



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY



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“Enhancing Public Trust in Government”

Audit Report

2019-A-0003

**City of Riviera Beach
Purchasing Cards and Council
Members’ Out-of-State Travel**

January 17, 2019



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CITY OF RIVIERA BEACH – PURCHASING CARDS AND TRAVEL

SUMMARY

WHAT WE DID

We audited the City of Riviera Beach (City) purchasing card program and Council Members' out-of-state travel. This audit was scheduled as part of the Office of Inspector General, Palm Beach County (OIG) Fiscal Year (FY) 2018 Annual Audit Plan.

The scope included the City's purchasing card activities from October 1, 2015 to November 28, 2017. We tested purchasing card transactions from October 1, 2016 through November 28, 2017. We tested out-of-state travel expenditures for Council Members from October 1, 2016 to September 30, 2017.¹

Additionally, on January 10, 2018, the OIG received a complaint regarding an employee's tuition reimbursement requests. The audit was expanded to include review of the allegation.

The OIG framed the complainant's allegation as follows:

Allegation (1): The City improperly approved the tuition reimbursement request of an employee without obtaining appropriate documentation,

in violation of the City's policies and procedures.

Our audit (1) determined whether the City had adequate controls to appropriately govern purchasing card use and travel reimbursement programs and activities, including controls to prevent and detect fraud, waste, or abuse; (2) determined whether purchasing card and out-of-state travel expenditures were in compliance with policies, and (3) addressed the complainant's allegation.

WHAT WE FOUND

Overall, we found internal control weaknesses and operational areas that need improvement. We found the policies and procedures were generally adequate. The main issue was a lack of compliance with the policies and procedures.

We found weaknesses in the purchasing card process and for compliance with the Purchasing Card Policies and Procedures (Policy), payment of Council Members' out-of-state travel expenditures and their compliance with the travel policy, and tuition reimbursements.

¹ The Council Members' out-of-state travel expenditures had a different scope of review because it was completed as a scope expansion.

In relation to the Complainant's concern, we found:

Allegation (1) is supported: See Finding 11 for further details.

In total, our audit identified **\$515,576.11** in questioned costs,² **\$9,755.99** in identified costs,³ and **\$301.39** in avoidable costs.⁴

Non-Compliance with Policy

We found purchasing card transactions did not comply with Policy requirements and lacked proper approvals, lacked adequate documentation, were used for prohibited items, and lacked a documented business purpose. This resulted in **\$508,828.21** of questioned costs. The sales tax improperly paid, potential duplicate payments, lack of proper approval,⁵ and lack of proper support resulted in identified costs totaling **\$7,212.68**.

Purchased Items Could Not Be Located

The City could not locate 12 of the 51 purchased items that we sampled (24%); therefore, we could not verify that those items were actually received and maintained by the City for City business.

The City lacked a process to track items purchased or disposed. The cost of the items purchased with the City's purchasing cards that could not be located by the City was \$3,869.47. This resulted in **\$1,689.97** of questioned costs.⁶

Monthly Limits Exceeded

Four (4) purchasing cardholders exceeded their monthly credit limit during FY 2017. The monthly credit limits were exceeded by a total of \$5,046.37, which resulted in questioned costs totaling **\$558.04**.⁷

Purchasing Card Authorization/Limits

We found the City was not in compliance with its Policy for the issuance of City purchasing cards. The City did not provide our office with the Purchasing Card Request/Credit Limit Increase forms for 20 of the 20 (100%) cardholders that we tested. The City did not provide our office with the signed Cardholder Agreement for 4 of the 20 (20%) cardholders that we tested. Additionally, the City did not provide our office with the signed policy for 19 of the 20 (95%) cardholders that we tested.

² Questioned costs are costs or financial obligations that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As such, not all questioned costs are indicative of potential fraud or waste.

³ Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

⁴ Avoidable costs are costs an entity will not have to incur, lost funds, and/or an anticipated increase in revenue following the issuance of an OIG report.

⁵ The online statement/reconciliation in the purchasing card system (BMO Spend Dynamics) for certain cardholders could not be approved, as required by the Purchasing Card Policy, due to system configuration error. A total of 1,066 transactions that totaled \$206,583.49 were not approved in the purchasing card system due to this configuration error.

⁶ We accounted for \$2,179.50 of the total \$3,869.47 in questioned costs in Finding 1 for non-compliance with the purchasing card policy; therefore, that amount is not included in Finding 2 to avoid duplication of questioned costs.

⁷ We accounted for \$4,488.33 of the total of \$5,046.37 in questioned costs in Finding 1 for non-compliance with the purchasing card policy; therefore, it is not included in Finding 4 to avoid duplication of questioned costs.

We found that purchasing card limits for 22 of 31 cardholders tested (71%) did not have proper documentation authorizing purchasing card limits. For 11 of 11 (100%) temporary purchasing card limits increases approved by the City, the temporary increases remained effective for a period that exceeded the maximum duration permitted by the Policy. The temporary purchasing card limit increases were for hurricane related expenditures. The temporary increases remained effective for a period that exceeded the duration of the state of emergency.

We also found a failure to deactivate purchasing cards immediately upon an employee's separation of employment with the City which increases the risk of unauthorized use and resulted in \$65.00 spent after the employee's separation.⁸

Non-Compliance with Travel Policy

The Council Members' out-of-state travel expenditures included disallowed expenses and had improper or insufficient documentation, which resulted in exceptions that totaled \$9,842.11. The total questioned costs were **\$3,458.14** and identified costs were **\$256.44**.⁹

Miscoded Travel Expenditures

Council members did not use proper accounting codes for \$1,267.59 of travel expenditures, which were miscoded to other expense accounts. As a result, the total questioned cost was **\$1,041.75**.¹⁰

Tuition Reimbursements

The City does not have a formal written policy for the tuition reimbursement process for non-union employees. However, the City applies the tuition reimbursement provisions in its union contract to its non-union, administrative staff. The provisions in the contract does not set forth clear criteria for determining when education is sufficiently related to the job position for tuition reimbursement.

An employee's tuition reimbursement requests were inaccurately calculated. There was no documented pre-approval request for reimbursements. This resulted in **\$2,286.87** of identified costs and **\$301.39** of avoidable costs.

WHAT WE RECOMMEND

Our report contains eleven (11) findings and thirty-four (34) recommendations. Implementation of the recommendations will 1) assist the City in strengthening internal controls, 2) save approximately **\$301.39** in future avoidable costs, and 3) enhance compliance with the City's purchasing card and travel policies and procedures.

The City concurred with all findings and recommendations and is taking corrective actions to implement the recommendations. We have included the City's management response as Attachment 1.

⁸ We accounted for the \$65.00 in questioned costs in Finding 1 for non-compliance with the purchasing card policy; therefore, that amount is not included in Finding 3 to avoid duplication of questioned costs.

⁹ The total questioned costs of \$6,125.56 and total identified costs of \$1.97 were already accounted for in Finding 1 for non-compliance with the purchasing card policy; therefore, it is not included in this Finding to avoid duplication of questioned costs. After our draft audit report was provided to the City on December 26, 2018, Mayor Masters and Councilwoman Miller-Anderson provided additional documentation that was not previously provided, as part of the corrective action. This information is noted in Exhibit 6.

¹⁰ The total questioned costs of \$228.84 was already accounted for in Finding 1 for non-compliance with the purchasing card policy; therefore, it is not included in this Finding to avoid duplication of questioned costs.

BACKGROUND

The City was incorporated in 1922. The Charter of the City was initially adopted by referendum on April 17, 1973, as amended and as subsequently revised by referendum on March 11, 2008.

The City is located along the Atlantic shore of southeast Florida in Palm Beach County and has a population of approximately 33,680.¹¹ The City operates under the Council-Mayor-Manager form of government. The City Council is comprised of five (5) voting members who are elected to three-year staggered terms and are responsible for the legislative and policy making authority for the City and a Mayor who is a non-voting council member. The Mayor is head of the city government for all ceremonial purposes. The City Manager is appointed by the City Council and is responsible for the proper administration of all affairs of the City.

The OIG Fiscal Year (FY) 2018 Annual Audit Plan identified purchasing card programs as a high-risk global area. We selected the City for audit based on our Purchasing Card Survey, Audit Report 2018-A-0008. We considered several factors relating to the City, including the vacancy of key management positions, the media reports of inappropriate spending, the high total amount of purchasing card expenditures of \$796,197 for FY 2017, and the percentage (18%) of employees assigned purchasing cards.

Purchasing Card Program Background

The City entered into a Corporate Master Card Program Member Account Agreement for purchasing card services with Bank of Montreal effective May 18, 2016. For the audit testing period of October 1, 2016 through November 28, 2017, the City had 67 active purchasing cards issued, and purchasing card purchases totaled \$1,094,496.13 (see Exhibit 1).

¹¹ <https://datausa.io/profile/geo/riviera-beach-fl/>

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to:

- Determine whether internal controls were in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and abuse; and
- Determine whether purchasing card expenditures were in compliance with policies and serve a valid public purpose.

The scope of the audit included purchasing card activities from October 1, 2015 through November 28, 2017. The selected transactions tested were from October 1, 2016 through November 28, 2017. We revised the scope of the audit to include out-of-state travel for the council members from October 1, 2016 to September 30, 2017.

The out-of-state travel objectives of the audit were to:

- Determine whether internal controls were in place and adequate to appropriately govern travel reimbursement programs and activities; and
- Determine whether out-of-state travel expenditures were in compliance with requirements and rates and serve a valid public purpose.

The audit methodology included:

- Conducting a review of internal controls;
- Interviewing appropriate personnel;
- Reviewing reports, contracts, and user agreements;
- Performing data analysis of the population of transactions;
- Performing detailed testing of selected transactions;
- Reviewing out-of-state travel for Council Members;
- Reviewing policies, procedures, and related requirements; and
- Reviewing travel documentation against travel advances and accounts payable checks transactions to ensure duplication of expenditures had not occurred.

Additionally, the OIG Investigations Division referred concerns to us for the purchasing card and travel audit. The concerns were 1) the City Council Members misused city purchasing cards for travel and other expenditures, 2) the City Council Members had improper travel expenditures, and 3) the City misused city purchasing cards. These concerns were already incorporated into the objectives and methodology of the purchasing card and travel audit; therefore, additional testing was not necessary and no scope amendments were needed to address the OIG Investigations Division's concerns regarding purchasing cards and travel.

Additionally, the OIG Intake Unit referred a complaint that the City improperly approved the tuition reimbursement request of an employee without obtaining appropriate documentation, in violation of the City's policies and procedures. We revised the scope of the audit to include this allegation.

Data analyses were used in the audit to select high-risk transactions and/or cardholders for detailed testing. Data analyses were performed in the CaseWare IDEA software and consisted of analyzing the population of purchasing card transactions and cardholders for attributes or combinations of attributes considered high risk. Attributes may vary based on the entity, purchasing card system, or system configuration. Cardholder attributes may include, but are not limited to, employment status, credit and transaction limits, department, or title/position. Transaction attributes may include, but are not limited to, the purchase amount, purchase date, vendor/supplier, purchase description, Merchant Category Code, approval or lack of approval, or supporting documentation or lack of supporting documentation. Attributes are considered high risk if they are abnormal, inconsistent, or outliers in comparison to the population, subgroups of the population (e.g. by cardholder, department, Merchant Category Code, etc.), policy/procedure, best practices, or expected value/outcomes.

As part of the audit, we completed a data reliability assessment for the computer systems used by the City related to administering and reporting of the purchasing card process. We determined that the computer-processed data contained in these computer systems were sufficiently reliable for the purposes of the audit.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT FINDINGS – PURCHASING CARDS

Finding (1): Purchasing card transactions did not comply with Policy.

The City's Policy states,

P-CARD USAGE PROCEDURES

A. Making Purchases with the P-Card

1. Cardholders are authorized to use the P-Card for Official City business. Transactions placed on the P-Card should not conflict with the City's Finance Policy, Travel Policy, and any prohibited card use outlined in the Policy.
2. There shall be appropriately funds within the Cardholder's Department/Division's budget before making a purchase with the P-Card.



B. Prohibited P-Card Use

1. The following types of items shall not be purchased with a P-Card.
 - a) Personal Purchases (non-official use)
 - b) Donation to charitable organizations
 - c) Gasoline, fuel, or oil for personal vehicle
 - d) Cash advances
 - e) Holiday or seasonal decorations including plants
 - f) Payments to individual and employees
 - g) Weapons & ammunition
 - h) Hazardous Chemicals* with exception for emergency operation at Utility
 - i) Food not authorized by City Manager or his/her designee, (i.e. coffee, snacks, candy)
 - j) Gifts to employees or outside persons
 - k) Vehicle enhancements, mats, cushions, tinting, etc.
 - l) Miscellaneous office care items such as air freshener, candles, special paper products, or cleaning products, etc.
 - m) Computer Hardware or Software (IT Dept. only)*
 - n) Cellular phones, Tablets, or Telephone charges* cell phone charges may be processed by credit card by IT or Purchasing.
 - o) Luxury or extravagant items
 - p) Any additional goods or services specifically restricted by the Department/Division Head and Purchasing Card Program Administrator.

