



OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

AUDIT REPORT: 2012-A-0002

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Inspector General

"Enhancing Public Trust in Government"

SUMMARY RESULTS AT A GLANCE

As a result of concerns brought to the OIG regarding the Village of Wellington's (Village) use of purchase cards (p-cards), we initiated this audit on controls over the use of p-cards in the Village. We subsequently expanded our scope to include controls over the use of fuel cards.

The Village makes extensive use of p-cards. Studies have shown that there are significant benefits to using p-cards including reduced purchasing costs and improved compliance and monitoring of purchasing activities. In the first ten months of fiscal year 2011 (audit period tested), the Village had 100 p-cards issued to Village employees. Over 7,068 p-card purchases were made totaling \$2,078,495.27. The Village received \$31,076.02 in cash back rewards from their p-card vendor, Bank of America, for the fiscal year ended September 30, 2011.

Overall we found that the Village has an adequate system of controls to monitor the use of p-cards. However, we did identify that some p-cardholders have purchased items that we do not believe have a clear public purpose. In our testing of 763 purchases totaling \$174,970, we identified 330 purchases, 43% of our sample, totaling \$28,597 that we question as having a clear public purpose. These included meals at local restaurants, food purchased for office meetings and/or training, meals and other

items purchased for an employee birthday lunch, an employee retirement party, meals and other items purchased for a year-end holiday party, refreshments, snacks and coffee provided to Village staff year-round as well as flowers and catered food as expressions of sympathy for employees' families.

The rate of occurrence in our sample (43%) represents our efforts to select and review transactions most likely to contain a questionable public purpose, such as meals at local restaurants. This rate of occurrence would not be expected in the remaining population of untested items.

The items we identified as having a questionable public purpose are not expressly prohibited by Village policies and procedures; however, they are generally not allowable in the expenditure of State funds. Although municipalities have more latitude in the expenditure of municipal funds, we believe the State guidelines are a sound point of reference and we question whether these items have a clear public purpose or public benefit.

We also found that the Village recorded these transactions as Office Supplies, Operating Supplies and Promotional Advertising. A review of the Florida Department of Financial Services uniform accounting manual for municipalities shows that there are no accounting codes that would accurately reflect these types

of expenditures. This is reflective of the fact that generally these types of purchases are not allowed in the expenditure of public funds. The Village has used these accounting codes in the absence of any other codes that would reflect the true nature of these transactions.

While these 330 purchases were made by 28 of the 100 p-card holders, top management from the City Manager on down consider these purchases allowable in that they serve a public purpose. Except for meals at local restaurants which were confined to p-card transactions by the City Manager and four other top managers, the other 23 Village staff who purchased these items did so either at the direction of their manager or with the understanding that these are allowable items.

As part of our audit, we also reviewed our sample of p-card transactions for compliance with the Village's own policies and procedures. We found that overall there is good compliance by p-card holders. However, we did identify 150 transactions totaling \$915.61 that were not in compliance. Most significant among these were transactions where sales taxes were erroneously paid.

We also found there is a need to improve the retention of documentation for p-card purchases. Village staff had difficulty retrieving and providing us adequate documentation for 171 transactions totaling \$46,474.21 in our sample. For some items Village staff went back to the vendor for the detailed receipts during the course of our audit.

In our review of fuel card usage and controls, we identified three areas where internal controls can be improved. There is a need to; 1) establish written policies and procedures, 2) set gallon limits for small equipment fuel cards and 3) perform additional monitoring of fuel transactions through analysis of transaction data and [REDACTED].

Finally, we identified an issue regarding the Palm Beach County Sheriff's (PBSO) use of the Village fuel depot.

The Village Public Works Division has billed PBSO an administrative surcharge of 6% on fuel dispensed from their depot. During FY 2011, this totaled \$14,456.05. The Village does not have a written agreement with PBSO establishing this 6% surcharge.

We note that the Village does not impose this surcharge on their other external customer, the Boys and Girls Club of Wellington (B&GC).

The OIG made eleven recommendations to improve compliance and internal controls for the usage of both p-cards and fuel cards. Management agreed with most of our recommendations and has proposed or taken corrective action to address them. Management disagrees that the purchases we identified did not have a clear public purpose. They stated that these purchases were for a valid business expense within the budget. However, Management agreed to present our findings to the Village Council for policy direction. We have summarized their response in the body of the report and have included the complete response as Attachment 2.

BACKGROUND

We initiated this audit as a result of concerns brought to the OIG regarding the Village's use of purchase cards (p-card). We subsequently expanded our scope to include fuel card program controls.

OBJECTIVES, SCOPE AND METHODOLOGY

There were seven primary objectives in this audit which are listed in Attachment 1. The scope of our audit covered controls over p-cards and fuel cards. The audit period included p-card and fuel transactions from October 1, 2010 through July 31, 2011.

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.

FINDINGS AND RECOMMENDATIONS

Our specific findings and recommendations are separated in this section of the audit report by the specific programs: Purchase Card and Fuel Card.

PURCHASE CARD PROGRAM

The Village makes extensive use of p-cards for purchasing services, supplies and equipment. Studies have shown that there are significant benefits to using purchasing cards over more traditional means of procurement such as requisition/purchase order/invoice processing. One such study done in 2007 by *Accenture*¹ revealed, companies using purchasing cards reduced purchasing costs by as much as 85%. Additional benefits can be derived when purchase card agreements include cash back rewards based on the dollar volume of card purchases.

In the first ten months of fiscal year 2011 (audit period tested), the Village had 100 p-cards issued to Village employees. Over 7,068 p-card purchases were made totaling \$2,078,495.27. The Village received \$31,076.02 in cash back rewards from Bank of America for the fiscal year ending September 30, 2011.

¹ *The Role of Procurement Cards in the Source-to Settle Process, 2007.*

We have identified the following three findings related to our review of p-card controls.

Finding (1): PURCHASE CARD EXPENDITURES WITH QUESTIONABLE PUBLIC PURPOSE

Village p-cardholders are purchasing items that we do not believe have a clear public purpose or benefit². We tested a sample of 763 p-card transactions totaling \$174,970.40. Of that, we identified 330 purchases (43% of our sample) totaling \$28,596.88 that we question as to the public purpose or public benefit. These included meals at local restaurants, food purchased for office meetings and/or training, meals and other items purchased for an employee birthday party and an employee retirement party, meals and other items purchased for a year-end holiday party, refreshments, snacks and coffee provided to Village staff year round, flowers and catered food as expressions of sympathy for employees' families.

