



"Making a Positive Difference"

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Purchasing Card Program - School Internal Accounts Audit

Audit Number: 2007-010

Report date: March 16, 2007

Period covered: Fiscal years ended June 30, 2006, and 2007 (partial)

Fieldwork dates: January 17 – March 16, 2007

EXECUTIVE SUMMARY

Background

Schools within the Escambia County School District (ECSD) may participate in the Purchasing Card Program for School Internal Accounts. This program is governed by ECSD Purchasing Policies SAP 240 and APP 120. The program provides a convenient method of consolidating payments. Purchasing & Business Services coordinates the issuance of the purchasing cards from SunTrust Bank. The participating school principal is accountable for the availability of funds. The principal also authorizes and designates individuals to use the purchasing card(s) to purchase materials, services and supplies for school business only using internal account funds. In addition to School Board policies, purchases made using these purchasing cards are governed by DOE rules related to school internal accounts. There were 24 schools participating in the program during the 2005-2006 FY and 31 schools during the current year 2006-2007. Continued participation growth is expected.

Objectives

The objective of this audit was to determine if internal controls for the use of the purchasing cards for school internal accounts were defined, implemented, and executed so that the Purchasing Card Program achieved its objectives of providing a convenient, timely, and adequate small order purchasing system for District schools. Also, transactions were tested to determine if purchases were made in accordance with established policies and procedures of the Board.

Scope

We interviewed personnel in Purchasing & Business Services to obtain an understanding of the Purchasing Card Program for School Internal Accounts. We tested, on a sample basis, records maintained by Purchasing & Business Services for compliance with established policies.

We also tested participating schools, on a sample basis, for compliance with the District's Purchasing Card Program Internal Accounts Purchasing Card Procedures and established policies.

Conclusions

The *purchases* made with the purchasing cards appear to be in compliance with established School Board and DOE policies.

The following internal control weaknesses and noncompliance with policies and procedures were noted:

- Violation of policy regarding persons authorized to use the purchasing card. There is a general misunderstanding of *who is*, and more importantly, *who is not*, authorized to use the purchasing card.
- A general lack of awareness of the Purchasing Card Program Internal Accounts Purchasing Card Procedures document, SAP 240, APP 120, and the purchasing card forms available which is causing violations of policies and procedures such as:
 - Transactions not listed on the Purchasing Card Activity Report.
 - Review and approval of the monthly purchasing card statements are not documented via signature and date by the Approving Authority.
 - Requisitioning documents were either not found, the proper form was not used (i.e. purchase order not used when purchase was greater than \$100), or not completed properly (i.e. approval signature and date missing).
 - *Prior* approval was not obtained before purchases were made.

Management Action Plans

See attached.

(Note: at the time of issuance of this report, Management had sent out an email to all secretaries and bookkeepers addressing the two noncompliance issues we found noted above).

Process-improvement recommendations

- There are a number of persons (known as the “coordinators”) designated to reconcile purchasing card statements, make payments, and/or track card transactions that are currently **using** the purchasing card. District policy states “All cards are individualized and only the cardholder is authorized to use the card...the person designated to reconcile the statements, make payments, or track card transactions cannot possess a purchasing card.” This act is a violation of policy.

We recommend that all coordinators be alerted immediately via a memorandum of the policy so any violations of this policy will cease.

- Presently, an individual or a designee is given a short verbal training by Purchasing & Business Services upon issuance of a purchasing card. The Purchasing Card Program Internal Accounts Purchasing Card Procedures and purchasing card forms are published on the District’s website. However, concerns were expressed by school personnel regarding training and proper use of forms.

We recommend District personnel meet with participating school personnel to discuss in length the Purchasing Card Program Internal Accounts Purchasing Card Procedures and policies. Also, the location of the procedures document, as well as, required forms should be explained. The goal of these discussions should be for all participating personnel to obtain a better understanding of those policies and procedures.

- During our audit the Purchasing Card Program Internal Accounts Purchasing Card Procedures document was changed from “required forms” to read “recommended forms”. Also, although the Cardholder Check Out Log is not included under the Documentation Requirements section of the procedures document as a required form for those schools who retain possession of the cards, we feel use of this form is a good internal control.

We recommend the District reevaluate the policies and procedures established in the Purchasing Card Program Internal Accounts Purchasing Card Procedures, SAP 240, and APP 120 to determine the *best* procedures, proper documentation, and required forms. These procedures and documentation should be required of all schools participating in the Purchasing Card Program. Effective procedures and documentation which are required help ensure uniform application, help employees improve their overall job performance, and help card users adhere to established controls. At that time, the document(s) should then be updated and redistributed to participating schools.

COMPLIANCE WITH LAWS AND REGULATIONS

Purchasing & Business Services and the participating schools sampled were not observed to be out of compliance with any laws and regulations applicable to the areas within the scope of this audit.

METHODOLOGY

A random sample of schools participating in the Purchasing Card Program for School Internal Accounts was selected. These schools and their cardholders were tested for compliance with District policies and procedures.

A random sample of transactions was examined to test for compliance with District policies and procedures and to test internal controls.

STATEMENT ON AUDITING STANDARDS

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.

A handwritten signature in black ink that reads "David J. Bryant". The signature is written in a cursive style with a horizontal line extending from the end of the name.

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