354	59,305,744	2.5%
Travel and Registration	1,374,341	4,094,642	33.6%
Communication and Freight	1,344,132	4,934,849	27.2%
Office Supplies	1,085,900	1,099,393	98.8%
Construction	798,104	2,620,922	30.5%
Printing	753,744	2,317,147	32.5%
Rental - Equipment, Building, and Land	690,329	6,333,788	10.9%
Uniforms	676,541	1,000,548	67.6%
Training and Rewards	320,069	1,295,941	24.7%
Utilities	284,549	2,302,364	12.4%
Fuel and Lubricants	149,142	6,735,200	2.2%
Total	\$ 28,281,458	\$ 141,772,621	

Source: FLAIR Departmental Accounting Component, 2002-2004 Fiscal Years

(1) Card purchases included on the Other description line relate to independent contractor general fees, food products, insurance and surety bonds, and modular buildings.

EXHIBIT B
STATEWIDE PERSPECTIVE OF PROGRAM ACTIVITY
AS OF JUNE 2004

State Agency	Employees with Cards	Number of Cards	Amount
Department of Environmental Protection	86.0%	2,993	\$ 21,721,191
Department of Health	12.4%	1,773	\$ 45,205,982
Department of Transportation	21.4%	1,590	\$ 36,914,537
Fish and Wildlife Conservation Commission	82.0%	1,473 *	\$ 14,552,270
Department of Financial Services	48.1%	1,238	\$ 4,383,387
Department of Revenue	23.1%	1,218	\$ 5,329,109
Department of Corrections	4.8%	1,208	\$ 9,577,946
Department of Agriculture and Consumer Services	33.9%	1,182	\$ 8,994,386
Department of Juvenile Justice	19.5%	908	\$ 16,213,701
Department of Highway Safety and Motor Vehicles	19.5%	883	\$ 4,916,692
Department of Children and Family Services	3.2%	635	\$ 26,186,840

*Includes 91 Purchasing Cards assigned to OPS employees.

The above summary was prepared from the State's Accounting System (FLAIR) and purchasing card records. We noted that the Commission ranks fourth of all State agencies in the number of active purchasing cards and has the second highest percentage of purchasing cards as compared to full time positions.

The number of employees, types of programs administered, and services provided vary significantly among agencies. Agency management has the discretion to tailor the Purchasing Card Program to best suit its business processes. A large number of active cards is not indicative of a problem but does require increased levels of employee cooperation, diligence in record keeping, and adherence to established policies and implemented control procedures.

EXHIBIT C
DESCRIPTION OF THE COMMISSION'S PURCHASING CARD PROGRAM CONTROLS
AND SELECT STATEWIDE PROCESSES

- The Division supervisors request and establish thresholds.
- Employees are required to complete the Commission's training program and sign the applicable Cardholder Agreements to receive a purchasing card.
- The Commission's Purchasing Card Administrator approves and issues cards to employees.
- Each Division has established their own policies regarding whether or not cardholders must seek supervisor approval prior to the use of their purchasing card.
 - Within the Division of Law Enforcement, employees are required to seek permission from their supervisors prior to using the purchasing card for vehicle or vessel maintenance. Other purchases, such as gasoline, can be made without the prior approval of their supervisor.
 - The remaining Divisions generally do not require supervisor approval prior to the initiation of purchasing card transactions.
- Once a cardholder executes a purchase, transactions are transmitted by the purchasing card vendor (Bank) to DMS where they are formatted and routed through FLAIR to the Commission for approval.
- The approval process is accomplished through an automated on-line mechanism within FLAIR (Statewide process). All transactions must be approved within ten working days after the transaction is downloaded into the FLAIR Purchasing Card Module.
 - The cardholder provides the receipts and any other applicable documentation to substantiate the purchasing card transaction to his or her designated approver.
 - The designated approver reviews the supporting documentation to ensure that the transaction is an appropriate expenditure and all purchasing requirements were met and then completes the electronic approval.
 - An additional review and approval is required by the Commission's Accounting Office.
 - The Commission's Purchasing Card Administrator is responsible for monitoring the status of required approvals.
 - Once all necessary approvals are completed, an electronic payment is generated.
- The receipts and other documentation are filed by month and maintained in the field offices.
- Transactions are subsequently stored in the FLAIR information warehouse.

