

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

### *Procurement Card (P-Card) Operational Audit*

*Report #18/19-05*

March 1, 2019

# Memorandum

Memo No: 18/19-05

Date: March 1, 2019

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA  
City Auditor

Re: Procurement Card (P-Card) Operational Audit - Executive Summary

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Based on our annual risk assessment, the City Auditor's Office (CAO) has performed an operational audit of the City of Fort Lauderdale's (City's) Procurement Card program. The audit covered the period of October 1, 2014 through April 30, 2017. During the audit period, the City's P-card program included two card issuers: SunTrust and CPS Payment Services LLC. (CPS). SunTrust issued the City approximately 780 active cards with an annual spend of \$43M resulting in approximately \$550k of rebate revenue earned by the City from SunTrust. CPS processed approximately \$16M of spending earning the City rebate revenue of approximately \$180K.

***Based on our audit, we concluded that the City lacked adequately designed controls to prevent and detect errors and fraud within its P-card program. Moreover, fraud was detected during our audit. It is my conclusion that the failures identified represent material weaknesses.***

The CAO recommends, at a minimum;

- enhancement of program policies,
- improvement and possible automation over quality of reviews over P-card spending,
- restriction of IT system access controls and program authority,
- re-evaluation of P-card termination timeliness,
- improvement to verification of rebate revenue,
- compliance with state law regarding record-keeping practices, and
- continuous employee training.

Subsequent events included providing our findings to the Police Department, as it relates to fraud, and disclosing audit findings to the Legal and Risk Management departments. Individuals participating in the fraud had been arrested and convicted. In addition, based on our audit findings, SunTrust remitted \$27k in unpaid rebates to the City for fiscal years 2016 & 2017 and is still considering fiscal year 2015. All findings had been brought to the attention of the external auditors.

*The full report is attached.*

## **Scope and Objectives**

The purpose of the audit was to evaluate the organization's P-card program effectiveness, efficiency and economy of P-card operations under management's control as well as compliance with terms and conditions of contracts and agreements, applicable Florida statutes, and the City's policies, procedures, and code of ordinances.

## **Findings and Conclusions**

1. ***Fraud and Abuse:*** Heavy P-card purchasing departments, Public Works and Parks & Recreation, charging \$11M and \$8M for the audit period, respectively, both experienced P-card fraud discovered during the audit. The extent of the fraud was between \$20k-\$100k for Public Works and over \$100k for Parks & Recreation.
2. ***Program policies and guidelines are unclear, inadequate, not in-line with current practices and not reviewed periodically:***
  - The PSM doesn't establish clear roles, duties, and qualifications for P-card administrators, including the Program Manager.
  - The PSM does not expressly require supervisors to have adequate knowledge and track purchases they approve nor establishes levels of approval authority.
  - The definition of inventoriable "sensitive items" allows for wide-range interpretation and enables fraud and abuse.
  - There are no controls in place to mitigate contract overspending via P-cards.
  - There are no controls in place to prevent duplicate payments.
  - Previously identified PSM enhancements were not implemented timely or at all.
  - One department implemented P-card policy and practices without prior approval by Finance or the City Manager.
  - A Management Letter had been issued that includes several deficiencies with the current Policy and Standards Manual (PSM).
3. ***Transaction reviews are inadequate, including missing and untimely supervisor and director reviews, which resulted in undetected split transactions, prohibited purchases, and miscoding of expenditures/expenses to the General Ledger (GL):***
  - 16 of 168 receipts (10%) had prohibited purchases, such as gasoline/fuel/oil (\$10.5K) and vehicle repairs (\$40k).
  - 7 out of 50 (14%) statements were missing the supervisory signature.
  - 25 out of 66 (38%) statements reviewed circumvented the dual-level review process.

- 37 out of 70 (53%) statements were missing signature of Department/Division/Group Activity Director review.
  - 8 out of 73 (11%) statements were approved between 32 to 70 days after purchase and in 23 out of 73 (32%) statements approval timeliness was undeterminable.
  - Alcoholic beverage purchases were not in line with City Manager's Office/City Policy.
  - 29 out of 243 (12%) purchases were split transactions. This practice either circumvents the purchase order requirement process or the p-card spending limits.
  - Violations of procurement requirements of competitive bid and Purchase Order usage.
  - 45 out of 165 (27%) expenditures/expenses had mis-coded accounts (sub-objects).
4. ***There are no clear procedures for cancellation, deactivation and/or suspension of P-cards:***
- 52 out of 275 (19%) of terminated employee cards were not timely cancelled. The average cancellation was 64 days and the maximum was 312 days, excluding one outlier overdue for cancellation by more than 1,000 days.
  - P-cards were occasionally placed into a suspended status with an average duration of 44 days and later reactivated without documented business reasoning. The PSM does not address this practice or maximum time limits.
5. ***High extent of record-keeping failure in terms of record completeness, authorization and record retention:***
- A sample of 60 out of 235 card applications had a significant deviation rate for inadequate record keeping, such as no card applications, incomplete applications, and no approval date.
  - City's inventory procedures and records were not in compliance with State Law (Section 274.-2, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of \$1,000 or more and a projected useful life of 1 year."
  - Inadequate receipt retention by two departments limited the scope of the audit and impacted the fraud investigation by the Police Department.
6. ***Failure to adequately verify rebate revenue, and recognize rebate underpayment:***
- SunTrust rebate calculation was underreported and underpaid since inception of the contract in FY2015.
  - Mid-year estimates for expected revenue prepared by Finance does not include the review of the large transaction portion of the rebate for accuracy. The rebate paid was not validated to the underlying data, and the rebate estimate calculation was not verified.

7. ***Lack of adequate controls over IT system access controls and program authority:***

- 2 of 15 Program Administrator removal forms were not retained or provided by the City or SunTrust.
- Due to lack of documentation, audit could not verify whether all card changes were made by authorized Program Administrators. Based on available evidence, at least one card change was made prior to the person ordering the change becoming a Program Administrator.
- Sensitive administrative rights to SunTrust's ESP system, including changes to administrator and user accounts as well as card details, were granted to six (6) employees outside of the p-card program. Two of them were terminated employees.

**Recommendations**

- City Management should consider establishing an annual review of the PSM policy, clarifying terms, responsibilities, approval thresholds, timeliness of review, and consequences for non-compliance. Finance should establish a formal monitoring program to ensure compliance with the policy.
- The quality of P-card statement reviews should be improved, ensuring that prohibited purchases, split transactions, alcohol purchases, and purchases that should have gone through a competitive bid process are not allowed. Missing receipts should be questioned and documented. An escalation process should be established for all exceptions and purchases over established thresholds (based on the City's Signature Authority). All approvals should be evidenced in writing and dated. In addition, coding to the appropriate GL accounts should be reviewed by the department head or designee to ensure accuracy.
- Terminated employee P-cards should be deactivated and destroyed at the time of termination. If management determines that P-card suspension is an operational need, controls should be implemented to limit re-activation and document a legitimate business purpose. The policy should be revised accordingly.
- All departments should be educated and adhere to document retention requirements. All exceptions should be reported to the appropriate departments (e.g., Legal, Risk Management).
- Rebate revenue should be monitored on an on-going basis to ensure accurate and complete revenue is recorded and funds are received timely.

- Access controls to P-card Program Administrator roles with SunTrust and sensitive administrative systems rights should be documented and users are reviewed at least annually.
- Controls should be established to prevent duplicate payments between physical cards and e-payments. Such controls would include criteria of usage of each card and periodic reconciliation.
- Management should leverage the new ERP (Enterprise Resource Planning) system's functionality to improve controls, such as escalation process for approvals, electronic signatures/dates where applicable, prevention of duplicate payments, and reporting on rebates. The new ERP could also track job costs, thus reducing the risk of fraud.

A complete description of all findings, observations and Management's responses are included in the body of the report. We did not audit management's responses and accordingly, we express no opinion on them.

We would like to thank the staff of all City departments that were part of the P-Card audit for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations and has already begun to implement a number of them.

cc: Chris Lagerbloom, City Manager  
 Alain Boileau, City Attorney  
 Jeff Modarelli, City Clerk  
 Linda Logan-Short, Interim Assistant City Manager  
 Rhoda Mae Kerr, Interim Assistant City Manager  
 Kirk Buffington, Director of Finance

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**CITY OF FORT LAUDERDALE  
CITY AUDITOR  
Procurement Card (P-card) Operational Audit**

**PURPOSE**

Based on our annual risk assessment, the City Auditor's Office (CAO) has performed an operational audit of the City of Fort Lauderdale's (City's) Procurement Card program. The audit covered the period of October 1, 2014 through April 30, 2017. During the audit period, the City's P-card program included two card issuers: SunTrust and CPS Payment Services LLC. (CPS). SunTrust issued the City approximately 780 active cards with an annual spend of \$43M resulting in approximately \$550k of rebate revenue earned by the City from SunTrust. CPS processed approximately \$16M of spending earning the City rebate revenue of approximately \$180K.

We conducted this operational audit in accordance with Generally Accepted Governmental Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and observations based on our audit objectives. We believe that our audit provides a reasonable basis for our conclusions. We limited our work to those areas specified in the "Audit Objectives, Scope, and Methodology" section of this report.

**CONCLUSION**

***Based on our audit, we concluded that the City lacked adequately designed controls to prevent and detect errors and fraud within its P-card program. Moreover, fraud was detected during our audit. It is our conclusion that the failures identified represent material weaknesses.***

The CAO has identified both Findings and Observations during the course of the audit. A Finding results from a failure to comply with policies and procedures, rules, regulations, contracts and fundamental internal control practices. An Observation represents an opportunity to improve on design or functionality of an existing internal control.

**FINDINGS**

1. Lack of timely P-card cancelation after employee terminates employment.
2. Inadequate record-keeping of P-card applications, such as missing, incompleteness or no approval date.
3. The P-card Program Manager may subsequently reactivate a card that he/she previously put in suspended status with no policy limiting the time duration.
4. Not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.
5. P-card statements lacked first-level supervisory review and/or included purchases of prohibited items.

6. P-card statements were missing evidence of second-level Department/Division/Group Activity Directors review on 37 of 70 statements (53%).
7. City personnel did not follow the directive of the City Manager's Office or City policy as it applies to the purchase of alcoholic beverages with the City issued P-card.
8. Controls failed to detect or prevent transaction splitting.
9. P-card transactions violated Procurement requirements of competitive bid and purchase order usage.
10. The City's fixed asset inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of \$1,000 or more and a projected useful life of 1 year."
11. SunTrust's rebate calculation was underreported and underpaid since the inception of the fiscal year 2015 contract. Finance does not verify the accuracy of the rebate calculation in relation to spending data nor verify completeness of the rebate collection in relation to the rebate calculation.
12. There is no control system in place to prevent or detect duplicate card payments of invoices processed by both Accounts Payable and the respective departments. Invoices may be paid by physical card and e-payment.
13. While the City's Fixed Assets PSM assigns the responsibility of inventory control over P-Card purchased items to the departments, it does not require an independent verification of these controls. Per PSM, the Finance Director has the right to verify adherence to the policy, but no such review occurred during the audit period. Additionally, Finance did not provide a central definition for inventoriable "sensitive items" that allows for wide-range interpretation and enables fraud and abuse.
14. Two departments with heavy P-card spending during the audit period Public Works (\$11M) and Parks & Recreation (\$8M), each experienced P-card fraud discovered during the audit.
15. Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.
16. One of the two credit card payment service providers, under contract with the City, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

17. The Director of Finance did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.
18. Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

## **OBSERVATIONS**

1. Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.
2. The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools. The first-level supervisory review of P-card statements was circumvented as either non-existent or assigned to an inappropriate authority on 25 out of 66 statements (38%).
3. Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).
4. Untimely authorization of P-card statement transactions by either first or second-level approver.
5. To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.
6. Transactions were inadequately reviewed by supervisors resulting in erroneous sub-object coding in the City's financial records, which can obscure the actual nature of transactions.