After a complete walk through of the purchase card process, Village staff provided us with a disk containing all p-card transactions for the ten month period from October 1, 2010 to July 31, 2011. We selected a judgmental sample³ of 418 transactions. In making our selection for items to test, we reviewed transactions most likely to have a questionable public purpose. We subsequently extended our sample size and tested a total of 763 transactions. This represents 11% of the transactions and 8% of the dollars expended using p-cards during the ten month period of our scope. The rate of occurrence in our sample (43%) represents our efforts to select and review transactions most likely to contain a questionable public purpose, such as meals at local restaurants. This rate of occurrence would not be expected in the remaining population of untested items.

While the 330 transactions we identified with a questionable public purpose were made by 28 of the 100 Village cardholders, top management from the City Manager on down consider these items allowable in that they have a valid public purpose. Except for the local meals whose p-card purchases were confined to the City Manager and four other top managers, the purchases made by the other 23 p-cardholders were generally done at the direction of their manager or with the understanding that these are allowable items.

² Public purpose is defined as "A governmental action or direction that purports to benefit the populace as a whole". (Reference <http://law.yourdictionary.com/public-purpose>)

³ Judgmental Sampling is an approach that requires an internal auditor to use his or her best judgment to design and select a sample. For internal auditors, the methods of judgmental sample selection may take many forms, including other selected attribute selection: a review of sensitive items only or items with some other attribute of audit concern. Reference "Brink's Modern Internal Auditing: A Common Body of Knowledge" Section 9.3, Internal Audit Judgmental Sampling.

The following is a more detailed summary of the types of purchases we identified:

QUESTIONABLE PUBLIC PURPOSE			
Description	Transactions	Amount	Accounting Codes
Local area restaurant meals	78	\$3,863.30	Operating Supplies
Food catered for office meetings/training	76	10,295.80	Office Supplies / Operating Supplies
Coffee/tea/refreshments/snacks	145	8,232.52	Office Supplies / Operating Supplies
Gifts/holiday party	4	3,734.66	Operating Supplies
Holiday/birthday cards	5	467.96	Office Supplies / Operating Supplies
Employee retirement/birthday lunch	16	1,097.04	Promotional Activities
Expressions of sympathy for employees' family	6	905.60	Operating Supplies
	330	\$28,596.88	

1. Meals at Local Restaurants - \$3,863.30

There were 78 p-card transactions totaling \$3,863.30 for meals at local restaurants. These transactions were confined to the City Manager (45 transactions) and four other top level managers. They included a number of activities such as dinner or lunch meetings between the City Manager and a Village Council member, weekly law enforcement meetings between the City Manager and representatives of the County Sheriff's office, lunch meetings with small groups of Village employees, and other lunch or dinner meetings including, meals with business representatives or outside government officials.

2. Food Catered for Office Meetings/Training - \$10,295.80

There were 76 p-card transactions totaling \$10,295.80 for purchase of food brought into the Village Town Center for employee meetings or training. These included prepared/catered meals from restaurants, breakfast items such as bagels and doughnuts, and food purchased from grocery stores such as Publix. This also included pizza regularly purchased for Village Council meetings.

3. Coffee/Tea/Refreshments/Snacks - \$8,232.52

There were 127 transactions totaling \$7,398.45 to provide coffee, tea, and cocoa year round to the Village staff at the Town Center and other Village office locations. There were another 18 transactions totaling \$834.07 to purchase refreshments and snacks for employees throughout the year.

4. Holiday Party - \$3,734.66

There were four transactions totaling \$3,734.66 that involved activities associated with the year-end holiday party. Transactions included a catered breakfast, and employee gifts such as an IPOD, a Blue Ray player, a Wii Console and various gift cards.

5. Birthday/Holiday Greeting Cards - \$467.96

There were five transactions totaling \$467.96 for birthday and holiday greeting cards.

6. Employee Retirement/Birthday Lunch - \$1,097.04

There were 16 transactions totaling \$1,097.04 for one employee retirement party and one employee birthday lunch.

7. Expressions of Sympathy for Employees' Family Member - \$905.60

There were three transactions totaling \$317.18 where flowers were sent to employees' families for the passing of a family member. There were three related transactions totaling \$588.42 for the purchase of catered food for those same families.

We noted that most of these purchases were charged to three accounting codes⁴, Operating Supplies⁵, Office Supplies⁶ and Promotional Activities⁷. We do not believe that those accounting codes accurately reflect the nature of these transactions. A review of the Florida Department of Financial Services (DFS) uniform accounting codes for municipalities shows that there are no accounting codes that would accurately reflect these types of expenditures. This is reflective of the fact that generally these types of purchases are not allowed in the expenditure of State public funds. The Village has used these accounting codes in the absence of any other codes promulgated by DFS that would more accurately reflect the true nature of these transactions.

Top management, including the City Manager consider the types of items we identified as allowable in that they serve a public purpose. In discussions with Village management, they indicated that meals at local restaurants involved discussion of Village business, and food and refreshments brought into Village offices for meetings or training made those events more efficient and productive. The other items including the various other employee events contributed to employee morale and productivity.

Current Village p-card policies do not address the types of purchases we identified including what is allowable, who has authority to make these types of purchases and what approvals are needed. The p-card guidelines do address meals at restaurants and the documentation needed to support those expenditures, including business purpose and who attended. However, those guidelines specifically refer to meals incurred while on travel. The p-card purchases of meals at local restaurants that we identified in our review did not involve travel.

We question whether these expenditures are reasonable and necessary and serve a public purpose. A basic tenet of Florida State law that applies to all local government entities is that public funds may only be used for a public purpose. Other more specific

⁴ Reference Florida Statute 218.33 (2) - Each local governmental entity is required to follow uniform accounting practices and procedures as promulgated by Department of Financial Services, including the accounting codes (aka object codes).

⁵ Object 52 (Operating Supplies) – all types of **supplies consumed in the conduct of operations**. This category may include food, fuel, lubricants, chemicals, laboratory supplies, household items, institutional supplies, computer software, uniforms and other clothing. Also includes recording tapes and transcript production supplies. Does not include materials and supplies unique to construction or repair of roads and bridges. We noted that the Village Chart of Accounts has 62 sub-object codes for this category of expenditures.

⁶ Object 51 (Office Supplies) – This object includes **materials and supplies** such as stationery, preprinted forms, paper, charts, and maps.

⁷ Object 48 (Promotional Activities) – includes any type of **promotional advertising** on behalf of the local unit.

guidance exists although it only expressly applies to expenditure of State funds. For example Section 286.27, Florida Statute states that no state funds shall be expended for the purchase, preparation, printing or mailing of any card the sole purpose of which is to convey holiday greetings. Also, the Florida State Department of Financial Services has promulgated an administrative rule 69I-40.103 Florida Administrative Code, as well as, Reference Guide for State Expenditures which prohibits items such as flowers and/or congratulatory telegrams, entertaining of dignitaries and refreshments such as coffee and doughnuts. While the Village is not bound by State guidance for the expenditure of State funds, it provides a good frame of reference for determining whether the items we have identified meet the test of having a public purpose.

