



# Department of Environmental Protection

## Office of Inspector General

October 22, 2024

Report A-2324DEP-017

### *Audit of Department Issued Purchasing Cards*

#### **INTRODUCTION**

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Department Issued Purchasing Cards (PCards). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2023-2024.

#### **AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY**

The scope of this audit includes review of Department issued PCards, activities, payments, and all associated documentation during the period of July 1, 2022, to the present. The objectives of this audit were to:

1. Determine whether Department issued PCards are being used in accordance with applicable state laws, rules, policies, orders, and directives.
2. Evaluate administration, internal controls, and oversight of the PCard program.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, rules, guidance, and Department policies.
- Reviewing PCard transactions during the audit period and selecting a sample of transactions for detailed review.
- Obtaining supporting documentation and conducting an analysis of documentation and reporting of PCard transactions.
- Interviewing Department management and employees.

#### **BACKGROUND**

The PCard is used by authorized Department employees as a payment method to purchase commodities and services for official business purposes. The PCard Program operates under the authority of the Department of Financial Services' (DFS) Reference Guide for State Expenditures; the Statewide Purchasing Card Administrator's Policy Manual; all relevant Chief Financial Officer Memorandums and Agency Addressed Memorandums; and Department Directives, Policies and Procedures. The PCard Program for the Department is managed by the Division of Administrative Services (Division), Bureau of Finance and Accounting. PCard transactions are reviewed and approved through a web-based application called Works<sup>1</sup>. According to Works, there was a total of \$24,000,246.34 in expenditures for July 1, 2022, through December 13, 2023, with the number of individual transactions reaching 75,565. There were approximately 2,298 active PCard accounts during this period.

<sup>1</sup> The Works application is a Web-based, electronic card payment management service that automates, streamlines, and integrates existing payment authorization and reconciliation processes while providing management reporting and spending controls.

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According to the PCard Policy, proper segregation of duties is required between the user roles of the agency's Purchasing Card Program to aid in the prevention and detection of errors and irregularities. User roles are defined as follows:

- Administrator: responsible for coordinating, monitoring, and overseeing the Department's PCard program and ensuring key internal controls are in place and operating as designed.
- Accountholder: the Department employee assigned a PCard used to purchase allowable goods or services within preset limits for official State business.
- Approver: responsible for approving transactions in Works by reviewing accounting values and supporting documentation prior to signing off on the transactions.
- Accountant: Department employees within the Division responsible for ensuring appropriate accounting codes are assigned to the transactions and all the receipts and required supporting documentation are attached to each transaction.

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**RESULTS OF AUDIT**

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During the audit, we evaluated sampled PCard transactions for compliance with the PCard Policy, PCard Prohibited Items List, PCard Works User Guide, Using the PCard for Travel Guide, and the DFS Guide for State Expenditures. Below is a summary of our review.

Prior Approval/Authorization of PCard Purchases

According to the PCard Policy, *The DEP requires prior approval/authorization from the supervisor or higher DEP level manager on all purchasing card transactions, though this preapproval is not required in Works. This can be in the form of an email, memo or a form created by each individual office.* We reviewed a sample of 60 PCard transactions for preapproval documentation. We were able to locate preapproval documentation for 25 transactions in our sample, that were either uploaded in Works or the Statewide Travel Management System. For the remaining 35 transactions, we contacted the Accountholder and requested documentation showing preapproval. In response, we were provided documentation showing preapproval for 11 transactions and another transaction was for a fraudulent charge which had been reported and resolved. While some Accountholders reported having verbal approval, overall, we were unable to verify documented prior approval/authorization for 23 of the 60 sample transactions due to 14 not having documented approval and 9 were made by staff no longer employed by the Department. Some of the transactions which did not have documented preapproval are summarized below.

