



Memorandum No: 25/26-3

Date: May 5, 2026

To: Honorable Mayor and Commissioners

From: Patrick Reilly, CPA *PR*
City Auditor

Re: Performance Audit of the Procurement P-card Program

Objective

The objective of the audit was to determine if internal controls over the P-card Program were adequately designed, implemented, and effective for reliability of financial recordkeeping, safeguarding of assets, compliance with laws and regulations, and efficiency and effectiveness of operations.

Conclusion

The City Auditor's Office (CAO) found that internal controls relating to P-card Program were not adequately improved and maintained since the prior audit. Specifically,

- Finance was not fully compliant with laws and regulations relating to
 - property internal controls relevant to P-card transactions,
 - P-card administration internal controls, and
 - P-card recordkeeping and supervisory approval internal controls;
- Prohibited and questionable P-card purchases occurred, representing non-compliance with P-card PSM 9.13.1; and

All findings of this report are repeat findings.

Scope & Methodology

As part of the fiscal year 2025/2026 audit plan, the CAO conducted a performance audit of the City's Procurement P-card (P-card) Program, which included a risk-based review of internal controls. The audit period included October 1, 2023 – December 31, 2024. Scope did not include P-card spending by the City's Pension program P-cardholders or the City's e-payment program that uses virtual P-cards and is administered separately by Accounts Payable.

The CAO conducted its assessment of internal controls using the May 2013 updated Internal Control—Integrated Framework established by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework defines internal control, describes the components of internal control and underlying principles, and provides direction for all levels of management in designing and implementing internal control and assessing its effectiveness. The five components of the COSO framework are: control environment, risk assessment, control activities, information and communication, and monitoring activities.

The audit methodology included the following but not limited to

- Performing data reliability and integrity assessment of related computer systems;
- Reviewing regulation guidance, policies and procedures, and related requirements;
- Reviewing records and reports;
- Reviewing agreements;
- Performing process walk-throughs and conducting a review of controls;
- Interviewing appropriate City staff and third party personnel; and
- Performing analyses

The CAO has identified four (4) Findings during the audit. A Finding results from a failure to comply with policies and procedures, rules, regulations, contracts, and fundamental internal control practices.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS). These standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objectives. The CAO believes that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

Background

The City's purchasing P-card Program is administered by the Finance Department, and its goal is to earn interchange ("rebate") revenue while controlling transaction activity and improving the City's procurement process efficiency via decentralization for transactions under a given threshold and simplification for higher value transactions processed electronically.

The following City policies and procedures are relevant to the P-card Program:

- Chapter 9, Section 13, Subject 1 of the Policy and Standards Manual (P-card PSM, 9.13.1),
- Chapter 9, Section 16, Subject 1 of the Policy and Standards Manual (Fixed Assets PSM, 9.16.1), and
- the City of Fort Lauderdale *Procurement Manual*.

The Program is primarily administered by a P-card Program Administrator, who is supervised by the Finance Director. Within each department that is issued P-cards, directors, supervisors, and subordinates designated as P-card Coordinators further administer the Program. Physical P-cards are issued to City employees upon approval by their respective directors and supervisors for payment of point-of-sale and internet/phone purchases below the City's purchase order threshold. Virtual P-cards are issued to merchants that enrolled in the City's e-payment program and are used to pay these vendors' generally high value charges primarily transacted through the City's purchase order system.

The City's payment processor (bank) primarily provides

- all physical P-cards with hard-coded controls; monthly limits, single transactions limits, and purchase category restrictions that vary by type of P-card;
- monthly transaction statements for review by participating departments and transaction data for review by Finance; and
- rebate revenue.

Centralized business processes administered by Finance primarily involve

- P-card authorization, issuance, attribute changes, and termination; and
- monitoring and enforcement of compliance with relevant City policies and procedures.

Decentralized business processes administered by respective departments that have P-cardholders involve

- purchasing,
- receiving,
- inventorying,
- recording and record retention; and
- transaction review and approval.

The P-card Program was last audited with a report issued March 1, 2019, including 8 material weaknesses and a complementary management letter of P-card PSM 9.13.1 internal control deficiencies. While the prior audit was being performed, a P-card fraud was discovered independent of the audit, and the audit as well later discovered two different P-card frauds. The following significant changes impacting the P-card Program have occurred since the prior audit,

- The City Manager position turned over more than once;
- the City's Finance Director turned over twice;
- the Pcard Program Administrator turned over once;
- the ERP system was implemented to capture P-card expense account allocations and detailed receipt images;
- a centralized online file retention system, called Laudershare, was implemented to retain all approved, monthly P-card statements;
- the number of P-cardholders was reduced from around 500 to around 300;
- P-card PSM 9.13.1 was updated on July 8, 2019;
- Fixed Assets PSM 9.16.1 was updated on October 9, 2020; and
- the City's crime insurance carrier lowered policy coverage for the first time in 17 years as a direct result of multiple fraud losses, reducing limit from \$2 million to \$1 million and increasing deductible from \$25,000 to \$200,000, all with a significant premium increase; however, as of 2023, coverage improved with a \$1.5 million limit, a \$100,000 deductible, and a return to baseline premium.

The City earned its P-card spending rebate revenue from merchants that accepted the City's P-card as a payment method. These merchants paid a portion of each sales amount, called interchange fee, to risk-bearers within the electronic payment P-card network: the merchants' banks, the City's P-card-issuing bank, and the network provider (Visa or Mastercard). A portion of this fee was subsequently shared with the City by its respective P-card-issuing bank. Total rebate, including from virtual P-cards, earned for fiscal year 2024 was approximately \$870,000, gross of fees charged to the City by some merchants for credit P-card transactions, on total spending of approximately \$63,000,000, of which only \$12,100,000 was spending by employees with a physical P-card.

Table of Contents

Objective, Conclusion, Scope & Methodology, Background..... 1-3

Finding 1 – Finance was not fully compliant with laws and regulations relating to property internal controls relevant to P-card transactions 6-9

Finding 2 – Finance was not fully compliant with laws and regulations relating to P-card administration internal controls 10-12

Finding 3 – Finance was not fully compliant with laws and regulations relating to P-card recordkeeping and supervisory approval internal controls 13-15

Finding 4 – Prohibited and questionable P-card purchases occurred, representing non-compliance with the P-card PSM 16-19

Appendix - Acronyms..... 20

Exhibit 1 - Criteria 21-30

CAO Response to Full Text of Management Responses..... 31

Full Text of Management Responses..... 33-36

FINDINGS

Finding 1 – Finance was not fully compliant with laws and regulations relating to property internal controls relevant to P-card transactions

Condition

Finance did not fully comply with Section 218.33(3), Florida Statutes (FS) by not designing and implementing adequate internal controls relating to the inventory process of “attractive items” purchased with P-cards, following the property theft frauds mentioned in the prior audit report.

- “Attractive items” are those with cost below \$5,000 meeting certain criteria of a State regulation, primarily items of theft risk.

In particular, Finance did not fully comply with Rule 69I-73, Florida Administrative Code (FAC), by not requiring,

- complete recordkeeping of “attractive items” as property (not financial reporting assets) in the ERP system with the inclusion of specified data points and disposition details;
- annual inventory count of such property; and
- reconciliation of inventory counts to the property record.

Additionally, Finance did not fully comply with the similar but abbreviated requirements within Fixed Assets PSM 9.16.1.