**We consider Findings number 1, 5, 8, 12, 13, 14, 15, and 17 to be material weaknesses, as defined below:**

- A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis.
- A *significant deficiency* in internal control over compliance is a deficiency, or a

combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

- A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis.

## **STATEMENT OF OBJECTIVES**

The objectives of our audit were to determine the;

1. adequacy of program administration regarding policies, procedures, and staffing
2. effectiveness of program controls regarding card issuance and cancellation
3. effectiveness of controls regarding card usage and activity
4. effectiveness of controls regarding accounting processes and information security

## **BACKGROUND**

The City's purchasing card program was administered by the Finance Department, and its goal was 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 City's purchasing card program was primarily governed by the controls written in Chapter 9, Section 13, Subject 1 of the Policy and Standards Manual (P-card PSM), issued August 26, 2005, and the City of Fort Lauderdale *Procurement Manual*. The program was primarily administered by a P-card Program Manager and 2 other employees within the Finance department. Within each department that was issued P-cards, directors, supervisors, and subordinates designated as P-card Coordinators further administered the program.

Physical P-cards were 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. The majority of these cards were issued to the employees of two departments: Public Works and Parks and Recreation. Virtual P-cards were issued to merchants that enrolled in the City's e-payment program and were used to pay these vendors' generally high value charges primarily transacted through the City's BuySpeed purchase order system. All P-cards have hard-coded controls: monthly limits, single transactions limits, and purchase category restrictions that vary by type of card. Payment processors provided monthly transaction statements and data for review and approval by City authorities.

The City earned its P-card spending rebate revenue from merchants that accepted P-card as a payment method. These merchants paid a portion of each sales amount, called interchange fee, to risk-bears within the electronic payment card network: the merchants' banks, the City's card-issuing bank, and the network provider (Visa or Mastercard). A portion of this fee was subsequently shared with the City by its respective card-issuing bank.

The underwriting and card-issuing bank for the City's primary P-card program was SunTrust, which issued primarily Visa and has serviced the City's competitively bid program continuously for over 15 years at no cost to the City. Revenue earned was based on an agreed rate schedule applied to the City's annual volume of P-card and electronic purchases. During fiscal year 2016, the City's SunTrust P-card program included approximately 780 active cards of 3 types: P-card, Travel Card, and E-payables, producing an annual spend volume of approximately \$43M and resulting in approximately \$550K of rebate revenue. No balance was carried, and no interest was paid by the City on the card charges during the audit period.

The City's P-card program was also aided by a second service provider, CPS Payment Services, LLC which is not a financial institution and utilized primarily Mastercard. This program, commencing in 2012, solely processed electronic payments to a few of the City's vendors, largely for the City's high value purchases of electricity and waste disposal. These services also earned the City a share of interchange revenue. No physical credit cards were issued for this program, and all transactions processed were pre-funded, so interest could not accrue. Revenue earned was all of the interchange revenue supplied to CPS from its card-issuing bank generated from the City's processed transactions, less fees imposed by CPS and merchants. Fiscal year 2016 transactions processed totaled approximately \$15.5M, earning the City approximately \$150K in revenue, net of fees.

The above conditions continued through the date of this report.

## **SCOPE & METHODOLOGY**

The CAO conducted this audit in accordance with generally accepted government auditing standards. We obtained an understanding of P-card industry practices and audit techniques from various training materials, obtained an understanding of the City's P-card policies and activities by inquiry of City personnel and review of City policies, and performed a risk assessment of the P-card program. For significant risks, we assessed the design adequacy of controls within City policies and tested P-card purchase transactions and administration control activities against criteria for the 31-month period of October 1, 2014 through April 30, 2017.

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.

### **Objective 1:**

- Because the Finance department generally lacked formal and informal control documentation relevant to its administrative roles, duties, and activities, no testing was performed for risks under this objective other than an adequacy review of the P-card PSM and *Procurement Manual*.

**Objective 2:**

- The audit program included inquiry, 100% testing of card data, and sample-based testing of documentation inspection.

**Objective 3:**

- The audit program included inquiry, sample-based reperformance of controls, 100% testing of card data, and sample-based testing of documentation inspection.

**Objective 4:**

- The audit program included inquiry, recalculation, 100% data analysis, and sample-based documentation inspection.

**MANAGEMENT RESPONSE**

Management responses, for each finding and observation, had been received by the City Auditor on May 10, 2019. The memorandum is enclosed with this report (Memorandum No: 19-06).

## **Objective 1**

*To determine adequacy of program administration regarding policies, procedures, and staffing*

### **Observation 1**

#### *Condition:*

Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.

#### *Criteria:*

Under the COSO framework, Control Environment,

- Principle 1: The organization demonstrates a commitment to integrity and ethical values. Points of focus:
  - 1. Sets the tone at the top
  - 2. Establishes standards of conduct
  - 3. Evaluates adherence to standards of conduct
  - 4. Addresses deviations in a timely manner
- Principle 3: Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. Points of focus:
  - 11. Defines, assigns, and limits authorities and responsibilities
- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
  - 16. Enforces accountability through structures, authorities, and responsibilities

Under the COSO framework, Control Activities,

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
  - 59. Establishes responsibility and accountability for executing policies and procedures
  - 62. Performs using competent personnel

#### *Cause:*

Finance lacked a program governance implementation process.

#### *Impact:*

A lack of P-card Program administrator qualifications could result in non-existent, inadequate, or inconsistent centralized governance and control over the Program, which could result in inadequate policies, non-compliance with policies, including questionable or fraudulent purchases occurring, and goal/objective inadequacies or failure.

### **Recommendation**

The City Manager should require the Director of Finance to establish

- a formal set of minimum desired qualifications for the personnel it assigns to the P-card Program administrator roles and formally determine with HR that an employee meets these qualifications prior to, and during, their assignment to the Program
- a formal set of control-centric duties and responsibilities that includes respective periodicity and deadlines of tasks for each administrative role within the P-card Program
- an independent oversight role to assess and ensure Program administrators are complying with these duties and responsibilities.

**Management Response:**

*In November 2018, with the adoption of the City's Class and Compensation study, the job description for the Management Analyst position in Finance was updated to reflect the minimum qualifications for the P-card Administrator ("Program Manager"). The job description is attached as Exhibit 1.*

**Objective 2**

*To determine effectiveness of program controls regarding card issuance and cancellation*

**Finding 1**

***Condition:***

Audit analysis of SunTrust cards data revealed 52 cards, of an estimated 275 cardholders, departing employment during the audit period of October 1, 2014 – March 31, 2017, were not timely canceled.

- Seven cards were still active during the performance of the audit. One of these cardholders was apparently off the radar, classified in the card issuer's system as "non-cardholder" with a departure date of April 26, 2013 (>1,000 days overdue for cancellation). The average duration overdue for cancellation for the remaining exceptions was 64 days, with the maximum being 314 days.

***Criteria:***

P-card PSM section A (3) specifies that for departing employees who do not return their P-cards, card cancellation should be handled "expeditiously" with notification of the P-card Program Manager the same day as the employee's departure; however, if the P-card is returned, the PSM does not specify a deadline for the respective supervisor to destroy the card and notify the P-card Program Manager.

- Within testing, the audit provided a one-day grace period; that is, two days after the employee's departure, cards not canceled become delinquent for cancellation.

***Cause:***

Primarily, the cause of this condition was attributed to an internally developed, employee termination notification system, where the P-card Program Manager is notified of departing employees; however, the system does not indicate whether the employee is a cardholder. This means the P-card Program Manager has to manually check each name in the card issuer's system to verify if a card was expected to be canceled. Currently, roughly 70% of employees are not



cardholders and with approximately 800 active cardholders currently, the P-card Program Manager's verification effort is extensive and unproductive.

***Impact:***

Cards overdue for cancellation may incur material unauthorized charges given the current default monthly card limit is \$30,000, for which the City would not be indemnified due to poor internal controls per the card issuer's agreement (terms and conditions, provision 7) and City's commercial crime policy (exclusion AA).

**Recommendation**

The City Manager should ensure that Finance has adequately coordinated with IT to satisfy its concern of aiding timely identification and cancellation of cards belonging to departing employees.

NOTE: The IT security team has made great efforts and created an application to inform HR and Finance when an employee is leaving; however, specifically regarding P-cards, some additional assistance may be needed.

**Management Response:**

*Management takes the need for timely notification of terminated employees seriously and Information and Technology Department staff created a mechanism to notify all interested parties, including the Finance Department, of departing employees. When the P-card Program Manager receives the notification, the employee is immediately removed from the SunTrust Enterprise Spend Platform (ESP) system. Management will continue to enforce policies and processes in place to ensure timely notification of terminations. Management will also review the current process and make changes that may further mitigate risk.*

**Finding 2**

***Condition:***

A random sample of 60 out of 235 card applications had a significant deviation rate for inadequate record-keeping, such as no card applications, incomplete applications, and no approval date.

- For 14 cards, no application was on file.
  - An additional application could not be located, but the card was closed a week after it was activated.
- Of the 45 applications on file:
  - 7 did not contain a date identifying when the respective department head approved the card for his/her direct report;
  - 16 were incomplete as to required signatures,
  - 13 were incomplete as to required content,
  - 3 contained the complete credit card number, which poses an information security risk

***Criteria:***

P-card PSM section A (1) indicates that new cards are issued upon request "by submitting a

completed Cardholder Information Form.” Supervisor and department head signatures are required on the form.

*Cause:*

This concern was primarily attributed to the inherent weakness of paper filing systems. In general, files can go missing over time, especially in this case where it’s estimated that more than 1,000 applications were filed based on the volume of cards issued over the 20-year life of the card issuer’s continuous service with the City. A secondary cause was attributed to excessive turnover of the P-card Program Manager role, whereby redundantly retained files might have been lost upon each turnover.

*Impact:*

Card applications are necessary to ensure proper authorization and issuance of cards, which prevents to some extent unauthorized purchasing. Missing and incomplete records obstructs verification that cards were properly authorized and issued.

**Recommendation**

Because paper filing systems have become obsolete, the City Manager should ensure that Finance has adequately coordinated with IT to satisfy its concern of permanently and completely retaining card application information in a secure, web-based database with form-based entry.

**Management Response:**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager’s role and several employees were responsible for card applications over the audit period. Beginning in fiscal year 2016, the Finance Department appointed the current P-card Program Manager and implemented electronic storage of P-card applications and signed agreement forms. The implementation of the electronic card application storage will help mitigate against future risk related to this finding.*

**Objective 3**

*To determine effectiveness of controls regarding card usage and activity*

**Finding 3**

*Condition:*

The P-card Program Manager has the discretion and ability to completely restrict the purchasing ability of a P-card by placing it into suspended status. This feature is enabled to allow lost cards sufficient time to be found without need for issuance of a replacement card, which is contrary to P-card PSM, requiring lost cards to be timely terminated. Cards can subsequently be reactivated out of suspended status. There is no policy to limit the duration a card can be held in suspended status. Audit determined reactivation of suspended cards occurred at a rate of roughly one card per 4 months with a maximum suspended duration of 815 days and median duration of 44 days.