<b>Examples of PCard charges without documented prior approval/authorization</b>	
<b>Type of Purchase</b>	<b>Amount of PCard Charge</b>
Vehicle Repair	\$3,000.00
Trailer Decals/Wrap	\$2,610.00
Boat Repair	\$4,995.50
Well Repair	\$4,915.15
Medical Examination and Immunization	\$4,298.50
Lodging for non-Department Traveler	\$556.00
Monthly Parking Fees	\$900.00
Diving Gear	\$282.90

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Procurement and Divided Purchases

According to the PCard Policy, *Purchases of \$2,500 and greater must include at least two quotes, reference to a state term contract number [STC], or a Single Source Justification Approval Form.* We reviewed a sample of 60 PCard transactions and identified 18 purchases which were \$2,500 or greater. Of those, we found some transactions did not have the required documentation listed above. The PCard Policy further states, *Purchases cannot be divided to circumvent authorized limits or procurement policies and procedures.* Based on the PCard Policy, *The agency head or his/her designee has approved all DEP Accountholders to have a single transaction limit of \$5,000;* however, the policy incorporates an approval process which allows for a one-time override on PCard limits. Of the sample of 60 PCard transactions reviewed, 12 appeared to be part of a series of divided transactions. Of those, we identified some transactions that exceeded \$5,000 when the divided transactions were totaled and did not have approval to exceed the PCard limit.

Purchases outside of procured STC

According to section 287.056(1), Florida Statutes (F.S.), *Agencies shall, and eligible users may, purchase commodities and contractual services from purchasing agreements established and state term contracts procured, pursuant to s. 287.057, by the department.* During our review, we noted one transaction in our sample was made in October 2022 for supplies in the amount of \$3,423.47. The purchase was made from a vendor that previously had an STC to provide disposable paper; however, the STC had expired in June 2022 due to manufacturing and supply chain issues. According to the Department of Management Services' (DMS) website for the expired STC, purchases for similar products were directed to other STC and Alternate Contract Source which would be active for purchasing. We reviewed PCard transactions for additional purchases made to the vendor and found there had been approximately 314 PCard transactions in the amount of \$297,328.06, since the expiration of the STC through March 2024. Our review found that the Division sent notification of the expiring STC to some MFMP<sup>2</sup> users; however, the recipient list did not include all PCard Accountholders and none of the PCard Administration. Based on our review, there were 67 different Accountholders that used the PCard to purchase from the vendor after the STC had expired. Of those 67 Accountholders, 26 received the notification from the Division but continued to make purchases after the expiration of the STC.

Travel Purchases

According to the PCard Policy, *An Accountholder, not authorized to be an internal travel agent, shall not use his/her purchasing card to pay for any travel expenses incurred by anyone other than the Accountholder. An Accountholder shall not allow another individual to use his/her purchasing card to pay for expenses. (For example: An Accountholder cannot use his/her purchasing card to pay for travel expenses or make airline/hotel/car rental reservations for another employee unless they are an authorized internal travel agent.)* Our review of 60 sampled transactions identified 20 travel-related purchases. Of those 20 transactions, we found 2 were not in compliance with the requirements listed above. For the 2 travel transactions in our sample that did not adhere to the PCard requirements, our review determined that neither Accountholder was an approved travel agent, there were no travel authorizations completed for some of the travelers, and neither transaction had preapproval as required.

One Accountholder made reservations on behalf of other Department employees. We reviewed all related charges and found charges to the same vendor on the same day for travel related reservations totaling \$1,420. Ultimately all charges were credited back to the Accountholder's PCard. However, our review noted the supporting documentation the Accountholder provided was a hotel contract for the reservations. The contract had been executed by the Accountholder; however, the Accountholder did not have delegated authority to execute any agreements on

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<sup>2</sup> MyFloridaMarketPlace (MFMP) is the State of Florida's eProcurement system.