In support of these conclusions, none of the 15 departments and divisions the audit assessed had adequate inventory policies and procedures and recordkeeping for “attractive items” purchased with P-cards. This condition represents a repeat audit finding.

- The highest priority departments are listed below, representing 90% of the \$8 million of P-card purchases during the audit period within durable goods merchant categories, with no improvement to formalized inventory policy and records since the prior audit:
 - Police Department,
 - Fire Department,
 - Public Works Department,
 - Information Technology Services (ITS) Department, and
 - Parks & Recreation Department.

Subsequent Event: ITS implemented an initial asset management procedure after the audit was announced, but this document was assessed as incomplete.

Lastly, the related Citywide disposal process recorded in the *Procurement Manual* is obsolete. This policy is no longer clear on which manager has oversight responsibility of property disposals. Finance did not respond when asked to identify who currently holds this responsibility.

Criteria

The following applicable criteria are detailed in Exhibit 1:

- Section 218.33(3), FS,
- Rule 69I-73, FAC, and
- Fixed Assets PSM 9.16.1, section 2(I).
- COSO Principles 6 and 7

- Best practice: COSO, *Risk Appetite – Critical to Success*

Cause

Following a period of increased risk, no regulatory compliance assessment and risk analysis were performed, as required by COSO Principles 6 and 7, to determine how the Program’s property risks should be managed going forward. This resulted in Finance continuing to defer accountability and responsibility for the requirements of the State regulation to department directors without adequate communication or oversight.

- Regulatory Assessment and Risk Analysis: Management had previously identified Rule 69I-73, FAC as relevant to property control, per reference footnote in the 2013 version of Fixed Assets PSM 9.16.1, but the requirements of the rule were not incorporated into the actions outlined in the PSM, and that condition did not change upon amendment of the PSM in 2020 in response to the prior audit’s material weakness findings.
 - Additionally, in the 2013 Fixed Assets PSM 9.16.1, management had previously set a floor value of \$1,000 for “attractive items” recordkeeping in relation to the regulation because at that time it was the State’s required, minimum recordkeeping threshold. However, in response to the elevated theft risk condition presented by the prior audit, management decided not to reduce this value in the 2020 version of the PSM. Furthermore, the value clearly stated in the 2013 version was made less clear in the 2020 version. In response to the audit on how this value was assessed as appropriate, Finance responded that it was based on professional judgment, without reference to an objective risk assessment approach.
 - That is, in response to instances of material theft, where the City’s insurance carrier reduced its risk appetite, the City did not similarly reduce its risk appetite, which does not support that Finance’s method of professional judgment was acceptable according to COSO best practice.
 - This \$1,000 value essentially represents the City’s acceptable tolerance for individual occurrences of theft loss for unrecorded property.
- Communication: Finance responded to the audit that, though it is not stated in Fixed Assets PSM 9.16.1, Finance expects department directors to assess risk within their respective departments for the purpose of establishing individual risk-based recordkeeping thresholds, which potentially could be lower than \$1,000.
- Oversight: The 2020 amended Fixed Assets PSM 9.16.1 retained the ineffective aspect of allowing the Director “the right to...periodically review...adherence to policy,” which does not establish an obligation for oversight, a problem highlighted in the prior audit report.
 - Fixed Assets PSM 9.16.1 also includes obligations of the Finance Director to “determine appropriate means, level of detailed data elements, and the system to be utilized;” however, when the audit asked for this collection of information it was not available from Finance, and the audit had to compile it.

Auditor Note: While we were reviewing P-card purchases involving City vehicles, we discovered that several vehicle assets in the ERP had duplicate vehicle numbers assigned to them by the prior

Fixed Assets Manager, suggesting that Finance executive management also did not have adequate oversight of the more significant capital assets inventory process either. Finance did not respond to the audit when made aware of this concern.

Effect

Without adequate and complete inventory records and oversight, especially with annual purchasing of this category in the millions of dollars, fraud and theft can go undetected, which given awareness of this condition could encourage fraud and theft.

- CAO concedes that in a state of reduced internal controls the P-card rebate of nearly \$1 million per year is expected to adequately compensate for the financial risk of any fraud or theft potentially occurring without detection. Conversely, that annual rebate value provides adequate resources to enhance internal controls for the sake of organizational risk.

To measure the effect of this condition, the audit inspected 481 attractive items valued at approximately \$800,000 total, purchased within the 15 month window of this audit, including

- 190 items of various nature with average cost of \$1,900 each,
- 224 Dell computers, and
- 67 Apple Ipads.

Of these populations, the following items were not found during inspection:

- 2 water fountains and
- 1 power saw.

These results are specific to our sample and limited time period.

Additionally, testing within the limited population of quick turn-around disposals of P-card items purchased within the 15 month audit period revealed the following two concerns:

- Approximately 100 used 12-volt batteries with an estimated salvage value of \$1,000 were disposed of by transfer to another department without awareness of or documentation (receipt) by that department. The location of these batteries are unknown.
- Three EV chargers with replacement value around \$2,000 were disposed of by transfer to another department via undocumented and indefinite bailment with a vendor. That is, without receiving compensation, a third party was made to hold these items until a City department expressed interest in using them.
 - This irregular process is not identified as allowable within the disposal procedures of the *Procurement Manual* and is the result of lack of separation of incompatible duties and supervisory oversight in that particular department.

Auditor Note: Lastly, relevant to the exposure of associated risk, the audit noticed ITS had \$2.2 million of technology property, much of which is expected to be “attractive items,” in multiple, remote storage sites.

Recommendation

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter

section 4.09, regarding “attractive items” property by designing and implementing a comprehensive, risk-based system of internal controls, starting at least with the top five departments, that is recorded in related policies and procedures documents.

- Update the Fixed Assets PSM 9.16.1 to include the improved, regulation-compliant internal controls system.
- Require NASBA-certified, annual internal controls training for all ACMs, Directors, and relevant staff, and implement knowledge from this training in the City-wide policies and procedures development process.

Management Response:

Management concurs that enhancements are needed to formalize inventory procedures for attractive items and will implement a more structured annual inventory process to supplement existing compliance controls. A formal annual inventory was not completed as contemplated by Florida Administrative Code (FAC) 69I-73, which governs the management of tangible personal property owned by local governments, requiring items with a cost or value of \$5,000 or more and a use life of at least one (1) year to be recorded in the financial system. However, Management maintained internal controls designed to safeguard assets consistent with the requirements of Section 218.33(3), Florida Statutes.

The report identified a variance of three (3) items out of 481 tested attractive items (approximately 0.6%). The items not located were not material individually or in the aggregate. Management will investigate further and implement targeted corrective actions. Additionally, to further strengthening controls and aligning procedures with regulatory expectations, the Finance Department initiated a formal inventory process for attractive items during the current fiscal year.

To enhance governance over the full lifecycle of attractive items, the City’s Procurement Manual will be reviewed and updated to address procedures for the disposal or salvage of attractive items, ensuring consistent documentation, authorization, and accountability for asset disposition.

Rebuttal:

- CAO disputes management’s claim that Rule 69I-73, FAC only governs property with a value of \$5,000 or more. This was the same confusion Finance expressed during audit planning, despite CAO clarifying then and now that the last sentence of Rule 69I-73.002 reads, “Attractive items with a value or cost less than \$5,000 shall be recorded in the local government’s financial system as property for inventory purposes.”
- CAO’s primary concern with this finding is recordkeeping, which was not adequate among departments. Management’s focus on items not found ignores this important distinction.
 - Because of inadequate recordkeeping, the effort of this audit was protracted by several weeks to allow departments to eventually find most items, which were purchased relatively recently.
- Recordkeeping must be in compliance with the extent of rules within 69I-73, FAC. Management’s response of “a more structured” approach does not expressly commit to compliance with these rules.
- See CAO Response to Full Text of Management Responses at the end of this report regarding management’s assertion of compliance with Section 218.33(3), FS.