4. Shipping of goods to a non-City address is strictly prohibited.

Additionally, the Policy offers users guidance on the administration of the Purchasing Card program. Page 2 states,

N. The Director and the Purchasing Card Coordinator within each Department shall ensure the Policy is enforced and properly followed. In the event that there is a violation of the set of policies, disciplinary action may be taken up to and including termination.

The definition section on Page 3 states,

F. P-Card Reconciliation - All reconciliations shall be completed online by scanning the receipt, uploading photo of receipt, stating a business purpose and proper coding of the expense. A detailed process manual is attached.¹²

On Page 9 the Purchasing Card Policy and Procedures provides,

P-CARD DOCUMENTATION

A. Receipts – Must be Scanned as part of the Reconciliation

1. Cardholders are responsible for obtaining and retaining all receipts, return credits, and any necessary additional documentation for proof and description of purchase.
2. All receipts for P-Card purchases shall be detailed and itemized. Receipts shall show all purchase items and total amount. The receipt shall be scanned and entered in the online reconciliation as well as a business purpose.

B. Lost Receipts

1. In the event a Cardholder is unable to locate a receipt or additional related back-up for proof of purchase, the Telephone Order/Missing Receipt form shall be completed. This form shall be used in moderation. Continual use of the Telephone Order/missing Receipt form may result in the cancellation of the Cardholder's P-Card.

In addition, Page 9 of the Policy states,

H. Sales and Taxes

1. The City is exempt from paying state of Florida sales and use tax.

In addition, Page 10 of the Policy states,

P-CARD REVIEW & PAYMENT PROCEDURES A. Verification & Payment Procedures

1. The Cardholder shall review the monthly statement for accuracy and attach all related receipts, return credits, and any necessary additional documentation for proof and description of purchase.
2. The P-Card reconciliation shall be completed by the twenty-fourth of each month.

¹² [Footnote added] The City's "detailed process manual" does not address many of the concerns raised in this audit.

Last, relevant portions of Page 4-5 of the Purchasing Card Policy and Procedures states in the section entitled, “Responsibilities”, that

D. Department Directors are responsible for ensuring:

1. The final review and approval of monthly P-Card statement online before the established monthly closing date of the 24th of each month.

G. Finance Department is responsible in ensuring:

1. The P-Card Reconciliation is approved by the appropriate department director or designated self-approver before payment. Self-approvers are designated as city council, the mayor and the city manager.
2. The scanned attachment of receipts, invoices, and any additional related documentation for proof and description of purchases as well as all necessary receipt and back-up for refund/credits are provided. The back-up shall match to P-Card monthly statement.

We performed data analyses on the total population of purchasing card transactions to identify high risk transactions for detailed testing (see Exhibit 4 for a listing of the data analyses performed). We selected 3,344 purchasing card transactions for testing proper support, approval, compliance with the City’s policy, exclusion of sales tax, and timely reconciliation to the purchasing card statements (see Exhibit 1 for statistics on the sample of transactions selected). **2,021 of 3,344 purchasing card transactions (60%) had exceptions.**

We noted the following violations of Policy (see Exhibit 2 for a breakdown by Department):

- 35 of 3,344 transactions (1%) totaling \$4,395.09 lacked proper supporting documentation, as required by the “P-Card Documentation” section of the Policy, which resulted in potential duplicate payments.¹³
- 161 of 3,344 transactions (5%) totaling \$43,797.16 were purchases of items that are prohibited by the “Prohibited P-Card Use” section of the Policy (see chart below with breakdown by category).
- 1,347 of 3,344 transactions (40%) totaling \$291,142.01 lacked documentation showing that Department Directors ensured the final review and approval⁵ of monthly P-Card statement online before the monthly closing date or that the Finance Department ensured purchasing card Reconciliations were approved by appropriate department directors or the designated approver before payment, as required by the “Responsibilities” Section of the Policy.
- 700 of 3,344 transactions (21%) totaling \$248,502.57 lacked the proper supporting documentation, as required by the “P-Card Documentation” section of the Policy.

¹³ For purposes of this audit, potential duplicate payments were deemed purchasing card transactions that: 1) had the same amount and vendor and 2) had the same supporting documentation as another transaction that occurred within one month of the transaction.

- 65 of 3,344 transactions (2%) totaling \$22,106.97 lacked a business purpose, as required by “P-Card Documentation” section of the Policy.
- 248 of 3,344 transactions (7%) that incorrectly included sales tax totaling \$2,731.94, which violated “P-Card Usage Procedures” section of the Policy.

It appears from our review of the documentation that the **Department Directors did not have a process to review and resolve monthly cardholder statements/reconciliations** for duplicate payments, purchases of prohibited items, proper supporting documentation, statement of business purpose, and improper payment of sales tax.

Additionally, the Policy designates the Council and Mayor as “self-approvers” to approve their own purchasing card transactions and does not designate an approver for Department Director purchases. **The lack of independent review and reconciliation creates a risk to the City of non-compliance with the policy, errors, and inadequate management of the Purchasing Card program.**

Additionally, it appears the **Finance Department and the Purchasing Department did not have a process in place, at time of the audit, to review and resolve monthly cardholder statements/reconciliations** for lack of approval by the appropriate Department Director or designated self-approver.

Questioned costs resulting from purchases of prohibited items, lack of proper approval, lack of proper supporting documentation, and lack of business purpose, as required by Policy totaled **\$508,828.21**.¹⁴ Additionally, identified costs totaled **\$7,212.68**¹³ for purchases that incorrectly included sales tax in the purchase amount or potential duplicate payments. See Exhibit 3 for a listing of the transactions that make up the questioned and identified costs.

Testing Procedure	Questioned Costs		Identified Costs	
	Number of Transactions	Total Amount	Number of Transactions	Total Amount
Potential Duplicate Payment ¹³	-	\$ 0.00	35	\$ 4,395.09
Prohibited Item(s)	161	\$ 43,797.16	-	\$ 0.00
Lack of Proper Approval	1,276	\$ 271,793.95	1	\$ 50.21
Lack of Proper Support	424	\$ 190,936.16	3	\$ 125.65
Lack of Business Purpose, as required by policy	14	\$ 2,300.94	-	\$ 0.00
Sales Tax Paid	-	\$ 0.00	241	\$ 2,641.73
Total¹⁵	1,875	\$ 508,828.21	280	\$ 7,212.68

¹⁴ Transactions that had multiple exceptions were only counted once for questioned and identified costs to avoid duplication of the totals.

¹⁵ Certain transactions were included in both the Questioned Costs and Identified Costs columns in the chart above. Therefore, the total count of transactions in this chart of 2,155 (1,875 + 280 = 2,155) is higher than the count of transactions in Exhibit 3 Transaction Detail of 2,021.

Purchasing cards are not allowed to be used for purchase of prohibited items which are shown below in further detail.

Summary of Prohibited Items		
Category	No. of Exceptions	Questioned Costs Total
Personal Purchases	2	\$ 164.20
Donations to charitable organizations	3	\$ 1,990.28
Holiday or seasonal decorations including plants	1	\$ 31.58
Hazardous Chemicals	5	\$ 1,232.23
Food not authorized by City Manager or designee	24	\$ 5,149.14
Gifts to employees or outside persons	52	\$ 16,015.79
Miscellaneous office care items such as air freshener, candles, special paper products or cleaning products, etc.	7	\$ 426.32
Computer Hardware or Software	41	\$ 13,597.66
Luxury or extravagant items	18	\$ 4,659.81
Travel policy prohibited use	5	\$ 436.43
Purchases made by employee other than cardholder	2	\$ 47.82
Goods shipped to a non-City address	1	\$ 45.90
Total	161	\$ 43,797.16

Items prohibited by the Policy may have been for legitimate City business; however, the purchase of the items by purchasing card violated the Policy. City staff could have used a purchase order, which is an established procurement option.

The City is exposed to an increased risk for fraud, waste, and abuse if purchasing card spending does not comply with the policy and procedure and/or lacks adequate documentation to validate item(s) purchased and exclusion of sales tax. Additionally, a lack of routine monitoring and oversight increases the risk for non-compliance with policy and procedure.

Recommendations:

- (1) The City consider seeking reimbursement from vendors for potential duplicate payments and sales tax improperly paid.**
- (2) The City develop and implement a process for Department Directors to review and resolve monthly cardholder statements/reconciliations for duplicate payments, purchases of prohibited items, proper supporting documentation, statement of business purpose, and improper payment of sales tax.**

- (3) The City review the policy requirements related to prohibited items and determine whether the City wants to enforce the current policy or revise the policy to reflect actual operations.
- (4) The City develop and implement an independent oversight process for all Council Members, including the Mayor, for purchasing card purchases to ensure compliance with all policy requirements.
- (5) The City implement a process for the Finance Department or the Purchasing Department to review and resolve monthly cardholder statements/reconciliations with approvals by the appropriate Department Director or designated self-approver.
- (6) The City use the purchasing card system (BMO Spend Dynamics) to prevent purchases from vendors with certain merchant category codes related to prohibited items in the policy and produce reports of purchase transactions for monitoring and review. This would increase the efficiency and effectiveness of the monitoring and review process.

Management Response:

Staff concurs with Finding #1 and Recommendations 1-6. Staff will identify true duplicate payments and seek opportunities to recapture funds for such payments and/or sales tax if the collection process is cost effective. As it relates to the recommendations, the City will enhance and modify P-Card Policy and strengthen controls and provide additional training to P-Card Administrators, Managers, and Cardholders, as well as implement additional system provided controls, revise, update and train all P-Card users. The City will also provide additional training for online BMO reconciliation for all existing users, managers as well as new users. The City will update its BMO MCC codes to ensure codes are in compliance with the P-Card Policy. The City will also develop in the future a separate oversight process for the City Council and Mayor as it relates to the P-Cards and ensure compliance with the Policy.

Finding (2): The City could not locate the items purchased using City Purchasing Cards or verify that they were actually received and maintained by the City for use in City business.

Page 2 of the City's Policy states, "J. P-Cards shall be used for City authorized purchases and items related to Official City business." Based on the requirement that P-Cards are used only for authorized purchases and items related to City business, we tested to validate that the purchased items existed and were in the possession of the City for use in City business.

The City was unable to locate 12 out of the 51 items of the purchases tested (24%) for physical observation (see chart below). Additionally, the City could not produce any other documentation showing the City used or disposed of the items that were purchased. As a result, we could not confirm the items purchased with a purchasing card were actually

received and maintained by the City for use in City business. The total cost of the items purchased totaled \$3,869.47, resulted in **\$1,689.97** in questioned costs.¹⁶

Department	Date Purchased	Purchase Description	Exception Amount	Questioned Cost
Council	10/29/2016	Shoes for costume event	\$ 41.55	\$ -
IT	11/25/2016	Finance Fire Tablets	\$ 220.78	\$ -
IT	2/3/2017	Fujitsu ScanSnap for Mayor's Legislative Aid	\$ 414.99	\$ 414.99
IT	2/3/2017	TV for Public Works	\$ 499.98	\$ 499.98
IT	2/23/2017	Huawei Honor 8 Unlocked Smartphone 32GB Dual Camera and Honor Gift Box Bundle	\$ 420.58	\$ -
IT	3/5/2017	1 Samsung 48-inc LED TV	\$ 470.00	\$ -
IT	3/27/2017	1 iClever HS20 Gaming Headphones with Noise-canceling Mic, 7.1 Surround Sound Headset	\$ 44.98	\$ -
IT	3/28/2017	3 Whistler 600 Watt Tailgating 12 V DC to 115 AC Power Inverters	\$ 83.16	\$ -
IT	8/4/2017	3 NVIDIA Shield TV Streaming Media Players	\$ 427.98	\$ -
IT	8/17/2017	1 Proscan 4K Ultra HDTV 48" 1 Mounting Dream TV Wall Mount	\$ 416.98	\$ -
IT	10/26/2017	Portable Loaner Projector	\$ 775.00	\$ 775.00
IT	11/24/2017	1 Harmon Kardon Portable Wireless Speaker	\$ 53.49	\$ -
Total			\$3,869.47	\$1,689.97

The City has a Computer Technology and Internet Usage Policy that provides guidance for computer and technology hardware. The policy states "...No equipment shall be removed, returned or exchanged without the prior approval of IT..."

The IT Department provided our office with a list of disposed electronics; however, the list was not properly maintained since none of the items selected for testing were found on the disposal list. We noted that there were no disposal dates documented for the items that were on the list. We also noted that the disposal list did not document approval of the disposals.

Additionally, we noted that shoes were purchased using a Council Member's purchasing card. Neither the City staff nor the Council Member could provide the shoes to show existence of the item or provided us documentation to verify that the shoes were actually received and maintained by the City for use in City business. The Policy authorizes Council Members to approve their own purchasing card transactions. This process lacks an independent review to detect errors and policy violations.

Lack of sufficient controls and oversight increases the risk for non-compliance with policy and procedure, as well as, purchases being misplaced, lost, or stolen. This exposes the City to an increased risk for fraud, theft, waste, and abuse.

Recommendations:

- (7) The IT Department develop and implement a process to track equipment and electronics that are purchased.**

¹⁶ We accounted for \$2,179.50 of the total \$3,869.47 in questioned costs in Finding 1 for non-compliance with the purchasing card policy; therefore, that amount is not included in this Finding 2 to avoid duplication of questioned costs.