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behalf of the Department according to DEP-100. The second transaction was for lodging costs of an Environmental Protection Agency (EPA) workshop attendee, who is not a Department employee. Although an Accountant signed-off on the transaction, they added a comment stating *Please provide [Master Trip Invoice Number] & also a clear justification for using [the Accountholder's] P-card to pay for [the non-state traveler]*. However, no further action appears to take place within Works until two months later, which is when the Accountant added the comment stating *Attached supporting documents*. Based on our review of the attached documents, it appears they were added to support PCard transactions for multiple travel related charges made by the Accountholder for both non-state and state employees. According to the documents, the Accountholder used their PCard for lodging expenses for 25 individuals who are not Department employees, 5 Department employees, and 1 conference room. While the Accountholder's card was eventually credited for 4 of the Department employees' charges, the total amount of the transactions were \$13,470.66. Furthermore, there were no travel authorizations completed for the non-state travelers. According to ADM 610, *All travel must be approved in advance with an authorization by the appropriate personnel as defined in the department's Delegations of authority documentation, for all Class A, B and C travel where cost will be incurred for the following: ... Any person not employed by this Department. The traveler must be identified as an "authorized" non-employee and indicate who they represent and justify payment of travel expenses.*

#### Proof of Payment Requirements

According to the PCard Policy, the Accountholder is *Responsible for verifying that the receipt is itemized and describes the items in meaningful term which can be interpreted by a reasonable person. All receipts must be itemized (including quantity and price) and show proof of payment, or a reference that the items were paid by PCard.* The policy also states *A statement or invoice will not be acceptable unless it can be clearly shown that it is intended to be used as a receipt by the vendor. It must provide the same information as a receipt and must clearly indicate that payment has been made or a notation written on the receipt that the payment was paid by PCard.* For our sample of 60 transactions, our review found that 51 met the receipt or invoice requirements of the PCard Policy. The remaining nine transactions did not meet the requirements of the PCard Policy for adequate proof of payment documentation. Two of these transactions were related to medical monitoring expenses (see below).

#### Medical Monitoring/Perquisites

According to section 216.262(1)(f), F.S., *Permissible perquisites include, but are not limited to, moving expenses, clothing, use of vehicles and other transportation, domestic services, groundskeeping services, telephone services, medical services, housing, utilities, and meals.* DMS further defines the P10 Physicals/Immunizations perquisite category as *Periodic medical examinations and/or immunizations for employees whose positions include exposure or potential exposure to contagions, research experiments, diseases, etc.* Two transactions in our sample contained invoices for lump sum charges per Department employee which appeared related to a variety of medical examinations and included some immunizations. One transaction was for one Department employee and totaled \$2,559.00. The second transaction was for five Department employees and totaled \$4,298.50. Based on the description, it appears the purchases are a type of perquisite. According to the PCard Policy, the Department's transaction approval process includes attaching supporting documents and lists that *Perquisites should be attached as required.* Our review found no perquisite documentation was attached for any of the employees included in the transactions in our sample. Moreover, the Department's Medical Monitoring Program ADM 477 states, *The purpose of the DEP medical monitoring program is to promote the safety, health and well-being of employees involved in job duties where there is potential for exposure to hazardous waste/materials or hazardous conditions, and where such exposure is correlated with an element of risk to the employee's health and safety.* According to DMS, *For agencies within the State Personnel System, the approval of perquisites has been delegated to the agency head pursuant to section 216.262(1)(f), F.S. In accordance with the provisions of*

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chapter 60L-32.004, F.A.C., agencies are required to report all perquisites approved by the agency during the preceding fiscal year to the Department of Management Services, by August 1. During the audit, we determined there are approximately 287 positions designated for medical monitoring. Based on our review, it appears no perquisites for medical services have been approved by the agency nor reported to DMS.

**Use of Object Codes**

The PCard Policy includes multiple requirements for object codes. The requirements include the Accountholder will:

- Record the appropriate object code and the object code selected should accurately categorize the good/service purchased.
- Use the appropriate object code in the 24xxxx series to identify charges as maintenance/repair.

We reviewed a sample of 60 transactions for accurate object codes recorded in Works. Based on our review, there were 19 transactions which did not accurately categorize or meet the requirements for the object code recorded. An example of some of the object codes used and codes which may better describe the purchase can be seen below.