Finding 2 – Finance was not fully compliant with laws and regulations relating to P-card administration internal controls

Condition

Findings relating to P-card administration practices within P-card PSM 9.13.1 were not remediated to adequately mitigate related risks, resulting in the following repeat non-compliance conditions:

- Card Activations
 - Three high limit P-cards, involving spending volumes for the audit period ranging from \$800,000 to \$6,500,000 each did not have an approved P-card application on file.
 - For a sample of 60 physical P-cards,
 - 17 did not have a P-card application on file;
 - 4 had an application on file missing a required approval signature;
 - 4 had an application on file missing critical information; and
 - 21 did not have a P-cardholder agreement on file.

Subsequent event: All of these conditions were remediated for the documents affected by Finance during audit performance. However, because this was a sample-based test other instances may still exist.

- Card Terminations
 - 10 of 29 P-card cancellations were untimely for employees terminated during the audit period. Maximum deviation was cancellation occurring 188 days after employee separation.

These repeat conditions support that Finance did not fully comply with

- Section 218.33(3), FS by not establishing and maintaining internal controls relating to the administration of P-cards;
- Suntrust (Truist) Corporate Liability Commercial Liability Agreement, Terms and Conditions 7, 10(b), and 10(c) by not sending the P-card issuing bank timely cancellation notices; and
- P-card PSM 9.13.1, sections V (A)(1) & (3) that detail the control processes of “Requests for and issuance of P-cards” and “Termination or Transfer of P-cardholder,” or
- Rule 1B-24.003(9)(a), FAC by not properly retaining records, if the PSM-required documents were originally created but improperly discarded.

Criteria

The following applicable criteria are detailed in Exhibit 1:

- Section 218.33(3), FS;
- Suntrust (Truist) Corporate Liability Commercial Liability Agreement, Terms and Conditions 7, 10(b), and 10(c);
- P-card PSM, 9.13.1, section V(A)(1) & (3);
- Rule 1B-24.003(9)(a), FAC.

Cause

Regarding P-card activations, management's 2019 action plan did not align with the prior audit report's recommendation. As a result, Finance continued its use of obsolete, paper-based means to gather approvals for P-card activations though now scanned and digitally retained, which requires unnecessary, extensive file management. Forms software exists that can allow centralized, time-stamped, digital requisitions and approvals by controlled user login.

Regarding P-card terminations, Finance, ITS, and HR did not adequately coordinate to implement ERP data entry within employees' HR digital profiles to note P-cardholder status. The absence of this step has caused the P-card termination process to remain a manual search for the P-card Program Administrator every time an employee separates, even if he or she doesn't have a P-card. This unnecessary burden diminished efficacy of the control process.

Effect

These conditions 1) reduce confidence in Finance's control of the P-card Program, 2) potentially allowing for related P-cards to be used in an unauthorized manner that 3) could result in denial of loss claims by the P-card issuing bank and/or City's insurance carrier.

Recommendation

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter section 4.09, regarding P-card administration activities and document retention by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.
- Work with HR for implementation of an internal control process that improves the timeliness and effectiveness of P-card cancellations for terminated employees.
- Consider working with ITS to implement Citywide centralized forms software for all departments' repetitive authorization processes.

Management Response:

Management concurs that opportunities exist to enhance the termination notification process. The Finance Department will collaborate with the Human Resources Department and Information Technology Services Department to identify possible process improvements that streamline the notification of employee terminations to the P Card Administrator.

The P-card application and activation process remains paper-based to ensure that the P-Card Administrator obtains a wet signature for all cardholders. This signature serves as a key verification tool during fraud disputes and reinforces accountability in alignment with COSO Principle 5, which dictates that organizations hold individuals accountable for their internal control responsibilities. Maintaining a controlled, signature based issuance process also strengthens internal controls consistent with COSO Principle 10 which dictates that organizations select and develop control activities that mitigate risks to the achievement of objectives to acceptable levels.

Rebuttal:

- Regarding management's response of choosing to continue to implement a wet signature process, CAO encourages all relevant processes of this audit dealing with signatures to adopt the modern, Citywide standard of electronic signatures recorded in PSM 1.3.5 (2024).
 - Forms software can reliably centralize all electronic signature approval processes without the need for scanning thousands of documents that requires several years of electronic file retention.

Finding 3 – Finance was not fully compliant with laws and regulations relating to P-card recordkeeping and supervisory approval internal controls

Condition

Although the 2019 audit report detailed two P-card frauds occurring, findings relating to recordkeeping practices within P-card PSM 9.13.1 were not remediated to adequately mitigate related risks, resulting in the following repeat non-compliance conditions:

- Missing detailed receipts/invoices
 - Of 628 sampled P-card receipts, 40 had a non-detailed receipt uploaded and three were completely missing a receipt.
 - Both conditions are equivalent. A non-detailed receipt is essentially a redundant form-formatted version of the payment data provided by the City's P-card-issuing bank; when such is uploaded it's as if nothing is uploaded because of the omission of critical details of item description, quantities, and unit prices.
 - This exception rate of 7% exceeded the audit's 0.5% tolerable threshold. Exceptions should be as close to zero as possible.
 - Currently, with approximately 28,000 physical P-card purchases in a year, about 2,000 transactions are estimated to be non-compliant each year.

Subsequent event: Finance and ITS coordinated during the audit to implement an ERP control requiring an attachment to be uploaded before a P-card transaction can be finalized in the system, which does not fully mitigate the risk but is an essential reminder to department personnel that is expected to reduce the exception rate. Additionally, ITS made design changes to ERP to restrict the ability to delete receipt files after they've been uploaded to ensure continuous file retention, in compliance with State regulation.

- Missing and untimely P-card statements with approvals
 - In fiscal year 2024, approximately 20% of P-card statements were not submitted to Finance's centralized, electronic file storage site (Laudershare).
 - The audit tested a pilot sample of 20 of the missing statements, discovering that 45% of them were not submitted even after this audit was announced, and of the remaining 55% submitted later, only one contained complete and timely signatures.
 - Additionally in relation to these statements, their digital record retention portal was not adequately designed in compliance with Rule 1B-26.003, FAC.

Subsequent event: During the audit much of the previously unsubmitted statements were submitted. Additionally, ITS made design changes to the Laudershare storage site, and Finance implemented a standard file naming convention to try to bring the site into compliance with State regulation.

These repeat conditions support that Finance did not fully comply with

- Section 218.33(3), FS by not establishing and maintaining internal controls relating to P-card records;
- Rule 1B-24.003(9)(a), FAC by not properly retaining records regarding record retention requirements; and
- Rule 1B-26.003, FAC by not properly implementing internal controls over the relevant electronic file recordkeeping system; and
- P-card PSM 9.13.1, section V (F) by not adequately documenting enforcement of departmental control activities required in sections V(C)(6)(b), (c) and (f) as to P-card receipts and statement approvals; and section IV Definitions by not ensuring retention of detailed receipts.