- (8) The IT Department develop and implement a process for disposal of items that includes having documented approval of the disposal and the date the item is disposed.
- (9) The City develop and implement an independent oversight process for all Council members and Mayor purchasing card purchases to ensure compliance with all policy requirements and disposals are properly documented.

Management Response:

Staff concurs with Finding #2 and Recommendations 7-9. The City will implement an Inventory and Small Equipment Policy. Also, the City has purchased a small equipment inventory software program to keep track of small purchases. Staff is developing a process to dispose and transfer equipment including authorization of such disposals.

The City Council and Mayor will be provided additional mandatory training on the P-Card Policy. A designated staff person in the City Manager's Office will review all transactions on a monthly basis to identify inconsistencies with the Policy. Also in the near future, a separate oversight process for the City Council and Mayor as it relates to P-Card purchases and ensure compliance with the Policy and disposals are properly documented. The completion date will occur as soon as practical over the next several months.

Finding (3): Purchasing card issued to an employee was not deactivated immediately upon the employee's separation of employment from the City.



Management should ensure cardholder accounts of separated employees are deactivated in a timely manner to reduce the risk of unauthorized purchasing card charges. Prompt deactivation of purchasing cards/cardholder accounts allows management to limit access to them to only authorized individuals and to maintain accountability for their custody and use. Management may periodically compare purchasing cards/cardholder accounts with records to help detect issues and reduce the risk of errors, fraud, or misuse.¹⁷

We found one (1) out of two (2) (50%) former employee cardholder accounts tested was deactivated six (6) business days after the employee separated from employment with the City, leaving the City exposed to unauthorized use.

According to the City, the purchasing card was not deactivated sooner because the Interim Purchasing Director had just started and had to catch up on all outstanding items. The Policy does not provide guidance on when the notification of an employee's separation should be provided to the Purchasing Card Program Administrator, when the

¹⁷ This best practice is provided in The Government Accountability Office (GAO) Standards for Internal control in the Federal Government issued by the U.S. Comptroller of the Treasury dated September 2014.

Purchasing Card Program Administrator must deactivate the account after receiving that notification, or regarding a review of the former employee's purchasing card account to determine if any transactions occurred after the separation date.

As a result of the delay in deactivation, one (1) purchasing card purchase totaling \$65.00 was made on the purchasing card account after the employee was separated.¹⁸

Additionally, a lack of adequate written guidance regarding card deactivations for separated employees increases the risk that purchasing card purchases are not properly authorized or adequately documented.

Recommendations:

- (10) The City update the Purchasing Card Policy and Procedures to provide guidance on when the notification of an employee's separation should be provided to the Purchasing Card Program Administrator, when the Purchasing Card Program Administrator must deactivate the cardholder's account after receiving that notification, and review of cardholder transactions that occur after the separation date, if any.**
- (11) The City review all purchasing card statements for purchasing cards used by former employees for potential use after employee separation dates and determine if transactions were appropriate.**
- (12) The City should immediately deactivate purchasing cards when an employee's employment with the City ends.**
- (13) The City provide training to cardholders and Department/Division Managers regarding their responsibilities with respect to purchasing cards upon separating employment with the City.**

Management Response:

Staff concurs with Finding #3 and Recommendations 10 – 13. The scope of the Audit covered the very first year of a new electronic, on-line system. As the City converted from a manual system to a cloud based system, exceptions are to be expected.

The City will revise the P-Card Policy to include instructions for the P-Card Administrator and Department Directors to immediately deactivate terminated employees and ensure that expenses are legitimate for said terminated employees. The City will provide training regarding P-Cards upon separation of employment. The P-Card Policy will be uploaded as soon as practical.

¹⁸ We accounted for \$65.00 in questioned costs in Finding 1 for non-compliance with the purchasing card policy; therefore, that amount is not included in this Finding 3 to avoid duplication of questioned costs.

Finding (4): Cardholders exceeded monthly credit limits.

Page 2 of the Policy states,

G. Cardholders shall not exceed the designated spending card limit unless approved in writing by the Department Director or their designee. [sic] Finance Director, Purchasing Director, or City Manager. The Purchasing Card Request Change form shall be completed, signed, and submitted to the Purchasing Card Program Administrator in order for changes to be made to a P-Card.



Further, Page 10 of the Policy states,

P-CARD SPENDING LIMIT PROCEDURES**A. Dollar Limitations**

1. All Cardholders are provided a set dollar limit towards their P-Card which shall remain in effect unless revised by the Department Director, the Finance Director or their designee and approved by the City Manager or their designee.
2. The limits shall be defined in one of the following four categories for the 30-day billing cycle:
 - a) Category One - \$2,500 (single transaction) - \$3,500 (monthly limit)
 - b) Category Two - \$3,500 (single transaction) - \$5,000 (monthly limit)
 - c) Category Three - \$5,000 (single transaction) - \$15,000 (monthly limit)
 - d) Category Four – As determined and approved on a case-by-case basis”

Additionally, Page 2 of the Policy states,

N. The Director and the Purchasing Card Coordinator within each Department shall ensure the Policy is enforced and properly followed. In the event that there is a violation of the set policies, disciplinary action may be taken up to and including termination.

Four (4) cardholders exceeded their monthly credit limit during FY 2017. The limits were exceeded by a total of \$5,046.37, which resulted in questioned costs totaling **\$558.04**.¹⁹

Cardholder's Department	Statement Ending Date	Monthly Credit Limit	Total Purchases	Exceed Monthly Limit
IT	10/27/2017	\$7,500.00	\$7,719.59	\$219.59
Police	11/27/2016	\$4,000.00	\$8,488.33	\$4,488.33
Fire	11/27/2016	\$3,500.00	\$3,724.59	\$224.59
Council	11/27/2016	\$3,500.00	\$3,613.86	\$113.86
			Totals	\$5,046.37

¹⁹ The total questioned costs of \$4,488.33 was already accounted for in Finding 1 for non-compliance with the purchasing card policy; therefore, it is not included in this Finding to avoid duplication of questioned costs.

It appears the Department Directors and Purchasing Card Coordinators did not have a process in place to routinely monitor cardholder spending compared to monthly credit limits.

A lack of routine monitoring and oversight increases the risk for non-compliance with policy and procedure. This exposes the City to an increased risk for improper spending, fraud, waste, and abuse.

Recommendations:

- (14) The City develop and implement a process to routinely monitor cardholder spending compared to monthly credit limits.**
- (15) The City document the action taken when credit limits are exceeded and not authorized in accordance with the Purchasing Card Policy and Procedures.**
- (16) The City work with the institution issuing the purchasing cards to determine if it can establish the transactional and monthly limits on each purchasing card to prevent monthly purchasing card limits from being exceeded.**
- (17) The City determine if the four (4) overages identified in our audit were properly authorized in accordance with the Purchasing Card Policy and Procedures and document the action taken if the overages were not properly authorized.**
- (18) The City provide training to current cardholders, Department Directors, Department Purchasing Card Coordinators, and any new cardholders prior to the issuance of a purchasing card regarding their responsibilities with respect to spending limits.**

Management Response:

Staff concurs with Finding #4 and Recommendations 14 – 18. The City will develop and implement a process to routinely monitor cardholder spending comparing to monthly credit limits. The City will develop a document memorializing the reason for temporary and/or permanent credit limit increase requiring Department Directors and City Manager approval. The City will train cardholders, Department Directors, departmental P-Card Coordinators and future cardholders regarding their responsibilities regarding spending limits. The City will also determine if the four overages were properly authorized and document the action taken if the overages were not authorized. This will be implemented as soon as practically possible.

Finding (5): Cardholders were not properly authorized.



Page 1 of the Purchasing Card Policy and Procedures states,

D. All Cardholders shall be approved by the Department Director and properly signed off by the City Manager or the City Manager's designee.

Additionally, Page 4 of the Purchasing Card Policy and Procedures states,

E. City Manager or City Manager designee are responsible in ensuring:

1. The approval/disapproval on all Purchasing Card Request form.
2. The approval/disapproval on all new and existing P-Card Cardholders.

Page 6 of the Purchasing Card Policy and Procedures state,

P-CARD SET UP & MAINTENANCE PROCEDURES

A. Request and Issuance of P-Card

1. P-Cards shall be requested via the Purchasing Card Request form, and approved by the Department Director and the City Manager or designee.
2. The Cardholder shall sign the Cardholder Agreement and the Policy before receiving the P-Card in person. A copy of Cardholder Agreement form and the Policy shall be provided to the Cardholder.

The Purchasing Card Administrator and staff are responsible for the issuance of purchasing cards to cardholders upon the receipt of a properly executed Cardholder Agreement form.

We found the City was not in compliance with the Policy with respect to the issuance of City purchasing cards. **The City did not provide our office the Purchasing Card Request/Credit Limit Increase form for 20 of the 20 (100%) cardholders tested.** The City did not provide our office the signed Cardholder Agreement for 4 of the 20 (20%) cardholders tested. Additionally, the City did not provide the signed policy for 19 of the 20 (95%) cardholders tested.

It appears the Purchasing Card Administrator did not have a process in place to ensure that Purchasing Card Request/Credit Limit Increase forms and Credit Card Agreements were properly submitted prior to the cardholder being provided a purchasing card.

The City did not provide our office with any documentation to show that the Department Director or City Manager or designee approved the Purchasing Card Request forms authorizing the issuance of purchasing cards to cardholders. Thus, none of the cardholders tested were properly authorized to be issued and use a City purchasing card.

Additionally, the Policy limits users with Administrator access to three (3) positions that include the Purchasing Director, a Senior Procurement Specialist, and the Finance and Administrative Services Director. We found that five (5) employees had Administrator access. Two (2) of those employees (40%) were not authorized by the Policy to have the elevated and privileged computer system access.

The risk for fraud, waste, and abuse is increased when purchasing cards are issued without proper authorization, as proper authorization is the principal means of assuring that only authorized individuals have the ability to expend City resources.

Recommendations:

- (19) The Purchasing Card Administrator develop and implement a process to ensure only authorized cardholders (i.e. cardholders with a completed and properly approved Purchasing Card Request form) with a signed Cardholder Agreement form and policy on file are issued a purchasing card.**
- (20) The Purchasing Card Administrator should review the cardholder files to ensure that the files contain a properly signed and approved Purchasing Card Request/Credit Limit Increase form, Cardholder Agreement, and acknowledgement of policy requirements. If the documents are not in the cardholder file, the Purchasing Card Administrator should ensure that they are obtained or cancel the purchasing card.**
- (21) The City remove Administrator privileges from unauthorized employees.**

Management Response:

Staff concurs with Finding #5 and Recommendations 19 – 21. Staff will ensure this practice is implemented, which requires Department Directors and City Manager approval of P-Card Request Forms. New P-Card holders required to attend training sessions and to sign a P-Cardholder Agreement Form and the P-Card Policy and Procedures Statement. The P-Card Administrator will review the P-Cardholder credit limits with Department Directors and the City Manager for proper policy and limit approvals. Adjustments will be made for those who do not have proper authorizing credit limit increases on file. The administrative privileges have been removed for unauthorized employees. Staff will ensure that all current cardholder agreements have been executed and approved by the City Manager. Recommendations will be implemented as soon as practically possible.

Finding (6): Cardholder credit limits did not comply with policy.



Page 1 of the Purchasing Card Policy and Procedures requires,

All Cardholders shall be approved by the Department Director and properly signed off by the City Manager or the City Manager's designee.

The Department Director and City Manager's approval is documented with the Purchasing Card Request form. The Policy includes an Attachment - Purchasing Card Request/Credit Limit Increase form, which establishes a transaction and monthly credit limit for the cardholder.

Page 6 of the Policy also states,

B. P-Card Maintenance

1. The Purchasing Card Request form shall be completed in order to authorize any changes to a Cardholder's P-Card. These changes consist of name change, increase in card spending limit, updated contact information, etc.
2. This form shall be approved by the Department Director, the City Manager or designee and given to the Purchasing Card Program Administrator to complete the changes.

The Policy also states on Page 2 that,

G. Cardholders shall not exceed the designated spending card limit unless approved in writing by the Department Director or their designee. [sic] Finance Director, Purchasing Director, or City Manager. The Purchasing Card Request Change form shall be completed, signed and submitted to the Purchasing Card Program Administrator in order for changes to be made to a P-Card.

The Policy further provides on Page 10,

B. Increase Limits

1. The Purchasing Card Request form shall state whether the Cardholder's P-Card is of permanent or temporary use.
2. Permanent increases to Category Four shall be justified with appropriate reason for the increase:
 - a) Example - Pre-approved travel by the Department Director or City Manager
 - b) Example - Non-Capital Items- The consistent need to purchase non-capital supplies or services within the Policy guidelines.
3. Temporary Increase shall not exceed 10 days.²⁰

²⁰ Page 4 of the Policy says "Increases are only good for a period of ten days or end of billing cycle." [Emphasis added]

The City did not provide our office with copies of the Purchasing Card Request Change form reflecting the request, justification, or approval of purchasing card spending limit increases for 22 of 31 (71%) cardholders. Credit limit documentation was provided for 4 of the 31 (13%) cardholders; however, the forms were not properly completed (i.e. the monthly credit limit amount was missing). Therefore, we could not determine if those cardholders' credit limits were authorized and/or properly increased.

