

Audit of the Orange County Property Appraiser's Office Procurement Card Usage

**Report by the
Office of County Comptroller**

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County Comptroller**

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**Report No. 452
February 2016**

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February 10, 2016

Rick Singh, Orange County Property Appraiser

We have conducted an audit of the Orange County Property Appraiser's Office Procurement Card Usage. The audit was limited to a review of procurement card transactions and related supporting documentation. The period audited was January 1, 2013 through June 30, 2015.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Property Appraiser and are incorporated herein.

We appreciate the cooperation of the personnel of the Property Appraiser's Office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Board of County Commissioners
Manish Bhatt, Chief Operating Officer, Orange County Property Appraiser's Office

EXECUTIVE SUMMARY

Executive Summary

The Orange County Property Appraiser's Office (Office), like many state and local government offices, utilizes procurement cards (p-cards) as an alternative method for purchasing. P-cards are intended to allow flexibility and streamline procedures for procuring goods and services. Proper use of p-cards reduces the amount of resources needed for requesting, ordering, and receiving goods and services.

The Master Account for the Office's p-card program was established in 2002. Under the Master Account, the Office maintains two p-cards, one without an individual's name and one with the Property Appraiser's name imprinted. The Property Appraiser's card was closed by the Office in June of 2014. The total net charges during the 30 month audit period were \$94,169.

The scope of the audit was limited to a review of the Office's procurement card transactions and the related supporting documentation. The period reviewed was January 1, 2013 through June 30, 2015. The objective of this review was to determine whether p-card purchases were in compliance with the Office's policies and procedures, State rules and laws, and best practices for government funds. Based on the results of our testing, we found the Orange County Property Appraiser's Office p-card purchases were materially in compliance with the Office's policies and procedures, State rules and laws, and best practices for government funds. Opportunities for improvement are discussed herein. Specifically, we noted the following:

The current policy for working meals and refreshments costs is broad and does not provide specific parameters for when such expenditures are eligible or ineligible for reimbursement. During our testing, we noted instances where based on our examination of the vendor invoice, receipt, and/or other contemporaneously prepared documentation, sufficient evidence was not available to determine the business purpose of the expenditure.

During our testing of the sample of travel related expenditures charged with p-cards, we noted instances where expenditures were incurred that did not appear to be necessary based on the contemporaneous documentation submitted with the reimbursement request. Further, additional support could not be provided to evidence the necessity of the expenditure.

We noted the Office did not close the former Property Appraiser's p-card until seven months after he left office.

Recommendations for Improvements were developed and discussed with the Property Appraiser and Office personnel. They concurred with our recommendations and steps to implement the recommendations are underway. Responses to the Recommendations for Improvement are included herein.

ACTION PLAN

**AUDIT OF THE ORANGE COUNTY PROPERTY APPRAISER'S OFFICE
PROCUREMENT CARD USAGE
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Office supplements its written policy with guidance that establishes clear, objective parameters for whether meal and refreshment expenditures are eligible or ineligible for payment or reimbursement with government funds.	✓			✓	
2.	We recommend the Office supplements existing procedures and controls to better ensure travel related expenses are minimized.	✓			Completed	
3.	We recommend the Office establishes procedures to close p-cards immediately upon termination of a cardholder's employment.	✓			Completed	

INTRODUCTION

Background

The Orange County Property Appraiser's Office (Office) is responsible for identifying, locating, and fairly valuing all property (both real and personal) within Orange County for tax purposes. The Office also tracks ownership changes; maintains maps of parcel boundaries; keeps descriptions of buildings and property characteristics up to date; accepts and approves applications from individuals eligible for exemptions and other forms of property tax relief; and, analyzes trends in sales prices, construction costs, and rents to best estimate the value of all assessable property.