Criteria

The following applicable criteria are detailed in Exhibit 1:

- Section 218.33(3), FS,
- Rule 1B-24.003(9)(a), FAC,
- Rule 1B-26.003, FAC,
- P-card PSM, 9.13.1, sections V(F), and V(C)(6)(b), (c) and (f)

Cause

Primarily, Finance's limited approach to enforcement in response to non-compliance seems to be the cause of these conditions.

- Though stricter enforcement was recommended in the prior audit report, and management response agreed to make enforcement content more robust in P-card PSM 9.13.1, no significant PSM changes were made.
- And in practice, Finance had not maintained a log of disciplinary actions taken with problematic P-cardholders, P-card Coordinators, and/or reviewing supervisors over time. Though this audit requested that Finance start a log and within it include instances of non-compliance that were discovered by the audit, Finance still did not create an adequate log. To what extent enforcement had occurred prior to the audit is generally unauditably.

Secondarily, the P-card Program Administrator was not fulfilling the internal-control-based duties of verifying complete uploads of detailed receipts and signed P-card statements:

- Receipt inspection by the Administrator is redundant to a first level verification expected of each departmental P-card Coordinator. It should not be necessary, but as this audit test's results show, the Coordinators' performance can be inconsistent. However, because receipt inspection is a manual process and there are nearly 28,000 receipts annually, this task at the Administrator level is expected to be ineffective to an extent by design.
- Though the P-card Program Administrator was monitoring unsubmitted P-card statements, he was not verifying that required review signatures were included on submitted statements, claiming to not have available time.
- In regard to unperformed duties, the audit could not determine the nature and extent of supervision over the Administrator's performance because the Finance Director would not provide a response.

Lastly, the trouble with controlling the monthly P-card statements is in part due to Finance's continued use of obsolete, paper-based means to gather approvals, which requires extensive file management. The transaction data made available online by the P-card issuing bank provides the same information as the paper statements; that is, the statements aren't necessary except to hold signatures, which then forces a need to comply with the State's record retention regulation.

- Again, forms software exists that can allow centralized, time-stamped, digital requisitions and approvals by controlled user login.

Effect

Missing P-card detailed receipts and signed statements can allow fraud and theft to go undetected, which if unenforced can encourage fraud and theft, and is non-compliant with State regulation governing record retention. A relatively short time period may exist to obtain missing receipts from vendors, presupposing they are ever discovered missing.

When review signatures are untimely the integrity of approval as a control activity is diminished.

- Additionally, when signatures are hand-written, rather than digital, they could be applied late and backdated when no review had previously or actually occurred. Without the use of forms software for P-card statement approvals, the State's retention period for bank statements is a decade, and with just over 250 P-cardholders, on its current course Finance could expect to eventually be continuously burdened with the management of 30,000 files in that running period, again all for the limited purpose of holding signatures.

Recommendation

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter section 4.09, regarding P-card transaction approval and document retention by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.
- Consider working with ITS to implement Citywide centralized forms software for all departments' repetitive authorization processes.
- Consider working with ITS to design and implement an AI agent to automate compliance testing and exception follow-ups regarding both timely and complete detailed P-card receipt uploads in ERP and review approvals.

Management Response:

Management concurs that compliance monitoring of the P-Card Program was limited during the audit period and agreed that systematic compliance monitoring improvements are needed. During the audit period, the P Card Program Administrator position was vacant for five (5) months, which affected monitoring capacity. Over the past six (6) months, monitoring activities have been expanded, and multiple training sessions have been provided to cardholders. The FY 2026 Budget included funding to enhance the P-card compliance reviews. The Finance Department is exploring the use of an expense management AI tool to automate compliance testing and streamline exception follow up.

Finding 4 - Prohibited and questionable P-card purchases occurred, representing non-compliance with the P-card PSM

Condition

The audit observed certain P-card transactions that were prohibited or questionable. Where noted, some of these instances were repeat finding conditions. The following dollar values are all approximations.

These conditions support that Finance did not fully comply with Section 218.33(3), FS by not establishing and maintaining internal controls relating to P-card transaction monitoring and enforcement.

Purchases prohibited by the P-card PSM 9.13.1:

The audit discovered various prohibited purchases, a repeat material weakness.

- \$145,000 of transactions reserved for Accounts Payable centralized payment;
- \$180,000 of vehicle repairs and modifications;
- \$55,000 of food transactions that exceeded allowable limits;
- \$85,000 of split transactions in 35 instances;
- \$30,000 of non-travel items purchased with travel cards;
- \$30,000 of telephone/telecommunications expenses;
- \$3,500 for a duplicate payment;
- \$1,500 of retirement gifts in excess of allowable limits;
- \$1,500 for a computer purchased without pre-approval by ITS;
- Two instances of departments exceeding Procurement limits of purchasing in a year for a single commodity, respectively, without obtaining formal guidance from Procurement as to competitive solicitation options;
- One instance of continued use of a compromised P-card that had incurred \$20,000 of third-party fraud, which was known to the P-cardholder but went unreported for months until discovered by the audit.

Subsequent event: Regarding the unreported fraud, Finance cancelled the P-card and coached the P-cardholder on how to properly report third-party fraud going forward. All third-party fraud charges were reversed by the City's card-issuing bank.

Questionable purchases:

As preface, the following are a selection among the transactions found during the audit that create uncertainty as to the validity of the purchasing. Though these transactions cannot be concluded as fraudulent or wasteful, to some extent this finding is considered a repeat, material weakness finding of the prior audit report pertaining to a lack of monitoring of potentially problematic purchasing, especially via absence of work order tracking with job cost capability, a prior audit recommendation.

Gifts were purchased for third parties:

- \$10,000 of tennis balls (quantity: 8,000) purchased as gifts for contracted City program instructors without retention of related requisition and distribution records;
- \$10,250 of Florida Panthers hockey tickets, catered food, and event parking purchased as gifts for certain airport tenants as a show of appreciation;
- \$3,100 of gifts to certain airport lessees as travel related expenses paid to attend a Las Vegas conference for marketing purposes;
- \$1,800 of leather luggage purchased as gifts for Airport Advisory Board members;

Goods were purchased through unnecessary intermediaries:

- \$61,000 of hardware supplies purchased via unnecessary third-party sales agents from obscure vendors under odd circumstances, including one vendor invoicing with a massage parlor mailing address, where in some cases the City paid above-market prices for these goods;

Vendor invoices/receipts or City records omitted necessary details:

- \$123,000 of one construction related commodity from vendors who did not itemize various fees within their invoices, making it unclear whether fair market price was paid;
- \$4,500 of vehicle service provided to three cars that were not recorded in ERP as assets of the City;
- \$2,100 of sporting event tickets for a community program where ticket recipients didn't sign upon receipt;

Work order records were not adequate to validate the need of purchases:

- \$19,000 of two types of electrical component purchased in high quantities for streetlight repairs were not sufficiently recorded for relevant work order jobs;
- \$4,500 of water fountains purchased three times for one location in a short period with anomalous/unreliable work orders as support;

Criteria

The following applicable criteria are detailed in Exhibit 1:

- Section 218.33(3), FS;
- P-card PSM, 9.13.1, Sections
 - IV Definitions
 - V(B)(1), (2), (4), (6)(b), (6)(e), and (8)
 - V(C)(6)(b), (c), and (d)
 - V(E)(8)(a)
- Food and Beverage Guidelines PSM, 9.2.3, Sections
 - III(A)(4)
 - III(B)
- Employee Gift Guidelines PSM, 6.21.1, Section III(A)
- Vendor Solicitation-Automated Office Equipment PSM, 9.3.2, Section 2(c)
- Procurement Manual, Sections
 - G(1)
 - H

Cause

The root cause of this finding was inadequate P-card transaction reviews by the P-card Program Administrator, as an independent verification control.