Additionally, 11 of the 11 (100%) temporary increases (non-hurricane) exceeded the maximum duration per the policy of 10 days or end of billing cycle. There were 11 of the 11 (100%) hurricane related increases that exceeded the duration of the state of emergency declared by the Governor of the State of Florida.²¹

It appears the Purchasing Card Administrator did not have a process in place to ensure that properly completed and approved Purchasing Card Request/Credit Limit Increase forms were submitted prior to setting and increasing cardholders' credit limits, as required by policy. Additionally, there was a lack of adequate oversight to monitor credit limits to ensure temporary increases were reduced timely and accurately and with proper supporting documentation.

The risk for unauthorized purchases is increased when controls, such as, the authorized cardholder credit limit are not in place or monitored.

Recommendations:

- (22) The Purchasing Card Administrator develop and implement a process, when purchasing cards are issued, to ensure the credit limits for cardholders are established in accordance with the properly completed and approved Purchasing Card Request/Credit Limit Increase form.**
- (23) The Purchasing Card Administrator develop and implement a process to ensure credit limits are only increased for cardholders with a properly completed and approved Purchasing Card Request/Credit Limit Increase form.**
- (24) The City develop and implement a process for ensuring temporary credit limit increases are reversed accurately and in a timely manner.**
- (25) The City review all cardholder accounts to determine if the current credit limits are authorized and accurate for all users and adjust if necessary.**

Management Response:

Staff concurs with Finding #6 and Recommendations 22 – 25. The P-Card Policy allowed for credit increases on a temporary and/or permanent basis. The procedure for

²¹ The Governor of the State of Florida issued Executive Order Number 17-235 on September 4, 2017, which expired sixty days thereafter.

such increases requires approval of the department head and the city manager. Due to staff change over and vacancies approval forms were not being used. The use of the temporary/permanent credit limit increase forms will be used for the approvals and the policy will be revised to allow time for the P-card Administrator to remove the credit limit increases. Staff will review current credit limits of all card users and ensure that they are in compliance with the P-Card Policy and authorized by the Department Directors and City Manager. Those that are not will be adjusted. This will be implemented as soon as practically possible.

Finding (7): The Purchasing Card Policy and Procedures could be enhanced.

The City's Policy was generally adequate with proper controls in place. We noted areas that could be enhanced during the audit. Exceptions noted during the audit include:

- The Policy did not explicitly include Council Members and the Mayor in the "Persons Affected" section of the Policy.
- The designated Purchasing Card Administrators named in the Policy included a former employee.
- The Policy did not stipulate a process for receipts that are not legible.
- The Policy did not include a requirement to use contracts when there were contracts in place. In 86 purchases of office supplies totaling \$10,696, purchasing cards were used rather than using the City's office supplies agreement with Office Depot, which offers discounted pricing on a variety of products.
- The Policy does not require protection of confidential information. Supporting documentation for 29 transactions in the purchasing card system (BMO Spend Dynamics) contained the full purchasing card account number (primary account number) and card expiration date, making the information accessible to unauthorized individuals. This is a violation of Payment Card Industry Data Security Standard Requirement 3: Protect stored cardholder data.

Office Supplies Contract Not Used		
Department/Division	Count	Total
Parks	9	\$ 702
Public Works	14	\$ 1,861
IT	1	\$ 279
Utility, Police, Fire	4	\$ 272
Council & Mayor	37	\$ 5,406
Executive	8	\$ 1,041
Various ²²	13	\$ 1,135
Total	86	\$ 10,696

²² Various Departments included City Attorney, City Clerk's Office, Civil Drug Court, Development Services, Finance, Human Resources, Library, Parks, Purchasing, and Utilities.

PCI Violations		
Department/Division	Count	Total
Parks	5	\$ 1,205
Public Works	1	\$ 400
IT	6	\$ 2,441
Utility, Police, Fire	8	\$ 77
Council & Mayor	4	\$ 779
Executive	-	\$ 0
Various ²²	5	\$ 1,205
Total	29	\$ 6,107

The risk for non-compliance with the policy and procedures, higher costs, and unauthorized purchasing card transactions is increased when it is not clear who is affected by the policy, the policy information is not accurate, confidential information is disclosed and not properly secured, and the policy does not provide guidance for all likely and relevant circumstances.

Recommendations:

(26) Revise the City's Purchasing Card Policy and Procedures to:

- a. Include Council Members and the Mayor as "Persons Affected" by the policy.
- b. Update the designated Purchasing Card Administrators roles and remove individual names from the Policy.
- c. Include guidance for receipts that are not legible.
- d. Include guidance for the purchase of office supplies using the most economical method practical.
- e. Include guidance for protecting sensitive cardholder data, including but not limited to the primary account number, expiration date, and card verification code.

(27) The City use contracts that are in place, when possible, to obtain the best prices for purchases.

Management Response:

Staff concurs with Finding #7 and Recommendations 26 – 27. The current P-Card Policy will be enhanced to better serve the operations of the City. The P-Card Policy Statement will be updated based on recommendations by the Office of Inspector General. The Mayor and City Council will be added to the P-Card Policy as affected parties and the personal names will be removed from the Policy. Also, the P-Card Policy will be updated to include guidance on receipts that are not legible and requiring users to follow the most economical and practical means when making purchases. Guidance will also be included in the P-Card Policy to protect sensitive data. This will be implemented as soon as practically possible.

Finding (8): Lack of written guidance regarding computer user access controls.

This audit included review of data reliability and integrity for the computer systems related to the purchasing card processes. Basic computer system controls include written Information Technology (IT) policies that are clearly communicated and limiting access to authorized individuals based on their job duties. IT policies should establish uniform written guidance for user access to ensure that the creation,

modification/increased privileges, and deactivation of user accounts should require written authorization.

We found that the City had no formal, approved written policy for the computer system user access regarding employee terminations and transfers or limits to the administrative and privileged system access. We found that the former IT manager developed an IT policy manual that covers employee terminations/transfers and the establishment and provisioning of user access roles and permissions. The IT policy manual has not been formally approved or adopted by the City.

A lack of written guidance can lead to inconsistencies in the user access/account set up and deactivation process, which could further lead to the risk of unauthorized or inappropriate access to the City's computer systems. The risk of unauthorized changes to City computer systems and the data within them is increased when no formal approved guidance exists to appropriately limit user access to those systems and data.

Recommendation:

- (28) The City implement written guidance for user access to the City's computer systems that establishes at a minimum: requirements for employee terminations/transfers and limitation on individuals provided administrative and privileged system access.**

Management Response:

Staff concurs with Finding #8 and Recommendation 28. On October 1, 2018 the City migrated to a new ERP which contains an imbedded P-Card feature. Though not implemented at the initial stage, this feature will address issues such as active or non-active employees, approvals and account distributions. This internal goal is to have this feature fully operational by October 1, 2019. In the meanwhile, included in the revised P-Card Policy Statement will be a notification process for Department Directors to immediately notify the P-Card Administrator of all terminated employees. In addition, the City will implement written guidance for user access to the City-wide systems. This will be implemented as soon as practically possible.

AUDIT FINDINGS – COUNCIL OUT-OF-STATE TRAVEL**Finding (9): Lack of adequate oversight for Council travel expenditures and the expenditures did not comply with the Travel Policy and Procedures.**

The City's Travel Policy and Procedures applies to elected officials and employees and is intended to ensure that travel costs are reasonable and necessary for the conduct of City business. The City's Travel Policy and Procedures states,

RESPONSIBILITY

- A. The City Council, City Manager, and Department Heads are responsible for ensuring that:
1. Travel commitments are within their budgeted funds and accounts will not be over-expended.
 2. Travel is directly related to City business.
 3. Proper authorization for travel expenses is received before any travel commitments are made or travel expenses incurred.
 4. Travel expenditures are supported by proper documentation and/or receipts.
 5. Travel is completed in the most cost effective manner.
 6. All travel expenditures and reimbursements are in compliance with this Policy.

The City's Travel Policy and Procedures mandates specific requirements for allowable travel expenditures with respect to lodging, meals, transportation expenses, and incidental expenses such as tipping, laundry, and luggage fees. First or business class airline travel, lodging and transportation upgrades, expenses associated with companion travel, personal entertainment and recreational fees, and liquor are disallowed.

Additionally, specific requirements for travel authorization, substantiation of travel expenses, and submitting required documentation are provided in the policy. Prior to travel, the Travel Authorization Form must be completed, signed by the traveler and authorizing individual and submitted to the Finance Department, along with the relevant information and substantiation of anticipated expenses. A Travel Authorization Form shall also be completed and signed by the traveler and authorizing individual, and submitted to the Finance Department within twenty (20) business days of the traveler's return to substantiate all travel expenses incurred. The policy states meals and tips for luggage handling and maid service do not require receipts, and a memorandum to the Director of Finance is required to explain why any other receipts could not be located.

We found that \$9,842.11 of \$25,301.24 (39%) travel expenses incurred by Council Members and Mayor in FY 2017 did not comply with the City's Travel Policy and Procedures. We noted the following violations of the City's Travel Policy and Procedures for each Council Member: See Exhibit 5 for a detailed listing of the transactions completed by Council for out-of-state travel that did not comply with the

City's Travel Policy and Procedures related to disallowed expenses, improper documentation, and insufficient documentation.

FY 2017 Out-of-State Council Travel – Non Compliance					
Name	Total Expenditures Reviewed	Disallowed Expense	Improper Documentation	Insufficient Documentation	Total Non-Compliant Expenditures
Pardo	\$3,412.33	\$430.47	\$23.30	\$754.97	\$1,208.74
Miller-Anderson	\$6,076.67	\$35.00	\$100.00	\$3,144.72	\$3,279.72
Hubbard	\$2,821.34	\$0.00	\$50.00	\$922.96	\$972.96
Masters	\$7,098.84	\$494.55	\$1,386.75	\$1,919.85	\$3,801.15
Davis-Johnson	\$5,892.06	\$473.29	\$106.25	\$0.00	\$579.54
Totals	\$25,301.24	\$1,433.31	\$1,666.30	\$6,742.50	\$9,842.11

Of the exceptions noted above, **\$3,458.14** were considered questioned costs and **\$256.44** were considered identified costs.²³

There was a lack of independent review for Council Members and Mayor travel expenditures because the Council Members and Mayor authorize their own travel and are also responsible for ensuring that their own travel expenditures are directly related to City business, completed in the most cost effective manner, and in compliance with the travel policy. The Finance Department processed the elected officials' travel forms when submitted, but the Finance Director is only authorized to review and approve expenditures paid by check (e.g. conference registration fee) or through payroll (i.e. cash advances and reimbursements for per diem and tips) for accuracy of rates and adequacy of documentation to support travel. **Travel expenditures made by Council Members and Mayor purchasing cards were not independently reviewed and approved for policy compliance.** The lack of independent review creates a risk to the City of non-compliance with the policy, errors, and inadequate management of the travel program.

This exposes the City to an increased risk for fraud, waste, and abuse.

Recommendation:

- (29) Develop and implement an independent oversight process for all Council Members and Mayor's travel expenditures to ensure compliance with all policy requirements.**

Management Response:

Staff concurs with Finding #9 and Recommendation 29. Staff will implement additional system provided controls and enhance documentation requirements to ensure overall policy adherence. Staff will also recommend additional policies be adopted to provide further clarity to matters that may not be clear to occasional users. We will continue to work with Mayor and Council to develop an elected official's policy for travel and documenting specific business purposes, taking out self-approvals of travel

²³ \$6,125.56 was already considered a questioned cost and \$1.97 was already considered an identified cost in Finding 1 for non-compliance with the purchasing card policy.

expenses and implementing a procedure which creates proper checks and balances. This will be implemented as soon as practically possible.

Finding (10): Council travel expenditures were not posted to the appropriate general ledger account.

The City's Purchasing Card Policy and Procedures designates the Council Members and Mayor as self-approvers of their purchasing card transactions. As such, they are responsible for properly coding purchasing card transactions. Additionally, the City's Accounts Payable Policy states funds disbursed for payment of goods and services transactions must bear the proper account codes, in accordance with established accounting policies.

We found the City posted \$1,267.59 in purchasing card expenditures to the incorrect general ledger account. Of that, \$1,102.59 in non-travel purchasing card expenditures were incorrectly posted to a travel general ledger account, and \$165.00 in travel-related purchasing card expenditures were incorrectly posted to the Subscriptions & Memberships general ledger account.

Non-Travel Expenditures recorded as Travel Expenditures in Error			
GL Date	Cardholder	Expense Description	Total Amount
12/27/2016	Davis	Chair Terence Davis sponsored lunch for Riviera Beach residents attending Pop Warner game.	\$30.13
8/30/2017	Davis	Pizza for Displace Families Stony Brooks (16) units displaced	\$100.00
3/27/2017	Miller-Anderson	NLC DC NBC-LEO and WMIG Fees	\$100.00
3/31/2017	Miller-Anderson	Box office	\$17.50
3/31/2017	Miller-Anderson	Professional development	\$225.00
3/31/2017	Miller-Anderson	CTC constant contact	\$20.00
1/27/2017	Davis-Johnson	Table for constituents at the MLK awards banquet Jan 21st.	\$500.00
11/27/2016	Pardo	YMCA Prayer Breakfast	\$106.09
12/27/2016	Pardo	Personal	\$3.87
Sub-Total			\$1,102.59
Travel-Related Expenditure Recorded as Subscriptions & Memberships in Error			
GL Date	Cardholder	Expense Description	Total Amount
11/16/2016	Davis-Johnson	Registration to the NBC-LEO off site activity during the city summit in Pittsburgh 11/17/16	\$165.00
Sub-Total			\$165.00
Total			<u>\$1,267.59</u>

There was a total amount of \$1,267.59 that was miscoded less \$225.84 of expenditures questioned in Finding 1 for non-compliance with the purchasing card policy. This totaled **\$1,041.75** in additional Questioned Costs, based on the transactions being miscoded, which is a violation of the Accounts Payable Policy.