The Office has an annual budget of approximately \$12 million. Approximately \$10 million of its budget is payroll and payroll related and the \$2 million balance is expended for operations. The Office budget is reviewed and approved by the State of Florida Department of Revenue and Orange County Government. The Office also undergoes an annual independent financial audit to opine on the fair presentation of the Office's financial statements as part of the annual Orange County Comprehensive Annual Financial Report (CAFR). Section 218.36, Florida Statutes requires all County Officers to annually return any unspent budget amounts to the Board of County of County Commissioners. In 2015, 2014, and 2013, the Office remitted unspent budgeted amounts of \$1,121,780, \$829,788, and \$1,356,892, respectively.

The Office, like many state and local government offices, utilizes procurement cards (p-cards) as an alternative method for purchasing. P-cards are intended to allow flexibility and streamline procedures for procuring goods and services. Proper use of p-cards reduces the amount of resources needed for requesting, ordering, and receiving goods and services.

The Master Account for the Office's p-card program was established in 2002. Under the Master Account the Office maintains one p-card without an individual's name imprinted on the card. This card is under the control of the Office's Finance Department and was active for the duration of our audit period. Also, in August 2013, a card issued to the former Property Appraiser was closed and a new card was

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issued to the current Property Appraiser. This card was closed in June 2014. From January 2013 through November 2013 the monthly statement period credit limit was \$10,000. From December 2013 through June 2015 the monthly statement period credit limit was \$15,000.

Total purchases during our 30 month audit period were as follows:

Period	Charges	Credits	Net Charges
Jan – Dec 2013	\$43,628	\$(2,168)	\$41,460
Jan – Dec 2014	\$46,795	\$(3,055)	\$43,740
Jan – June 2015	\$9,466	\$(497)	\$8,969
Totals:	\$99,889	\$(5,720)	\$94,169

Scope, Objectives, and Methodology

The scope of the audit was limited to a review of the Office's procurement card transactions and the related supporting documentation. The period reviewed was January 1, 2013 through June 30, 2015.

The objective of this review was to determine whether p-card purchases were in compliance with the Office's policies and procedures, State rules and laws, and best practices for government funds.

To determine compliance with the Office's purchasing card policies and procedures, State rules and laws, and best practices for government funds we performed the following:

Paper copies of the monthly statements were obtained and transactions were manually entered in a database (the credit card provider was unable to provide the transaction details for the full audit period in electronic format).

Using the database, we performed the following:

- Analyzed data to identify transactions occurring on weekends and holidays;
- Summarized the data by card holder to determine usage levels;

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- Analyzed data to identify unusual amounts or possible split purchases; and,
- Summarized the data by vendor name. We noted 223 unique vendor names. To assist with sample selection, we categorized each vendor based on personal knowledge (and internet searches) of the merchants. Each category was assigned a sample size based on professional judgement (from 100 to 10 percent). Using this information, we selected a judgmental sample of transactions for review that is shown in Appendix – Sample Selection Methodology, of this report.

We noted various p-card transactions related to the Office's outreach activities. According to the Office, these events offer an opportunity to disseminate information to the public and provide education on the functions and resources of the Office with good results. Although the P-card purchases represent a part of these expenditures, a complete analysis of the benefit achieved versus the cost incurred was outside the scope of this review.

Overall Evaluation

Based on the results of our testing, we found the Orange County Property Appraiser's Office p-card purchases were materially in compliance with the Office's policies and procedures, State rules and laws, and best practices for government funds. Opportunities for improvement are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

RECOMMENDATIONS FOR IMPROVEMENT



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1. Written Parameters for Meal and Refreshment Purchases Should Be Developed and Followed

The Property Appraiser's Office (Office) policy regarding reimbursement for meal and refreshment purchases (not related to official travel) is broad. According to the Office's Employee Handbook, Business and Entertainment Expenses (B&E) should be incurred only when necessary in the conduct of business or the maintenance of business relationships. The policy does not provide additional specific parameters for when such expenditures are eligible or ineligible for reimbursement.