Type of Service/Commodity	Object Code Used	Correct Object Code
Boat Repair/Motor replacement	512000 - Cost of furniture and equipment over the inventory threshold that is not otherwise classified.	243028- Payment for repairs or maintenance of vehicle that is not performed under contract with an outside vendor on an on-going basis.
Generators and A/C Units	241018- Charge for equipment or tools used in repairs or maintenance.	341022- Cost of furniture or equipment that is under the inventory threshold.
Commercial Printing	341021- Cost of non-consumable office supplies. Include calculators, staplers, etc.	230006- Cost of printing or reproduction of books or pamphlets, etc. by a commercial printer.
Lodging for non-state employee	261400- Lodging expenses related to in state travel.	261409- Lodging expenses related to in state travel for a non-state employee.
Registration for training	461009- Payment to obtain a registration, license, or permit. Include construction permit, vehicle tag or registration, etc.	461601- Payment for registration of a state employee to attend training.

**PCard Administration**

Our review of PCard administration included reviewing whether administrators and managers are conducting program oversight in accordance with the PCard Policy. A summary of our review is below.

**Special Exception Groups**

According to the PCard Policy, *The Administrator may also assign Accountholders to an agency specific exception group which provides authority to a limited selection of restricted [Merchant Category Codes] MCCs in addition to the MCCs authorized for travel and commodities. The exception group is assigned with justification approved in accordance with Directive DEP 100 and approval by the Administrator.* Our review found all 13 Accountholders assigned to special exception groups included the required approvals with justifications.

**Transaction Approval**

According to the PCard Policy, *The Department has an average of ten (10) calendar days to process transactions once they appear in Works to comply with the agreement with Bank of America. Charges usually appear within five (5) calendar days of the purchase. To ensure the ten (10) day compliance, the Accountholder, Approver, and Accountant should clear transactions as soon as possible.* We reviewed all transactions approved during Fiscal Year (FY) 2022-2023 and

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compared the date the transaction was posted within Works against the date the transaction received final approval by the Accountant. Of the 51,520 transactions that were approved in FY 2022-2023, we found approximately 77 percent took more than 10 days to receive final approval after being posted in Works. Of the 51,520 transactions some took over 100 days to receive final approval. A summary of the review is below.

<i>Days to receive full approval</i>	<i>Total</i>
<i>100 days or more</i>	<i>104</i>
<i>50-99 days</i>	<i>721</i>
<i>11-49 days</i>	<i>39,702</i>
<i>10 days or less</i>	<i>10,993</i>

Additionally, for FY 2023-2024, there were a total of 54,589 transactions approved with approximately 68 percent taking over 10 days to receive full approval.

PCard Training, Agreements, and Card Issuance

The PCard Policy states, *Training consists of reviewing the agency Purchasing Card Policy, the Works User Guide, and the Using the Purchasing Card for Travel Guide (when applicable)*. The Policy further states, *Training is confirmed by the Works user documenting that they have completed the required training on the user agreement attached to the Accountholder request form and Training must be completed and all applicable forms are required to be submitted to the Administrator prior to the card issuance and establishment of a Works account*. We reviewed PCard Accountholder request forms for 45 active Accountholders for training compliance. Our review found that all 45 Accountholders had signed agreements dating from 1999 to 2023. However, we noted that user agreements executed after 2018 included requirements that cannot be found in existing policies and procedures or are not consistent with other user agreements. Moreover, there does not appear to be requirements in place for existing Accountholders to document they have reviewed and agree to new policies and procedures, when implemented.

The PCard Policy states *Once the Accountholder receives the card, they are required to sign and date the acknowledgment receipt form and return to the Administrator*. The PCard Policy also states *The Administrator is responsible for monitoring that an acknowledgment form is received for all new and renewal cards*. We reviewed acknowledgments for 45 active Accountholders and found that 5 did not have an acknowledgement receipt form signed for their currently active PCard which appeared to be renewed cards. According to administration, there are stronger controls in place for new cards due to a \$1 transaction limit requirement which is lifted when the Accountholder signs the acknowledgement receipt form. However, this control does not exist for already active cards which makes it difficult to track acknowledgement forms when the Accountholder has a renewed card. Overall, our review found while strong controls appear to be in place for new Accountholders, it does not appear controls exist for long term Accountholders.