- The Administrator’s job description includes an “essential job function” of “Review P-card Charges,” which, by not detecting these transactions, was not adequately performed.
 - Also notable is that prior to the audit period, during an absence of the Administrator role, this duty was assigned to interns who tested 14,000 transactions, but none of the test criteria included an assessment of compliance with P-card PSM 9.13.1 transaction prohibitions and propriety.
- This continuous, independent review is considered necessary because the primary control within the P-card PSM 9.13.1 of transaction reviews by the department directors and P-cardholder supervisors can fail due to conditions like overwhelming span of control (i.e. too many transactions to review in a short period) and a general lack of independence, where for example supervisors may self-review directed purchases on their direct report’s P-cards.
 - Additionally, there seems to be no detailed training occurring at the departmental level of how to assess qualities of a transaction that can signal red flags. The review criteria in the P-card PSM 9.13.1 are in generalized terms of “appropriate, authorized, evidenced, necessary, and official use” which could be diminished during departmental review.

Secondarily, missing or inconsistent recordkeeping that supports the transactions was noticeable, such as emailed requisitions, work order details, and/or justification comments, as required by P-card PSM 9.13.1. If supplemental information for a transaction is not recorded, a departmental review may not have the time to perform inquiries after the fact to gain understanding.

- Regarding the last point, of the two top spending departments using work order systems, neither recorded P-card transactions in their work order systems, representing no change from the 2019 audit report conditions.
- Lastly, P-card PSM 9.13.1 does not require transaction justification comments and work order details to be recorded in ERP, which reduces the ability to detect non-compliance.

Effect

Limited independent monitoring and enforcement by Finance can allow fraud and theft to go undetected, which can encourage fraud and theft.

The lack of transparency due to incomplete or inadequate work order and purchase justification documentation causes doubt as to whether supervisors and Directors actually know the transactions they’re approving are necessary and completely legitimate, despite their sign-offs.

Recommendation

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter section 4.09, regarding P-card transaction propriety, monitoring, and enforcement by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.

- Within this effort, prioritize and expedite implementations regarding the supplemental recordkeeping in ERP and related systems that aids and substantiates P-card transaction reviews.
- Require NASBA-certified, annual internal controls training for all ACMs, Directors, and relevant staff, and implement knowledge from this training in the City-wide policies and procedures development process.
- Consider working with ITS to design and implement a supplemental AI agent to automate independent, continuous verification testing and exception follow-ups regarding the P-card Administrator's duty for receipt review of programmed exception criteria.

Management Response:

Management concurs that gaps in monitoring and enforcement of the P-Card Program occurred during the audit period. The Finance Department will collaborate with the Procurement Department to strengthen oversight and ensure that P-Card transactions are reviewed for compliance with the City's Procurement Code and Manual.

Management will review the questionable and prohibited purchases identified by the CAO to determine appropriate corrective actions for any non compliant charges.

With the implementation of an AI-enabled expense management tool, exception reports will be generated and provided to the Procurement Services Department for independent review of potentially non-compliant activity. In addition, the Finance Department has conducted training for all P-Card Coordinators and cardholders to reinforce policy requirements and expectations for compliance.

cc: Rickelle Williams, City Manager
Shari McCartney, City Attorney
David R. Soloman, City Clerk
Yvette Matthews, Assistant City Manager
Linda Short, Director of Finance

Appendix – Acronyms

ACM	Assistant City Manager
AI	Artificial Intelligence
CAO	City Auditor’s Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERP	Enterprise Resource Planning
EV	Electronic Vehicle
FAC	Florida Administrative Code
FS	Florida Statutes
HR	Human Resources
ITS	Information Technology Services
GAGAS	Generally Accepted Government Auditing Standards
NASBA	National Association of State Boards of Accountancy
PSM	Policy and Standards Manual

Exhibit 1 – Criteria

Below are the detailed sources of criteria applicable to audit findings not included entirely within Criteria statements.

City Charter, Section 4.09 (excerpts) as to the establishment of a comprehensive system of internal controls and enforcement of city ordinances

“The city manager shall be responsible to the city commission for the proper administration of all affairs of the city coming under his or her jurisdiction, and to that end he or she shall: (a) See that the laws and ordinances of the city are enforced.... c) Exercise control, direct, and supervise all activities of the municipal government, except as otherwise provided in this charter.”

Section 218.33(3), Florida Statutes as to the establishment of a comprehensive system of internal controls

“Each local governmental entity shall establish and maintain internal controls designed to: (a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1). (b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices. (c) Support economical and efficient operations. (d) Ensure reliability of financial records and reports. (e) Safeguard assets.”

Rule 1B-24.003(9)(a), Florida Administrative Code as to the 5 and 10 year retention thresholds for P-card receipts and bank statements, respectively (items #435, 436), whether electronic files or hardcopy

“Public records may be destroyed or otherwise disposed of only in accordance with retention schedules established by the Division.”

Rule 1B-26.003, Florida Administrative Code as to controls required for electronic filing systems, such as those encountered in this audit (a) restricting the user abilities to delete P-card receipt files within ERP and delete bank statement files within Finance’s Laudershare folder and (b) enabling the ability to easily find complete files (regarding file naming convention)

“(6) Electronic recordkeeping systems that maintain record copies of public records on electronic media shall meet the following minimum requirements:...2. Provide an appropriate level of security to ensure the integrity of the records in accordance with the requirements of Chapter 282, F.S. Security controls should include, at a minimum, physical and logical access controls, backup and recovery procedures, and training for custodians and users.

“(8) For storing record copies of electronic public records throughout their life cycle, agencies shall select appropriate media and systems which meet the following requirements: (a) Permit easy and accurate retrieval in a timely fashion;...”

Rule 69I-73, Florida Administrative Code as to the definition of attractive items purchased via P-card and their recordkeeping and inventorying requirements (excerpts); see related, Fixed Assets PSM. Note, these FACs are the rules established by the executive branch as designated by legislation of Section 274.02(2), FS.

69I-73.001 Definitions

“(1) “Attractive Items” means tangible personal property used in operations that has a cost less than an established capitalization threshold and that requires special attention to ensure legal compliance, protect public safety, and avoid potential liability, or to compensate for a heightened risk of theft.”

- (Note, the primary criterion of relevance to P-card purchases is expected to generally be heightened risk of theft, and because the internet provides instant availability to sell anything, anything above either individual or collective value that would provoke theft that isn’t protected is susceptible to theft; judgment exercised as to setting a value floor for a cost-benefit analysis as to what theft loss taxpayers would be willing to tolerate would need to compare the life cycle recordkeeping cost per item.)

“(6) “Financial System” means the fund accounting process used by the local government for recording cash and other financial resources, expenditures and other financial uses, together with all related liabilities and residual equities or balances.

69I-73.002 Threshold for Recording Property

“...Attractive items with a value or cost less than \$5,000 shall be recorded in the local government’s financial system as property for inventory purposes.” (emphasis added)

- (Note, by the following passage in the same section “financial system,” defined above, is clearly referring to the same system used to record capital assets, and the same inventory process applies: “All property with a value or cost of \$5,000 or more and a projected useful life of 1 year or more shall be recorded in the local government’s financial system as property for inventory purposes.”)