*Criteria:*

P-card PSM

- Provision A(2)(a) - "If a purchasing card is lost, stolen, or misplaced, the cardholder must immediately notify the card issuer and the Purchasing Card Program Manager for the City. The cardholder is to advise the bank that the replacement card is to be sent to the Purchasing Division's Program Manager."

*Cause:*

Finance lacked a program governance implementation process.

*Impact:*

Lack of control over card suspensions and reactivation could expose the City to significant loss if suspended cards are improperly reactivated and abused by City employees or third parties.

**Recommendation**

The City Manager should eliminate the possibility of card reactivation abuse by requiring the Director of Finance to instruct SunTrust to disable temporary suspension card status (COV W000), meaning cards must be canceled as soon as there's doubt as to their risk of loss.

**Management Response:**

*Effective immediately, the Finance Department will run a weekly report on cards in suspended status (W000) and ensure that cards are suspended no longer than 10 days. These guidelines will be added to the P-card Personnel Standards Manual (PSM) requirements.*

**Finding 4**

*Condition*

Two departments included in audit testing of transaction receipts were noted throughout the audit, in multiple instances, as failing to retain and/or provide requested P-card records, which was not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.

- Public Affairs:
  - 4 receipts not provided upon audit request relating to potentially anomalous transactions;
  - 2 receipts not provided upon audit request relating to potentially split transactions;
  - 1 receipt not provided upon audit request relating to potentially prohibited purchase of capital over \$5,000
- Parks & Recreation:
  - P-card statements and receipts prior to 2017 were found filed in a disorganized fashion, resulting in;
    - 1 instance of archived file boxes from 2012 (#804-808) containing some original P-card documents being destroyed prior to their scheduled, legally authorized destruction date;
    - The efficiency of the Police Department's investigation of P-card fraud being impacted by missing and/or misfiled P-card statements due to disorganization.

**Subsequent event:** Parks and Recreation began properly organizing their P-card statements in 2017, though prior years' archived boxes are still in disarray and of unknown completeness. The

City Clerk was informed of the trouble CAO experienced with P-card receipt retention, in relation to its legally required annual reporting to the State.

#### *Criteria*

Section 1B-24.003(1)(a), Florida Administrative Code provides a record retention schedule that requires a 5 fiscal year retention period for "...records documenting specific expenditures or transfers of agency moneys for the procurement of commodities and services and other purposes. This series may include...purchasing card (p-card) receipts...."

P-card PSM section C (1) requires receipts: "The charge slip will be retained either by the cardholder or by the cardholder's supervisor. Section C (5) requires the use of a missing receipt form:

"If for some reason the cardholder does not have receipts or other documentation of the transactions to send with the statement to his/her Purchasing Card Representative, he/she must attach a description of the purchase. Continued incidents of missing receipts of supporting documentation may result in the cancellation of the employee's purchasing card."

#### *Cause*

This condition was attributed to carelessness with the City's purchasing records.

#### *Impact*

Missing support documents can be a sign of concealment of fraud, waste, or abuse.

#### **Recommendation**

The City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing support documents or uses of the missing receipt form by a cardholder.

#### **Management Response:**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and specify how enforcement of consequences will occur. The focus will be on card holder accountability and immediate cancellation of the employee's P-card if the policy is violated. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts.*

#### **Finding 5**

##### *Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements lacked supervisory review and/or included purchases of prohibited items. The occurrences noted were as follows:

- Missing supervisor signature on statement: 7 of 50 statements (14%)
- Prohibited item transactions: 16 of 158 receipts (10%)

Of these exceptions, the prohibited item categories of the P-card PSM were

- Use of the P-card by a person other than the cardholder (B1)

- Gasoline, fuel, or oil (B5a)
- Telephone charges (B5e)
- Contract Services (B5f), including but not limited to 3 exceptions for services not currently under contract but better suited to contract for child transportation, security, and art production (photography & videography).
- Capital Outlay (B5i)
- And pertaining to Procurement Manual chapter 12.2, Use of the P-card to pay grant expenses

Further, audit analysis of SunTrust transactions data determined that the City's P-cards issued to employees charged the following approximate amounts to merchant category codes that should have been restricted during the audit period October 1, 2014 – March 31, 2017:

- Categories prohibited by P-card PSM
  - B(5)(a) – Gasoline, fuel or oil (with the exception of Police Motorcycles) - \$10,500
  - B(5)(b) – Vehicle repairs - \$40,000
  - B(5)(e) – Telephone charges - \$2.1M
    - 98% of this amount was with three large telecommunications vendors, one of which developed a six-figure past due balance with the City from a billing dispute that included approximately \$40,000 in late fees and went unresolved for more than two years because the department charging the services on its P-card decided to handle the dispute internally. Upon last update in late November of 2017, it was determined that Legal was notified, and though the vendor waived the late fees, approximately \$19,000 of the balance would need to be paid.
  - B(5)(f) – Contract services - \$6.4M, excluding telecom (B(5)(e), above)
    - Within this sum for fiscal years 2016 and 2015, respectively, analysis determined the following figures were charged on individual's P-cards for vendors with City transactions totaling more than \$25,000 annually:
      - services suited to contract but currently without City contract: \$211,000 and \$171,000
      - services currently with City contract, excluding telecom: \$304,000 and \$638,000
  - B(5)(i) – Capital Outlay - \$450,000
    - P-card purchases by individuals coded to capital sub-objects was determined by analysis to total \$480,000, of which sample testing determined virtually all of it to be accurately coded.
- Categories in addition to PSM prohibitions deemed by the audit to be generally unnecessary for official City business - \$28,000

#### *Criteria*

PSM 9.13.1.5 section C, "Procedures for Making and Paying for Purchases" as follows:

6. Payment and Invoice Procedures,
  - b. ...The statement will then be reviewed and signed by the employee's supervisor. 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....

PSM 9.13.1.2-3 section B, "Cardholder Use of Purchasing Card", as follows:

1. Cardholder Use Only

The purchasing card may only be used by the employee whose name is embossed on the card. No other person is authorized to use the card. The cardholder is responsible and accountable for all transactions that occur on his/her card.

5. Prohibited Uses of Purchasing Cards

The following types of items may not be purchased with a purchasing card, regardless of the dollar amount:

- a. Gasoline, fuel or oil (with the exception of Police Motorcycles).
- b. Vehicle repairs
- c. Travel expenses such as hotels, food, and airline tickets (unless approved by the City Travel Officer).
- d. Cash advances
- e. Telephone charges
- f. Contract services
- g. Registration fees (unless approved by the City's Travel Officer)
- h. Goods specifically restricted by the Procurement Services Department or the City of Fort Lauderdale Code of Ordinances.
- i. Capital Outlay purchases of \$1,000.00 or more.

*Cause*

A lack of compliance with the Procurement Card (P-card) Policies and Standards Manual (PSM) due to one or more of the following:

- Disregard of the policy
- To facilitate possible wrong doing
- The Travel Allowance and Subsistence Policy PSM 9.4.1. does not address the use of City funds towards networking events

*Impact*

P-cards may be used for questionable/restricted purchases which can lead to financial and reputational loss to the City.

**Recommendation**

The City Manager should adopt a limited tolerance policy within the PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing supervisory review and prohibited transactions. In addition, the activity on those statements should be researched in more depth for possible wrongdoing.

The City Manager should require Finance to analyze the restricted merchant category codes in its P-card control profiles and ensure their completeness and implement an override procedure that documents when purchases in these categories are deemed appropriate by City authorities.

**Management Response:**

*The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand*

*segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.*

## **Finding 6**

### *Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements were missing evidence of Department/Division/Group Activity Directors review on 37 of 70 statements (53%).

### *Criteria*

PSM 9.13.1 Use of City Issued Procurement Card, section E, “Review of Purchases by Department/Division/Group Activity Directors” as follows:

- Because of the knowledge of Department/Division/Group Activity Directors with respect to job responsibilities, they are required to review each purchasing card expenditure (item purchased, amount and vendor) to ensure the goods purchased were necessary, and for official use.

### *Cause*

If the required secondary level of review did take place, but the Department/Division/Group Activity Director did not sign the statement, the vagueness of the P-card PSM, section E.1, could be the reason. It requires the Department/Division/Group Activity Director to review the P-card expenditures, but it does not specify that they are to sign the statement as evidence of that review.

The statements may not have the required secondary review by the Department/Division/Group Activity Director because the departments may have been instructed differently at the Procurement hosted P-card instructional meetings.

### *Impact*

P-cards may be used for questionable/restricted purchases, which can lead to financial and reputational loss to the City.

## **Recommendation**

The City Manager should require Finance to remove any ambiguity within the P-card PSM regarding the requirement of a Director's signature upon his/her review of the P-card statement. Additionally, the City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of missing Director signatures.

## **Management Response:**

*The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions*

*requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.*

## **Finding 7**

### *Condition*

City personnel used P-cards to make unauthorized purchases of alcoholic beverages. Several items contravened the directive of the City Manager's Office and/or City policy.

### *Criteria*

PSM 9.2.3. Food/Beverage and Gift Guidelines, dated 01/12/2017, section 3. "Details"

#### Food Purchase Authorization

1. As a general rule, City funds should not be used for:
2. Food and alcoholic beverage purchases except as approved by the City Manager.

Interoffice memorandum, dated 9/14/2016, from the Parks and Recreation Deputy Director to the City Manager, as approved by the Assistant City Manager states:

The Parks and Recreation Department is requesting permission to purchase beer and/or wine for the noted events below on a yearly basis. Other events that may come up during the year will be requested case by case.

- New Year's Eve
- Great American Beach Party
- July 4<sup>th</sup> Spectacular
- Legends Reception at Carter Park
- Employee Picnic
- Light Up Sistrunk

### *Cause*

After the event planning person in the Public Information Office (aka Strategic Communications) left the employment of the City, the Parks and Recreation Department was asked to assist with the events and as such continued what was historically done, which was the provision of certain alcoholic beverages.

### *Impact*

Improper controls over purchased product, which could lead to misappropriation of those products.

## **Recommendation**

To improve internal controls, the City Manager's Office should consider updating the P-card PSM to include using approved vendors for all alcohol purchases. Potential restriction on type and value of alcoholic beverage purchases should be also clarified.

## **Management Response:**

*The purchase of alcoholic beverages for special events is allowed, with express approval of the City Manager. As special events grew, the department responsible for coordinating the events*



*did not add two events to the list that was previously approved by the City Manager. The events were added to the list after the audit period. Attached as Exhibit 2 is the approved list dated July 12, 2018. The purchase of alcoholic beverages is suspended while the policy is being reviewed and any future purchases will only be through a contracted vendor.*

## **Finding 8**

### *Condition:*

Sample testing of 243 transactions within a population of suspected split transactions for the audit period October 1, 2014 – March 31, 2017 revealed 29 instances of transaction splitting, which is an unacceptable sample deviation rate of 12%. Controls failed to detect or prevent transaction splitting.