OTHER RULES AND GUIDELINES FOR THE PURCHASING CARD PROGRAM

- Department of Financial Services Reference Guide for State Expenditures (Guide)
- Department of Financial Services Purchasing Card Agency Approval and Distribution Manual
- Purchasing Card Program Model Plan (Model Plan)
- Florida Purchasing Card Program Cardholder Agreement (Agreement)
- Florida Purchasing Card Program Cardholder Agreement for Travel Related Use
- Internal Management Policies and Procedures Manual
- Beginning Purchasing Card Training Program

EXHIBIT D
EXAMPLES OF COMPETITIVE PROCUREMENT REQUIREMENTS

Purchases below \$2,500 shall be carried out using good business practices which may include, but not be limited to, quotations or written records of telephone quotations.	Chapter 60A-1.002, Florida Administrative Code
Purchases which meet or exceed \$2,500, but less than \$25,000, may be made using written quotations or written records of telephone quotations or informal bids to be opened upon receipt, whenever practical.	Chapter 60A-1.002, Florida Administrative Code
Purchases in excess of \$25,000 shall be made first by securing formal competitive sealed bids, negotiations, or proposals, with exceptions for emergency purchases or purchases available from a single source.	Section 287.057(1) and (5), Florida Statutes
Purchases in excess of \$25,000 require a written agreement or purchase order, signed by the agency head and vendor prior to the rendering of the contractual service or delivery of the commodity, except in the case of a valid emergency as certified by the agency head.	Section 287.058(1) and (2), Florida Statutes
An agency shall not divide the procurement of commodities or contractual services so as to avoid applicable purchasing requirements.	Section 287.057(10), Florida Statutes
Single source purchases, which are exempt from competitive purchase requirements, require the agency to electronically post a notice regarding the intent to procure the commodity or contractual services, for at least seven business days prior to the procurement.	Section 287.057(5)(c), Florida Statutes
Governmental entities are exempt from paying sales tax when payment is made directly to the dealer by the governmental entity.	Section 212.08(6), Florida Statutes

EXHIBIT E
SUMMARY OF CARDHOLDER THRESHOLDS FOR PURCHASES WITH MULTIPLE CARD PAYMENTS

			<u>First Cardholder</u>	<u>Second Cardholder</u>	<u>Third Cardholder</u>
	Total Purchase Amount(a)	Number of Payments by Same Cardholder	Transaction Maximum Amount (b)	Transaction Maximum Amount (b)	Transaction Maximum Amount (b)
1	\$ 75,330.00	} (c) 3	\$50,000	\$50,000	
2	45,129.00		\$25,000	\$25,000	
3	37,774.00		\$20,000	\$25,000	
4	24,914.00		\$20,000	\$50,000	
5	24,500.00		\$20,000	\$50,000	
6	16,290.00		\$3,000	\$3,000	\$10,000
7	8,118.55		\$2,000	\$2,000	\$5,000
8	6,937.92		\$2,500	\$2,500	\$5,000
9	6,400.00		\$2,500	\$5,000	
10	5,868.00		\$4,000	\$7,500	\$8,000
11	4,789.00		\$3,000	\$3,000	
12	<u>2,749.10</u>		\$1,000	\$3,000	
	<u>\$ 258,799.57</u>				
13	\$ 23,944.00	2	\$20,000	} (d)	
14	5,400.00	2	\$5,000		
15	5,250.00	2	\$5,000		
16	3,960.00	2	\$3,000		
17	3,849.32	5	\$2,500		
18	3,459.47	2	\$2,000		
19	3,000.00	3	\$2,500		
20	2,949.00	2	\$2,000		
21	2,434.00	2	\$2,000		
22	<u>2,310.00</u>	2	\$2,000		
	<u>\$ 56,555.79</u>				
Total	<u>\$ 315,355.36</u>				

Notes: (a) The total purchase amount was determined by reviewing the original invoices.
 (b) The transaction maximum amount represents the threshold limit for an individual card payment.
 (c) Payments made by multiple card holders.
 (d) A single cardholder made multiple payments to complete a single purchase.

**EXHIBIT F
SCHEDULE OF TEST EXCEPTIONS RELATED TO FINDINGS 4 AND 5**

Number of Purchases	Number of Payments	Total	Nature of Deficiencies						Lacked Required Approvals
			Finding 4		Finding 5				
			Multiple Payments(1)	Compliance	Compliance		Missing Documentation		
			No bids/quotes	No bids/quotes	Other	Receipts/Invoices	Other (6)		
1	2	\$ 75,330.00	X			X (2)			
1	5	\$ 16,290.00	X			X (3)			
2	5	\$ 11,118.00	X	X					
1	2	\$ 6,400.00	X	X			X		
3	7	\$ 69,625.92	X	X				X	
1	2	\$ 3,459.47	X				X		
2	5	\$ 6,960.00	X					X	
11	26	\$ 126,171.97	X						
Total - Finding 4	22	\$ 315,355.36							
1	1	\$ 1,764.90				X (4)		X	
1	2	\$ 9,985.00	X			X (5)			
1	1	\$ 2,500.00			X		X		
3	3	\$ 15,747.46			X				
8	8	\$ 13,352.21					X		
34	34	\$ 84,347.36					X	X	
24	24	\$ 108,651.56						X	
3	3	\$ 6,000.00							X
			Total	\$87,143.92	\$18,247.46	\$103,369.90	\$110,059.04	\$271,349.74	\$ 6,000.00
			Number of Payments	14	4	10	47	71	3
			Number of Purchases	6	4	4	45	64	3