During our testing of the sample of purchase card (p-card) transactions that occurred during our 30 month audit period, we identified approximately \$5,300 of meal and refreshment purchases that met the definition of B&E. As discussed below, we noted instances where based on our examination of the vendor invoice, receipt, and/or other contemporaneously prepared documentation, sufficient evidence was not available to determine the business purpose of the expenditure:

- A) In January 2013, purchases totaling \$466 were made for refreshments for an inaugural celebration attended by Office personnel.
- B) Also in January 2013, a lunch totaling \$1,196 was provided to Office personnel during the annual Martin Luther King Jr. parades.
- C) Refreshments were provided to Office personnel at monthly Agency meetings. According to the meeting agendas reviewed, these were office-wide meetings consisting of a motivational speech and recognition of employee achievements (such as new hires, years of service, birthdays, and employee of the month). We identified \$836 in related expenditures from June 2013 through June 2014.
- D) From April 2013 through March 2014, we noted nine lunches totaling \$898 for the Achievers Club.

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According to Office personnel, high performing employees from various departments were selected to have lunch with the Property Appraiser to give feedback on policies and procedures each month. Based on our review of the transactions, each lunch was attended by 6-12 employees consisting of the Property Appraiser, an Administrative Assistant, and 47 different employees during the period.

- E) In October and November 2013 purchases totaling \$178 were made for four lunches attended by employees and a consultant.

The Office's staff provided explanations of why they believe the expenditures meet the Office's policy. However, because the policy is broad, these determinations are subjective and interpretations of the policy could vary from individual to individual. Effective stewardship of Government funds includes parameters designed to implement policy guidelines. Although the Office is an independent constitutional office and not subject to other government office's policies, we note a large local county government contains the following parameters related to working meals and refreshment purchases:

Meal and Refreshment Costs	
Not Allowed	Allowed
➤ Regular meetings attended solely by County staff for the purpose of internal communication	➤ Offsite meetings with dignitaries, community leaders, or other high-level visitors
➤ Social or political gatherings	➤ Refreshments at recognition ceremonies (not meals)
➤ Food and beverages consumed away from the work or training site where business is being conducted, except under certain noted circumstances	➤ Meetings, usually on County premises, where County business is conducted and business is required to meet specific deadlines, efficiently utilize staff time, or relevant after hours discussions (e.g., Planning Research Corporate lunch meeting)
➤ Vendors or potential vendors, except for engaged vendors and consultants working on-site with County employees for County business purposes (e.g., system installation)	

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We Recommend the Office supplements its written policy with guidance that establishes clear, objective parameters for whether meal and refreshment expenditures are eligible or ineligible for payment or reimbursement with government funds.

Management's Response:

Concur. See Appendix B.

2. Procedures and Controls Should Be Supplemented to Minimize the Number of Travel Days and Costs for Out-of-County Travel.

The Office allows employees to attend training sessions and conferences related to the Office's responsibilities. The Office's Travel Policy states the following:

Every effort should be made to attend training courses, seminars, workshops, and conferences in the Orlando area as to minimize the expense of business related travel. In cases where it is necessary to travel for such reasons, care will be exercised to select the most cost efficient transportation and accommodations.

During our testing of the sample of travel related expenditures charged with p-cards over the 30 month audit period, we noted instances where expenditures were incurred that did not appear to be necessary based on the contemporaneous documentation submitted with the reimbursement request. Further, additional support could not be provided to evidence the necessity of the expenditure. These instances were as follows:

- A) The Property Appraiser and three Office employees attended the International Association of Assessing Officers (IAAO) Conference in Grand Rapids, Michigan from August 25 to August 28, 2013. The three employees stayed four nights at the main conference hotel and paid the conference rate of

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\$154 per night (a total of \$708 per person for room and taxes). The Property Appraiser stayed seven nights at the conference overflow hotel. The room rate noted on the conference brochure for the overflow hotel was \$179 per night; however the rate paid was \$279 per night (a total of \$2,481 for room and taxes). After completion of the audit fieldwork, the Office obtained documentation from the hotel stating the room was not an upgraded category of room.

On May 23, 2013, the original airline reservation made on behalf of the Property Appraiser for August 25 thru August 29, 2013 was changed to August 22 thru August 29, 2013. On August 20, 2013, a meeting was scheduled with the Grand Rapids City Assessor for Friday, August 23. The Property Appraiser also utilized a car rental for the period to allow for travel to the meeting with the local assessor. The costs related to the additional days stay required to meet with the local assessor on Friday do not appear necessary. If a meeting was warranted, meeting during the event, or the day after the event, could have saved over \$1,000 of the expenses related to the trip.