- For 13 of the 29 instances the supervisor of the respective purchaser concurred that the transaction was split; the remainder of instances the audit deemed split by the weight of documentation against the supervisors' responses.

### *Criteria:*

The City has two positions within policy on P-card transaction splitting:

- P-card PSM Section B(3)(c) states, "Purchases over the cardholders [single transaction] limit must be made by purchase order.... 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 purchasing card program."
  - The City's threshold for purchase order use was \$5,000. The default P-card single transaction limit was \$5,000.
  - Within P-card PSM Section B(3)(b)—directly above the restriction against splitting—a work-around with authority of the Procurement Department is described: "Requests for spending limit changes shall be initiated through a written request to the designated Procurement Specialist by the employee's supervisor."
- Procurement Manual Chapter 16.1 defines an unauthorized purchase as "an item that is splitting orders of the same or like materials/requirements into two or more individual purchases with the intention of circumventing the bid requirements (avoiding bids)."
  - The City's threshold for formal competitive bid process was \$25,000.
  - This position is in accordance with Section 287.057(9), Florida Statutes.
  - Given a split transaction test exception would have been noted by the audit at the lower threshold of \$5,000, this higher threshold was not applied to audit testing.

### *Cause:*

This condition was attributed in general to purchasers and/or supervisors

- Lacking awareness of the option to request a spending limit increase; and/or
- Perceiving a need for the purchased items that outweighed the perceived need to comply with policy.

### *Impact:*

Splitting transactions enables purchasing frauds, including theft and misappropriation, for significant value transactions given the absence of a purchase order would reduce separation of

incompatible duties. Additionally, significant value transactions may lose the benefits of competitive bid.

### **Recommendation**

The City Manager should require Finance to analyze P-card spending data to determine which departments and/or vendors are most likely to engage in splitting transactions and implement special control activities in those areas.

### **Management Response:**

*The Finance Department is using a financial system that does not detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning (ERP) system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.*

### **Finding 9**

#### **Condition:**

P-card transactions violated Procurement requirements of competitive bid and purchase order usage.

Audit analysis of SunTrust transactions data determined \$3M of spending of 22 vendors that each accumulated City business of more than \$25K per year for two consecutive years (fiscal years 2016 and 2015) but were not under contract. That is, these purchases appear to have not been subjected to the City's competitive procurement process, which was not in compliance with the City's procurement ordinance.

- Of these vendors, apparently only two were of a purchase category (electrical supplies) that was previously subjected to competitive bid and awarded to one particular vendor. That is, purchases from these two vendors appear to have been off-contract. Though all City contracts are non-exclusive, this practice should be discouraged because it could subject the City to higher costs. Totals for these two vendors were \$176K for the two years.
- Of the remaining vendors, 10 could be organized into three purchasing categories qualifying for competitive bid, each category with average annual spending over \$100K. Though the categories would be better specified by the Procurement department, this audit identified them as follows, with the two-year spending indicated:
  - Tools, Hardware, general MRO - \$1,554,687.73
  - HVAC Supplies - \$295,159.31
  - Signage - \$216,637.31

Additionally, random sample testing of 30 P-card transactions over \$5K each, during the audit period October 1, 2014 – March 31, 2017, found 4 that did not use a purchase order when required by the Procurement Manual (Chapter 10.1), representing an unacceptable sample deviation level.

*Criteria:*

Competitive Bid:

- Fort Lauderdale Code of Ordinance Chapter 2, Article V, Division 2, sections
  - 2-178 “All contracts of the city shall be awarded by competitive bidding except as otherwise provided for in this division.”
  - 2-180 “All supplies and services, except as otherwise provided in this division, when the estimated cost shall exceed twenty-five thousand dollars (\$25,000.00), shall be purchased by written and sealed bids, proposals, reverse auction, or other competitive solicitation as provided for in this division, and awarded to the lowest and best responsible, responsive bidder, after due notice inviting proposals...”

Competitive Bid and Purchase Order Requirement:

- Procurement Manual 10.1
  - *Materials and Services \$5,000 - \$25,000*
    - *Under Contract* “USE A PURCHASE REQUISITION / PO.”
    - *Not Under Contract* “Department Coordinator will process a Requisition/PO along approval path.”
  - *Materials and Services Over \$25,000 to \$50,000* “Contact your Procurement Specialist. Procurement must issue a formal bid.”

*Cause:*

- The lack of competitive bidding condition was attributed to lack of P-card transaction data analysis.
- The lack of purchase order use was attributed to lack of awareness of a need to use a purchase order, and this lack of awareness was in some cases due to inconsistencies and/or confusion caused by a reservation of rights provision in the Procurement Manual stating that Procurement has subjective discretion to waive purchasing requirements. In fiscal year 2017, the Procurement Manual was updated to, in part, remove this provision.

*Impact:*

Procurement controls were circumvented due to the distributed purchasing process of the P-card program.

**Recommendation**

The City Manager should require Finance to periodically analyze P-card data in search of applicable purchase categories for competitive bid and transactions that circumvented purchase order requirements.

**Management Response:**

*The Finance Department is using a financial system that does not afford the capabilities of reviewing spending to detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning (“ERP”) system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.*

## **Finding 12**

### *Condition:*

There current internal control system does not prevent or detect duplicate P-card payments of invoices processed by both Accounts Payable and the respective departments.

### *Criteria:*

Under the COSO framework, Risk Assessment,

- Principle 7: 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. Points of focus:
  - 40. Determines how to respond to risks

Under the COSO framework, Control Activities,

- Principle 11: The organization selects and develops general control activities over technology to support the achievement of objectives. Points of focus:
  - 55. Establishes relevant technology infrastructure control activities
- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
  - 58. Establishes policies and procedures to support deployment of management's directives
  - 59. Establishes responsibility and accountability for executing policies and procedures

### *Cause:*

Finance lacked software that would enable and facilitate a control over a high volume of transactions.

### *Impact:*

Material waste could occur as uncorrected duplicate payments of the same transaction.

## **Recommendation**

Finance should enhance internal controls to prevent and detect duplicate payments of P-card invoices.

## **Management Response:**

*With the implementation of the new ERP in fiscal year 2020, P-Card charges will be approved by the Department and routed through Accounts Payable ("AP") for processing. Part of this process will include uploading the P-card charge directly to the corresponding AP vendor file, which will help identify duplicate invoices. This will aide Management by identifying duplicate payments.*

## **Finding 13**

### *Condition:*

The City's Fixed Assets PSM distributes the responsibility of control over inventories purchased via P-card to the departments making the purchases but does not require an independent

verification of these departments' controls. Further, even though, per PSM, the Finance Director has the right to verify adherence to the policy, no such review occurred during the audit period. Additionally, Finance did not provide a central definition for "sensitive items" and did not approve each department's respective definition; therefore, Finance did not properly control departments' identification of sensitive items.

*Criteria:*

Fixed Assets PSM defers to each department stewardship of inventory items referred to but not defined as "sensitive items," which are below capitalization threshold but by their nature require Finance to control them.

Under the COSO framework, Control Environment,

- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
  - 16. Enforces accountability through structures, authorities, and responsibilities

Under the COSO framework, Control Activities,

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
  - 58. Establishes policies and procedures to support deployment of management's directives
  - 59. Establishes responsibility and accountability for executing policies and procedures

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. Points of focus:
  - 80. Establishes baseline understanding
  - 82. Integrates with business processes
  - 83. Adjusts scope and frequency
  - 84. Objectively evaluates

*Cause:*

Though Finance perceived a need for enhanced governance of the P-card Program, this objective was not achieved due to either a lack of resources or a reduction of priority.

*Impact:*

A lack of periodic, independent monitoring of departments' inventory control could lead to misappropriation of City assets and consumable goods. The impact would be exacerbated in departments where proper purchasing reviews and segregation of duties do not exist.

Without proper control over the definition(s) of the City's sensitive items, Finance could not ensure their identification, tracking, and safeguarding by departments. Additionally, if misappropriation of sensitive items were to occur, persons within departments responsible for recording and tracking sensitive items could avoid accountability by claiming after-the-fact that the missing items were not considered by the department to be "sensitive items."

Sensitive items were lost to theft in the frauds discovered in Public Works and Parks & Recreation at the time of this audit.

### **Recommendation**

The City Manager should update the Fixed Assets PSM to require the Director of Finance to

- periodically assess all departments' control over inventories from P-card purchasing, and
- either centrally define "sensitive item" inventory or review and approve all departments' individual definitions of "sensitive item" inventory.

### **Management Response:**

*The Finance Department will update the Fixed Assets PSM within the next 120 days to require the Finance Director to periodically assess all Departmental control over inventories and further define sensitive items, as delineated in the Governmental Finance Officers Association definitions of best practices.*

### **Finding 14**

#### *Condition:*

Two departments with heavy P-card spending during the audit period Public Works (\$11M) and Parks & Recreation (\$8M), each experienced P-card fraud discovered during the audit.

The extent of fraud discovered was \$25K-\$100K for Public Works and over \$100K for Parks & Recreation.

**Subsequent event:** Both of these fraud events involved multiple individuals within and outside of the City. Arrests were made in both cases, resulting in convictions.

#### *Criteria:*

Under the COSO framework, Information and Communication,

- Principle 13: The organization obtains or generates and uses relevant, quality information to support the functioning of internal controls. Points of focus:
  - 64. Identifies information requirements
  - 66. Processes relevant data into information

Under the COSO framework, Risk Assessment,

- Principle 8: The organization considers the potential for fraud in assessing risks to the achievement of objectives. Points of focus:
  - 41. Considers various types of fraud

#### *Cause:*

Internal controls over P-card Program administration were inadequate to ensure that departments with expectedly significant P-card spending volume have the capacity and understanding of adequate controls over decentralized purchasing. In part, frauds were due to these departments lacking work order systems capable of and/or used to completely and consistently track job costs, i.e. systematic means of detecting fraud, waste, and abuse. In the case of Public Works, its system wasn't capable of tracking job costs at all.

*Impact:*

Departments lacking job costing systems are more susceptible to fraud, waste, and abuse, which is what actually occurred.

**Recommendation**

The City Manager should implement effective job cost tracking systems and subsequently monitor their appropriate use in departments that are work-order oriented. In addition, pensions of those involved with the fraud should be revoked.

**Management Response:**

*Management takes the theft of public funds seriously. The employees who committed these fraudulent transactions were terminated and have been prosecuted criminally. In addition, pension revocation is complete in one case and currently sought in the other. To mitigate future risk of fraud, the Public Works Department is reducing the card-in-hand segment of the department to 11 from 173. The Parks and Recreation Department is reducing to 50 from 140.*

**Observation 2**

*Condition:*

The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools.

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that the first-level supervisory review of P-card statements was circumvented as either non-existent or assigned to an inappropriate authority on 25 out of 66 statements (38%).

*Criteria:*

P-card PSM provision C (6)b indicates, "The statement will then be reviewed and signed by the employee's supervisor. 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."

