

BCC 2024 Procurement Card Analytical Review

Division of Inspector General **Gary J. Cooney, Clerk of the Circuit Court & Comptroller** **Audit Report**

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Board of County Commissioners

The Inspector General department has concluded an analysis of BCC Procurement Card transactions from January 1, 2024, to March 31, 2024.

A few opportunities for improvement are identified at the end of the report.

Overall controls implemented by the Procurement department to ensure staff use PCards appropriately are well-designed and function as intended.

We thank Ron Falanga, Director of the Office of Procurement Services, and his staff for collaborating in identifying and researching PCard transactions that deviated from standard practices.

Respectfully submitted,

Terri W. Freeman
Inspector General

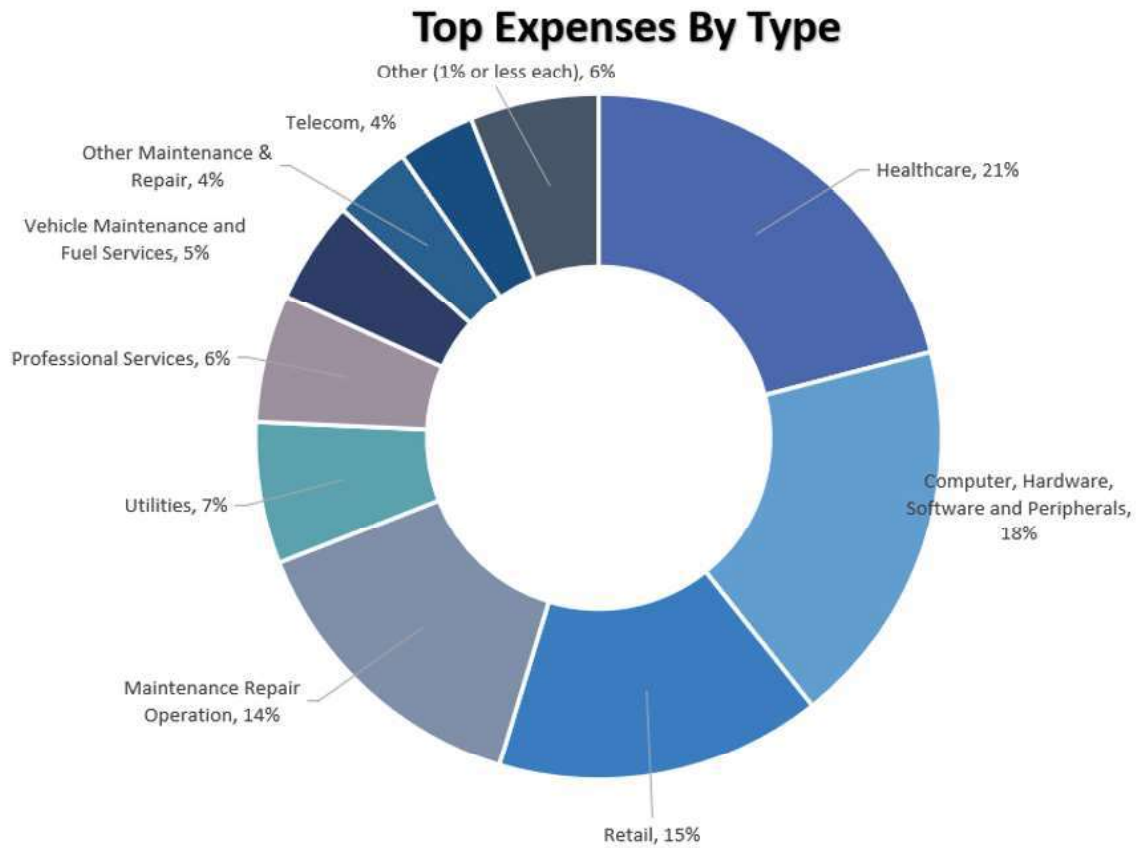
cc: Gary J. Cooney, Clerk of the Circuit Court & Comptroller
Denise Bell, Chief Deputy Clerk
Jennifer Barker, County Manager
Ron Falanga, Director of Office of Procurement Services

Objective and Scope

This review aimed to analyze BCC procurement card (PCard) transactions, which included developing analytic routines and reports in Microsoft’s Power BI Desktop application. These tools will be used quarterly to detect anomalies or trends, facilitate the identification of areas for process or training improvements, and aid in proactively detecting fraudulent activity.

The graph below breaks down the transactions by expense type included in this analysis. The transactions were processed between January 1, 2024, and March 31, 2024.