It appears the Council members did not comply with the Purchasing Card Policy and Procedures or the Accounts Payable Policy and Procedure, which require transactions to be properly coded. The Finance Department review did not identify the error and processed payment of goods and services that did not bear the proper account codes.

The risk of errors is increased when policy is not followed. Additionally, a lack of sufficient monitoring and oversight increases the risk for non-compliance with policy and procedure and increases the risk for fraud, waste, and abuse.

Recommendations:

- (30) The Finance Department provide the Council Members and Mayor training and/or guidance for purchasing card transaction coding to assist with proper coding of expenditures.**

- (31) The Finance Department review purchasing card transactions for the proper general ledger account coding prior to posting the transactions to the general ledger.**

Management Response:

Staff concurs with Finding #10 and Recommendations 30 – 31. Additional training will be provided to the Legislative Aides, Mayor and City Councilpersons to ensure proper coding of expenditures. Staff will also ensure proper coding of the P-Card transactions to the City's books. Also note that the new ERP system eliminates the function of coding the P-Card transactions. This will be implemented as soon as practically possible.

ALLEGATION - FINDING AND RECOMMENDATIONS

Allegation (1): The City improperly approved the tuition reimbursement request of an employee without obtaining appropriate documentation, in violation of the City's policies and procedures. The allegation is **supported**.

Finding (11): Employee tuition reimbursement did not comply with the City's Accounts Payable Policy and Procedure.

The City's Accounts Payable Policy and Procedure provides the requirements for all City disbursements, including employee reimbursements. The Policy Statement states the City disburses funds for payment of goods and services only when the certain conditions are met. Some of the requirements that include expenses are for a valid public purpose and transactions include complete and accurate supporting documentation.

According to the City Manager, the City applies the tuition reimbursement provisions in the Service Employees International Union (SEIU) Contract to its administrative, non-union employees.

The SEIU contract states that employees who meet stated requirements shall be reimbursed for certain costs incurred for approved graduate and/or undergraduate and/or any other **course work related to the employee's job or leading to a degree related to his/her job**. The education reimbursement is limited to 18 semester hours per calendar year, per employee and based upon the current state university tuition rate and the grade achieved (e.g. a grade achieved of "A" is reimbursed at 100% of tuition cost, while a "B" is reimbursed at 75% of tuition cost). In addition, the employee must continue employment with the City for at least 24 months following the last date of reimbursement. All requests for prior approval of courses and reimbursement requests shall be submitted in accordance with City policy (which includes the Accounts Payable Policy and Procedure) and include, but not be limited to, tuition receipts and official transcripts or grade notification.

The complainant's concern was that proper justification had not been provided to support a Human Resources Generalist's tuition reimbursement for Criminal Justice college courses. The courses taken were Understanding Criminal Behavior, Violence Research and Policy, Victims and Justice Process, Serial Homicide, Research Methods, and Criminal Justice Research. Some examples of the Human Resources Generalist job duties included: fill open positions, receive and review employment applications, refer applicants to departments for employment, review applications for sufficiency, assist departments in the evaluation process, administer civil service tests, prepare reports and assessments, and respond to employment inquiries.

We found the City improperly reimbursed an employee for tuition expenses (Spring 2017) without the required proper supporting documentation to show that the courses were related to the employee's job, as required by the City's Accounts Payable Policy and Procedure and SEIU contract. The City incurred \$2,286.87 for employee tuition that

did not meet the union agreement or comply with the City's Accounts Payable Policy and Procedures. Additionally, the tuition reimbursement was incorrectly calculated with the "A" grade percentage of 100% when the employee received a "B" grade which is at a 75% rate. Subsequently, the City invoiced the employee to recoup the amount incorrectly reimbursed; however, the City has not been reimbursed. This resulted in **identified costs of \$2,286.87**.

We found that the reimbursement request for Spring 2017 courses was not properly reviewed for accuracy and adequate supporting documentation prior to disbursing the reimbursement to the employee.

Additionally, the same employee did not provide proper supporting documents when the reimbursement request was submitted to the City for the Summer 2017 and Fall 2017 tuition expenses for coursework totaling approximately \$4,122 (\$2,125 Summer 2017 + \$1,997 Fall 2017). In addition, all three (3) tuition reimbursement requests had the incorrect amount of refund due to the employee, which resulted in **avoidable costs that totaled \$301.39** for the Summer 2017 and Fall 2017 courses. The calculations of the amounts were not performed in accordance with the SEIU contract, assuming it would apply, and lacked documentation to support that the courses taken were related to the employee's current job duties in the Human Resources Department. The avoidable amount is based on inaccurate calculations as a result of the grades, books, and fees that are not eligible for reimbursement. These reimbursement requests have not been approved by the City.

Additionally, we found that the City does not have a formal written policy or procedure regarding the reimbursement of non-union employee tuition expenses. In addition, there was no clear criteria for 1) determining what education/training is related to an employee's job or leading to a degree related to an employee's job or 2) documenting the evaluation and final determination of whether education/training is job-related or leading to a degree related to an employee's job (union or non-union employees).

The risk for overpayment or non-compliance with policies is increased if tuition reimbursement requests are not properly reviewed for accuracy and adequate supporting documentation prior to approval and reimbursement.

Recommendations:

- (32) The City develop and implement policies and procedures for union and non-union employee tuition reimbursement that establishes criteria for determining and documenting (1) what education/training is eligible for reimbursement, (2) who is responsible for evaluating/approving eligibility requiring written pre and post approval, and (3) administrative requirements for processing the tuition reimbursement that are consistent with existing purchasing and accounts payable policies.**

- (33) The City consider obtaining repayment of the inadequately supported tuition reimbursement totaling \$2,286.87.**

- (34) The City ensure Tuition Reimbursement Requests are properly reviewed for accuracy and appropriate supporting documentation prior to disbursement of the funds.

Management Response:

Staff concurs with Finding #11 and Recommendations 32 – 34. Staff is preparing a policy for education reimbursement for nonunion employees and will include procedures for pre- and post- approval language. Training will be provided to department directors upon approval of the policy. The City will consider reimbursement of tuition fees paid to the employee.

IDENTIFIED IN THE AUDIT

Questioned Costs

Finding	Description	Questioned Costs
1	Purchasing Cards – Prohibited Items	\$ 43,797.16
1	Purchasing Cards – Lack of Proper Approval	\$ 271,793.95
1	Purchasing Cards – Lack of Proper Support	\$ 190,936.16
1	Purchasing Cards – Lack of Business Purpose, as required by policy	\$ 2,300.94
4	Cardholders Exceeded Monthly Limits	\$ 558.04
2	Purchasing Card Items Existence Could Not Be Confirmed	\$ 1,689.97
9	Council Travel Expenditures – Non Compliance	\$ 3,458.14
10	Council Miscoded Expenditures	\$ 1,041.75
TOTAL QUESTIONED COSTS		\$ 515,576.11

Identified Costs

Finding	Description	Identified Costs
1	Purchasing Card – Sales Tax Paid in Error	\$ 2,641.73
1	Purchasing Card – Potential Duplicate Payments	\$ 4,395.09
1	Purchasing Card – Lack of Proper Support	\$ 125.65
1	Purchasing Card – Lack of Proper Approval	\$ 50.21
9	Council Travel Expenditures – Non Compliance	\$ 256.44
11	Employee Tuition Reimbursement Non-Compliant	\$ 2,286.87
TOTAL IDENTIFIED COSTS		\$ 9,755.99

Avoidable Costs

Finding	Description	Avoidable Costs
11	Employee Tuition Reimbursement Calculation Error	\$ 301.39
TOTAL AVOIDABLE COSTS		\$ 301.39

EXHIBIT LIST

Exhibit 1 – Audit Sample Statistics

Exhibit 2 – Summary of Testing Exceptions

Exhibit 3 – Transaction Detail for Questioned/Identified Costs

Exhibit 4 – Data Analyses Performed

Exhibit 5 – Out-of-State Council Travel Expenditures - Non-Compliance

Exhibit 6 – Out-of-State Council Travel Expenditures – Corrective Actions

ATTACHMENT

Attachment 1 – City of Riviera Beach Management Response, page 45-57

EXHIBIT 1 – Audit Sample Statistics

Audit Sample Statistics							
Department / Division	Cards Issued	Total Purchases by Department			Audit Sample		
		No. of Credit Card Transactions	Total Credit Card Purchases	% of Total Amount	No. of Credit Card Transactions	Total Credit Card Purchases	% of Total Amount
City Attorney	3	7	\$ 1,491	0%	7	\$ 1,491	0%
City Clerk's Office	1	38	9,055	1%	16	4,746	1%
City Manager's Office	4	52	12,489	1%	52	12,489	1%
Civil Drug Court	1	11	4,086	0%	11	4,086	0%
Council	7	377	94,236	9%	372	93,336	11%
Development Services	2	53	27,725	3%	27	21,033	2%
Finance	7	272	34,811	3%	213	21,270	3%
Fire	3	127	40,795	4%	44	18,712	2%
Human Resources	3	86	28,263	3%	50	19,751	2%
Information Technology	3	320	70,627	6%	320	70,627	8%
Justice Service Center	1	16	822	0%	16	822	0%
Library	1	33	4,863	0%	3	926	0%
Mayor's Office	1	134	17,572	2%	134	17,572	2%
Parks	9	964	267,902	24%	686	171,007	20%
Police	3	424	102,763	9%	198	58,428	7%
Public Works	7	574	91,370	8%	375	60,415	7%
Purchasing	6	247	196,996	18%	189	182,307	22%
Utility	4	294	55,567	5%	294	55,567	7%
Youth Empowerment	1	337	33,063	3%	337	33,063	4%
Grand Total	67	4,366	\$ 1,094,496	100%	3,344	\$ 847,648	100%

EXHIBIT 2 – Summary of Testing Exceptions²⁴

Summary of Testing Exceptions ¹														
Department / Division	Duplicate Payments		Prohibited Items ² (Policy Violation)		Lack of Proper Approval ³ (Policy Violation)		Lack of Proper Support (Policy Violation)		Lack of Business Purpose (Policy Violation)		Sales Tax Paid (Policy Violation)		Total Exceptions	
	Count	Total	Count	Total	Count	Total	Count	Total	Count	Total	Count	Total	Count	Total
City Attorney	-	\$ -	1	\$ 54.90	2	\$ 429.90	2	\$ 292.24	-	\$ -	-	\$ -	5	\$ 777.04
City Clerk's Office	-	\$ -	-	\$ -	-	\$ -	2	\$ 170.33	-	\$ -	-	\$ -	2	\$ 170.33
City Manager's Office	1	\$ 381.20	5	\$ 1,059.73	28	\$ 7,674.90	8	\$ 951.73	1	\$ 38.85	3	\$ 10.23	46	\$ 10,116.64
Civil Drug Court	-	\$ -	-	\$ -	10	\$ 4,865.86	2	\$ 70.00	-	\$ -	-	\$ -	12	\$ 4,135.06
Council	-	\$ -	33	\$ 13,233.01	210	\$ 45,736.98	86	\$ 10,604.23	1	\$ 1,330.42	68	\$ 1,120.89	398	\$ 72,025.54
Development Services	1	\$ 595.00	-	\$ -	1	\$ 110.00	15	\$ 1,726.96	-	\$ -	-	\$ -	17	\$ 2,431.96
Finance	-	\$ -	-	\$ -	21	\$ 4,533.95	2	\$ 330.87	-	\$ -	2	\$ 3.73	25	\$ 4,868.55
Fire	-	\$ -	-	\$ -	20	\$ 9,277.71	5	\$ 2,893.32	-	\$ -	1	\$ 0.49	26	\$ 12,171.52
Human Resources	-	\$ -	5	\$ 564.19	13	\$ 4,688.13	5	\$ 2,579.85	-	\$ -	6	\$ 29.02	29	\$ 7,779.19
Information Technology	2	\$ 300.99	3	\$ 378.17	141	\$ 29,722.50	37	\$ 8,754.01	21	\$ 5,409.40	9	\$ 134.8	213	\$ 44,699.94
Justice Service Center	-	\$ -	10	\$ 363.91	-	\$ -	1	\$ 163.91	-	\$ -	4	\$ 16.75	15	\$ 564.57
Library	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Mayor's Office	1	\$ 21.47	5	\$ 18.46	67	\$ 9,388.81	20	\$ 1,621.94	1	\$ 43.50	23	\$ 140.28	117	\$ 11,398.46
Parks	16	\$ 2,458.95	32	\$ 9,694.75	371	\$ 75,322.44	131	\$ 41,403.11	11	\$ 5,084.88	73	\$ 459.28	634	\$ 134,423.19
Police	-	\$ -	28	\$ 7,209.36	17	\$ 9,846.99	35	\$ 6,616.99	17	\$ 4,398.26	15	\$ 208.44	112	\$ 28,280.04
Public Works	1	\$ 98.48	20	\$ 2,781.11	184	\$ 32,664.54	160	\$ 33,519.30	1	\$ 139.00	17	\$ 112.92	383	\$ 69,335.35
Purchasing	-	\$ -	14	\$ 7,990.69	44	\$ 15,130.51	101	\$ 122,386.75	11	\$ 5,414.17	5	\$ 324.07	175	\$ 151,246.19
Utility	1	\$ 259.00	3	\$ 185.48	218	\$ 42,611.58	49	\$ 11,497.99	-	\$ -	6	\$ 85.33	277	\$ 54,639.38
Youth Empowerment	12	\$ 280.00	2	\$ 99.40	-	\$ -	39	\$ 2,899.04	1	\$ 248.69	16	\$ 85.66	70	\$ 3,612.9
Total	35	\$ 4,395.09	161	\$ 43,797.16	1,347	\$ 291,142.01	700	\$ 248,502.57	65	\$ 22,106.97	248	\$ 2,731.94	2,556	\$ 642,675.74

¹ Transactions may be included more than once in the table above if the transaction was an exception in two or more testing procedures; therefore, the total amounts above do not agree to the Questioned Cost / Identified Cost total amounts, because the transaction amount was counted only once.