Under the COSO framework, Control Environment,

- Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. Points of focus:
  - 16. Enforces accountability through structures, authorities, and responsibilities

Under the COSO framework, Control Activities,

- Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Points of focus:
  - 51. Evaluates a mix of control activity types
  - 52. Considers at what level activities are applied
  - 53. Addresses segregation of duties

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
  - 62. Performs using competent personnel

Under the COSO framework, Information and Communication,

- Principle 13: The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. Points of focus:
  - 65. Captures internal and external sources of data
  - 67. Maintains quality throughout processing

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
  - 81. Uses knowledgeable personnel
  - 84. Objectively evaluates

*Cause:*

Finance lacked a program governance implementation process.

Regarding circumvention of first level review, the reviewer either:

- had little or no relevance to the understanding of the purchases being made and/or being at a level with limited responsibility or accountability or
- was the Director/Division Head and the sole level of review without another level of accountability

*Impact:*

With a P-card program as expansive as the City has, there may exist conditions in departments where cardholders are asked by non-cardholders to make purchases on their behalf, i.e. where the cardholders' supervisors would not be in a capacity to understand the appropriateness or necessity of the purchases. As well, there may be other conditions where even if all purchases are for direct use by the cardholder, the supervisor in general is lax in monitoring operations (e.g. during high volume of work orders, projects, etc.) and this laxity would transfer to purchase review.

In either case, without adequate knowledge of the purchases, the responsibility of supervisor review becomes a rubberstamp rather than a control. All review responsibility would then be put on the fewer department/division directors to have adequate knowledge to properly exercise their second-level review per P-card PSM, which, however, in some cases either may not exist (despite the PSM's presumption of it being a default condition) or may exist, but an adequate review effort would fail, because it is too overwhelming in terms of high purchasing volume and limited review time.

Knowledge of purchasing without tracking documentation would be un-auditable.

Lastly, without established authority thresholds, first-level review of P-card purchasing could be delegated to inconsequential personnel, which could circumvent this primary review control,



which would be especially problematic for departments with a high quantity of cardholders and/or high volume of transactions per period.

### **Recommendation**

The City Manager should update the P-card PSM to indicate that

- the supervisor reviewing the receipts and statements should be in a position to have direct knowledge of the reason and necessity of reviewed purchases.
- the Director of Finance must establish and periodically review for effectiveness purchasing thresholds by which supervisors in consequential positions may delegate their P-card review responsibilities to lower level employees.
- when there is only one level of P-card statement review, the Director of Finance/Procurement include in P-card audits data-mining techniques, looking for anomalous transactions.

### **Management Response:**

*The Finance Department will include in the P-card Policy update appropriate responsibilities for reviewing the transactions made via P-card. Until the update is complete, review and approval will be conducted by Department Heads, Assistant City Managers or the City Manager.*

### **Observation 3**

#### *Condition:*

Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).

- 2 of 15 Program Administrator removal forms were not retained or provided by the City and SunTrust, causing doubt as to whether Program Administrators were properly controlled by authorization forms supplied by Suntrust.
- Because neither the City nor Suntrust retained all details and documentation of orders by Program Administrators for changes to card restrictions, a scope limitation resulted, and the audit could not effectively verify if card changes were made only by authorized Program Administrators. Based on the evidence available at least one card change was made prior to the person ordering the change becoming a Program Administrator.

#### *Criteria:*

Under the COSO framework, Control Activities,

- Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. Points of focus:
  - 51. Evaluates a mix of control activity types
  - 53. Addresses segregation of duties

Under the COSO framework, Monitoring Activities,

- Principle 16: The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. Points of focus:
  - 80. Establishes baseline understanding
  - 84. Objectively evaluates

*Cause:*

Finance lacked a program governance implementation process.

*Impact:*

Lack of control over authorized Program Administrators could allow unintended changes within the P-card Program that facilitate the occurrence of errors or fraud.

**Recommendation**

The City Manager should require the Director of Finance to

- restrict SunTrust Program Administrator status solely to the P-card Program Manager and P-card Program Manager Backup roles and to Finance executives deemed necessary
- retain all Program Manager and COV change request documentation, and
- periodically monitor changes to the Program Administrator listing to detect and correct any unauthorized status changes.

**Management Response:**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. With the change in personnel, files were not always transferred appropriately. The Finance Department has created a centralized repository in the Finance shared drive for all P-Card program records, to prevent any future loss of data.*

**Observation 4**

*Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined untimely authorization of P-card statement transactions by either first or second-level approver. Because the P-card PSM does not require a date for the supervisory signature requirement, the audit determined a reasonable standard that an approval was considered delinquent 30 days beyond the end of the prior statement cutoff. If a signature was not dated it was a test exception by default given timeliness could not be assessed.

- Untimely statement approval: 8 of 73 statements
  - This condition ranged from 32 to 70 days after statement cutoff date
- Timeliness undeterminable: 23 of 73 statements

*Criteria*

P-card statement review dates are significant because City liability shifts according to dates of discovery/notification per the SunTrust (proposer) agreement, page 22 (02.) Mandatory Elements (7):

“Liability - Purchasing Card, The City will be liable for charges made by authorized users that are in accordance with Cities Policies and Procedures, however,

- Proposer agrees to assume responsibility for all charges, without a deductible, incurred after notification of lost, stolen or compromised/fraudulently used card/account.”

Under the COSO framework, Control Activities,

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
  - 60. Performs in a timely manner

#### *Cause*

A couple of causes are noted, but not limited to the following:

- Not understanding the importance of a timely P-card transaction review process
- Not putting priority on reviewing the P-card statement before the monthly payment is made to the P-card program provider

#### *Impact*

Untimely notification of prohibited P-card transactions can lead to a greater financial loss to the City.

#### **Recommendation**

The City Manager should update the P-card PSM to establish a deadline for completion of the review process and require all review signatures be dated. Additionally, the City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of untimely signatures.

#### **Management Response:**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts to begin electronic storage of all receipts. The P-Card Policy will require a signature and a date.*

### **Objective 4**

*To determine effectiveness of controls regarding accounting processes and information security*

#### **Finding 10**

##### *Condition:*

The City's inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of “items of a value or cost of \$1,000 or more and a projected useful life of 1 year.”

- Fixed Assets PSM under the heading *Property Control* distributes inventory responsibility to the respective purchasing departments for "closely controlled items" which have a value above \$0 and below \$5,000, and specifically include inventoriable property per State law with value above \$1,000 and "sensitive items," which may be below \$1,000 in value.
  - This section also establishes that the Director of Finance has the option to review departments' adherence to this policy. As of the time of this audit, the Director of Finance had not performed this review.
- CAO performed this review for a judgmental sample of the top five departments of applicable P-card spending for the audit period October 1, 2014 – March 31, 2017 and found the following:
  - Two of the top five departments did not track inventoriable purchases, i.e. they have no inventory records originating from P-card transactions. One of these departments experienced a five figure P-card fraud during the audit that was directly attributable to its lack of inventory tracking.
    - Of the three departments tracking inventoriable P-card purchases,
      - all three departments exhibited significant control gaps in their purchasing and inventory procedures, largely relating to lack of separation of incompatible duties, lack of physical controls, and lack of IT general controls.
      - one department did not record item details within its purchase inventory, precluding it from performing an efficient physical count of inventory.
        - This represents non-compliance with the Fixed Assets PSM, which concerning inventory requires under *Property Control* that "data elements are to include asset description, location, make, model, serial number, and other information that assists control...."
      - one department exhibited a substantially incomplete inventory schedule, including the absence of "sensitive items" (below \$1,000) entirely.
- CAO also assessed for all City departments the sub-object coding of inventoriable P-card purchases, which establishes the foundation of verifying completeness of independent inventory systems each department may have. The audit found a significant (40%) level of inaccurate sub-object coding for inventoriable purchases, precluding Finance from performing an efficient physical count of inventory.

*Criteria:*

Fixed Assets PSM, based in part on Section 274.02, Florida Statutes and 69I-73.002, Florida Administrative Code, requires inventory controls for items of value above \$0 (especially above \$1,000) and below \$5,000, the City's capitalization threshold.

Fixed Assets PSM *Property Control* excerpt:

"Assets below the capitalization threshold of \$5,000 on a unit basis but warranting

'control' shall be inventoried at the department level and an appropriate list shall be maintained by the department.

...Stewardship of these minor but sensitive items is the express responsibility of the departments utilizing these properties. The Finance Director has the right to...periodically review the information and adherence to policy.

Assets with a value between \$0 and \$4,999 are not considered capital assets and are called "Closely-Controlled Items". These assets are expensed in the period which they are incurred. However, due to State of Florida guidelines, all assets with a cost exceeding \$1,000 and a useful life in excess of one year shall be tracked and inventoried by the department that purchased the assets."

Florida Statute Section 69I-73.002, FAC:

"All property with a value or cost of \$1,000 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."

Property is defined in Section 274.02, FS as "fixtures and other tangible personal property of a non consumable nature."

*Cause:*

This condition was attributed to the prolonged lack of enforcement, which can encourage non-compliance.

*Impact:*

Untracked inventory allows for the possibility of theft. Projection of the sub-object coding error estimates a range of \$2.6M to \$3.5M of merchandise within transactions each costing more than \$1,000 purchased during the audit period was untracked and susceptible to theft.

**Recommendation**

The City Manager should require the Director of Finance to review and ensure the City is in compliance with State law regarding inventory by requiring a periodic review of departmental inventory controls and records.

**Management Response:**

*The Finance Department will institute periodic required departmental reviews of tangible items purchased from \$1,000-\$5,000, as a part of their fixed assets inventory process.*

**Finding 11**

*Condition:*

SunTrust, the City's card issuer, pays the City rebate revenue on a few aspects of the City's annual volume of spending, including spending of participants on the City's program known as piggyback. SunTrust's rebate calculation was underreported and underpaid regarding the piggyback aspect since the inception of the fiscal year 2015 contract.

**Subsequent event:** SunTrust paid the amount due on the piggyback aspect in late 2017 as approximately \$27K.

*Criteria:*

By including the detailed method of SunTrust's rebate calculation and acknowledging that rebate payment errors may need to be corrected, the P-card agreement with SunTrust creates an implicit obligation on the City to review and ensure SunTrust rebate revenues are calculated accurate and collected completely.

Under the COSO framework, Control Activities,

- Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
  - 51. Evaluates a mix of control activity types

*Cause:*

The current rebate review process did not reconcile the rebate amount received from SunTrust to the contract terms to ensure completeness of rebates.

*Impact:*

With a reputable card issuer, the likelihood of an erroneously or fraudulently deficient rebate is slim; however, because rebate revenue is cumulative and has recently exceeded \$500K annually, the magnitude is significant.

The City did not collect approximately \$27,000+ in revenue due; however, had this error not been detected by the audit, the amount lost could have accumulated to a significant sum, considering this vendor's 20-year history with the City.

**Recommendation**

The City Manager should implement policy controls for verification of complete rebate collection, and any other non-exchange revenue source.

**Management Response:**

*The Finance Department annually reconciles SunTrust's rebate report to SunTrust ESP data for accuracy. A small portion of the rebate was missed. Finance will review more closely the rebate received and compare it to the contract. Finance will also ask the bank to provide more detailed information on large ticket items, which prevents Finance from conducting a straightforward calculation.*

**Finding 15**

*Condition:*

Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.

**Subsequent event:** All identified inappropriate access was resolved during the audit.

*Criteria:*

Under the COSO framework, Control Activities,

- Principle 11: The organization selects and develops general control activities over technology to support the achievement of objectives. Points of focus:
  - 56. Establishes relevant security management process control activities

*Cause:*

This condition was attributed to a lack of formal, significant control activities for the P-card Program Manager role.