The Village's own guidelines for allowable expenditures while on travel (Ordinance No. 2006.11.9.k) list several items included in our list of p-card purchases that are not reimbursable such as flowers, and gifts. While the p-card transactions we cited did not occur while the employee was on travel, those same restrictions should reasonably apply to purchases in non-travel status.

Using p-cards to purchase items that are not ordinary and necessary expenses in the conduct of Village operations and do not have a clear public purpose or public benefit can result in an inappropriate use of public funds. Also, fewer funds are available to carry out activities and operations that directly contribute to the efficient and effective delivery of goods and services. Further, with Village management's practice of making extensive use of p-cards to procure goods and services, which includes issuing cards to 100 employees, having various employees use their p-cards to make purchases that do not have a clear public purpose can begin to blur the lines as to what is allowable and unallowable p-card usage and increase the risk of misuse.

Recommendations:

(1) Re-evaluate the use of p-cards to purchase items that do not have a clear public purpose. This should include enhancing the current p-card policies and procedures to identify additional items that are prohibited and, if appropriate, who has authority to approve exceptions. Consideration should be given to using the, Department of Financial Services Administrative Code and Reference Guide for State Expenditures which provide reasonable assurance to the taxpayer that funds disbursed from the State Treasury are in general compliance with applicable laws and rules.

(2) Require reimbursement for all p-card purchases that do not have a clear public purpose.

Summary of Management Response:

Management agreed with recommendation #1 in concept but disagreed with the recommendation as written. They stated that there have been no unreimbursed purchases of prohibited items, State policies are not applicable and cannot preempt a municipality's right to home rule, and all expenditures have a public purpose. Additionally, the practice of providing meals for in house meetings and training has

benefited Wellington in a number of ways including increased productivity and avoidance of overtime and travel time. However, management has concluded that as this is a policy decision, staff will bring the OIG finding and recommendation to Council for policy direction.

Management disagrees with recommendation #2 as written because it incorrectly assumes that there were unreimbursed, unauthorized or prohibited purchases made on the p-card. Wellington policy requires all unauthorized or inappropriate transactions be reimbursed. As noted in the OIG audit report, all non-compliant purchases were reimbursed prior to the audit.

OIG Comment:

We maintain that these expenditures do not have a clear public purpose or public benefit. The frequency with which they occurred, especially meals at local restaurants and food catered for in house meetings and training add to the question of whether there is a clear public purpose served. We acknowledged in our report that the Village of Wellington is not required to follow State policy although we believe it is a good guide for determining appropriate expenditure of public funds for public purposes. Management's decision to bring our findings to the Village Council for policy direction is a good first step. That outcome will determine what additional action will be needed.

Finding (2): THE VILLAGE CAN FURTHER STRENGTHEN CONTROLS AND IMPROVE OVERALL COMPLIANCE WITH POLICIES AND PROCEDURES

As part of our testing, we reviewed a sample of p-card transactions for compliance with the Village's own policies and procedures. We found that overall there is good compliance by p-card holders. However, we did identify transactions that were not in compliance. Most significant among these were transactions where sales taxes were erroneously paid. We also found purchases of prohibited items, and tipping in excess of the Village's guidelines.

The following schedule lists the p-card transactions we identified that were not in compliance with policies and procedures.

NON-COMPLIANCE			
Description	Transactions	Amount	Amount Reimbursed
Sales Taxes	53	\$282.58	\$107.13
Alcohol	2	97.50	97.50
Personal use	13	291.92	291.92
Tipping in excess of 15% while on travel status	13	74.40	0.00
Tipping in excess of 15% - local vendors	69	169.21	0.00
	150	\$915.61	\$496.55

1. In 53 instances, sales taxes were charged for a total of \$282.58 This includes: a) eight transactions which totaled \$107.13 that were recovered before our audit; b) ten

transactions for \$57.53 where the sales tax refund is pending; and c) 35 transactions that total \$117.92 for which the Village has not requested a refund of sales taxes paid.

2. Two p-card transactions totaling \$97.50 had purchases of alcoholic beverages which were reimbursed prior to our audit.
3. Thirteen items totaling \$291.92 in personal expenses were charged by cardholders (such as I-tunes and FedEx) and were required to be reimbursed to the Village.
4. Tipping greater than 15% while on travel status shows an extra \$74.40 was paid.
5. Tipping greater than 15% in local area restaurants shows and extra \$169.21 was paid.

As the above schedule shows, p-card holders authorized 150 transactions totaling \$915.61 in public funds that were expended on goods or services that are prohibited or limited by Village directives. Of those charges, 54% have been reimbursed back to the Village. This includes both prohibited items which were identified by the Village and reimbursed by the p-card holder.

With regard to sales tax erroneously paid, 35 out of 53 transactions totaling \$117.92 for which no reimbursement has been sought were identified during our audit. In our discussion with Village management, they indicated that it would not be cost effective to pursue reimbursement based on the small dollar amount and the efforts required with particular vendors. Village policy and procedures require cardholders to request sales tax exemption from the merchant. We believe that this points to the need to improve compliance with Village policies and procedures that require cardholders request sales tax exemption at the point of sale. This will reduce the number of erroneous sales tax charges that need to be subsequently recovered.

We also found that the Village needs to improve the process for p-cardholders providing and maintaining adequate documentation. Initial testing resulted in 171 p-card transactions totaling \$46,474.21 that did not contain adequate supporting documentation. After further request for all supporting documentation, the Finance Department stated that further supporting documentation exists but in other places such as emails, other projects, etc. Additional documentation such as attendance sheets, rosters, and menus were then provided throughout the audit. For some of this documentation, the Village requested additional detailed receipts from the vendors.

Final audit testing concluded with the following documentation issues; 1) ten items for \$517 with missing or illegible receipts; 2) forty-six items for \$2,035.63 containing a charge card authorization sheet but no detail of food, beverages and sales taxes paid; and 3) seventeen items totaling \$2,525.52 that did not contain a detailed receipt or did not contain a list of attendees.

An essential element of an effective financial management system is maintaining adequate accounting records and source documents. This is true with regard to controls over the proper use of p-cards. In order to guard against misuse and ensure

compliance with p-card policies, adequate documentation must be maintained and be readily available for post transaction reviews. The difficulty that Village staff had in providing us with the documentation that their policies and procedures require indicates that this is an area that needs improvement.