Card Cancellation

According to the PCard Policy it is the responsibility of the Administrators to *Monitor the employee separation notifications and reports for immediate card cancellation and elimination of roles in the Works system*. Additionally, the PCard Policy states *the supervisor is responsible for notifying the Administrator when an employee's duties no longer require the use of the purchasing card*. To evaluate if cards were cancelled according to the PCard Policy requirements, we reviewed activities for employee separations taking place in two sample months, August 2022 and 2023. We reviewed both months to identify separated employees, transferred employees, and determine which employees listed were PCard Accountholders. There was a total of 245 separations for the sample months. Of those 245 separations, 101 were Accountholders. Of the 101 separated Accountholders, 59 were cancelled prior to or on the day of separation, 33 had cards that were cancelled the day after separation or later, and 9 appeared to have transferred

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within the Department. Of the 33 Accountholders with cancellations after the day of separation, 15 were cancelled in 7 days or more.

During our review, we noted it was difficult to determine which employees separated from the Agency versus which employees transferred within the Agency based on some of the separation notifications reviewed. According to PCard Administration, their monitoring includes contacting the separating employee's supervisor to inquire the type of separation. When the supervisor replies, they would either cancel the card or reduce the card's limit to \$1 until the determination can be made based on a monthly report provided by the Bureau of Human Resource Management (BHRM). We inquired if the report is updated monthly, could there be circumstances where the card remains active after separation for longer periods of time than others. PCard Administration confirmed some instances could be longer than others if there is no supervisor response. Additionally, the PCard Policy does not contain requirements for PCards when an employee transfers within the Department and only addresses separations.

Scoped Compliance Reviews

According to the PCard Policy, *the staff of the Bureaus of Finance & Accounting and General Services conduct PCard compliance reviews on a monthly basis. Compliance reviews are audits on a sampled basis of each month's Works transactions and provide reasonable assurance that internal controls are in place to prevent and detect errors, misuse, abuse, or inappropriate purchases.* We reviewed the Scoped Compliance Reviews for the period of July 2022 through November 2023. Based on our review, the Scoped Compliance Reviews were conducted each month, as required. In total 7,188 transactions were reviewed by Division staff with approximately 822 errors identified. For these 822 errors, it appears 39 percent were reported as resolved.

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**CONCLUSION**

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Based on our review of Department Issued PCards, we noted some areas where internal controls could be strengthened regarding administration of the Department's PCard program. Our findings and recommendations are listed below.

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**FINDINGS AND RECOMMENDATIONS**

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**Finding 1: Prior Approval/Authorization: Some PCard transactions were made without prior approval as required by the PCard Policy.**

According to the PCard Policy, *The DEP requires prior approval/authorization from the supervisor or higher DEP level manager on all purchasing card transactions, though this preapproval is not required in Works. This can be in the form of an email, memo or a form created by each individual office.* We reviewed a sample of 60 PCard transactions for preapproval documentation. We were able to locate preapproval documentation for 25 transactions in our sample, that were either uploaded in Works or the Statewide Travel Management System. For the remaining 35 transactions, we contacted the Accountholder and requested documentation showing preapproval. In response, we were provided documentation showing preapproval for 11 transactions and another transaction was for a fraudulent charge which had been reported and resolved. Some Accountholders reported having verbal approval and some Accountholders provided approval documentation for the purchase itself, but the documentation did not include approval to use the PCard for the purchase, as required by the PCard policy. Overall, we were unable to verify documented prior approval/authorization for 23 of the 60 sample transactions due to 14 not having documented approval and 9 were made by staff no longer employed by the Department

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**Recommendation:**

We recommend the Division strengthen internal controls to ensure all PCard Accountholders obtain documented prior approval/authorization from the supervisor or higher Department level manager for all PCard transactions in accordance with the PCard policy.

**Management Response:**

The Department agrees with the recommendation and will work to complete the corrective actions mentioned.