Notes:

- (1) Multiple cards used or multiple payments on one card.
- (2) Violated governmental law, rule, and *Guide* when contracting for University of South Florida parking spaces. Also related to Finding 4.
- (3) Lowest documented quote was not used. Also related to Finding 4.
- (4) Sales tax of \$99 was paid in error.
- (5) State financial assistance provided to the University of Miami for research without following established guidelines.
- (6) Related to travel, information technology purchases, and other items.

FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION



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December 16, 2004

Mr. William O. Monroe
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: Preliminary and Tentative Audit Findings, 2003-04 Operational Audit (Purchasing Card)

Dear Mr. Monroe:

We have reviewed the preliminary and tentative audit findings and recommendations included with your letter dated November 17, 2004. Our responses to the five audit findings are enclosed.

We appreciate the constructive comments and technical assistance provided by your staff. If further information is required, please contact our Director of Auditing, Trevor Phillips, at 488-6068.

Sincerely,

A handwritten signature in blue ink that reads "Ken Haddad".

Kenneth D. Haddad
Executive Director

kh/tp

Enclosures

OPERATIONAL AUDIT – PURCHASING CARD PROGRAM (July 2002 – June 2004)
FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION (FWC) RESPONSE

FINDING NO.1: The Commission's Purchasing Card Program is not operating as intended, resulting in limited assurances that procurement activity is appropriate, efficiently executed, and in compliance with legal requirements.

RECOMMENDATION: To strengthen the Commission's procurement function and enhance the efficiency and effectiveness of its disbursement process, we recommend that the Commission:

- Identify risks and develop an appropriate methodology for monitoring the Commission's purchasing card activity.
- Retrain employees regarding Program responsibilities.
- Reevaluate Commission controls and revise its Model Plan as appropriate.

FWC RESPONSE: We agree that adequate oversight of the purchase card program is difficult given the number of active cards and the available resources to appropriately monitor activity. We will assemble a team of Commission staff to review and recommend changes to the Model Plan that address the findings in this report (see attached Team Charter). The team will critically review all aspects of the Commission's Purchasing Card Program, and will revise the internal Rules and Procedures Handbook as necessary. The team's review will include specific goals regarding the methodology for the reduction in the overall number of active cards; the development and implementation of a more effective training program; and an increased emphasis on internal monitoring at both the Headquarters and Regional Office levels.

FINDING NO. 2: The Commission lacks sufficient controls to ensure that purchasing cards are timely canceled or deactivated upon the cardholder's separation date or commencement of an extended absence.

RECOMMENDATION: We recommend that the Commission immediately implement controls to ensure the timely cancellation or deactivation of purchasing cards upon a cardholder's separation or extended absence from the Commission.

FWC RESPONSE: The Commission does have an out-processing checklist that includes the Purchase Card as one of several items the supervisor must collect from a terminating employee. The Commission does not have a system to identify cardholders who may be on extended leave. We will work with the Human Resource personnel and a team of Commission staff to develop criteria for what constitutes extended leave, and a control to ensure cardholders on extended leave are identified so that their Purchasing Card can be temporarily deactivated.

FINDING NO.3: The Commission does not have controls in place to prevent or detect the use of purchasing cards by individuals other than the approved cardholder. Approximately \$31,000 was charged on seven of eight purchasing cards not timely cancelled or deactivated.

RECOMMENDATION: We recommend the Commission identify circumstances surrounding purchases charged by persons other than the cardholders and take appropriate actions to eliminate the practice, several of which are included in our Finding No.1 recommendation. Additionally, we recommend that the Commission seek the involvement of its General Counsel and Inspector General to evaluate whether the noted deficiencies and undocumented purchases require more than procedural changes in Commission practices.

FWC RESPONSE: The Purchasing Card Team will review agency policies and procedures to address this finding, and will implement procedural changes to remedy the situation. Additionally, the Office of the Inspector General will assist in the process of reviewing the purchases identified in this finding to ensure that each was for a public purpose, and that those involved understand the violation of state and agency policy.