In some instances the lack of sufficient documentation may have contributed to non-detection. For example, for p-card purchases where only the credit card slip was available as supporting documentation, the credit slip would not show that sales tax was erroneously paid.

Recommendations:

To maintain an effective p-card system of controls and to correct expenditures of public funds that are not in compliance with established guidelines, we recommend the following:

- (3) Where cost effective, follow-up on the recovery of sales taxes previously paid.**
- (4) Conduct refresher training for all p-card users addressing the Village's policies on p-card use for prohibited purchases, required supporting documentation, and exemption from sales taxes and tipping guidelines.**
- (5) Monthly cardholder statement reviews should include a determination that there is adequate supporting documentation detailing the reason/purpose, attendees, and detail of meals and beverages purchased. The supporting documentation should be retained so that it is readily available for post transaction reviews.**

Summary of Management Response:

Management generally agrees with our finding but disagrees with recommendation #3. Management stated that procedures are already in place which include monitoring for non-compliance and reimbursement of inappropriate or unauthorized expenses. Also, the 35 transactions involving unreimbursed sales taxes totaled \$117.92 or an average of \$3.37 per transaction. The anticipated cost to recover each of those amounts would exceed the amount in question.

Management agreed with recommendation #4. As a result of our audit and their own internal review they will be conducting refresher training in the coming weeks and are revising both the purchasing and p-card manuals. In the future, refresher training will be conducted on an annual basis.

Management generally agrees with recommendation #5. Their own internal audit revealed that documentation and approval procedures varied across departments and that no formal training had occurred in two to four years. Additionally Wellington has been moving towards a paperless environment and various elements of Open Wellington require enhancements for ease of use and retrieval of documentation. With regard to OIG comments about insufficient documentation, Management stated that

while they concur that some transactions did not include a detailed receipt (only a charge card slip), source records generally contain sufficient information to document the transaction. Nonetheless, the training to be held in the coming weeks will include document protocols and language in manuals and procedures have been revised to clarify some concerns.

OIG Comments:

With regard to recommendation #3, we agree there are procedures in place requiring cardholders to follow-up on recovery of erroneous sales taxes. However, the 35 transactions where no reimbursement has been sought were identified by our audit and in many cases because detailed receipts, which would have shown that sales tax was erroneously paid, were not maintained or not readily available as required and had to be retrieved for our audit. We also noted in our report that there were ten transactions totaling \$57.53 where the sales tax refund is pending. This computes to \$5.75 in sales tax per transaction. Since reimbursement was sought for this amount it is not clear where the cutoff is for determining when it is no longer cost effective to seek reimbursement. As we pointed out in our report, what is most needed is improved compliance so that the sales tax exemption is requested at the point of sale, negating the need to seek as many reimbursements after the transaction is processed.

Management agreed with recommendation #4 to conduct refresher training which would include the procedures regarding sales tax exemption. This corrective action should help improve compliance and reduce the number of transactions where sales tax is erroneously charged.

Regarding recommendation #5, as indicated in their response Management is taking a number of actions to address problems identified regarding adequate documentation. Our position is that the source record may document the occurrence of a transaction but it cannot substantiate whether the transaction was a properly authorized public expenditure without additional supporting documentation that identifies the sufficient public purpose or whether prohibited or personal items were paid for with public funds. In addition, that documentation needs to be maintained in a manner that makes it easily retrieval as part of the supervisory review and approval process for monthly cardholder statements. As long as those requirements are met, Management's proposed actions will adequately address our recommendation.

Finding (3): CONTROLS NEED TO BE STRENGTHENED FOR THE MASTER ACCOUNTS PAYABLE P-CARD

The Village has established one p-card (master p-card) assigned to an individual accounts payable clerk that is used to make payments on purchase order invoices for vendors who have agreed to a credit card as a method of payment. In addition to reviewing controls over regular p-cards, we also reviewed controls over the master accounts payable p-card. During our audit period, the master p-card initially had a \$150,000 single transaction limit that has since been increased to \$300,000. While there are benefits to using a master p-card which can include more timely and efficient

payment processing and opportunities for increasing cash back rebates, there are additional inherent risks associated with a card having high credit limits.

While we did not identify any misuse of the master p-card, we identified the following conditions we believe should be addressed to help mitigate the additional risks associated with the Village's master p-card:

1. The dollar thresholds and security requirements for the master p-card are not addressed in Village's policies and procedures.
2. The master p-cardholder is the only signatory on this card and has sole possession of the card.
3. At the time of the audit engagement, the single transaction limit was \$150,000 and the highest single purchase during the period under OIG audit was \$16,726.29 (or approximately 11.1 percent of the initial single transaction limit). The monthly limit for the master p-card is \$500,000 and we calculated the ten month average during the audit period to be \$16,173.65 (or approximately 3.2 percent of the monthly limit). Subsequently the single purchase transaction limit has been increased to \$300,000 to allow for a large payment to a Vendor who recently agreed to accept a credit card payment.
4. The master AP card has the identical restrictions of a regular Village p-card including the 62 Merchants Category Code restrictions established for regular p-cards.

During our audit we received conflicting information on the existence of and physical controls over the master p-card. Initially we were informed that the accounts payable clerk kept the master p-card on her person. In subsequent follow up meetings we were informed that there was no physical card and that the accounts payable clerk maintained only the card information. We subsequently learned that during the latter part of our audit, as a result of our inquiries regarding physical custody, the card was destroyed and only the card information is currently maintained. This action, taken during our audit, mitigates our concern regarding the card being in the sole possession of the cardholder.

Recommendations:

We conclude that there is an opportunity to further strengthen preventive controls by implementing the following recommendations:

(6) The threshold and security requirements for the master p-card should be specified in the approved p-card policy. Also procedures should be included regarding physical custody of the master p-card in the event a card is reacquired.

(7) Given that that the master p-card limits have been raised, consider more frequent or random supervisory review of the master p-card activity above the monthly reviews currently performed.

(8) Explore the feasibility of establishing a separate account for the master p-card that can provide the Village more flexibility to further restrict purchasing activity for that account.

Summary of Management Response:

Management generally agrees with recommendation #6. They have added language on security and review of the accounts payable card. However, rather than specifying an actual dollar threshold, they have added language to establish how the threshold will be set.

Management disagrees with recommendation #7. They stated that in addition to the two monthly reviews they are conducting random reviews of the p-card throughout the year. In addition, transactions are downloaded from Bank of America weekly and are available for supervisory review.

Management generally agrees with recommendation #8 and plans to have discussions with their p-card provider on the available options in order to determine whether a separate account is feasible.