² The Purchasing Card Policy and Procedure, Sub-section B, Prohibited P-Card Use section specifically prohibits the purchase of certain items. It states, "1. The following types of items shall not be purchased with a P-Card.

- a) Personal Purchases (non-official use)
- b) Donation to charitable organizations
- c) Gasoline, fuel, or oil for personal vehicle
- d) Cash advances
- e) Holiday or seasonal decorations including plants
- f) Payments to individual and employees
- g) Weapons & Ammunition
- h) Hazardous Chemicals³ with exception for emergency operation at Utility
- i) Food not authorized by City Manager or his/her designee (i.e. coffee, snacks, candy)
- j) Gifts to employees or outside persons
- k) Vehicle enhancements, mats, cushions, tinting, etc.
- l) Miscellaneous office care items such as air freshener, candles, special paper products, or cleaning products, etc.
- m) Computer Hardware or Software (IT Dept. only)³
- n) Cellular phones, Tablets, or Telephone charges³ cell phone charges may be processed by credit card by IT or Purchasing.
- o) Luxury or extravagant items
- p) Any additional goods or services specifically restricted by the Department/Division Head and Purchasing Card Program Administrator. Exceptions allowed for categories identified by asterisk (*) above...

³ The online statement / reconciliation in the purchasing card system (BMO Spend Dynamics) for certain card holders could not be approved as required by the Purchasing Card Policy due to a configuration error. 1,088 transactions totaling \$208,583.49 were not approved in the purchasing card system due to this configuration error.

²⁴ An exception is a transaction that does not comply with the policies and procedures.

EXHIBIT 3 – Transaction Detail for Questioned/Identified Costs²⁵

To review the transaction detail for questioned/identified costs, click on the below link:

http://www.pbcgov.com/OIG/docs/Reports/2019-A-0003-Exhibit_3.pdf

²⁵ This chart is in actual dollars and cents based on the amount of the transactions. This amount is slightly different from the totals used in the report based on rounding.

High risk transactions were selected for detailed testing based on the following data analyses:

- Abnormal purchases by department and cardholder by month and year.
- Unauthorized card use (transactions using cards that are not assigned to an authorized cardholder).
- Inactive cards (cards assigned to an authorized user that have had no transactions within the last 12 months).
- Inactive employee usage (transactions for cards assigned to inactive employees and after their last day of work, i.e. separated/terminated, retired, on extended leave).
- Employees with multiple cards (multiple cards assigned to one employee).
- Potential conflicts of interests (transactions where vendor information matches employee information).
- Non-compliance with competitive bidding and authorization requirements.
- Duplicate payments.
- Transaction thresholds exceeded (transaction limit assigned to cardholder).
- Cardholder's threshold exceeded (cardholder's total statement amount exceed the card or employee limit).
- Transactions split across multiple cards or on one card.
- Purchases made on City holidays.
- Purchases that could potentially be cash advances (rounded numbers).
- Purchases with MCCs that could potentially be personal (e.g. restaurants/ bars, casinos/pawn shops, cruises, souvenir shops, florists, gas stations, charities, etc.).
- Purchases from blacklisted vendors.
- Key words (e.g. miscellaneous, gift, other).
- Excessive year-end budget usage or misuse.

EXHIBIT 5 – Out-of-State Council Travel Expenditures – Non Compliance

FY 2017 Out-of-State Travel			Exceptions Noted			Exceptions Total Amount	% of Exception Amount	Additional Information
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
1 Dawn Pardo	Washington, DC	\$ 2,191.57	\$ 338.30	\$ 23.30	\$ -	\$ 361.60	16%	Pre-Travel Authorization Form was not accurate as required by policy: -Estimated taxes for lodging expense was not reported. -Travel insurance of 523.30 was not reported. Post-Travel Authorization Form was not accurate as required by policy: -Travel insurance of 523.30 was not reported. Lodging expense of \$285.30 exceeded the conference rate which was disallowed per policy. Hotel bill included \$8 for bottled water in addition to full per diem amount paid to the traveler; therefore, the per diem allowance per policy was exceeded. Flight seat upgrade of \$45 was disallowed by policy.
2 Dawn Pardo	Washington, DC	\$ 754.97	\$ -	\$ -	\$ 754.97	\$ 754.97	100%	Pre- and Post-Travel Authorization Forms required by policy were not provided; therefore, all trip expenditures were not adequately supported.
3 Dawn Pardo	Washington, DC	\$ 465.79	\$ 92.17	X	\$ -	\$ 92.17	20%	Pre and Post-Travel Authorization Forms were not signed as required by policy. Estimated expenses were not accurately reported or supported. -Estimated taxes for lodging expense were not reported. -No support for the estimated airfare expense was provided. Flight seat upgrade of \$91.39 was disallowed per policy. Tip for taxi service of \$0.78 exceeded the maximum tip per policy.
4 Kashamba Miller-Anderson	Cleveland, OH	\$ 100.00	\$ -	\$ 100.00	\$ -	\$ 100.00	100%	Pre-Travel Authorization Form was not signed as required by policy. Post-Travel Authorization Form was not submitted within 20 business days of return from travel status as required by policy. It appears conference registration of \$100 was incorrectly paid from the City travel account rather than the CRA travel account.
5 Kashamba Miller-Anderson	Washington, DC	\$ 2,831.95	\$ 35.00	X	X	\$ 35.00	1%	Pre-Travel Authorization Form required by policy was not provided; therefore, estimated expenses were not adequately supported. Post-travel authorization Form was not submitted within 20 business days of return from travel status, as required by policy. Baggage fee of \$35.00 does not appear to be for traveler (passenger ticket numbers on flight receipt and baggage fee receipt do not match) was disallowed by policy.
6 Kashamba Miller-Anderson	Pittsburgh, PA	\$ 2,559.72	\$ -	\$ -	\$ 2,559.72	\$ 2,559.72	100%	No travel documentation was provided; therefore, all trip expenditures were not adequately supported.
7 Kashamba Miller-Anderson	Charlotte, NC	\$ 585.00	\$ -	\$ -	\$ 585.00	\$ 585.00	100%	No travel documentation was provided; therefore, all trip expenditures were not adequately supported.

FY 2017 Out-of-State Travel			Exceptions Noted			Exceptions Total Amount	% of Exception Amount	Additional Information
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
8 Lynne Hubbard	Pittsburgh, PA	\$ 2,821.34	\$ -	\$ 50.00	\$ 922.96	\$ 972.96	34%	Pre-Travel Authorization Form required by policy was not provided; therefore, estimated expenses were not adequately supported. Flight seat upgrade was disallowed by policy - the amount of the upgrade could not be determined due to lack of an itemized airfare receipt. Therefore, the entire airfare amount of \$922.96 was an exception due to insufficient documentation. \$50 conference lunch fee was not reported on the Post-Travel Authorization Form as required by policy.
9 Thomas Masters	Changchun, China	\$ 2,954.07	\$ -	\$ 948.67	\$ 21.47	\$ 970.14	33%	Pre-Travel Authorization Form excluded all estimated expenses (i.e. cost of visa) and reported the incorrect airfare cost which is not in compliance with policy. Post-Travel Authorization Form expenses were not accurate as required by policy. -Airfare costs totaling \$750.60 was not reported. -Baggage fees totaling \$50 were not reported. -Meals totaling \$169.54 were not reported, including one meal for \$21.47 which had no support.
10 Thomas Masters	Philadelphia, PA	\$ 279.68	\$ -	\$ 178.68	X	\$ 178.68	64%	No pre-Travel Authorization Form, which is required by policy, was provided. Post-Travel Authorization Form expenses were not accurate as required by policy: -Baggage fees totaling \$50 were not reported. -Taxi service of \$35.88 was not reported. -Meals totaling \$29.90 were not reported. -Parking fees totaling \$62.90 were not reported.
11 Thomas Masters	New York, NY	\$ 1,740.04	\$ 348.00	X	\$ 1,392.04	\$ 1,740.04	100%	Pre-Travel Authorization Form was not accurate as required by policy: -Airfare paid by another organization was incorrectly reported. Post-Travel Authorization Form was not accurate as required by policy: -Per diem meal expenses of \$2.00 exceeded the allowance per policy. Hotel upgrade charges for Club Level Access totaling \$459.04 were disallowed by policy (\$459.04 was reduced by the per diem meal amount allowed by policy of \$54 that was waived by the traveler). Business purpose, which is required by policy, was not adequately supported with documentation, so we could not validate the travel was conducted for the purpose stated. Therefore, the remaining travel expenditures were considered exceptions.

FY 2017 Out-of-State Travel			Exceptions Noted			Exceptions Total Amount	% of Exception Amount	Additional Information
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
12 Thomas Masters	Bimini, Bahamas	\$ 1,105.09	\$ 46.79	\$ 223.96	\$ 506.34	\$ 777.09	70%	<p>Pre-Travel Authorization Form was not supported with documentation as required by policy:</p> <ul style="list-style-type: none"> -Estimated expense for mandatory cruise ship gratuity of \$24 was not supported. <p>Post-Travel Authorization Form was not submitted to Finance within 20 business days of the traveler's return status as required by policy.</p> <p>Post-Travel Authorization Form was not accurate and supported with documentation as required by policy:</p> <ul style="list-style-type: none"> -Airfare costs totaling \$124.85 were not reported. -Meals purchased exceeded the per diem allowance per policy by \$46.79. -Hotel taxes and fees totaling \$95.34 were not reported. -International phone call fee of \$3.77 was not reported. -Airfare totaling \$313.90 was not adequately supported with documentation. -Miscellaneous expenses totaling \$51.46 were missing support. -Cruise fare of \$192.44 was missing support.
13 Thomas Masters	Port Au Prince, Haiti	\$ 479.93	\$ 52.37	X	X	\$ 52.37	11%	<p>Post-Travel Authorization Form, required by policy, was not provided.</p> <p>Flight seat upgrade of \$43.50 was disallowed by policy.</p> <p>Meals purchased exceeded the per diem allowance per policy by \$8.87.</p>
14 Thomas Masters	Washington, DC	\$ 540.03	\$ 47.39	\$ 35.44	X	\$ 82.83	15%	<p>Pre-Travel Authorization Form was not signed as required by policy.</p> <p>Post-Travel Authorization Form, required by policy, was not provided.</p> <p>Flight seat upgrade of \$47.39 was disallowed by policy.</p> <p>Airline fee of \$42.95 reported on the post-Travel Authorization Form could not be validated and was missing support.</p> <p>The following expenditures were not reported on a post-Travel Authorization form:</p> <ul style="list-style-type: none"> -Meal purchased for \$10.44 was not reported. -Baggage fee of \$25.00 was not reported.
15 Tonya Davis-Johnson	Little Rock, AR	\$ 1,930.25	\$ 120.00	X	\$ -	\$ 120.00	6%	<p>Post-Travel Authorization Form was not submitted to Finance within 20 business days of the traveler's return status as required by policy.</p> <p>Post-Travel Authorization Form was not supported as required by policy:</p> <ul style="list-style-type: none"> -Conference agenda was not provided. -Final flight itinerary was not provided. <p>Per diem meal amounts totaling \$120.00 were paid to the traveler for 2 days after the traveler returned from travel status.</p>

FY 2017 Out-of-State Travel			Exceptions Noted			Exceptions Total Amount	% of Exception Amount	Additional Information
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
16 Tonya Davis-Johnson	New Orleans, LA	\$ 1,327.10	\$ 291.00	X	\$ -	\$ 291.00	22%	Post-Travel Authorization Form, required by policy, was not provided. The following expenses were paid for a day of travel that was not directly related to City business which violates the policy: -Per diem meal amounts totaling \$60.00. -Lodging expense of \$170.00. Limousine transportation of \$61.00 was disallowed by policy.
17 Tonya Davis-Johnson	Washington, DC	\$ 2,528.46	\$ 62.29	X	\$ -	\$ 62.29	2%	Pre-Travel Authorization Form was not accurate as required by policy: -Estimated hotel expense for 1 night was excluded (based on flight itinerary). Per diem meal expense of \$18.00 was paid to the traveler after returning from travel status. Second checked baggage fee of \$35 was disallowed by policy. Tip for taxi service of \$9.29 exceeded the maximum amount allowed by policy.
18 Tonya Davis-Johnson	Pittsburgh, PA	\$ 106.25	\$ -	\$ 106.25	\$ -	\$ 106.25	100%	Pre-Travel Authorization Form, required by policy, was not provided. Post-Travel Authorization Form was not submitted within 20 business days of returning from travel status as required by policy. Conference registration of \$106.25 (net amount) was incorrectly paid from a City account rather than a CR account.
Total		\$ 25,301.24	\$ 1,433.31	\$ 1,666.30	\$ 6,742.50	\$ 9,842.11	39%	

X - The exception was not quantified as a questioned cost because the travel expenditure(s) was reported and adequately supported in either the pre- or post-travel documentation.