Transaction Analysis			
Total Amount	196	4,023	\$469.09
\$1.75M	Total Accounts	Total Transactions	Average Transaction Amount



*The other category includes the following expenses: Office Equipment and supplies, Print and Duplicating Services, Lodging, Government, Education, Lease and Rental Payments, Airline, Warehousing, Freight and delivery, Entertainment, Car Rental, Transportation—other, Restaurants, and Temporary Help services.

The focus of the review was on the following.

Focal Point	
Employee	Detailed results by employee name, job title, and month. Included are top transactions by month and expense type.
Expense Type	Results by employee and month. Included are top transactions by month and by vendor.
Vendor	Results details and statistics by vendor name. Included are expense type and employee, as well as top users.
Outlier	Expense type statistics and results. The analysis shows the distribution of results and their relationship to policies to identify transactions out of compliance with policies and those out of the norm.
Duplicate Transactions	Transactions for the same amount are sorted by vendor and employee. Such transactions can be repeat payments of an invoice due to error or fraud.
Round Dollar Transactions	Vendor and employee sort transactions paid in whole amounts. The calculations of payment due rarely result in round dollars, so such transactions can indicate fraud.
Exceptions	Transactions that may violate at least one policy requirement.
Transaction Changes	Frequent transaction changes can be an indicator of fraud.
Account Changes	Frequent account changes can be an indicator of fraud.
Cardholders Missing from Employee Master	Missing or duplicate employee names can be an indicator of fraud.
Multiple Accounts or Cardholders	Per Policy, one account should be assigned to one employee.

Overall Conclusion

A few opportunities for improvement are identified at the end of the report.

Overall controls implemented by the Procurement department to ensure staff use PCards appropriately are well-designed and function as intended.

Background

Lake County uses Pcards issued by J.P. Morgan Chase to streamline purchases and payments of simple, nonrecurring, low-cost goods and services. Cardholders have direct authority to make authorized business purchases for the Board of County Commissioners. Purchasing Procedure number LC-52 describes proper PCard use, spending limits, reconciliation, and cardholder and supervisor responsibilities.

The County received a \$189,277.08 rebate for using Pcards in Fiscal Year 2023. The County enrolled in the J.P. Morgan Chase's Virtual Card Vendor Payment program. Instead of paying invoices with a check, vendors who

opt-in receive a system-generated virtual credit card to process as payment —similar to going into a store and paying with a credit card. This saves the County from generating and mailing checks and saves the vendor time as payments are immediate and go directly into their bank account. The expenditures through this system contribute to the rebate the County receives for using PCards.

Opportunities for Improvement

1. The PCard system has a hierarchical approval mechanism that prevents employees from self-approving transactions. However, it has been observed that when a director or supervisor vacates their position, a system glitch periodically occurs, resulting in transactions not receiving the necessary approvals.

Risk: Unauthorized transactions are paid for with County funds.

Procurement Management addressed this risk before the conclusion of this review by implementing a monitoring process to detect and correct issues caused by this glitch.

2. Ten delivery addresses saved in the BCC Amazon business account were flagged as unauthorized because the Procurement Office did not recognize them as valid Lake County or approved external addresses.

Risk: County purchases are delivered to incorrect or unauthorized addresses.

Agreed-Upon Action Plan: Procurement Management immediately removed the addresses that were not county addresses and locked delivery addresses in the BCC Amazon account so that only Procurement Management could add or change them.

Upon further investigation of the unauthorized Amazon shipping addresses, it was found that:

- 3 were valid at the time of the PCard purchases but have since become inactive
- 3 were home addresses
- 1 was shipped but not delivered
- 1 was shipped to an Amazon Hub Locker
- 2 were address mistakes

See more details regarding these transactions in the following table.

Item #	Department Placing order	# of Purchases	Date(s) of Purchase(s)	Total Amount	Conclusion
1	Public Safety Logistics	1	12/16/2021	\$47.58	This was likely an unintentional error, as the cardholder used a personal card instead of the county's, and this is the first time it's happened in six years.
2	Public Works	1	4/1/2021	\$162.76	We will not investigate further since these employees are no longer with the organization and the amounts are small.
3	Office of Lake EMS	2	5/6/2022 6/5/2023	\$120.42	
4	Public Resources	1	11/1/2021	\$47.40	
5	Public Safety	1	10/31/2024*	\$3,191.96	This address is a self-storage location. During this audit it was discovered the item was not delivered so a refund was requested. *This transaction occurred outside the original reporting period, extending the investigation period for a more thorough examination.
6	Water Resources	2	12/26/2023 2/23/2024	\$169.39	Mistake in address; no further action
7	Public Safety	1	3/6/2023	\$119.00	Mistake in address; no further action