*Impact:*

Inadequate control over administrative access within the card issuer's IT system could enable and/or conceal fraud and cause other significant problems.

**Recommendation**

The City Manager should require the Director of Finance to establish the following:

- 1) a comprehensive, formal set of control-centric duties and responsibilities that includes respective periodicity and deadlines of tasks for each administrative role within the P-card Program;
- 2) an independent oversight role to assess and ensure Program administrators are complying with these duties and responsibilities.

**Management Response:**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. The Finance Department updated the SunTrust ESP system removing access for the P-card Program Managers who are no longer in that role. Finance will create a formal set of duties and responsibilities for the P-card Program Manager and P-card Administrators, that include a periodic review of all administrative access rights.*

**Finding 16**

*Condition:*

The City has two separate credit card payment service providers under contract, SunTrust and CPS Payment Services. CPS services agreement was signed in 2012, by the Procurement and Contracts Manager, currently the Director of Finance. Both vendors annually provide the City spending rebate revenue in the six-figure range at no cost to the City. The SunTrust agreement is periodically competitively bid by the City and approved by Commission. The CPS agreement, however, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

- Though the CPS services do not expose the City to expense above the Procurement Manual's threshold for competitive bidding, they do provide a contra-expense above threshold and expose the City to risks, such as the potential for significant financial loss due to embezzlement by the service provider, which should be mitigated by the terms and conditions of a contract award process.

*Criteria:*

Under the COSO framework, Risk Assessment,

- Principle 7: 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. Points of focus:
  - 37. Analyzes internal and external factors
  - 40. Determines how to respond to risks
- Principle 8: The organization considers the potential for fraud in assessing risks to the achievement of objectives. Points of focus:
  - 41. Considers various types of fraud

*Cause:*

Because the City incurs no expense for the services provided, i.e. the service fee is deducted from the revenue the City earns, the services were not subject to the City's usual requisition and procurement procedures.

*Impact:*

When procurement bypasses applicable competitive bidding it loses transparency and risks higher expenses (or lower revenue, in this case), lower quality of goods and services, and potentially increased liabilities.

**Recommendation**

The City Manager should ensure control activities exist that catch significant procurements not involving expense to subject them to competitive bidding, when applicable, and ensure that contracts have termination dates.

**Management Response:**

*At the time that this contract was instituted, CPS was the only vendor to offer the service to pay electric bills via this method and considered a sole source purchase. This however, does not negate the need for an appropriately drafted contract that protects the City. The Finance Department will ensure that future purchases using this procurement method has a contract if one is required.*

**Finding 17**

*Condition:*

The City Manager did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.

*Criteria:*

Under the COSO framework, Control Environment,

- Principle 2: The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal controls. Points of focus:
  - 8. Provides oversight for the system of internal controls



Under the COSO framework, Control Activities,

- Principle 12: The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Points of focus:
  - 60. Performs in a timely manner
  - 61. Takes corrective action

*Cause:*

This condition was attributed to an apparent lack of resources and reduction of priority, given a P-card PSM update was evident as of January 2016, but its completion effort was postponed.

*Impact:*

Inadequate control design within the P-card PSM could lead to significant errors and frauds within the purchasing process, such as the misappropriation the City discovered during the performance of this audit.

**Recommendation**

The City Manager should implement control improvements within a timely fashion for the P-card PSM, based on P-card audit findings.

**Management Response:**

*The Finance Department will continue to review the P-Card Policy on an annual basis and recommend updated language as necessary. Management will make changes as necessary.*

**Finding 18**

*Condition:*

Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

- Contract spending limit specifications were not available on Procurement's City contract website (though "MB" there does indicate if one exists); determination of current remaining spending capacity is not readily/efficiently available (i.e. it requires a manual research effort into BuySpeed rather than being updated periodically and automatically posted for all to see).
- Because P-card spending largely occurs outside of BuySpeed and a data updating delay exists (i.e. City systems import all purchasing data slightly later than month-end, cardholders do not have timely access to information regarding remaining contract capacity. At most, a Procurement Specialist could inform a departmental Procurement Liaison whether a contract was known to have already exceeded its master blanket.

*Criteria:*

Under the COSO framework, Control Activities,

- Principle 10: The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

- 51. Evaluates a mix of control activity types

*Cause:*

Finance lacked a program governance implementation process.

*Impact:*

P-card spending could exceed a contract's authorized spending limits.

**Recommendation**

The City Manager should require the Director of Finance to have Procurement develop a system of controls that mitigate the risk of P-card transactions exceeding authorized spending limits.

**Management Response:**

*The Finance Department is developing a system to mitigate the risk of P-Card transactions exceeding spending limits by including Procurement Services in the approval path for all purchases in the ERP system. The expected go live date is October 1, 2019. In the interim, Procurement will periodically review and audit purchases to identify and eliminate overspending of contracts.*

**Observation 5**

*Condition:*

To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.

**Subsequent event:** CAO and Finance reviewed these policies during the course of this audit.

*Criteria:*

Under the COSO framework, Control Environment,

- Principle 2: The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal controls. Points of focus:
  - 8. Provides oversight for the system of internal controls

*Cause:*

This condition was attributable to the absence of City policy on the development of supplemental, department-specific policies.

*Impact:*

Lack of oversight over internal control implementation can cause inefficiency, ineffectiveness, and non-compliance with broader policies and/or controls.

## **Recommendation**

The City Manager should create a PSM that addresses creation and proper approval of department-specific policies that impact the Finance Department's processes.

## **Management Response:**

*The Finance Department reviewed and approved the departmental policy on September 1, 2017. The policy incorporated the City's P-card policy requirements and procurement procedures. Management will advise all departments that wish to have departmental policies to have them reviewed by the Finance Department.*

## **Observation 6**

### *Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined inadequate review of expenditure/expense coding for P-card purchases as follows:

- An erroneous sub-object was charged: 45 out of 165 transactions (27%)

### *Criteria*

PSM 9.13.1. Use of City Issued Procurement Card, policy/procedure C. "Procedures for Making and Paying for Purchases"

#### 5. Payment and Invoice Procedures

b. The cardholder must review the statement and note any errors or disputes. Account numbers for each item (or account numbers and total dollar amounts for groups of items) should be written on the transmittal form to be attached to the statement. The statement will then be reviewed and signed by the employee's supervisor. ***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.*** Once the employee's supervisor has reviewed and signed all statements for which they are responsible, the statements must be forwarded to the departmental Accounts Payable Section or the "point person" designated by the department to receive the statements/receipts.

### *Cause*

The verification of an accurate account number is not explicit in the above noted PSM.

Budgets are amended at the character level (i.e., services/material (30), non-operating (50), capital (60), etc.) not the sub-object level, thus 17 out of 23 departments (74%) did not put forth the emphasis on the accuracy of the subject.

### *Impact*

Improper purchase account coding can lead to prohibited purchases being buried in accounts that may not get the appropriate level of review which may lead to financial loss to the City.

**Recommendation**

The City Manager should adopt a limited tolerance policy within the P-card PSM that requires enforcement of consequences after a specified threshold of occurrences or magnitude of inaccurately coded purchases.

**Management Response:**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. The focus will be on card holder and supervisory accountability and immediate cancellation of the employee's P-card, if violated.*



## Memorandum

**Memorandum No:** 19-06

**Date:** May 10, 2019

**To:** John C. Herbst, City Auditor

**From:** Chris Lagerbloom, ICMA-CM, City Manager

**Re:** Procurement Card Audit – Management Responses

Management appreciates the City Auditor making the Procurement Card (P-card) Program operational audit a priority. It is Management's understanding that in January 2017, the Finance Director requested that the City Auditor conduct an audit of the P-Card Program to earn points for the Achievement of Excellence in Procurement Award. The City Auditor's Office made it a priority audit because it was also identified on the annual risk assessment. The audit identified both Findings and Observations that will be addressed by Management. The audit also highlighted the need to tighten controls and reduce the risk of fraud. Within the next 15 days, the P-card Program's card-in-hand segment (currently 520 cards) will be reduced to minimum card holders per department. It is anticipated that card holders in the card-in-hand segment will be reduced by more than 70%.

Upon receipt of the draft audit in March 2019, the single transaction limit was reduced from \$5,000 to \$1,000 and mandatory receipt image upload was implemented and went live April 1, 2019. Also, 93 cards were cancelled for lack of usage. Other forthcoming enhancements will be an updated Procurement Card Policy which will include a zero-tolerance policy for violations and will focus on card holder and supervisory accountability.

The following are Management Responses to the audit Findings and Observations:

### **Objective 1**

*To determine adequacy of program administration regarding policies, procedures, and staffing*

### **Observation 1**

*Condition:*

Finance did not establish qualifications, duties, and responsibilities for any of the administrative roles of its P-card Program, including those of the P-card Program Manager.

### **Management Response**

*In November 2018, with the adoption of the City's Class and Compensation study, the job description for the Management Analyst position in Finance was updated to reflect the minimum qualifications for the P-card Administrator ("Program Manager"). The job description is attached as Exhibit 1.*

### **Objective 2**

*To determine effectiveness of program controls regarding card issuance and cancellation*

### **Finding 1**

#### ***Condition:***

Audit analysis of SunTrust cards data revealed 52 cards, of an estimated 275 cardholders, departing employment during the audit period of October 1, 2014 – March 31, 2017, were not timely canceled.

### **Management Response**

*Management takes the need for timely notification of terminated employees seriously and Information and Technology Department staff created a mechanism to notify all interested parties, including the Finance Department, of departing employees. When the P-card Program Manager receives the notification, the employee is immediately removed from the SunTrust Enterprise Spend Platform (ESP) system. Management will continue to enforce policies and processes in place to ensure timely notification of terminations. Management will also review the current process and make changes that may further mitigate risk.*

### **Finding 2**

#### ***Condition:***

A random sample of 60 out of 235 card applications had a significant deviation rate for inadequate record-keeping, such as no card applications, incomplete applications, and no approval date.

### **Management Response**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for card applications over the audit period. Beginning in fiscal year 2016, the Finance Department appointed the current P-card Program Manager and implemented electronic storage of P-card applications and signed agreement forms. The implementation of the electronic card application storage will help mitigate against future risk related to this finding.*

### **Objective 3**

*To determine effectiveness of controls regarding card usage and activity*

### **Finding 3**

#### ***Condition:***

The P-card Program Manager has the discretion and ability to completely restrict the purchasing ability of a P-card by placing it into suspended status. This feature is enabled

to allow lost cards sufficient time to be found without need for issuance of a replacement card, which is contrary to P-card PSM, requiring lost cards to be timely terminated. Cards can subsequently be reactivated out of suspended status. There is no policy to limit the duration a card can be held in suspended status. Audit determined reactivation of suspended cards occurred at a rate of roughly one card per 4 months with a maximum suspended duration of 815 days and median duration of 44 days.

**Management Response**

*Effective immediately, the Finance Department will run a weekly report on cards in suspended status (W000) and ensure that cards are suspended no longer than 10 days. These guidelines will be added to the P-card Personnel Standards Manual (PSM) requirements.*

**Finding 4**

*Condition*

Two departments included in audit testing of transaction receipts were noted throughout the audit, in multiple instances, as failing to retain and/or provide requested P-card records, which was not in compliance with the 5-year disbursement records retention requirement of Section 1B-24.003(1)(a), Florida Administrative Code and presented a scope limitation for the audit.