**Finding 2: PCard Transaction Compliance: Some PCard transactions were not made in accordance with the PCard Policy or Department Policy.**

**Procurement and Divided Purchases**

According to the PCard Policy, *Purchases of \$2,500 and greater must include at least two quotes, reference to a state term contract number, or a Single Source Justification Approval Form.* We reviewed a sample of 60 PCard transactions and identified 18 purchases which were \$2,500 or greater. Of those, we found some transactions did not have the required documentation listed above. The PCard Policy further states, *Purchases cannot be divided to circumvent authorized limits or procurement policies and procedures.* Based on the PCard Policy, *The agency head or his/her designee has approved all DEP Accountholders to have a single transaction limit of \$5,000;* however, the policy incorporates an approval process which allows for a one-time override on purchasing card limits. Of the sample of 60 PCard transactions reviewed, we identified some transactions that exceeded \$5,000 when the divided transactions were totaled and did not have approval to exceed the PCard limit.

**Purchases for Travel**

According to the PCard Policy, *An Accountholder, not authorized to be an internal travel agent, shall not use his/her purchasing card to pay for any travel expenses incurred by anyone other than the Accountholder. An Accountholder shall not allow another individual to use his/her purchasing card to pay for expenses. (For example: An Accountholder cannot use his/her purchasing card to pay for travel expenses or make airline/hotel/car rental reservations for another employee unless they are an authorized internal travel agent.)* Our sample transactions included 20 travel-related purchases. Of those 20 transactions, we found 2 were not in compliance with the requirements listed above. For the 2 travel transactions in our sample that did not adhere to the PCard requirements, our review determined that neither Accountholder was an approved travel agent, there were no travel authorizations completed for some of the travelers, and neither transaction had preapproval as required. For one of those transactions, the Accountholder made reservations on behalf of other Department employees. We reviewed all related charges and found charges to the same vendor on the same day for travel related reservations totaled \$1,420. Ultimately all charges were credited back to the Accountholder's PCard. However, our review noted the supporting documentation the Accountholder provided was a hotel contract for the reservations. The contract had been executed by the Accountholder; however, the Accountholder did not have delegated authority to execute any agreements on behalf of the Department according to DEP-100.

The second transaction was for lodging costs of an EPA workshop attendee, who was not a Department employee. Supporting documentation added in Works, appears to support PCard transactions for multiple travel-related charges made by the Accountholder for both non-state and state employees. According to the documents, the Accountholder used their PCard for lodging expenses for 25 individuals who are not Department employees, 5 Department employees, and one conference room. While the Accountholder's card was eventually credited for 4 of the Department employees' charges, the total amount of the transactions was \$13,470.66. Additionally, there were no travel authorizations completed for the non-state travelers. According



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to ADM 610, *All travel must be approved in advance with an authorization by the appropriate personnel as defined in the department's Delegations of authority documentation, for all Class A, B and C travel where cost will be incurred for the following:... Any person not employed by this Department. The traveler must be identified as an "authorized" non-employee and indicate who they represent and justify payment of travel expenses.*

**Proof of Payment Requirements**

According to the PCard Policy the Accountholder is *Responsible for verifying that the receipt is itemized and describes the items in meaningful term which can be interpreted by a reasonable person. All receipts must be itemized (including quantity and price) and show proof of payment, or a reference that the items were paid by PCard.* The policy also states *A statement or invoice will not be acceptable unless it can be clearly shown that it is intended to be used as a receipt by the vendor. It must provide the same information as a receipt and must clearly indicate that payment has been made or a notation written on the receipt that the payment was paid by PCard.* For our sample of 60 transactions, we found 9 transactions did not meet the requirements of the PCard Policy for adequate proof of payment documentation.

**Use of Object Codes**

The PCard Policy requires the Accountholder to use the appropriate object code, and the object code selected should accurately categorize the good/service purchased. We reviewed a sample of 60 transactions for accurate object codes recorded in Works. Based on our review, there were 19 transactions which did not appear to accurately categorize or meet the requirements for object codes.

**Recommendation:**

We recommend the Division strengthen internal controls to ensure all PCard Accountholders follow Department policies regarding divided transactions, travel-related charges, proof of payment, and use of correct object codes.

**Management Response:**

The Department agrees with the recommendation and will work to complete the corrective actions mentioned.