OIG Comments:

Management's proposed actions will address recommendations #6 and #8. With regard to recommendation #7, if management is conducting random reviews of the accounts payable card throughout the year and the supervisor reviews the weekly downloads from Bank of America, this will provide an additional level of control to help mitigate the added risk of a card with such a high credit limit and satisfy the intent of our recommendation.

FUEL CARD PROGRAM

The Village purchases unleaded and diesel fuel from Port Consolidated. Fuel cards have been assigned to 175 Village employees, two active B&GC representatives and approximately 314 total users. The Village has 113 vehicles in their fleet and 79 active small equipment cards.

The Village has entered into an inter-local agreement to have Palm Beach County (PBC), Fleet Management Division supply fueling data services via the Ward Automated Fleet Management System. PBC does not monitor the Village's fuel transactions but rather it is the Village's responsibility to monitor their fuel program. The Village gets a text file from PBC on fuel transaction data and downloads this into their Naviline Fleet Management System for recordkeeping and accounting. As part of the annual expenditure review process, the Village performs an analysis of fuel in terms of total cost and fuel efficiency.

Our audit tested the fuel card controls for both asset and small equipment cards. As part of our review of fuel card controls we analyzed fuel transactions for high risk transactions such as fueling during holidays, weekends, and before/after normal work

hours. All such transactions were verified as coinciding with the employees' work schedule. We did not identify any misuse of fuel cards. However, we did identify opportunities to strengthen controls over the fuel card program as well as an additional item regarding charges related to the Palm Beach County Sheriff's Office (PBSO) use of the Village fuel depot.

Finding (4): FUEL CARD PROGRAM CONTROLS CAN BE STRENGTHENED

We discovered the following during our evaluation of the fuel card program operational internal controls:

1. The Village has no written policies regarding the issuance, monitoring and use of fuel cards.
2. As per the Public Works Division, small equipment cards should have a 10-15 gallon limit except for those used for the generators and diesel fuel tanks mounted on the back of Village owned assets. We discovered that there are nine small equipment cards with a total of 231 transactions greater than the 15 gallon limit.

Pursuant to 119.071(3), Florida Statutes, the following sentence has been redacted.

Recommendations:

(9) The Village management should develop written policies and procedures for the fuel card program. The policy should include procedures to address:

- A. Issuance, monitoring and use of fuel cards;**
- B. Limits for small equipment and asset cards;**
- C. Formalizing monitoring and reporting activities that identify patterns/trends of anomalies in fuel card transactions such as: holidays, weekends, and before/after normal work hours; and**
- D. [REDACTED]**

Pursuant to 119.071(3), Florida Statutes, the preceding sentence has been redacted.

Summary of Management Response:

Management agrees with recommendation #9 and plans to formalize current procedures and processes which will include researching what other service agencies are doing and coordinating with PBC Fleet Management in drafting policies and procedures.

OIG Comment:

Management's proposed actions will address our recommendation.

Finding (5): ADMINISTRATIVE AND ACCOUNTING CONTROLS FOR THE VILLAGE FUEL PROGRAM CAN BE STRENGTHENED

During our review of Village fuel card usage and controls, we determined that the Village has two external users who are assigned fuel cards and have access to the Village fuel depot. PBSO officers in providing law enforcement services to the Village have been assigned Village asset fuel cards and access to the Village fuel depot. In addition two officials of the B&GC are assigned fuel cards and have access to the Village fuel depot. As part of our review we evaluated the Village process for accounting for and billing for fuel consumption by the PBSO and B&GC.

With regard to the B&GC we did not identify any issues. The Village has an agreement with the B&GC that includes provisions for monthly billing to B&GC for their fuel consumption based on the last per gallon price paid by the Village. Also the Village appropriately excludes B&GC and PBSO fuel consumption from the Village's application for a rebate from the State sales tax since that fuel is not entitled to a refund.

However, with regard to PBSO, we found that the Village charges the PBSO a 6% surcharge for their fuel consumption. For FY 2011, this amounted to \$14,456.05. This surcharge has not been established in any written agreement between the Village and PBSO. When we identified this surcharge, we requested that the Village provide us with a copy of the inter-local agreement between the Village and the PBSO for law enforcement services. After several requests, Village staff said they were unable to locate the agreement. We subsequently obtained a copy from the PBSO. In reviewing the agreement we discovered that it is silent regarding the PBSO's use of Village fuel and the provisions for charges by the Village to PBSO for fuel usage including the 6% surcharge. We also noted that the Village does not charge their other external customer, B&GC, this same 6% surcharge.

In our discussion with Village management and the Village attorney they indicated that they have an oral agreement with PBSO for this 6% surcharge and PBSO has always paid it. While this may provide sufficient authority for the Village to charge PBSO, we believe that it would be prudent to put this "agreement" in writing and include all provisions for PBSO's access to and use of the Village fuel depot as the Village has done with their other external customer, B&GC.

Recommendations:

(10) Amend the law enforcement services agreement with PBSO to stipulate access to and customary billing for fuel.

(11) Develop written policies and procedures for charging and billing internal and external customers.

Summary of Management Response:

Management generally agreed with recommendations #10 and #11. Wellington will contact PBSO to determine whether and when the law enforcement agreement can be amended. Wellington will revise policies and procedures specifically with regard to frequency of billing and administrative fees.

OIG Comment:

Management's proposed actions will address our recommendations.

POTENTIAL FINANCIAL AND OTHER BENEFITS

Questioned Costs (Finding 1- Purchase Card Expenditures)	\$28,596.88
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ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Village of Wellington management for the cooperation and courtesies extended to us during this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Project conducted by David Zamora, Auditor III, under the supervision of Kenneth L. Johnson, Audit Manager. Please address inquiries regarding this report to Dennis Schindel, Director of Auditing, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1

The primary audit objectives were to:

1. Determine whether the p-card expenditures have met the public purposes or public benefit.
2. Determine whether executed p-card transactions are in compliance with applicable laws, rules, policies, and procedures.
3. Determine whether the p-card controls over the regular and master p-cards are adequate in design and operation.
4. Determine whether the recording, documenting and classification of p-card transactions are adequate and properly classified in accordance with generally accepted government accounting standards prescribed by the Florida Department of Financial Services (DFS).
5. Determine whether the duties of p-card issuance, authorization, custodianship, reconciliation, and payment are segregated.
6. Determine whether the operational controls over the fuel card program are adequate in design and operation.
7. Determine whether administrative and accounting controls over the fuel card program are adequate in design and operation.