**Management Response**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and specify how enforcement of consequences will occur. The focus will be on card holder accountability and immediate cancellation of the employee's P-card if the policy is violated. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts.*

**Finding 5**

*Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements lacked supervisory review and/or included purchases of prohibited items. The occurrences noted were as follows:

- Missing supervisor signature on statement: 7 of 50 statements (14%)
- Prohibited item transactions: 16 of 158 receipts (10%)

**Management Response**

*The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.*

## **Finding 6**

### *Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined that P-card statements were missing evidence of Department/Division/Group Activity Directors review on 37 of 70 statements (53%).

## **Management Response**

*The Finance Department, within 120 days, will update the P-Card Policy to require management review and approval of all of P-Card statements. Effective immediately, the card-in-hand segment of the P-Card program will be substantially reduced to limit the number of transactions requiring review and approval. During the time the policy is being modified, all P-Card statements will be reviewed and approved by Department Heads, Assistant City Managers or the City Manager.*

## **Finding 7**

### *Condition*

City personnel used P-cards to make unauthorized purchases of alcoholic beverages. Several items contravened the directive of the City Manager's Office and/or City policy.

## **Management Response**

*The purchase of alcoholic beverages for special events is allowed, with express approval of the City Manager. As special events grew, the department responsible for coordinating the events did not add two events to the list that was previously approved by the City Manager. The events were added to the list after the audit period. Attached as Exhibit 2 is the approved list dated July 12, 2018. The purchase of alcoholic beverages is suspended while the policy is being reviewed and any future purchases will only be through a contracted vendor.*

## **Finding 8**

### *Condition:*

Sample testing of 243 transactions within a population of suspected split transactions for the audit period October 1, 2014 – March 31, 2017 revealed 29 instances of transaction splitting, which is an unacceptable sample deviation rate of 12%. Controls failed to detect or prevent transaction splitting.

## **Management Response**

*The Finance Department is using a financial system that does not detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning (ERP) system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.*

## **Finding 9**

### *Condition:*

P-card transactions violated Procurement requirements of competitive bid and purchase order usage.



### **Management Response**

*The Finance Department is using a financial system that does not afford the capabilities of reviewing spending to detect deviations from the procurement policy. Finance will have an enhanced ability to analyze P-card spending with the implementation of the new Enterprise Resource Planning ("ERP") system. In the interim period, all P-Card statements will be reviewed by Department Heads, Assistant City Managers or the City Manager to ensure no transaction splitting occurs.*

### **Finding 12**

#### *Condition:*

The current internal control system does not prevent or detect duplicate P-card payments of invoices processed by both Accounts Payable and the respective departments.

### **Management Response**

*With the implementation of the new ERP in fiscal year 2020, P-Card charges will be approved by the Department and routed through Accounts Payable ("AP") for processing. Part of this process will include uploading the P-card charge directly to the corresponding AP vendor file, which will help identify duplicate invoices. This will aide Management by identifying duplicate payments.*

### **Finding 13**

#### *Condition:*

The City's Fixed Assets PSM distributes the responsibility of control over inventories purchased via P-card to the departments making the purchases but does not require an independent verification of these departments' controls. Further, even though, per PSM, the Finance Director has the right to verify adherence to the policy, no such review occurred during the audit period.

Additionally, Finance did not provide a central definition for "sensitive items" and did not approve each department's respective definition; therefore, Finance did not properly control departments' identification of sensitive items.

### **Management Response**

*The Finance Department will update the Fixed Assets PSM within the next 120 days to require the Finance Director to periodically assess all Departmental control over inventories and further define sensitive items, as delineated in the Governmental Finance Officers Association definitions of best practices.*

### **Finding 14**

#### *Condition:*

Two departments with heavy P-card spending during the audit period Public Works (\$11M) and Parks & Recreation (\$8M), each experienced P-card fraud discovered during the audit.

### **Management Response**

*Management takes the theft of public funds seriously. The employees who committed these fraudulent transactions were terminated and have been prosecuted criminally. In addition, pension revocation is complete in one case and currently sought in the other. To mitigate future risk of fraud, the Public Works Department is reducing the card-in-hand segment of the department to 11 from 173. The Parks and Recreation Department is reducing to 50 from 140.*

### **Observation 2**

*Condition:*

The P-card PSM does not establish that the supervisor responsible for reviewing the purchases of their direct reports (i.e. the first-level review) be of a consequential authority level or have adequate knowledge of purpose and necessity of the purchases, including by the use of recordkeeping tools.

### **Management Response**

*The Finance Department will include in the P-card Policy update appropriate responsibilities for reviewing the transactions made via P-card. Until the update is complete, review and approval will be conducted by Department Heads, Assistant City Managers or the City Manager.*

### **Observation 3**

*Condition:*

Finance did not properly control the authorization of Program Administrators with its third-party card issuer SunTrust. Program Administrators have privileges beyond card issuer IT system user changes—they can also authorize SunTrust to change restrictions on purchasing capability via Merchant Category Codes (MCCs).

### **Management Response**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. With the change in personnel, files were not always transferred appropriately. The Finance Department has created a centralized repository in the Finance shared drive for all P-Card program records, to prevent any future loss of data.*

### **Observation 4**

*Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined untimely authorization of P-card statement transactions by either first or second-level approver. Because the P-card PSM does not require a date for the supervisory signature requirement, the audit determined a reasonable standard that an approval was considered delinquent 30 days beyond the end of the prior statement cutoff. If a signature was not dated it was a test exception by default given timeliness could not be assessed.

### **Management Response**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. On April 1, 2019, the Finance Department implemented a mandatory electronic image upload of all P-card receipts to begin electronic storage of all receipts. The P-Card Policy will require a signature and a date.*

### **Objective 4**

*To determine effectiveness of controls regarding accounting processes and information security*

### **Finding 10**

*Condition:*

The City's inventory procedures and records were not in compliance with State law (Section 274.02, Florida Statutes; 69I-73.002, Florida Administrative Code) pertaining to recording of "items of a value or cost of \$1,000 or more and a projected useful life of 1 year."

### **Management Response**

*The Finance Department will institute periodic required departmental reviews of tangible items purchased from \$1,000-\$5,000, as a part of their fixed assets inventory process.*

### **Finding 11**

*Condition:*

SunTrust, the City's card issuer, pays the City rebate revenue on a few aspects of the City's annual volume of spending, including spending of participants on the City's program known as piggyback. SunTrust's rebate calculation was underreported and underpaid regarding the piggyback aspect since the inception of the fiscal year 2015 contract.

**Subsequent event:** SunTrust paid the amount due on the piggyback aspect in late 2017 as approximately \$27K.

### **Management Response**

*The Finance Department annually reconciles SunTrust's rebate report to SunTrust ESP data for accuracy. A small portion of the rebate was missed. Finance will review more closely the rebate received and compare it to the contract. Finance will also ask the bank to provide more detailed information on large ticket items, which prevents Finance from conducting a straightforward calculation.*

### **Finding 15**

*Condition:*

Sensitive administrative access rights with the card issuer's IT system (ESP), involving changes to administrator and user accounts and card details, were assigned to 6 employees outside the P-card Program, including 2 employees whose access was not timely terminated upon their departure from City employment.

**Management Response**

*The rapid growth of the P-card Program caused a shift in the P-card Program Manager's role and several employees were responsible for P-card Program over the audit period. The Finance Department updated the SunTrust ESP system removing access for the P-card Program Managers who are no longer in that role. Finance will create a formal set of duties and responsibilities for the P-card Program Manager and P-card Administrators, that include a periodic review of all administrative access rights.*

**Finding 16**

**Condition:**

The City has two separate credit card payment service providers under contract, SunTrust and CPS Payment Services. CPS services agreement was signed in 2012, by the Procurement and Contracts Manager, currently the Director of Finance. Both vendors annually provide the City spending rebate revenue in the six-figure range at no cost to the City. The SunTrust agreement is periodically competitively bid by the City and approved by Commission. The CPS agreement, however, was not competitively bid or approved. Moreover, the Agreement does not have an expiration date.

**Management Response**

*At the time that this contract was instituted, CPS was the only vendor to offer the service to pay electric bills via this method and considered a sole source purchase. This however, does not negate the need for an appropriately drafted contract that protects the City. The Finance Department will ensure that future purchases using this procurement method has a contract if one is required.*

**Finding 17**

**Condition:**

The City Manager did not update the P-card PSM with the control improvements recommended in the latest P-card audit report issued by Finance in May 2016.

**Management Response**

*The Finance Department will continue to review the P-Card Policy on an annual basis and recommend updated language as necessary. Management will make changes as necessary.*

**Finding 18**

**Condition:**

Procurement had no control process to mitigate overspending on contracts via P-cards, despite City policy (Procurement Manual Chapter 10.1) requiring cardholders to check existing contracts prior to purchasing goods or services with their cards.

**Management Response**

*The Finance Department is developing a system to mitigate the risk of P-Card transactions exceeding spending limits by including Procurement Services in the approval path for all purchases in the ERP system. The expected go live date is October 1, 2019.*

*In the interim, Procurement will periodically review and audit purchases to identify and eliminate overspending of contracts.*

### **Observation 5**

#### *Condition:*

To remediate control weaknesses that recently contributed to a five figure P-card fraud perpetrated against the City by a former Public Works manager, Public Works developed its own policies for P-card transactions and tools, supplemental to the City's PSMs. The Finance department neither reviewed nor approved these supplemental departmental policies and forms prior to the implementation within Public Works.