69I-73.003 Recording of Property

“(3) Content of Individual Property Records – Each property record shall include the following information unless the information listed below does not exist for the property in the record:

- (a) Identification number.
- (b) Description of item or items.
- (c) Physical location (the city, county, address or building name, and room number therein).
- (d) Name of custodian with assigned responsibility for the item.
- (e) In the case of a property group, the number and description of the component items comprising the group.
- (f) Name, make, or manufacturer.
- (g) Year and model(s).
- (h) Manufacturer's serial number(s).
- (i) If an automobile, the vehicle identification number (VIN) and title certificate number.
- (j) Date acquired.
- (k) Cost or value at the date of acquisition for the item or the identified component parts thereof....
- (l) Method of acquisition and, for purchased items, the voucher and check or warrant number.
- (m) Date the item was last physically inventoried and the condition of the item at that date.
- (n) If disposed of, the information prescribed in rule 69I-73.005, F.A.C.

69I-73.005 Disposition of Property

“(2) Required Information – The following information shall be recorded on the individual property record for each item lawfully disposed of, pursuant to sections 274.05, 274.06 or 274.07, F.S.:

- (a) Date of disposition.
- (b) Authority for disposition (resolution of the governing body properly recorded in the minutes as required by section 274.07, F.S.).
- (c) Manner of disposition (sold, donated, transferred, cannibalized, scrapped, destroyed, traded).
- (d) Identity of the employee(s) witnessing the disposition, if cannibalized, scrapped or destroyed.
- (e) For items disposed of, a notation identifying any related transactions (such as receipt for sale of the item, insurance recovery, trade-in).
- (f) For property certified as surplus, reference to documentation evidencing that such property was disposed of in the manner prescribed by section 274.05 or 274.06, F.S.

69I-73.006 Inventory of Property

“(1) Physical Inventory Required – Each governmental unit shall ensure a complete physical inventory of all property is taken annually and whenever there is a change of custodian or change of custodian’s delegate.”

“(6) Reconciliation of Inventory to Property Records – Upon completion of a

physical inventory: (a) The data listed on the inventory forms shall be compared with the individual property records.”

Pcard PSM, 9.13.1 (July 2019),

Section V(A)(1) as to P-card issuance process documentation requirements

“Requests for new Cardholders or for changes to current Cardholders shall be made by submitting a completed Cardholder Information Form to the P-Card Administrator. All requests for P-Cards must be signed by the Department Director.”

“When the P-Card Administrator receives a P-Card from the Card Issuer, the Cardholder will be required to personally take receipt of the card, and sign an Agreement to Accept Form.”

Section V(A)(3) as to P-card termination process timeliness requirements, requiring cancellation not suspension

“When an employee ends his or her employment or is transferred to another Department, the following actions must be taken: i. If leaving, the employee’s Department Director or designee shall collect the P-Card, destroy it (cut it in half), and submit the destroyed cards to the P-Card Administrator by the next business day....If the Department Director or designee is unable to collect the P-Card when an employee is terminated, retires, or otherwise leaves the employment of the City, he/she shall immediately (within the same day) notify the P-Card Administrator by telephone or e-mail for cards to be cancelled expeditiously. The P-Card Administrator will ensure that the card is immediately cancelled.”

Sections V(B)(1) and V(B)(6)(e) as to prohibition of splitting transactions

“Payment for purchases is not to be split in order to stay within the single purchase limit.”

“Charges for purchases shall not, under any circumstances, be split to stay within the single purchase limit. Splitting charges will be considered abuse of the P-Card Program and may result in accountability actions.”

Section V(B)(2) as to the authorized means of purchasing with a p-card (all else to be processed via Accounts Payable)

“The P-Card may not be used to pay for invoices issued for purchases made when the P-Card was not present or provided at the time the transaction was initiated.”

Section V(B)(4) as to authorized purchases in relation to duplicate payments

“City Purchases Only – The P-Card is to be used for City authorized purchases only.”

Section V(B)(6)(b) and IV Definitions as to limiting travel cards for travel expenses

“A Departmental Travel P-Card will be used for travel expenses.”

“Travel P-Card – Departmental P-Card to be used for travel expenses....”

Section V(B)(8) as to specified types of transactions prohibited

“The following types of items may not be purchased with a P-Card, regardless of the dollar amount:

- a. Gasoline, fuel or oil....
- b. Vehicle enhancements or repairs
- c. Cash advances
- d. Telephone charges
- e. Gift cards, unless purchased in accordance with the Gifts Upon Leaving Service of the City Policy (PSM 6.21.1)
- f. Alcohol, unless given written approval by the City Manager and purchased through a contracted vendor
- g. Goods specifically restricted by the Procurement Services Division or the City of Fort Lauderdale Code of Ordinances
- h. Capital Outlay purchases of \$5,000 or more, without approval from the Finance Director.”

Section V(C)(6)(b), (E)(8)(a) and IV Definitions as to a P-cardholder reporting disputed (fraudulent) transactions

“The Cardholder must review the statement and note any errors or disputes.”

“The Cardholder should immediately call the Card Issuer to report any disputes.”

“Disputed Item – Any transaction that was not authorized by the individual Cardholder.”

Section V(C)(6)(b) and IV Definitions as to uploading all detailed receipts into ERP

“All receipts must be uploaded into the electronic receipt housing and included with the statement.”

“Receipt – An itemized document indicating the vendor, the price per item, the date/time of the sale, and the total amount charged in a transaction.” (emphasis added)

Section V(C)(6)(b) as to recording P-card transaction justification and authorization comments, including applicable work order details and other supplemental support, as a duty of the P-cardholder, which if not performed leaves the supervisor and Director with no or limited knowledge of the transaction regarding their review duties

“The purpose for the purchase such as a work order, task order, or other evidence of authorization and account numbers with total dollar amounts for groups of items should be attached to the receipt and statement.”

Section V(C)(6)(c) as to the supervisor’s duty to timely review their direct report’s P-card transactions

“The Cardholder’s supervisor will review, sign, and date the statement within 15 days of the period ending. By signing the statement, the employee’s supervisor is certifying that all charges are appropriate and have been authorized, and are evidenced by attached receipts.”

Section V(C)(6)(d) as to a Director’s duty to timely review their department’s P-card transactions and ensure purchases are necessary and official use; in contradiction to instances of buying gifts for third parties and other circumstances that make P-card transactions questionable

“Because of the knowledge of Department Directors with respect to job responsibilities, they are required to review and validate review of the Cardholder’s immediate supervisor of each P-Card expenditure (items purchased, purpose of purchase, amount, and vendor) to ensure the goods purchased were necessary, and for official use.” (emphasis added) The statement is to be signed and dated by the Department Director within 30 days of the period ending as evidence of review....”

Section V(C)(6)(f) as to a department’s designated P-Card Coordinator filing signed P-card statements within Finance’s repository, without any time threshold specified

“The P-Card Coordinator must forward all approved and signed statements with attached charge slips and receipts to the Finance Department’s Accounts Payable Section to be maintained following appropriate record retention laws.”

Section V(F)(1) as to compulsory revocation of P-card and disciplinary action for policy non-compliance

“Noncompliance of the P-Card and the guidelines set by this Policy will result in immediate revocation of the card and appropriate accountability actions for both Cardholders and supervisors, including dismissal or termination....”