<p><b>Finding 3: State Term Contract Purchases: Some PCard transactions were made to a vendor with an expired state term contract and were not in compliance with statutory requirements.</b></p>
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According to section 287.056(1), F.S., *Agencies shall, and eligible users may, purchase commodities and contractual services from purchasing agreements established and state term contracts procured, pursuant to s. 287.057, by the department.* During our review, we noted one transaction in our sample was made in October 2022 for supplies in the amount of \$3,423.47. The purchase was made from a vendor that previously had an STC to provide disposable paper; however, the STC had expired in June 2022. We reviewed PCard transactions for additional purchases made to the vendor and found there had been approximately 314 PCard transactions in the amount of \$297,328.06, since the expiration of the STC through March 2024. According to the DMS website for the expired STC, purchases for similar products were directed to other STC and Alternate Contract Source which would be active for purchasing. Our review found that the Division sent notification of the expiring STC to some MFMP users; however, the recipient list did not include all PCard Accountholders and none of the PCard Administration. Based on our review, there were 67 different Accountholders that used the PCard to purchase from the vendor after the STC had expired. Of those 67 Accountholders, 26 received the notification from the Division but continued to make purchases after the expiration of the STC.

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**Recommendation:**

We recommend the Division strengthen internal controls to ensure PCard purchases are made in accordance with statutory requirements and develop a method of informing all Accountholders of expiration, renewals, and updates on the use of state term contracts.

**Management Response:**

The Department agrees with the recommendation and will work to complete the corrective actions mentioned.

**Finding 4: Medical Expenses/Perquisites: Some PCard transactions were made for medical examinations but did not contain itemized receipts and did not have the appropriate perquisite approval documentation.**

According to section 216.262(1)(f), F.S., *Permissible perquisites include, but are not limited to, moving expenses, clothing, use of vehicles and other transportation, domestic services, groundskeeping services, telephone services, medical services, housing, utilities, and meals.* Additionally, DMS further defines the P10 Physicals/Immunizations perquisite category as *Periodic medical examinations and/or immunizations for employees whose positions include exposure or potential exposure to contagions, research experiments, diseases, etc.* Two transactions in our sample contained invoices for lump sum charges per Department employee which appeared related to a variety of medical examinations and included some immunizations. One transaction was for one Department employee and totaled \$2,559.00. The second transaction was for five Department employees and totaled \$4,298.50. Based on this description, it appears the transactions for medical examinations and immunizations qualify as a type of perquisite. According to the PCard Policy, the Department's transaction approval process includes attaching supporting documents and lists that *Perquisites should be attached as required.* Our review found no perquisite documentation was attached for any of the employees included in the transactions in our sample.

Additionally, the Department's Medical Monitoring Program ADM 477 states, *The purpose of the DEP medical monitoring program is to promote the safety, health and well-being of employees involved in job duties where there is potential for exposure to hazardous waste/materials or hazardous conditions, and where such exposure is correlated with an element of risk to the employee's health and safety.* According to DMS, *For agencies within the State Personnel System, the approval of perquisites has been delegated to the agency head pursuant to section 216.262(1)(f), F.S. In accordance with the provisions of chapter 60L-32.004, F.A.C., agencies are required to report all perquisites approved by the agency during the preceding fiscal year to the Department of Management Services, by August 1.* During the audit, we determined there were approximately 287 positions designated for medical monitoring. Our review found no perquisites for medical services have been approved by the agency nor reported to DMS.

**Recommendation:**

We recommend the Division review charges made for medical services and ensure receipts are itemized and have the proper perquisite approval documentation, as required.

**Management Response:**

The Department agrees with the recommendation and will work to complete the corrective actions mentioned.

**Finding 5: PCard Administration and Oversight – The PCard policy was not always followed.**

According to the PCard Policy, the Administrator role is responsible for coordinating, monitoring, and overseeing the Department's PCard program and ensuring key internal controls are in place and operating as designed. Our review found areas where controls could be strengthened regarding timeliness of transaction approvals, updating user agreements, acknowledgement receipts for renewals, and employee transfers.