- B) The Property Appraiser and two Office employees arranged travel plans to attend a software user conference in San Diego, California from July 12 to July 18, 2014. However, prior to the Conference start date, a round trip ticket was booked to return the Property Appraiser to Orlando on July 14 and return to San Diego on July 15 (United \$563.50). We were informed this was for the Property Appraiser to attend the BCC Budget meeting discussing the lease space for his office. The return flight from Orlando to San Diego was not taken. According to Office personnel, the Property Appraiser never intended to return to San Diego and it was more economical to purchase a roundtrip ticket than a one-way ticket; however, no documentation was maintained to support this.

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Although the cost difference was probably small, it is more likely a one-way trip ticket was less expensive.

- C) The Property Appraiser and three Office employees attended the IAAO Conference in Sacramento, California from August 24 to August 27, 2014. The airfare for the three employees ranged from \$472 - \$542. The airfare for the Property Appraiser (the same coach passenger class) totaled \$1,107, consisting of the following components:
- July 30, 2014, a \$455 flight was booked from Dallas/Fort Worth to Sacramento for August 24, 2014.
 - July 31, 2014, a \$272 return flight was booked from Sacramento to Orlando for August 28, 2014.
 - August 21, 2014, a \$391 flight was booked from Orlando to Dallas/Fort Worth for August 23, 2014.

Documentation to substantiate the purpose of the original ticket purchase from Dallas/Fort Worth (which seemed to be the root cause of the excess travel cost) was not provided by the Office.

As noted in the above examples, the procedures and controls in place did not operate to ensure the costs are minimized as required by Office policy and best practices. Although, travel for the purpose of attending training courses, seminars, workshops, and conferences is a common practice of government agencies, procedures should provide adequate controls to minimize the expenses.

We Recommend the Office supplements existing procedures and controls to better ensure travel related expenses are minimized.

RECOMMENDATIONS FOR IMPROVEMENT



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Management's Response:

Concur. See Appendix B.

3. Cards Issued in the Name of Employees Should Be Cancelled Upon Termination of Employment

The former Property Appraiser left office on January 8, 2013; however, the p-card issued in his name was not closed and remained at the Office until August of 2013. The card was used by current Office staff on two occasions after his term of office ended as follows:

Transaction Date	Merchant	Charge Amount
4/12/2013	RaceTrac	\$ 75.00
1/14/2013	Shell Oil	\$ 42.56

P-cards should be closed promptly upon termination of employment. Prompt cancellation of cards helps reduce the risk of potential misuse.

We Recommend the Office establishes procedures to close p-cards immediately upon termination of a cardholder's employment.

Management's Response:

Concur. See Appendix B.