### **Management Response**

*The Finance Department reviewed and approved the departmental policy on September 1, 2017. The policy incorporated the City's P-card policy requirements and procurement procedures. Management will advise all departments that wish to have departmental policies to have them reviewed by the Finance Department.*

### **Observation 6**

#### *Condition*

Testing of a stratified random sample of P-card statements and receipts for virtually all departments and divisions determined inadequate review of expenditure/expense coding for P-card purchases as follows:

- An erroneous sub-object was charged: 45 out of 165 transactions (27%)

### **Management Response**

*The Finance Department, within 120 days, will update the P-Card Policy to include stricter disciplinary actions and detail how enforcement of consequences will occur. The focus will be on card holder and supervisory accountability and immediate cancellation of the employee's P-card, if violated.*

### **Attachments:**

Exhibit 1 – Management Analyst Job Description

Exhibit 2 – Special Events List July 12, 2018

C: Linda Logan-Short, Interim Assistant City Manager  
Rhoda Mae Kerr, Assistant City Manager  
Kirk Buffington, Finance Director

**Class Title:** MANAGEMENT ANALYST**Bargaining Unit:** Management**Class Code:** NB132

**Salary:** \$28.45 - \$44.10 Hourly  
 \$2,276.00 - \$3,528.00 Biweekly  
 \$4,931.33 - \$7,644.00 Monthly  
 \$59,176.00 - \$91,728.00 Annually

POSITION SUMMARY	Benefits
<p><b><u>GENERAL SUMMARY</u></b></p> <p><i>The City of Fort Lauderdale community builders possess a passion for public service demonstrated by a high degree of enthusiasm, self-reliance, and job proficiency. They effectively convey the vision and mission of the organization and provide excellent service and satisfaction to our internal and external customers.</i></p> <p>Supports a designated Department by performing statistical and research studies, drafting policies and procedures, preparing financial reports, and overseeing various programs.</p> <p><b><u>ESSENTIAL JOB FUNCTIONS</u></b></p> <p><i>Essential functions are the basic job duties that an employee must be able to perform, with or without reasonable accommodation. The list of essential functions, as outlined herein, is intended to be representative of the tasks performed within this classification. The omission of a function does not preclude management from assigning essential duties not listed herein if such duties relate to the position.</i></p> <ul style="list-style-type: none"> <li>• Serves as the Purchasing Card (P-Card) Administrator; oversees the P-Card program for the City; reviews P-Card charges; audits the program to ensure charges being made are appropriate</li> <li>• Drafts new policies based on the needs of the City; edits older City policies to update and include modern language and standards</li> <li>• Coordinates meetings; processes appropriate paperwork; drafts memos</li> <li>• Prepares monthly financial report; compiles the Finance Business Plan, including major accomplishments of the prior year and upcoming projects</li> <li>• Tracks Performance Measures for the department</li> <li>• Represents the department while serving on various City-wide committees</li> <li>• Performs related work as required</li> </ul> <p><b><u>MINIMUM JOB REQUIREMENTS</u></b></p> <ol style="list-style-type: none"> <li>1. Bachelor's Degree in business related field and one (1) to three (3) years of experience reviewing data and analyzing reports. Additional qualifying experience or completion of coursework at an accredited college or university in a job related field, may substitute on a year-for-year basis for one year of the required experience or education.</li> </ol> <p><b>Special Requirements:</b></p> <p><b><u>Essential Employees</u></b> may be required to work during a declared emergency. The employee's Department Head will determine who will be required to work.</p> <p><b><u>Non-Essential Employees</u></b> will not be required to work during a declared emergency but may be required to work in some capacity after the declared emergency. The employee's Department Head will determine when the employee will be required to work.</p>	

**WORKING ENVIRONMENT:**

**Work Environment** **Frequency Working in Designated Environment** Office or similar indoor environment Frequently or Often Outdoor environment Seldom or Never Street environment (near moving traffic) Seldom or Never Construction site Seldom or Never Confined Space Seldom or Never In the community (homes, businesses, etc.) Seldom or Never Lab Seldom or Never Warehouse environment Seldom or Never

**PHYSICAL STANDARDS REQUIRED TO PERFORM ESSENTIAL JOB FUNCTIONS:**

The position is generally sedentary. Employees sit most of the time, but may walk or stand for brief periods of time.

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

**PERFORMANCE INDICATORS:****CORE COMPETENCIES**

**Passion for job:** Maintains a high degree of enthusiasm, self-reliance, and self-starting approach to achieve and maintain higher levels of performance. Lead by example to inspire employee commitment and motivation to ensure that Community Builders (employees) and neighbors (customers) experience the highest level of service and satisfaction.

**Commitment to Excellence/Continuous Improvement:** Demonstrates a commitment to quality, takes pride in work, and strives to deliver the best possible results. Upholds the City's Quality Management System (QMS) through provision of consistent quality services that meet the needs and expectations of neighbors (customers) and other interested parties. Aims to enhance neighbor satisfaction with city services by looking for opportunities to improve performance, generating ideas for improving processes, and thoroughly reviews work. Resilience, determination and innovation are all qualities essential for success.

**Job Knowledge:** The demonstration of specialized knowledge required to perform the job. Takes initiative in learning and implementing new concepts, technologies, and/or methods.

**Customer Service Orientation:** Keeps internal and/or external customer(s) in mind at all times. Strives to proactively address customer concerns and needs. Assists business partners and neighbors to achieve their work goals via application of their own skills and knowledge; strives to provide consistent customer satisfaction and proactively seek customer feedback.

**Personal Credibility:** Projects self-control, confidence, and composure while managing emotions, time, energy, and performance.

**Results Orientation:** Demonstrates knowledge of what results are important, and focuses resources to achieve them.

**Accountability:** Takes personal responsibility for outcomes.

**Engagement:** Care about work assignments and meets expectations for work schedules and accomplishing assignments. Shows commitment to the organization and its goals.

**Communication:** Speaks, writes, and listens effectively in a variety of circumstances, shares information and ideas with others.

**Ethics and Integrity:** Degree of trustworthiness and ethical behavior of an individual with consideration for the knowledge one has of the impact and consequences when making a decision or taking action. All community builders should familiarize themselves with the *City's Policy and Standards Manual (PSM) Chapter 6, Section 10, Sub Section 8 (City Employee Code of Ethics)*.

**Teamwork:** Works effectively with others to achieve business goals and objectives. Takes steps to promote cohesiveness, collaboration and synergy with associates throughout the organization. Bridges personal, business and cultural differences to work effectively in team settings.

**SPECIFIC COMPETENCIES**

**Analytical Thinking:** Builds a logical approach to address problems or opportunities or manage the situation at hand by drawing on own knowledge and experience base and calling on other references and resources as necessary.

**Change Leadership:** Pursues new directions and drives needed change.

**Creativity & Innovation:** Creating and identifying novel approaches to address challenging strategic, technical or business situations and problems. It is about coming up with new or different ideas, or adapting ideas from elsewhere in the organization or externally. It is concerned with moving the organization forward by applying new ideas or old ideas in a new way to generate solutions and approaches. At the higher levels it is about thinking laterally and creating new concepts.

**Data Analysis:** Monitors and collects research data to access accuracy, validity, and integrity.

**Interpersonal Relations:** Displaying understanding and sensitivity to needs and problems of others. Building rapport, establishing relationships and relating well to all kinds of people. Identifies with and cares for others. Shows respect and values people and their contributions.

**Judgment:** Analyzes problems by evaluating available information and resources; develops effective, viable solutions to problems which can help drive the effectiveness of the department or organization.

**Problem Solving & Decision Making:** Analyzing and diagnosing problems to resolve them or minimize their negative consequences. Isolating, defining and seeking solutions to problem areas. Analyzing problems or procedures, evaluate alternatives, and select best course of action. Adapting traditional approaches or devising new approaches, concepts, methods, designs, processes, technologies and systems.

**Project Management:** Demonstrates the ability to manage the course of a project in the most efficient and effective way.

#### **SUPERVISORY / NON-SUPERVISORY COMPETENCIES**

**Continuous Learning:** The extent to which one is able to independently determine the need for personal and professional growth, appropriately identify relevant learning opportunities, and willingly participate in such developmental opportunities.

**Time Management:** Ability to prioritize and organize own actions to achieve targeted objectives.

#### **JOB REQUIREMENTS & WORK ENVIRONMENT:**

Bachelor's Degree in business related field and one (1) to three (3) years of experience reviewing data and analyzing reports. Additional qualifying experience or completion of coursework at an accredited college or university in a job related field, may substitute on a year-for-year basis for one year of the required experience or education.

##### **Special Requirements:**

**Essential Employees** may be required to work during a declared emergency. The employee's Department Head will determine who will be required to work.

**Non-Essential Employees** will not be required to work during a declared emergency but may be required to work in some capacity after the declared emergency. The employee's Department Head will determine when the employee will be required to work.

#### **EQUAL EMPLOYMENT OPPORTUNITY INFORMATION:**

Established Date: 11/18/2018	Revised Date: N/A
Management Category: 4	Classification Level: Advanced
FLSA: Exempt	EEO Code: 2 - Professional
Job Code: NB132	Pay Grade: G009



## Gina Rizzuti-Smith

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**From:** Phil Thornburg  
**Sent:** Tuesday, April 30, 2019 11:40 AM  
**To:** Chris Lagerbloom; Rhoda Mae Kerr; Linda Short; Kirk Buffington  
**Subject:** FW: Alcohol Approval at City Events  
**Attachments:** Memo - Beer and Wine (revised 7.12.18).doc

Here is the email chain on adding the two events to the approval memo for beer and wine at city events.

Let me know if you need any additional information on this one. I am working to get the contracts together regarding the alcohol for the entertainers at the events.

Phil

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**From:** Phil Thornburg  
**Sent:** Thursday, July 12, 2018 6:45 PM  
**To:** Lee Feldman  
**Subject:** Re: Alcohol Approval at City Events

Ok

On Jul 12, 2018, at 6:38 PM, Lee Feldman <[LFeldman@fortlauderdale.gov](mailto:LFeldman@fortlauderdale.gov)> wrote:

Just use this email. Thanks.

Lee R. Feldman, ICMA-CM  
City Manager  
City of Fort Lauderdale, FL  
(iPad)

On Jul 12, 2018, at 6:37 PM, Phil Thornburg <[PThornburg@fortlauderdale.gov](mailto:PThornburg@fortlauderdale.gov)> wrote:

Thanks. Can you sign and send to me?

On Jul 12, 2018, at 6:19 PM, Lee Feldman <[LFeldman@fortlauderdale.gov](mailto:LFeldman@fortlauderdale.gov)> wrote:

Approved.

Lee R. Feldman, ICMA-CM  
City Manager  
City of Fort Lauderdale, FL  
(iPad)

On Jul 12, 2018, at 12:15 PM, Phil Thornburg  
<[PThornburg@fortlauderdale.gov](mailto:PThornburg@fortlauderdale.gov)> wrote:

For your review and signature please.

Thanks, Phil

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**From:** Carl Williams  
**Sent:** Wednesday, July 11, 2018 5:16 PM  
**To:** Phil Thornburg  
**Subject:** Alcohol Approval at City Events

Phil,

I am seeking approval to purchase beer and wine for the Legacy Tribute and Summer Jamz (both take place during David Deal Play Day Week).

- The Legacy Tribute recognizes individuals that helped make a difference in the community and Parks and Recreation. The anticipated attendance is 150-200 and will take place in Carter Park gym.
- The Summer Jamz event is live Blues and R&B bands/performances to pay a tribute to the Legacy honorees. This event is similar to Friday Night Tunes/Starlight's that we host at Carter and Holiday Park respectively. This event includes a stage, band, VIP area, tables and tents with an anticipated attendance of 500.

The first attachment provides additional details of what was approved last year...the second attachment is the updated memo. For your approval.....

<image003.png>

<mime-attachment>

<Memo - Beer and Wine (revised 7.12.18).doc>



Date: July 12, 2018

To: Lee R. Feldman, ICMA-CM, City Manager

From: Phil Thornburg, Parks & Recreation Director

RE: Beer and Wine at City Events

The Parks and Recreation Department is requesting permission to purchase beer and/or wine for the noted events below on a yearly basis. Additional events that may take place throughout the year will be requested on a case by case basis.

- New Year's Eve (Downtown Countdown)
- Saint Patrick's Parade & Festival
- Great American Beach Party
- July 4<sup>th</sup> Spectacular
- Get Lit Holiday Event on Riverwalk
- Light up the Beach
- Jazz Brunch
- Employee Picnic
- Light Up Sistrunk
- Sistrunk Parade & Festival
- MLK Parade & Celebration
- Relay for Life
- David Deal Play Day Event week (Legacy Tribute and Summerfest)

\_\_\_\_\_  
City Manager

\_\_\_\_Approved  
\_\_\_\_Denied

Cc: Chris Lagerbloom, Assistant City Manager