Transaction Approval

According to the PCard Policy, *The Department has an average of ten (10) calendar days to process transactions once they appear in Works to comply with the agreement with Bank of America. Charges usually appear within five (5) calendar days of the purchase. To ensure the ten (10) day compliance, the Accountholder, Approver, and Accountant should clear transactions as soon as possible.* We reviewed all transactions approved during FY 2022-2023 and compared the date the transaction was posted within Works against the date the transaction received final approval by the Accountant. Of the 51,520 transactions that were approved in FY 2022-2023, we found approximately 77 percent took more than 10 days to receive final approval after being posted in Works. Additionally, for FY 2023-2024, there were a total of 54,589 transactions approved with approximately 68 percent taking over 10 days to receive full approval.

PCard Training, Agreements, and Card Issuance

The PCard Policy states, *Training consists of reviewing the agency Purchasing Card Policy, the Works User Guide, and the Using the Purchasing Card for Travel Guide (when applicable).* The Policy further states, *Training is confirmed by the Works user documenting that they have completed the required training on the user agreement attached to the Accountholder request form and Training must be completed and all applicable forms are required to be submitted to the Administrator prior to the card issuance and establishment of a Works account.* We reviewed PCard Accountholder request forms for 45 active Accountholders for training compliance. Our review found that all 45 Accountholders had signed agreements dating from 1999 to 2023. However, we noted that user agreements executed after 2018 included requirements that cannot be found in existing policies and procedures or are not consistent with other user agreements. Additionally, there does not appear to be requirements in place for existing Accountholders to document they have reviewed and agreed to new policies and procedures when implemented.

The PCard Policy states *Once the Accountholder receives the card, they are required to sign and date the acknowledgment receipt form and return to the Administrator.* The PCard Policy also states *The Administrator is responsible for monitoring that an acknowledgment form is received for all new and renewal cards.* We reviewed acknowledgments for 45 active Accountholders and found that 5 did not have an acknowledgement receipt form signed for their currently active PCard which appeared to be renewed cards. According to PCard administration, there are stronger controls in place for new cards due to a \$1 transaction limit requirement which is lifted when the Accountholder signs the acknowledgement receipt form. However, this control does not exist for already active cards which makes it difficult to track acknowledgement forms when the Accountholder has a renewed card. Overall, our review found while strong controls appear to be in place for new Accountholders, it does not appear controls exist for long term Accountholders.

Card Cancellation

According to the PCard Policy it is the responsibility of the Administrators to *Monitor the employee separation notifications and reports for immediate card cancellation and elimination of roles in the Works system.* Additionally, the PCard Policy states *the supervisor is responsible for notifying the Administrator when an employee's duties no longer require the use of the purchasing card.* To evaluate if cards were cancelled according to the PCard Policy requirements, we reviewed

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activities for employee separations taking place in two sample months, August 2022 and 2023. There was a total of 245 separations for the sample months and of those, 101 were PCard Accountholders. Of the 101 separated Accountholders, 59 were cancelled prior to or on the day of separation, 33 had cards that were cancelled the day after separation or later, and 9 appeared to have transferred within the Department. Of the 33 Accountholders with cancellations after the day of separation, 15 were cancelled in 7 days or more. During our review, we noted it was difficult to determine which employees separated from the Agency versus which employees transferred within the Agency based on some of the separation notifications reviewed. According to PCard Administration, their monitoring includes contacting the separating employee's supervisor to inquire about the type of separation and either cancelling the card or reducing the card's limit to \$1 until a determination can be made. Our review found the PCard Policy addresses employee separations but does not contain specific requirements for PCards when an employee transfers within the Department.

**Recommendation:**

We recommend the Division update Accountholder user agreements which are not consistent with current policies; ensure PCards acknowledgement receipts are obtained when cards are renewed or replaced; ensure PCards are cancelled immediately upon Accountholder separation; enhance the PCard policy to include requirements for Accountholders that transfer within the Department; and work with staff to ensure transactions are approved in accordance with the PCard Policy.

**Management Response:**

The Department agrees with the recommendation and will work to complete the corrective actions mentioned.

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**STATEMENT OF ACCORDANCE**

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**Statement of Accordance**

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Tessa Jordan and supervised by Susan Cureton.

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