ATTACHMENT 2



A GREAT HOMETOWN

Council

Darell Bowen, Mayor
Matt Willhite, Vice Mayor
Dr. Carmine A. Priore, Mayor pro tem
Howard K. Coates, Jr., Councilman
Anne Gerwig, Councilwoman

Manager
Paul Schofield

March 28, 2012

Dennis Schindel, Director of Audit
Office of Inspector General Palm Beach County
P O Box 16568
West Palm Beach, FL 33416-6568

Re: Draft Audit Report, Purchase Card and Fuel Card Controls at the Village of Wellington

Dear Mr. Schindel:

Attached please find Wellington's response to the Office of Inspector General's (OIG) draft audit report on purchasing and fuel cards. As requested, we have provided a general response to the audit report and a response to each finding and recommendation. The individual responses indicate the concurrence with each recommendation or the reason for non-concurrence as well as proposed actions and estimated completion date, if applicable.

We appreciate the professionalism shown to us by the OIG during this audit. Throughout the audit, and in our response, we have indicated our desire to continue to work with your office as we implement revised manuals and training programs. We are hopeful that the OIG will partner with us in an effort to achieve best practices in public spending and transparent reporting systems. In any case, we look forward to a continued partnership and any further suggestions or recommendations you may have regarding the documents we have provided to you.

Sincerely,

Paul Schofield, Manager

Cc: Sheryl G Steckler, Inspector General
Kenneth L. Johnson, Audit Manager
Francine L Ramaglia, CPA, Wellington Assistant City Manager
Mireya P McIlveen, CPA, Wellington Director of Financial Management & Budget
Jeff Kurtz, Wellington Counsel
Wellington Council Members
Wellington Senior Staff

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GENERAL RESPONSE TO DRAFT AUDIT REPORT OF PURCHASE CARD AND FUEL CARD CONTROLS
ISSUED BY THE PALM BEACH COUNTY OFFICE OF THE INSPECTOR GENERAL (OIG)
ON MARCH 1, 2012

We have reviewed the draft report on Purchase Card and Fuel Card Controls issued by the Palm Beach County Office of the Inspector General (OIG) on March 1, 2012. In general, the report and its findings state that the p-card program is effective and functioning as designed and that Wellington has an adequate system of controls. We found the OIG audit process to be helpful and a great learning experience; it was an excellent opportunity to step back and evaluate our programs, policies, practices, etc. We are believers in the oversight process and, in specific, the mission to "enhance public trust in government." To that end, staff used this audit to look for opportunities for better governance, including efficient and effective use of resources and improved systems of internal control and reporting. Additionally, complete financial transparency has always been our goal and staff also used the OIG audit as a test of our "Open Wellington", which was implemented in 2009 and even today puts Wellington in a very small group of governments nationally with a similar transparency reporting tool. In summary, we made numerous changes to our various procurement-related policies, procedures and reporting systems (not limited to purchasing card or OIG audit scope transactions) as more fully described in our separate, more comprehensive audit report distributed and posted on our website January 12, 2012 under Internal Audit Reports (see "Your \$" icon on Wellington website or go to http://www.wellingtonfl.gov/images/stories/departments/Finance/audit_reports/Preliminary%20Purchasing%20Card%20Audit%20Results%201.12%20%20Final.pdf). The report, along with the draft policy and procedure revisions, was provided to the OIG upon issuance along with a request for their comments and suggestions for implementation. We are hopeful that the OIG will partner with us in an effort to achieve best practices in public spending and transparent reporting systems. While we await their response, we are hopeful that the results of such a partnership could benefit all government in Palm Beach County and further enhance the public trust.

The following summarizes our general comments with respect to the findings, recommendations and scope of the OIG audit.

Findings

Council Policy Consideration:

The OIG report states that the purpose of their procedures was to respond to concerns submitted to their office regarding p-card purchases of food and related items. Accordingly, OIG questions the public and/or business purpose for transactions consistent with Wellington's practices since incorporation and provided for each year within the budget such as:

- Meals/food (excluding concessions/rec programs and per diem or travel reimbursement) including in-town business meetings, both in and outside office (Council meetings, Agenda review meetings, PBSO meetings, Staff Meetings, Economic Development, Training, etc.);
- All water/beverage/coffee purchases at all locations; and

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- Employee oriented events or meetings (with meals/food) and other employee morale activities or recognition programs.

These purchases have been made public, have been properly approved, and are for valid business expenses within the budget. Additionally, no instances of non-compliance with IRS regulations and no individual transactions or group of transactions resulted in compensation or otherwise caused a taxable event. This long-standing practice was disclosed to the OIG at the very first meeting in August. In fact, staff provided to the OIG the same detail, reports and analysis provided to Council in July, August and October 2011. The issue was raised at the Council level and no policy change was made at that time.

It is important to note that the OIG report acknowledges the long-standing policy, that the transactions were reported and that Council supported the practice. The reasoning employed by OIG to question these items is selective application and interpretation of the Florida Department of Financial Services policies. While state policies may be a good point of reference, they are not applicable to municipalities and cannot preempt a municipality's right to Home Rule. Wellington has adopted its own purchasing and travel policies and as such, is not subject to the state expenditure guidelines. Further, the OIG position is also not supportable in that the State chart of accounts (Uniform Accounting System) provides for food and related expenditures in several account codes. Nonetheless, this is a Council policy decision and staff will present the results of the OIG audit to Council for policy direction.

Compliance and Internal Controls

The OIG audit did not identify any significant internal control weaknesses, unreimbursed unauthorized purchases, instances of fraud or misuse. It did identify approximately \$400 of unreimbursed expenditures, primarily sales tax, for which additional collection procedures and/or effort would not be cost beneficial (Wellington's procedures provide for making every effort to collect unreimbursed sales tax until the cost of recovery efforts exceeds the transaction cost.) Although not requested by the OIG, we have rewritten and clarified various procurement-related policies and procedures and are implementing the associated training programs (as more fully described in the separately issued OFMB audit report issued in January (go to http://www.wellingtonfl.gov/images/stories/departments/Finance/audit_reports/Preliminary%20Purchasing%20Card%20Audit%20Results%201.31.12%20Final.pdf). Further, these policies have been provided to the OIG and we await any additional recommendations.

Recommendations

We appreciate the spirit of the OIG recommendations and agree with those aimed to improve our process. In fact, most of those recommendations were implemented during the course of the audit or are existing procedures we already perform as explained in the attached responses. We also agree with presenting Council with the policy consideration discussed above. However, there are recommendations which we cannot implement as they are either dependent upon

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another entity's ability to make changes suggested or are otherwise cost prohibitive as also explained in the attached responses.