Food and Beverage Guidelines PSM, 9.2.3 (July 2023), as to purchasing restrictions and prohibitions not specified in Pcard PSM 9.13.1

Section III(A)(4)

- “Generally, City funds should not be used for:
- i. Food for routine Staff department/division meetings held during normal work hours.
 - ii. Celebrations such as birthdays, holiday parties, weddings, bridal and baby showers, and similar functions.
 - iii. Alcoholic beverage purchases, except as approved by the City Manager.”

Section III(B)

“Any food purchased must be for a City authorized event or meeting. Current and local U.S. General Service Administration Per Diem rates are the maximum that should be spent on any event per person and should be considered the upper threshold for food costs.”

Food and Beverage Guidelines PSM, 9.2.3 (January 2017), section 3 (d) as to purchasing restrictions and prohibitions not specified in Pcard PSM 9.13.1 relevant only to retirement gifts and celebrations

“This allowance is only to be used for retirements and is not available for celebrations related to other types of employment leave, resignations, terminations, or transfers. For years of service required for a retirement celebration and dollar limits for the celebration, shall not to exceed the amounts indicated below:”

Years of Service	Retirement Celebration Allowance
10 – 14 years	\$100
15 - 19 years	\$150
20 - 24 years	\$200
25 years & above	\$250

Employee Gift Guidelines PSM, 6.21.1 (December 2024), section III(A) as to purchasing restrictions and prohibitions not specified in Pcard PSM 9.13.1 relevant only to retirement gifts and celebrations, separated from PSM 9.2.3

“An employee who has completed at least ten (10) years of service in good standing shall be entitled to a gift up to the below maximum allowance upon retirement or voluntary separation from the City. Gifts may include celebration-related expenses (e.g., cake, supplies, balloons), gifts, and gift cards. The total amount of City contribution on any combination of celebration related expenses and/or gift(s), shall not exceed the maximum allowance included below based on the employee’s required years of service.”

Years of Service	Maximum Allowance
10 – 14 years	\$125
15 - 19 years	\$175
20 - 24 years	\$225
25 years and above	\$275

Vendor Solicitation-Automated Office Equipment PSM, 9.3.2 (July 2006), section 2(c) and Procurement Manual (July 2021) section G(1) as to ITS pre-approval of computer purchases

“The Information Technology Services Department will prepare requisitions, or give approval for RA numbers for ordering computers....”

“Unauthorized purchases are prohibited, and is defined as an item(s) that is a. Purchased prior to receiving a Requisition-Purchase Authorization (RPA) or Purchase Order (PO);....”

Procurement Manual (July 2021) section H as to annual purchasing value thresholds for single commodities from single vendors and necessary Procurement activities

“Departmental purchases that exceed \$50,000 within a fiscal year with **one** vendor will be required to solicit the items that are collectively purchased. Procurement will guide the department on the best procurement methods available to fulfill the department’s purchasing needs.

City-wide purchases that exceed \$100,000 within a fiscal year with **one** vendor will be required to solicit the items that are collectively purchased. Procurement will select a leading department, based on usage, and organize the best procurement method available to fulfill the City’s needs.”

Fixed Assets PSM, 9.16.1 (October 2020), section 2(I) as to the value floor Finance judgmentally set (without adherence to COSO Principle 7) for attractive items of \$1,000 but unclearly placed at the end of a sentence discussing examples rather than as a standalone concept; and without specifying recordkeeping criteria while deferring recordkeeping and inventory duties to departments, which is contrary to Rule 69I-73, Florida Administrative Code; additionally Finance Director has no required review duty for such items

“Assets below the capitalization threshold but warranting control are called “attractive items”. Attractive items are defined as tangible personal property used in operations that has a value or cost less than capitalization threshold and that requires special attention to ensure legal compliance, protect public safety, and avoid potential liability, or to compensate for heightened risk of theft. Examples of attractive items include: firearms and weapons, handheld radios, audio visual equipment, laptop computers, computer equipment and accessories, camera equipment, shop equipment, telephones, cell phones, office

machines, and small but expensive tools and other movable assets between \$1,000 and \$4,999. These items shall be inventoried and controlled at the department level. Also, stewardship of these items is the express responsibility of the departments utilizing these properties.” (emphasis added)

“The Finance Director shall have the right to request copies of the inventory and/or updated inventory of attractive items so as to periodically review the information and adherence to policy. Additionally, the Finance Director shall determine appropriate means, level of detailed data elements, and the system to be utilized. Data elements are to include item description, location, make, model, serial number, cost and other information that assists control or deemed relevant.” (emphasis added)

Suntrust (Truist) Corporate Liability Commercial Liability Agreement, Terms and Conditions 7, 10(b), and 10(c) as to bank requirements of City to control cards and promptly notify of card cancellations in order to avoid City liability for unauthorized purchases

“Liability for Unauthorized Use. The Company agrees to promptly notify the Bank of any lost or stolen Card, Unauthorized Use of a Card, and/or termination of the employe of any Cardholder. The Company is liable for all extensions of credit obtained through the use of the Company Account; provided however, that so long as the Company follows the Disputes and Chargebacks procedures set forth in Section 15, the Company will not be liable for Unauthorized Use of any Card unless a.) the Unauthorized Use occurs in a situation where...the Company has failed to employ reasonable security precautions and controls regarding the Cards....”

“Notification to Terminate Cardholder/Authorized User Usage Rights. ...Until the company’s cancellation notice is received by the Bank, the Company will be liable for all Charges and Fees to the Card Account made after such Cardholder’s or Authorized User’s termination.”

“Company Cancellation of Cards and Continued Liability for Charges and Fees. ...The Company will be liable for all Charges and Fees to the Card Account made prior to the time the Bank receives the Request.”

COSO Internal Control Framework, Principle 6 as to standardized expectation of management’s risk assessment activities that lead to proper internal controls design specific to laws and regulations compliance and risk tolerance, relevant to Section 218.33(3), FS

“The organization specifies objectives with sufficient clarity to enable the identification of risks relating to objectives

- 34. Reflects external laws and regulations
- 35. Considers tolerances for risk” (emphasis added)

COSO Internal Control Framework, Principle 7 as to standardized expectations of management’s risk assessment activities that lead to proper internal controls design, relevant to Section 218.33(3), FS

“The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.” (emphasis added)

COSO Risk Appetite – Critical to Success, Using Risk Appetite to Thrive in a Changing World as to a best practice definition of risk appetite in managerial decision-making that requires the objective consideration of need when establishing acceptable risk.

“The COSO *Enterprise Risk Management – Integrating with Strategy and Performance* defines risk appetite as: ‘The types and amount of risk, on a broad level, an organization is willing to accept in pursuit of value.’ Inherent in this definition are several key points. Risk appetite:…Focuses on risk that needs to be taken…”

CAO Response to Full Text of Management Responses

Management included the two introductory statements quoted below in its full text response memo in the pages that follow, which require separate rebuttals.

“During the audit period, no instances of fraud were identified, reflecting the progress staff have made in establishing a system of controls to ensure purchases are properly reviewed and validated.”

Rebuttal:

- This is an invalid position given that discovery of fraud is not necessarily related to internal control conditions.
- This statement is also contradictory to the condition of repeat findings, which does not support that internal controls progressed.

“Management concludes that the City remains in compliance with the requirements of Section 218.33(3), Florida Statutes.”