FINDING NO.4: The Commission lacks procedures to periodically evaluate the adequacy and appropriateness of established purchasing card thresholds or to ensure that cardholders do not circumvent their established card limits or competitive purchasing requirements.

RECOMMENDATION: We recommend that the Commission:

- Review current cardholder thresholds for sufficiency and revise, as appropriate.
- Implement monitoring procedures to identify instances in which purchases are executed using more than one purchasing card and take necessary action.
- Conduct training classes to ensure that cardholders understand their responsibility to follow established policies and procedures regarding purchasing card use.

FWC RESPONSE: The Team established and approved by the Senior Leadership Team will thoroughly review all cardholders, their transaction limits, and set standards for the issuance of a purchasing card, and the criteria for establishing individual limits. The Team will discuss and recommend improvements in the monitoring of all transactions. Training procedures and requirements will be reviewed and recommendations will be made to ensure appropriate training is provided to cardholders.

FINDING NO. 5: Commission employees did not follow established controls intended to demonstrate that purchasing card activity was properly documented, reviewed, and approved in compliance with applicable law, rules and regulations.

RECOMMENDATION: We recommend that the Commission strengthen its oversight of the Purchasing Card Program to ensure that all card purchases are properly supported, reviewed and approved, in accordance with applicable laws, rules, and regulations. Additionally, we recommend that the Commission seek the involvement of its General Counsel and Inspector General to evaluate whether the noted deficiencies and employee actions require more than procedural changes in Commission practices.

FWC RESPONSE: As previously described, the Purchasing Card Team Charter includes a complete review of the FWC Purchase Card Program, and will institute improved monitoring procedures for the program. The Team will include staff from a cross section of the Commission, including the Office of Finance and Budget, and the Office Inspector General. Please see the attached team charter.

Team Charter Purchasing Card Administration

Title: Purchasing Card Administration

Sponsor: Senior Leadership Team (SLT)

Team Leader: Whit Springfield

Background: In 1999 the State of Florida implemented what has become known as the P-Card Program. This program provided selected agency employees a VISA card with which they could charge certain purchases in the course of performing their regular duties.

The card was offered and supported by the Department of Financial Services because of the extraordinary savings this type of payment tool offered over the processing and handling of paper purchase orders and paper warrants.

Since 1999, the FWC's P-Card program has experienced substantial growth. At the present time, we have P-Cards in the hands of 1473 employees, 6% of those are OPS. These cardholders are spending \$14million annually without benefit of prior approval or pre-audit for following appropriate procurement procedures.

The Purchase Card is an excellent method to streamline purchasing, however it exposes the agency to opportunities for abuse, and established internal controls must be adhered to in order to ensure that public funds are expended in the manner intended.

Issue: The most recent audit by the Auditor General cited five (5) findings in regard to FWC's P-Card program (see attached): Commission oversight of Purchasing Card, Cancellation and Deactivation of Purchasing Cards, Purchases by Other than the Cardholder, Circumvention of Purchasing Card Thresholds, and Documentation, Review, and Approval of Purchasing Card Transactions.

It is important FWC adhere to state rules and regulations in all regards. Our credibility and accountability to stakeholders, legislators and other interested parties is paramount to achieving the mission entrusted to us by the citizens of Florida through the state constitution. A complete and thorough examination of our existing policies and procedures in regard to the Purchase Card program is required.

Deliverables: The Team will deliver a revised Rules and Procedures Handbook for the Purchase Card Program.

Team Members: This charter may require a large team to adequately and appropriately develop a P-Card program that serves the intended purpose while maintaining adequate controls. The team should include individuals responsible for program policy, card users, and those who regularly process the purchase card transactions. It is recommended that each Division ask a policy person, a cardholder and a delegate/approver to serve on this team. The Offices could be served by one set of similar representatives.

Ex officio members would include staff from the Office of Finance and Budget and the Office of Inspector General

Timeframe for Completion: March 31, 2005

This team could achieve its task with two or three in-depth meetings. The FWC Office of Inspector General will follow-up on all findings six (6) months after audit issuance.

Additional Resources Allocated

- (1) F&B staff to collect and present P-Card program data.
- (2) Office of Inspector General staff for consultation and guidance.

Issue Team Roles

Sponsor (SLT): Approves the charter, negotiates with DOI's for needed resources, ensures resources are provided to the team as promised, and monitors teams progress.

Team Leader (Whit Springfield): Develops the charter, works with team leaders to consolidate output and resolve coordination issues. Presents progress and recommendations to SLT.

Team Members: Serve as subject matter experts, attend scheduled meetings, and work with team members to produce deliverables.