Exception Types Defined:

- Insufficient Documentation - Expenditure(s) lacked sufficient documentation (e.g. receipts) as required by the travel policy or to verify compliance with policy.
- Improper documentation - The travel documentation was not completed in compliance with the travel policy.
- Disallowed Expense - Expenditure(s) is non-reimbursable or exceeded the maximum amount(s) allowed according to the travel policy.

Note - the exceptions total amount is not the same as questioned costs because some of the exceptions were already included in the purchasing cards questioned and identified costs.

EXHIBIT 6 – Out-of-State Council Travel Expenditures – Corrective Actions

FY 2017 Out-of-State Travel			Exceptions Noted After Corrective Action			Exceptions Total Amount	% of Exception Amount	Additional Information After Corrective Action
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
1 Dawn Pardo	Washington, DC	\$ 2,191.57	\$ 338.30	\$ 23.30	\$ -	\$ 361.60	16%	Pre-Travel Authorization Form was not accurate as required by policy: -Estimated taxes or lodging expense was not reported. -Travel insurance of \$23.30 was not reported. Post-Travel Authorization Form was not accurate as required by policy: -Travel insurance of \$23.30 was not reported. Lodging expense of \$285.30 exceeded the conference rate which was disallowed per policy. Hotel bill included \$8 for bottled water in addition to full per diem amount paid to the traveler, therefore, the per diem allowance per policy was exceeded. Flight seat upgrade of \$45 was disallowed by policy.
2 Dawn Pardo	Washington, DC	\$ 754.97	\$ -	\$ -	\$ 754.97	\$ 754.97	100%	Pre- and Post-Travel Authorization Forms required by policy were not provided; therefore, all trip expenditures were not adequately supported.
3 Dawn Pardo	Washington, DC	\$ 465.79	\$ 92.17	X	\$ -	\$ 92.17	20%	Pre- and Post-Travel Authorization Forms were not signed as required by policy. Estimated expenses were not accurately reported or supported. -Estimated taxes for lodging expense were not reported. -No support for the estimated airfare expense was provided. Flight seat upgrade of \$91.39 was disallowed per policy. Tip for taxi service of \$0.78 exceeded the maximum tip per policy.
4 Kashamba Miller-Anders	Cleveland, OH	\$ 100.00	\$ -	\$ 100.00	\$ -	\$ 100.00	100%	Pre-Travel Authorization Form required by policy was not provided; therefore, estimated expenses were not adequately supported. Post-Travel Authorization Form was not submitted within 20 business days of return from travel status as required by policy. It appears conference registration of \$100.00 was incorrectly paid from the City travel account rather than the CRA travel account.
5 Kashamba Miller-Anderson	Washington, DC	\$ 2,831.95	\$ 35.00	\$ 100.00	X	\$ 135.00	5%	Pre-Travel Authorization Form required by policy was not provided; therefore, estimated expenses were not adequately supported. Post-Travel Authorization Form was not submitted within 20 business days of return from travel status, as required by policy. Baggage fee of \$35.00 that does not appear to be for traveler (passenger ticket numbers on flight receipt and baggage fee receipt do not match) was disallowed by policy. Membership fees totaling \$100.00 were incorrectly reported on the post-Travel Authorization Form.
6 Kashamba Miller-Anderson	Pittsburgh, PA	\$ 2,559.72	\$ -	\$ 50.00	\$ 675.00	\$ 725.00	28%	Post-Travel Authorization Form was not submitted within 20 business days of return from travel status, as required by policy. Post-Travel Authorization Form expenses were not accurate as required by policy: -Baggage fees totaling \$50 were not reported. Post-Travel Authorization Form expenses lacked adequate supporting documentation as required by policy: -Conference registration fee of \$460.00 -NBCLEO Activity fee of \$165.00 -WIMG Activity fee of \$50.00

FY 2017 Out-of-State Travel			Exceptions Noted After Corrective Action			Exceptions Total Amount	% of Exception Amount	Additional Information After Corrective Action
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
7 Kashamba Miller-Anderson	Charlotte, NC	\$ 585.00	\$ -	X	\$ -	\$ -	0%	Post-Travel Authorization Form was not submitted within 20 business days of return from travel status, as required by policy.
8 Lynne Hubbard	Pittsburgh, PA	\$ 2,821.34	\$ -	\$ 50.00	\$ 922.96	\$ 972.96	34%	Pre-Travel Authorization Form required by policy was not provided; therefore, estimated expenses were not adequately supported. Flight seat upgrade was disallowed by policy - the amount of the upgrade could not be determined due to lack of an itemized airfare receipt. Therefore, the entire airfare amount of \$922.96 was an exception due to insufficient documentation. \$50 conference lunch fee was not reported on the Post-Travel Authorization Form as required by policy.
9 Thomas Masters	Changchun, China	\$ 2,954.07	\$ -	X	\$ -	\$ -		Pre-Travel Authorization Form excluded all estimated expenses (i.e. cost of visa) and reported the incorrect airfare cost which is not in compliance with policy.
10 Thomas Masters	Philadelphia, PA	\$ 279.68	\$ -	\$ -	\$ -	\$ -	0%	None
11 Thomas Masters	New York, NY	\$ 1,740.04	\$ 348.00	X	\$ -	\$ 348.00	20%	Pre-Travel Authorization Form was not accurate as required by policy: -Airfare paid by another organization was incorrectly reported. Traveler was reimbursed for per diem meal expenses exceeding the policy allowance by \$2.00. Hotel upgrade charges for Club Level Access totaling \$400 were disallowed by policy (\$400 was reduced by the per diem meal amount allowed by policy of \$54 that was waived by the traveler = \$346).
12 Thomas Masters	Bimini, Bahamas	\$ 1,105.09	\$ 46.79	X	\$ 471.34	\$ 518.13	47%	Pre-Travel Authorization Form was not supported with documentation as required by policy: -Estimated expense for mandatory cruise ship gratuity of \$24 was not supported. Post-Travel Authorization Form was not submitted to Finance within 20 business days of the traveler's return status as required by policy. Post-Travel Authorization Form was not accurate and supported with documentation as required by policy: -Meals purchased via purchasing card exceeded the per diem allowance per policy by \$46.79. -Airfare totaling \$278.90 was not adequately supported with documentation. -Cruise fare of \$192.44 was not adequately supported with documentation.
13 Thomas Masters	Port Au Prince, Haiti	\$ 479.93	\$ 52.37	X	\$ -	\$ 52.37	11%	Pre-Travel Authorization Form was not accurate as required by policy: -Per diem meal expenses totaling \$90.00 were reported when no cash advance or reimbursement was received by the traveler. Flight seat upgrade of \$43.50 was disallowed by policy. Meals purchased exceeded the per diem allowance per policy by \$8.87.
14 Thomas Masters	Washington, DC	\$ 540.03	\$ 47.39	X	\$ -	\$ 47.39	9%	Flight seat upgrade of \$47.39 was disallowed by policy. Improper Documentation - Purchasing card expense of \$10.44 was incorrectly reported as a per diem meal expense.

FY 2017 Out-of-State Travel			Exceptions Noted After Corrective Action			Exceptions Total Amount	% of Exception Amount	Additional Information After Corrective Action
Council Member/Mayor	Location	Total Expenditures	Disallowed Expense	Improper Documentation	Insufficient Documentation			
15 Tonya Davis-Johnson	Little Rock, AR	\$ 1,930.25	\$ 120.00	X	\$ -	\$ 120.00	6%	business days of the traveler's return status as required by policy. Post-Travel Authorization Form was not supported as required by policy. -Conference agenda was not provided. -Final flight itinerary was not provided. Per diem meal amounts totaling \$120.00 were paid to the traveler for 2 days after the traveler returned from travel status.
16 Tonya Davis-Johnson	New Orleans, LA	\$ 1,327.10	\$ 291.00	X	\$ -	\$ 291.00	22%	Post-Travel Authorization Form, required by policy, was not provided. The following expenses were paid for a day of travel that was not directly related to City business which violates the policy: -Per diem meal amounts totaling \$60.00. -Lodging expense of \$170.00. Limousine transportation of \$61.00 was disallowed by policy.
17 Tonya Davis Johnson	Washington, DC	\$ 2,528.46	\$ 62.29	X	\$ -	\$ 62.29	2%	Pre-Travel Authorization Form was not accurate as required by policy. -Estimated hotel expense for 1 night was excluded (based on flight itinerary). Per diem meal expense of \$18.00 was paid to the traveler after returning from travel status. Second checked baggage fee of \$35 was disallowed by policy. Tip for taxi service of \$9.29 exceeded the maximum amount allowed by policy.
18 Tonya Davis Johnson	Pittsburgh, PA	\$ 106.25	\$ -	\$ 106.25	\$ -	\$ 106.25	100%	Pre-Travel Authorization Form, required by policy, was not provided. Post-Travel Authorization Form was not submitted within 20 business days of returning from travel status as required by policy. Conference registration of \$106.25 (net amount) was incorrectly paid from a City account rather than a CRA account.
Total		\$ 25,301.24	\$ 1,433.31	\$ 429.55	\$ 2,824.27	\$ 4,687.13	19%	

X - The exception was not quantified as a questioned cost because the travel expenditure(s) was reported and adequately supported in either the pre- or post-travel documentation

Exception Types Defined:

Insufficient Documentation - Expenditure(s) lacked sufficient documentation (e.g. receipts) as required by the travel policy or to verify compliance with policy

Improper documentation - The travel documentation was not completed in compliance with the travel policy

Disallowed Expense - Expenditure(s) is non reimbursable or exceeded the maximum amount(s) allowed according to the travel policy

Note - the exceptions total amount is not the same as questioned costs because some of the exceptions were already included in the purchasing cards questioned and identified costs

ATTACHMENT 1 – CITY OF RIVIERA BEACH MANAGEMENT RESPONSE



OFFICE OF
CITY MANAGER

CITY OF RIVIERA BEACH

600 WEST BLUE HERON BLVD. • RIVIERA BEACH, FLORIDA 33404
(561) 845-4010 FAX (561) 840-3353

January 15, 2019

Office of Inspector General
Palm Beach County
100 Australian Avenue, Fourth Floor
P.O. Box 16568
West Palm Beach, Florida 33416

Re: **Draft Audit Report No. 2019-A-003**
City of Riviera Beach, Florida

Dear Mr. Carey:

For your review and information, I am transmitting the City of Riviera Beach's Response to the Office of Inspector General's (OIG) Findings and Recommendations, which are described in Draft Audit Report No. 2019-A-003, hereinafter referred to as "Report". As noted in the Report, the audit covered distinct areas as follows:

- (1) Purchasing cards usage during the period of October 1, 2016 through November 28, 2017 and
- (2) Travel activities pertaining to the Mayor and City Council during the period of October 1, 2016 through September 30, 2017.

As you are aware, staff persons from the City and the OIG collaboratively engaged in a meeting held on Friday, December 28, 2018 to review information attained during the conduct of the respective audit. The outcome of that meeting was quite productive as issues were revealed and findings and recommendations were shared and acutely considered.

To this end, City management is pleased to inform you that we are steadfast in the process of designing a new training and technical assistance module to address the deficiencies noted. In addition, management has also began to develop amendments to the City's Purchasing Card (P-Card) Policy and Procedures Statement to assure practice and theory are accurate, appropriate and complementary.

More specifically, as recommended in the Report, the following changes will be made in accordance with the P-Card Policy and Procedures Statement: (a) credit limits of the cardholders

Draft Audit Report No. 2019-A-003

City of Riviera Beach, Florida

January 15, 2019

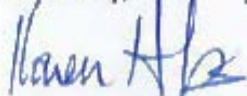
Page Two

will be revised, (b) P-Card administrators' names have been deleted and (c) a procedure for notification of terminated employees will be added. Still, a method has been instituted to confidentially secure card holders' names, card numbers and associated three-digit codes; as well as the creation of business accounts for purchases made through Amazon to avoid unwarranted sales tax expenses. These along with other policy enhancements and the development of new policies to address internal controls will be implemented.

The City agrees that consistent enhancements to systems are fundamental to all organizations. In this regard, our management team is positioned to take advantage of not only this opportunity, but any challenge that perpetuates the need for improvement and growth. It is hopeful that as a result of these changes, our employees and elected officials alike, will be equipped with increased knowledge and thereby, regulatory compliance issues will be diminished.