Rebuttal:

- This is a disagreement of opinion, yet management provided no evidence or basis to support it.
- This statement is also contradictory to the condition of repeat findings, which does not support that internal controls were adequately designed and/or operating effectively.
- The basis, or standard, of CAO’s conclusion concerning Section 218.33(3), FS is the COSO framework.
 - The COSO framework is the globally recognized and GFOA endorsed system for internal controls development, which management confirmed had not been formally implemented in the City’s policy and procedures design process.
 - It’s important to realize that the City’s external auditor disclaims an opinion on internal controls in relation to the financial statement audit, meaning CAO is the only party able to routinely add value by expressing an opinion, and that will be done in terms of compliance with this statute.
 - For these reasons, CAO wants to emphasize the recommendation repeated in Findings 1 and 4 as to COSO training and implementation among executive management staff, which was not acknowledged in any of management’s responses.

FULL TEXT OF MANAGEMENT RESPONSES



Memorandum

Memorandum No: 26-002

Date: April 15, 2026

To: Patrick Reilly, City Auditor

From: Rickelle Williams, City Manager *RW*

Re: Performance Audit of the Procurement Card (P-Card) Program

This memorandum has been provided in response to the City Auditor's Office performance audit of the City's P-Card Program for the period of October 1, 2023 through December 31, 2024. During the audit period, no instances of fraud were identified, reflecting the progress staff have made in establishing a system of controls to ensure purchases are properly reviewed and validated. This progress has been achieved under the leadership of prior City Managers following the March 2019 release of the previous P-Card Audit.

On behalf of staff, I would like to thank the City Auditor's Office (CAO) for the objective analysis that they provide to facilitate discussions that help to identify organizational risks and suggest performance improvements. Management concurs with the findings outlined in the audit report and has already begun taking steps to implement the recommendations included. Management concludes that the City remains in compliance with the requirements of Section 218.33(3), Florida Statutes. However, internal controls rely on continuous improvement, and Management remains committed to the ongoing review and enhancement of the P-Card Program process.

The following are Management responses to the examination findings:

FINDING 1

Finding:

Finance was not fully compliant with laws and regulations related to property internal controls relevant to P-card transactions.

CAO Recommendations:

The CAO recommends the City Manager work with Finance Director relevant to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter Section 4.09, regarding "attractive items" property by designing and implementing a comprehensive, risk-based system of internal controls, starting at

least with the top five departments, that is recorded in related policies and procedures documents.

- Update the Fixed Assets PSM 9.16.1 to include the improved, regulation-compliant internal controls system.
- Require NASBA-certified, annual internal controls training for all ACMs, Directors, and relevant staff for use in managerial alertness and skill development for assessing departmental risks and designing department-specific internal controls, when Citywide policies and procedures are not comprehensive.

Management Response:

Management concurs that enhancements are needed to formalize inventory procedures for attractive items and will implement a more structured annual inventory process to supplement existing compliance controls. A formal annual inventory was not completed as contemplated by Florida Administrative Code (FAC) 69I-73, which governs the management of tangible personal property owned by local governments, requiring items with a cost or value of \$5,000 or more and a use life of at least one (1) year to be recorded in the financial system. However, Management maintained internal controls designed to safeguard assets consistent with the requirements of Section 218.33(3), Florida Statutes.

The report identified a variance of three (3) items out of 481 tested attractive items (approximately 0.6%). The items not located were not material individually or in the aggregate. Management will investigate further and implement targeted corrective actions. Additionally, to further strengthening controls and aligning procedures with regulatory expectations, the Finance Department initiated a formal inventory process for attractive items during the current fiscal year.

To enhance governance over the full lifecycle of attractive items, the City's Procurement Manual will be reviewed and updated to address procedures for the disposal or salvage of attractive items, ensuring consistent documentation, authorization, and accountability for asset disposition.

FINDING 2

Finding:

Finance was not fully compliant with laws and regulations relating to P-card administration internal controls.

CAO Recommendations:

The CAO recommends that Management work to implement the following in an expedited manner:

- Ensure compliance with State statutes and regulations, in accordance with City Charter Section 4.09, regarding P-card administration activities and document retention by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.
- Work with HR for implementation of an internal control process that improves the timeliness and effectiveness of P-card cancellations for terminated employees.

- Consider working with ITS to implement Citywide centralized forms software for all departments' repetitive authorization processes.

Management Response:

Management concurs that opportunities exist to enhance the termination notification process. The Finance Department will collaborate with the Human Resources Department and Information Technology Services Department to identify possible process improvements that streamline the notification of employee terminations to the P-Card Administrator.

The P-card application and activation process remains paper-based to ensure that the P-Card Administrator obtains a wet signature for all cardholders. This signature serves as a key verification tool during fraud disputes and reinforces accountability in alignment with COSO Principle 5, which dictates that organizations hold individuals accountable for their internal control responsibilities. Maintaining a controlled, signature-based issuance process also strengthens internal controls consistent with COSO Principle 10 which dictates that organizations select and develop control activities that mitigate risks to the achievement of objectives to acceptable levels.

FINDING 3

Finding:

Finance was not fully compliant with laws and regulations relating to P-card recordkeeping and supervisory approval internal controls.

CAO Recommendations:

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter section 4.09, regarding P-card transaction approval and document retention by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.
- Consider working with ITS to implement Citywide centralized forms software for all departments' repetitive authorization processes.
- Consider working with ITS to design and implement an AI agent to automate compliance testing and exception follow-ups regarding both timely and complete detailed P-card receipt uploads in ERP and review approvals.

Management Response:

Management concurs that compliance monitoring of the P-Card Program was limited during the audit period and agreed that systematic compliance monitoring improvements are needed. During the audit period, the P-Card Program Administrator position was vacant for five (5) months, which affected monitoring capacity. Over the past six (6) months, monitoring activities have been expanded, and multiple training sessions have been provided to cardholders. The FY 2026 Budget included funding to enhance the P-card compliance

reviews. The Finance Department is exploring the use of an expense-management AI tool to automate compliance testing and streamline exception follow-up.

FINDING 4

Finding:

Prohibited and questionable P-card purchases occurred, representing non-compliance with the P-card PSM.

Recommendations:

The CAO recommends the City Manager should work with the Finance Director to timely implement the following:

- Ensure compliance with State statutes and regulations, in accordance with City Charter Section 4.09, regarding P-card transaction propriety, monitoring, and enforcement by designing and implementing a comprehensive, risk-based system of internal controls that is recorded in related policies and procedures documents.
 - Within this effort, prioritize and expedite implementations regarding the supplemental recordkeeping in ERP and related systems that aids and substantiate P-card transaction reviews.
- Require NASBA-certified, annual internal controls training for all ACMs, Directors, and relevant staff for use in managerial alertness and skill development for assessing departmental risks and designing department-specific internal controls, when Citywide policies and procedures are not comprehensive.
- Consider working with ITS to design and implement a supplemental AI agent to automate independent, continuous verification testing and exception follow-ups regarding the P-card Administrator's duty for receipt review of programmed exception criteria.

Management Response:

Management concurs that gaps in monitoring and enforcement of the P-Card Program occurred during the audit period. The Finance Department will collaborate with the Procurement Department to strengthen oversight and ensure that P-Card transactions are reviewed for compliance with the City's Procurement Code and Manual.

Management will review the questionable and prohibited purchases identified by the CAO to determine appropriate corrective actions for any non-compliant charges.

With the implementation of an AI-enabled expense management tool, exception reports will be generated and provided to the Procurement Services Department for independent review of potentially non-compliant activity. In addition, the Finance Department has conducted training for all P-Card Coordinators and cardholders to reinforce policy requirements and expectations for compliance.

For further information, please contact Linda Short, Finance Director, at (954) 828-5267 or lshort@fortlauderdale.gov.