Scope

Notwithstanding the OIG engagement letter stating the audit would be in accordance with *Generally Accepted Auditing Standards*, the actual scope of the OIG audit appears to have been crafted to capture transactions reflecting specific concerns brought to the OIG relating to meals and other food-related purchases as noted above. That being the case, the testing procedures were primarily limited to testing that single population of transactions. Additionally, the method of transaction testing was judgemental rather than statistical which means that no finding or collection of findings is necessarily representative of all food-related purchases. The results of this type of testing also cannot be extrapolated to indicate accuracy or compliance for p-card transactions as a whole.

While no system of internal controls can be designed to eliminate all margin of error, the three primary objectives of an internal control system are to ensure: 1) efficient and effective operations, 2) accurate financial reporting and 3) compliance with laws and regulations. In summary, these internal control objectives have been met. Additionally, the p-card program is a cost-effective control in itself as it enables Wellington to mitigate risk of unauthorized and/or improper transactions in a number of ways (for example: merchant code controls; user assignments; spending limits; dispute resolution; etc.). A variety of organizations (including Government Finance Officers Association and United States Government Accounting Office) endorse p-cards as a "best practice" and recommend their use. Further, the current program provides a rebate based on usage, which Wellington has been attempting to increase in recent years. Staff, working with the provider, is in progress of identifying additional vendors and transaction types to include in the program to maximize its benefit.

Attached are the individual responses to the OIG report findings. Staff will ensure that agreed-upon recommendations are implemented and will report back to management and Council the results of these changes. Again, it is our hope that the OIG will partner with Wellington in an effort to achieve best practices in public spending and transparent reporting systems in order to benefit all government in Palm Beach County and to further enhance the public trust.

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Finding 1 – Purchase card expenditures with questionable public purpose

Recommendation 1) *Re-evaluate the use of p-cards to purchase items that do not have a clear public purpose. This should include enhancing the current p-card policies and procedures to identify additional items that are prohibited and, if appropriate, who has authority to approve exceptions. Consideration should be given to using the Department of Financial Services Administrative Code and Reference Guide for State Expenditures which provide reasonable assurance to the taxpayer that [sic].*

Response: Management disagrees with the comment as written because 1) there have been no unreimbursed purchases of prohibited items or otherwise unauthorized expenditures, 2) the state policies are not applicable and 3) all expenditures did have a public purpose. Management agrees with the recommendation in concept that items which do not have a clear public and/or business purpose or that have been prohibited by adopted policy are disallowed.

The OIG report states that the purpose of their procedures was to respond to concerns submitted to their office regarding p-card purchases of food and related items. Accordingly, OIG questions the public and/or business purpose for transactions consistent with Wellington's practices since incorporation and provided for each year within the budget such as:

- Meals/food (excluding concessions/rec programs and per diem or travel reimbursement) including in-town business meetings, both in and outside office (Council meetings, Agenda review meetings, PBSO meetings, Staff Meetings, Economic Development, Training, etc.);
- All water/beverage/coffee purchases at all locations; and
- Employee oriented events or meetings (with meals/food) and other employee morale activities or recognition programs.

These purchases have been made public, have been properly approved, and are for valid business expenses within the budget. Additionally, no instances of non-compliance with IRS regulations and no individual transactions or group of transactions resulted in compensation or otherwise caused a taxable event. This long-standing practice was disclosed to the OIG at the very first meeting in August. In fact, staff provided to the OIG the same detail, reports and analysis provided to Council in July, August and October 2011. The issue was raised at the Council level and no policy change was made at that time.

It is important to note that the OIG report acknowledges the long-standing policy, that the transactions were reported and that Council supported the practice. The reasoning employed by OIG to question these items is selective application and interpretation of the Florida Department of Financial Services policies. While state policies may be a good point of reference, they are not applicable to municipalities and cannot preempt a municipality's right to Home Rule. Wellington has adopted its own purchasing and travel policies and as such, is not subject to the state expenditure guidelines. Further, the OIG

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position is also not supportable in that the State chart of accounts (Uniform Accounting System) provides for food and related expenditures in several account codes.

Further, management believes strongly that having a productive, efficient, and content workforce does serve a public purpose. The employees' morale directly contributes to effective and productive performance in delivery of services to Wellington taxpayers and other customers. Additionally, the practice of providing meals for in house meetings and training has benefited Wellington in a number of ways, not the least of these being increased and continued productivity and avoidance of overtime costs and travel time.

Nonetheless, as this issue is a policy decision, staff will bring the OIG finding and recommendation to Council for policy direction.

Recommendation 2) Require reimbursement for all p-card purchases that do not have a clear public purpose.

Response: Management disagrees with the recommendation as written because it incorrectly assumes that there were unreimbursed unauthorized or prohibited purchases made on the p-card. Wellington policy requires all unauthorized or inappropriate transactions to be reimbursed. As noted later in the report, with the exception of small dollar amounts of sales tax and tips (\$419.06) all amounts noted in the OIG audit as non-compliant had been reimbursed prior to the audit. As mentioned above, these expenditures were authorized during the period under audit and as such would not require reimbursement.

Finding 2 – The Village can further strengthen controls and improve overall compliance with policies and procedures

Recommendation 3) Where cost effective, follow up on the recovery of sales taxes previously paid

Response: While management generally agrees with the above finding, management disagrees with this recommendation. **These procedures are already in place.** Current procedures include monitoring of transactions for non-compliance and for reimbursement of inappropriate or unauthorized charges; specifically, the manual requires the cardholder to follow up on the recovery of erroneously charged sales tax when it is cost effective. As indicated in the OIG report, out of 763 transactions tested, there were 53 instances of sales tax erroneously paid. Of these, 18 were reimbursed by the vendor. The remaining 35 transactions of unreimbursed sales tax totaled \$117.92, or an average of \$3.37 per transaction. The dollar amount of each transaction exceeds the anticipated cost to attempt to recover the amount in question.

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In fact, the OIG audit report acknowledges that management indicated it would not be cost effective to pursue reimbursement based on the small dollar amount and the efforts required. However, Wellington staff feels that compliance procedures can be strengthened through training. Purchasing staff will be providing training throughout the following months to remind users to be more vigilant with sales tax when they make a purchase.

Recommendation 4) Conduct refresher training for all p-card users addressing the Village's policies on p-card use for prohibited purchases, required supporting documentation, and exemption from sales taxes and tipping guidelines.