In the meanwhile, thank you for your interest in the City and should you have any questions or require additional information, feel free to contact me directly. For your convenience, I can be reached via telephone or email as follows: 561-845-4010 or khoskins@rivierabch.com.

Sincerely,



Karen Hoskins

City Manager

Attachment

cc: Thomas A. Masters, Mayor
Tonya Davis Johnson, Councilperson - Chair
Lynne Hubbard, Councilperson - Chair Pro-Tem
Julia Botel, Councilperson
Terence Davis, Councilperson
Kashamba Miller-Anderson, Councilperson
Dawn Wynn, City Attorney
Randy Sherman, Director of Finance & Administrative Services
Robert Weintraub, Internal Auditor

Finding 1

Purchasing card transactions did not comply with Policy.

Recommendations

- (1) The City consider seeking reimbursement from vendors for potential duplicate payments and sales tax improperly paid.
- (2) The City develop and implement a process for Department Directors to review and resolve monthly cardholder statements/reconciliations for duplicate payments, purchases of prohibited items, proper supporting documentation, statement of business purpose, and improper payment of sales tax.
- (3) The City review the policy requirements related to prohibited items and determine whether the City wants to enforce the current policy or revise the policy to reflect actual operations.
- (4) The City develop and implement an independent oversight process for all Council Members, including the Mayor, for purchasing card purchases to ensure compliance with all policy requirements.
- (5) The City develop and implement a process for the Finance department or the Purchasing Department to review and resolve monthly cardholder statements/reconciliations with approvals by the appropriate Department Director or designated self-approver.
- (6) The City use the purchasing card system (BMO Spend Dynamics) to prevent purchases from vendors with certain merchant category codes related to prohibited items in the policy and produce reports of purchase transactions for monitoring and review. This would increase the efficiency and effectiveness of the monitoring and review process.

City's Response

Staff concurs with Finding #1 and Recommendations 1-6. Staff will identify true duplicate payments and seek opportunities to recapture funds for such payments and/or sales tax if the collection process is cost effective. As it relates to the recommendations, the City will enhance and modify P-Card Policy and strengthen controls and provide additional training to P-Card Administrators, Managers, and Cardholders, as well as implement additional system provided controls, revise, update and train all P-Card users. The City will also provide additional training for online BMO reconciliation for all existing users, managers as well as new users. The City will update its BMO MCC codes to ensure codes are in compliance with the P-Card Policy. The City will also develop in the future a separate oversight process for the City Council and Mayor as it relates to the P-Cards and ensure compliance with the Policy.

Finding 2

The City could not locate the items purchased using the City's P-Cards or verify that they were actually received and maintained by the City for use in City business.

Recommendations

- (7) The IT Department develop and implement a process to track equipment and electronics that are purchased.
- (8) The IT Department develop and implement a process for disposal of items that includes having documented approval of the disposal and the date the item is disposed.
- (9) The City develop and implement an independent oversight process for all Council members and Mayor purchasing card purchases to ensure compliance with all policy requirements and disposals are properly documented.

City's Response

Staff concurs with Finding #2 and Recommendations 7-9. The City will implement an Inventory and Small Equipment Policy. Also, the City has purchased a small equipment inventory software program to keep track of small purchases. Staff is developing a process to dispose and transfer equipment including authorization of such disposals.

The City Council and Mayor will be provided additional mandatory training on the P-Card Policy. A designated staff person in the City Manager's Office will review all transactions on a monthly basis to identify inconsistencies with the Policy. Also in the near future, a separate oversight process for the City Council and Mayor as it relates to P-Card purchases and ensure compliance with the Policy and disposals are properly documented. The completion date will occur as soon as practical over the next several months.

Finding 3

Purchasing card issued to an employee was not deactivated immediately upon the employee's separation of employment from the City.

Recommendations

- (10) The City update the Purchasing Card Policy and Procedures to provide guidance on when the notification of an employee's separation should be provided to the Purchasing Card Program Administrator, when the Purchasing Card Administrator must deactivate the cardholder's account after receiving that notification, and review of cardholder transactions that occur after the separation date, if any.
- (11) The City review all purchasing card statements for purchasing cards used by former employees for potential use after employee separation dates and determine if transactions were appropriate.
- (12) The City should immediately deactivate purchasing cards when an employee's employment with the City ends.
- (13) The City provide training to cardholders and Department/Division Managers regarding their responsibilities with respect to purchasing cards upon separating employment with the City.

City's Response

Staff concurs with Finding #3 and Recommendations 10 – 13. The scope of the Audit covered the very first year of a new electronic, on-line system. As the City converted from a manual system to a cloud based system, exceptions are to be expected.

The City will revise the P-Card Policy to include instructions for the P-Card Administrator and Department Directors to immediately deactivate terminated employees and ensure that expenses are legitimate for said terminated employees. The City will provide training regarding P-Cards upon separation of employment. The P-Card Policy will be uploaded as soon as practical.

Finding 4

Cardholders exceeded monthly credit limits.

Recommendations

- 14) The City develop and implement a process to routinely monitor cardholder spending compared to monthly credit limits.
- 15) The City document the action taken when credit limits are exceeded and not authorized in accordance with the purchasing card policy and procedures.
- 16) The City work with the institution issuing the purchasing cards to determine if it can establish the transactional and monthly limits on each purchasing card to prevent monthly purchasing card limits from being exceeded.
- 17) The City determine if the four (4) overages identified in our audit were properly authorized in accordance with the purchasing card policy and procedures and document the action taken if the overages were not properly authorized.
- 18) The City provide training to current cardholders, Department Directors, Department Purchasing Card Coordinators, and any new cardholders prior to the issuance of a purchasing card regarding their responsibilities with respect to spending limits.

City's Response

Staff concurs with Finding #4 and Recommendations 14 – 18. The City will develop and implement a process to routinely monitor cardholder spending comparing to monthly credit limits. The City will develop a document memorializing the reason for temporary and/or permanent credit limit increase requiring Department Directors and City Manager approval. The City will train cardholders, Department Directors, departmental P-Card Coordinators and future cardholders regarding their responsibilities regarding spending limits. The City will also determine if the four overages were properly authorized and document the action taken if the overages were not authorized. This will be implemented as soon as practically possible.

Finding 5**Cardholders were not properly authorized.****Recommendations**

- (19) The Purchasing Card Administrator develop and implement a process to ensure only authorized cardholders (i.e. cardholders with a completed and properly approved Purchasing Card Request form) with a signed Cardholder Agreement form and policy on file are issued a purchasing card.
- (20) The Purchasing Card Administrator should review the cardholder files to ensure that the files contain properly signed and approved Purchasing Card Request/Credit Limit Increase form, Cardholder Agreement, and acknowledgement of policy requirements. If the documents are not in the cardholder file, the Purchasing Card Administrator should ensure that they are obtained or cancel the purchasing card.
- (21) The City remove Administrator privileges from unauthorized employees.

City's Response

Staff concurs with Finding #5 and Recommendations 19 – 21. Staff will ensure this practice is implemented, which requires Department Directors and City Manager approval of P-Card Request Forms. New P-Card holders required to attend training sessions and to sign a P-Cardholder Agreement Form and the P-Card Policy and Procedures Statement. The P-Card Administrator will review the P-Cardholder credit limits with Department Directors and the City Manager for proper policy and limit approvals. Adjustments will be made for those who do not have proper authorizing credit limit increases on file. The administrative privileges have been removed for unauthorized employees. Staff will ensure that all current cardholder agreements have been executed and approved by the City Manager. Recommendations will be implemented as soon as practically possible.

Finding 6**Cardholders credit limits do not comply with Policy.**Recommendations

- 22) The Purchasing Card Administrator develop and implement a process, when purchasing cards are issued, to ensure the credit limits for cardholders are established in accordance with the properly completed and approved Purchasing Card request/Credit Limit Increase form.

- 23) The Purchasing Card Administrator develop and implement a process to ensure credit limits are only increased for cardholders with a properly completed and approved Purchasing Card Request/Credit Limit Increase form.

- 24) The City develop and implement a process for ensuring temporary credit limit increases are reversed accurately and in a timely manner.

- 25) The City review all cardholder accounts to determine if the current credit limits are authorized and accurate for all users and adjust if necessary.

City's Response

Staff concurs with Finding #6 and Recommendations 22 – 25. The P-Card Policy allowed for credit increases on a temporary and/or permanent basis. The procedure for such increases requires approval of the department head and the city manager. Due to staff change over and vacancies approval forms were not being used. The use of the temporary/permanent credit limit increase forms will be used for the approvals and the policy will be revised to allow time for the P-card Administrator to remove the credit limit increases. Staff will review current credit limits of all card users and ensure that they are in compliance with the P-Card Policy and authorized by the Department Directors and City Manager. Those that are not will be adjusted. This will be implemented as soon as practically possible.

Finding 7

The Purchasing Card Policy and Procedures could be enhanced.

Recommendations

- (26) Revise the City's Purchasing Card Policy and Procedures to:
- A) Include Council Members and the Mayor as "Persons Affected" by the policy.
 - B) Update the designated Purchasing Card Administrators roles and remove individual names from the Policy.
 - c) Include guidance for receipts that are not legible.
 - d) Include guidance for the purchase of office supplies using the most economical method practical.
 - e) Include guidance for protecting sensitive cardholder data, including but not limited to the primary account number, expiration date, and card verification code.
- 27) The City use contracts that are in place, when possible, to obtain the best prices for purchases.

City's Response

Staff concurs with Finding #7 and Recommendations 26 – 27. The current P-Card Policy will be enhanced to better serve the operations of the City. The P-Card Policy Statement will be updated based on recommendations by the Office of Inspector General. The Mayor and City Council will be added to the P-Card Policy as affected parties and the personal names will be removed from the Policy. Also, the P-Card Policy will be updated to include guidance on receipts that are not legible and requiring users to follow the most economical and practical means when making purchases. Guidance will also be included in the P-Card Policy to protect sensitive data. This will be implemented as soon as practically possible.

Finding 8**Lack of written guidance regarding computer user access controls.****Recommendations**

- (28) The City implement written guidance for user access to the City's computer systems that establishes at a minimum: requirements for employee terminations/transfers and limitation on individuals provided administrative and privileged system access.

City's Response

Staff concurs with Finding #8 and Recommendation 28. On October 1, 2018 the City migrated to a new ERP which contains an imbedded P-Card feature. Though not implemented at the initial stage, this feature will address issues such as active or non-active employees, approvals and account distributions. This internal goal is to have this feature fully operational by October 1, 2019. In the meanwhile, included in the revised P-Card Policy Statement will be a notification process for Department Directors to immediately notify the P-Card Administrator of all terminated employees. In addition, the City will implement written guidance for user access to the City-wide systems. This will be implemented as soon as practically possible.

Finding 9

Lack of adequate oversight for council travel expenditures and the expenditures did not comply with the Travel Policy and Procedures.

Recommendations

(29) Develop and implement an independent oversight process for all Councilmembers and Mayor travel expenditures to ensure compliance with all policy requirements.

City's Response

Staff concurs with Finding #9 and Recommendation 29. Staff will implement additional system provided controls and enhance documentation requirements to ensure overall policy adherence. Staff will also recommend additional policies be adopted to provide further clarity to matters that may not be clear to occasional users. We will continue to work with Mayor and Council to develop an elected official's policy for travel and documenting specific business purposes, taking out self-approvals of travel expenses and implementing a procedure which creates proper checks and balances. This will be implemented as soon as practically possible.

Finding 10

Council travel expenditures were not posted to the appropriate general ledger account.

Recommendations

- (30) The Finance Department provide the Council Members and Mayor training and/or guidance for purchasing card transaction coding to assist with proper coding of expenditures.
- (31) The Finance Department review purchasing card transactions for the proper general ledger account coding prior to posting the transactions to the general ledger.

City's Response

Staff concurs with Finding #10 and Recommendations 30 – 31. Additional training will be provided to the Legislative Aides, Mayor and City Councilpersons to ensure proper coding of expenditures. Staff will also ensure proper coding of the P-Card transactions to the City's books. Also note that the new ERP system eliminates the function of coding the P-Card transactions. This will be implemented as soon as practically possible.

Finding 11

Employee tuition reimbursement did not comply with the City's Account Payable Policy and Procedure.

Recommendations

- (32) The City develop and implement policies and procedure for union and non-union employee tuition reimbursement that establishes criteria for determining and documenting 1) what education/training is eligible for reimbursement, 2) who is responsible for evaluating/approving eligibility requiring written pre and post approval, and 3) administrative requirements for processing the tuition reimbursement, that are consistent with existing purchasing and accounts payable policies.
- (33) The City consider obtaining repayment of the inadequately supported tuition reimbursement totaling \$2,286.87.
- (34) The City ensure Tuition Reimbursement Requests are properly reviewed for accuracy and appropriate supporting documentation prior to disbursement of the funds.

City's Response

Staff concurs with Finding #11 and Recommendations 32 – 34. Staff is preparing a policy for education reimbursement for nonunion employees and will include procedures for pre- and post- approval language. Training will be provided to department directors upon approval of the policy. The City will consider reimbursement of tuition fees paid to the employee.