

**Follow-Up  
of the  
Review of Orange County  
Comptroller's Office  
Purchasing Card Usage**

**Report by the  
Office of County Comptroller**

**Martha O. Haynie, CPA  
County Comptroller**

County Audit Division

J. Carl Smith, CPA  
Director

Christopher J. Dawkins, CPA  
Deputy Director

Lisa Fuller, CIA, CGAP, Senior Auditor  
In-Charge Auditor

Renee Anderson, CPA, Auditor  
Staff

**Report No. 378  
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November 8, 2006

Martha O. Haynie, Orange County Comptroller

We have conducted a follow-up of the Review of Orange County Comptroller's Office Purchasing Card Usage (Report No. 349). Our original audit included the period of January 1, 2003 to June 30, 2003. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2005 through December 31, 2005. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of your Office during the course of the audit.

J. Carl Smith, CPA  
Director of County Audit

c: Orange County Board of County Commissioners

**IMPLEMENTATION STATUS OF  
PREVIOUS RECOMMENDATIONS  
FOR IMPROVEMENT**

**FOLLOW-UP OF THE REVIEW OF ORANGE COUNTY COMPTROLLER'S OFFICE PURCHASING CARD USAGE  
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Comptroller's Office re-evaluates the pre-approval for small dollar purchases.	✓			
2.	We recommend the Comptroller's Office considers separating some of the duties currently assigned to the Program Coordinator. In the absence of such separation, a monthly list of all cardholders could be obtained directly from the bank and be reviewed by a position above the Program Coordinator to ensure only cards authorized by management have been issued.	✓			

# INTRODUCTION

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## INTRODUCTION



### Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the Review of Orange County Comptroller's Office Purchasing Card Usage (Report No. 349). Testing of the status of the previous recommendations was performed for the audit period October 1, 2005 through December 31, 2005.

To determine if the prior audit recommendations had been implemented, partially implemented, or not implemented, the following audit methodology was used:

We interviewed Comptroller personnel to ascertain the status of the previous recommendations.

We reviewed the Comptroller's Purchasing Card Policies and Procedures to determine whether revisions were made to make the pre-approval process for small dollar purchases more efficient.

To determine whether cardholders are obtaining e-mail approval for small dollar purchases, we selected a sample of five cardholders below the assistant manager level and reviewed the supporting documentation for their monthly billing statements.

We interviewed staff to determine the process for reviewing master billing statements.

To determine whether the Program Coordinator's duties had been segregated, we selected a sample of billing statements and reviewed them for the signature of the Accounting/MSTU Supervisor.

**FOLLOW-UP TO PREVIOUS  
RECOMMENDATIONS FOR  
IMPROVEMENT**





**1. Consideration Should Be Given to Modifying the Comptroller's Purchasing Card Policies and Procedures to Make Them More Efficient**

We previously noted that the pre-purchase stipulations and additional review requirements for the use of purchasing cards render the process less efficient than a traditional purchasing card program. Specifically, cardholders below the assistant manager level were required to obtain written approval from the assistant department head or above when making purchases for amounts up to \$1,000.

**We Recommend** the Comptroller's Office re-evaluates the pre-approval for small dollar purchases.

**Status:**

Implemented. In their original response, the Comptroller's Office suggested proposing a policy change allowing cardholders below the assistant manager level to obtain e-mail approval for purchases under \$1,000. While their current practice allows cardholders to obtain e-mail approval for small dollar purchases, the Comptroller's policies and procedures have not been updated to reflect such practice.

**We Recommend** the Comptroller's Office revises written policies and procedures to align with the practices in place for purchases under \$1,000.

**Management Response:**

Concur. The Comptroller Purchasing Policy has been revised to add a section regarding approval via e-mail.



**2. Some of the Responsibilities of the Program Coordinator Should Be Segregated or Compensating Controls Developed**

In the prior audit, we noted that the Program Coordinator's responsibilities appeared to be inadequately segregated. These responsibilities include ordering and canceling purchasing cards; overriding merchant category codes (if required); reviewing billing statements, purchasing card purchase reports and supporting documents for purchases; preparing the bank payment documents (bank transfer and wire authorization forms); and recording (keying) the expense charges into the general ledger system. Adequate segregation of duties includes a separation of the authorization, payment, and recording functions.

**We Recommend** the Comptroller's Office considers separating some of the duties currently assigned to the Program Coordinator. In the absence of such separation, a monthly list of all cardholders could be obtained directly from the bank and be reviewed by a position above the Program Coordinator to ensure only cards authorized by management have been issued.

**Status:**

Implemented. The Comptroller's Office implemented a review process whereby the Accounting/MSTU Supervisor reviews and approves each month's master billing statements, Electronic Funds Transfer Authorization Form, and Journal Entry Posting Form. The review process includes verifying that the cardholder is an authorized cardholder; the charges are supported by the appropriate documentation; and charges are recorded to the correct expense account. All of the billing statements analyzed were reviewed and approved by someone other than the Program Coordinator as evidenced by the signature of the Accounting/MSTU Supervisor.