Response: Management agrees with the recommendation. As noted in the audit conducted by OFMB, (http://www.wellingtonfl.gov/images/stories/departments/Finance/audit_reports/Preliminary%20Purchasing%20Card%20Audit%20Results%201.31.12%20%20Final.pdf) the need to clarify all the policies and procedures and conduct training accordingly was one of the most significant findings and recommendations: "Provide training to all cardholders and administrators at least once per year. New cardholders shall attend formal training prior to issuance of a p-card while all cardholders should be provided additional training whenever significant changes occur. Training to include but not limited to properly documenting purpose of purchase, preparation of "Lost Receipts Form", description of unauthorized or disputed purchases, etc." We have revised both the purchasing and p-card manuals and delivered copies to the OIG for any input they can provide. Revised language includes:

- Reflect current practice of "reasonable and customary tips based on the service" received (meal, baggage handling, transportation, etc) and the situation, instead of a fixed percentage
- State the cardholder shall make an effort to obtain any missing receipts and if not successful, a "Lost Receipts Form" must be completed
- Require reasonable effort to ensure sales tax is not paid (present tax exempt card, review bill, etc.)

Training will be held throughout the following months as well as at least once annually to ensure staff is aware of Wellington's purchasing policies and procedures.

Recommendation 5) Monthly cardholder statement reviews should include a determination that there is adequate supporting documentation detailing the reason/purpose, attendees, and detail of meals and beverages purchased. The supporting documentation should be retained so that it is readily available for post transaction reviews.

Response: Management generally agrees with the recommendation. Policies already require monthly cardholder statement reviews that verify supporting documentation is included. However, OFMB's internal audit (http://www.wellingtonfl.gov/images/stories/departments/Finance/audit_reports/Preliminary%20Purchasing%20Card%20Audit%20Results%201.31.12%20%20Final.pdf) revealed that documentation, approvals and procedures vary across departments and individuals given that no formal

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training has occurred in two to four years nor have there been procedural updates issued. For instance, while monthly statements are signed by cardholders/supervisors or designated reviewer, individual charge slips or receipts are not signed or initialed.

Additionally, Wellington has been moving towards a paperless environment and has been scanning documents to make them available in Open Wellington. Our audit also indicated that various elements of Open Wellington require enhancements for ease of use and retrieval, particularly linkage of transactions to each and every related document in the variety of systems containing the information (i.e., required fields of information in the Bank of America p-card software system provide adequate documentation for compliance purposes, but an interface between the two systems does not yet exist). Additionally, internal guidelines for attaching electronic documentation are necessary. Further, we noted certain documents do not age well; these need to be scanned promptly to avoid fading.

With regard to comments about insufficient documentation and while we concur that some transactions did not include a detailed receipt (only a charge card slip), our source records generally contain sufficient information to document the transaction. As mentioned above, transaction records are maintained electronically. In some instances, it was difficult to provide information in a tangible form for the IG to review when it only exists electronically (e.g. in the p-card system or the accounting system). It has been discussed with the IG that the information would have been easier to provide if the IG had been on site for their audit, as much of this documentation exists electronically. Further, there also seems to be disagreement on the definition of sufficient documentation. For some transactions, the name of a department was listed as the attendees, meaning the entire department; while this provided sufficient documentation for internal control purposes, it appears the IG would prefer actual names and titles. In order to comply with IG requests, staff had to go back through numerous transactions to provide this level of detailed additional information.

Nonetheless, the training to be held in the coming weeks will include document management protocols (required source documents, supporting information, prompt scanning, etc.). We have also revised language in the manuals and/or the procedures to clarify some concerns:

- Allow for "documentation of purchase" in lieu of an "original" receipt. For instance, copies of receipts meet auditing standards and in some cases due to paperless efforts, electronic documents shall suffice.
- Require cardholder and supervisor approval signatures on statements instead of individual receipts substantiating that the goods and/or services were received.
- Ensure review includes confirmation that purpose of purchase has been adequately documented.
- Require transactions with missing receipts to be reported on a "Lost Receipts Form"

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Finding 3 – Controls need to be strengthened for the master accounts payable p-card

Recommendation 6) *The threshold and security requirements for the master p-card should be specified in the approved p-card policy. Also procedures should be included regarding physical custody of the master p-card in the event a card is reacquired.*

Response: Management generally agrees with the recommendation. However, these concerns were previously addressed in the revised p-card manual provided to the OIG. We have added documentation on security and review of the accounts payable card. While we disagree that the actual dollar threshold should be specified, as it may change from time to time with the addition of vendors to the program, we have added language relating to how the threshold is set.

- The card issued to the employee responsible for Accounts payable will be issued a limit that will be conducive to the needs of processing payables. This limit will be established and approved by the Director of OFMB and may exceed the category limits described above.

Recommendation 7) *Given that the master p-card limits have been raised, consider more frequent or random supervisory review of the master p-card activity above the monthly reviews currently performed.*

Response: Management disagrees with the recommendation. Wellington feels that the risk of misuse resulting from increased limits is appropriately mitigated given ***procedures currently in place***. In addition to two separate monthly reviews, as part of OFMB's internal audit work, the master p-card is randomly reviewed throughout the year. Further, transactions are downloaded weekly from Bank of America and are available for review by the supervisor. Also, p-cards offer more control over cash disbursements because payment is not made unless the transaction is approved. Any incorrect charge can be disputed immediately with Bank of America and Wellington would not be liable.

Recommendation 8) *Explore the feasibility of establishing a separate account for the master p-card that can provide the Village more flexibility to further restrict purchasing activity for that account.*

Response: Management generally agrees with the recommendation. Wellington will discuss with the p-card program provider the available options to determine whether this is feasible.

Finding 4 – Fuel card program controls can be strengthened

Recommendation 9) *The Village management should develop written policies and procedures for the fuel card program. The policy should include procedures to address: A) Issuance, monitoring and use of fuel cards; B) Limits for small equipment and asset cards; C) Formalizing monitoring and reporting activities that identify patterns/trends of anomalies in fuel card transactions such as: holidays, weekends, and*

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before/after normal work hours; and [REDACTED]

Response: Management generally agrees with the recommendation. While the audit of the fuel program was performed in Wellington, this program is a county-wide program based in Palm Beach County Fleet Management. Wellington staff will formalize current procedures and processes; however part of this process will include researching what other service agencies (PBSO, municipalities) are doing. We will also coordinate with Palm Beach County Fleet Department for assistance in drafting policies relating to their program.

Finding 5 – Administrative and accounting controls for the Village Fuel Program can be strengthened

Recommendation 10) Amend the law enforcement services agreement with PBSO to stipulate access to and customary billing for fuel.

Response: Management generally agrees with the recommendation. Wellington will contact PBSO. The timeline for completion, or whether this can be accomplished, is unknown at this time since we have not contacted PBSO as of the date of this report.

Recommendation 11) Develop written policies and procedures for charging and billing internal and external customers.

Response: Management generally agrees with the recommendation. **Wellington has written policies and procedures** for charging and billing customers. We feel the recommendation is to clarify how fuel is charged, specifically as it relates to administrative fees and frequency. Staff will revise current policies to include these procedures.