APPENDIX – Sample Selection Methodology

Appendix A – Sample Selection Methodology

Category	Total of Charges	Total Number of Charges	Percentage Selected for Audit	Sample Size	Total Dollars Sampled
Unclassified	\$9,255	66	100%	66	\$9,255
Meals	\$3,381	37	100%	37	\$3,381
Non Profit	\$1,295	9	100%	9	\$1,295
Event Supplies	\$1,226	10	100%	10	\$1,226
Music Equipment Store	\$1,222	5	100%	5	\$1,222
Networking	\$870	4	100%	4	\$870
Outdoor Equipment Store	\$500	2	100%	2	\$500
Auto	\$287	3	100%	3	\$287
Car Wash	\$266	4	100%	4	\$266
Laundry Service	\$261	2	100%	2	\$261
Subtotal	\$18,563	142		142	\$18,563
Out of State Travel	\$17,870	46	50%	26	\$12,313
Out of County Travel	\$7,542	47	50%	27	\$4,050
General	\$5,821	105	50%	53	\$3,971
Electronics	\$4,864	26	50%	13	\$3,103
Hotel	\$243	5	50%	3	\$226
Subtotal	\$36,340	229		122	\$23,662
Communication	\$3,238	30	25%	7	\$1,218
Gas / Convenience	\$3,216	45	25%	18	\$1,261
Media	\$1,146	13	25%	3	\$252
Chamber of Commerce	\$770	9	25%	2	\$470
Tolls	\$825	17	25%	4	\$200
Parking	\$323	23	25%	8	\$105
Subtotal	\$9,519	137		42	\$3,506
Professional	\$7,983	25	10%	3	\$2,440
Education	\$7,010	20	10%	2	\$185
Social Media	\$4,587	117	10%	3	\$265
Office Supplies	\$4,439	35	10%	4	\$845
Shipping	\$3,051	30	10%	3	\$674
Software	\$2,128	4	10%	1	\$1,080
Recruiting	\$1,693	5	10%	1	\$623
Vehicle Rental	\$1,110	6	10%	1	\$95
Consultant	\$895	2	10%	1	\$395
Domain Name	\$830	5	10%	1	\$180
News	\$719	5	10%	1	\$55
Local Government	\$592	4	10%	1	\$105
Insurance	\$80	1	10%	1	\$80
Medical	\$27	1	10%	1	\$27
Subtotal	\$35,145	260		24	\$7,049
Fees	\$323	14		0	\$0
Totals	\$99,889	782		330	\$52,780

APPENDIX B – MANAGEMENT’S RESPONSE

RICK SINGH, CFA
ORANGE COUNTY PROPERTY APPRAISER

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"Exceeding Excellence"

Management Response

February 8, 2016

Martha O. Haynie, CPA, County Comptroller

We very much appreciate the audit process and the thoroughness and professionalism of the County Comptroller and her staff. We concur with the recommendations and overall evaluation that the OCPA office is in compliance with its policies and procedures, State rules and laws, and best practices for government funds.

To provide additional clarification regarding the items noted in the recommendation 1, we have attached Exhibit B. In addition, with regard to recommendation 2, the OCPA office has procedures and controls to minimize travel cost. However, due to illness, inclement weather or other unavoidable circumstances, additional costs may sometimes be incurred. To respond to the recommendation, the OCPA office has implemented an additional form to document the circumstances necessitating additional costs when changes in travel plan occur.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Singh".

Rick Singh, Orange County Property Appraiser



/OCPAFL



@RickSinghOCPA



@RickSinghOCPA



/RickSinghOCPA

Appendix B – Management’s Response

RICK SINGH, CFA ORANGE COUNTY PROPERTY APPRAISER

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"Exceeding Excellence"

Exhibit B – Auditee Response

Recommendation 1 – B & E expenses

Item	Audit Note	Auditee's clarification	Estimated cost per person	Policy guideline
A	<i>"In January 2013, purchases totaling \$466 were made for refreshments for an inaugural celebration attended by Office personnel."</i>	Refreshments were provided for an offsite meeting with dignitaries, community leaders, high-level visitors and staff who were invited for the recognition of the newly sworn-in property appraiser.	\$3.10	Allowable under policy
B	<i>"Also in January 2013, a lunch totaling \$1,196 was provided to Office personnel during the annual MLK Jr. parades."</i>	As an outreach and teambuilding event, our staff attended back-to-back MLK parades on Saturday January 19, 2013 from 8 am to noon (downtown Orlando) and 1 pm to 4pm (Eatonville) to recognize MLK. As a result of limited/restricted mobility in a parade environment, the office provided meal to staff volunteers who attended the parades.	\$10.87	Allowable under policy
C	<i>"Refreshments were provided to Office personnel at monthly Agency meetings....We identified \$836 in related expenditures from June 2013 to June 2014."</i>	Refreshments provided at monthly employee recognition ceremonies (employee service awards, employee of the month, etc...) at offsite meeting space.	\$0.64	Allowable under policy
D	<i>"From April 2013 through March 2014, we noted nine lunches totaling \$898 for the Achievers Club...."</i>	Working-lunches to provide candid feedback to the newly elected Official by employee of the month (voted by their peers). This resulted in several policy initiatives undertaken due to direct staff solicitation.	\$13.81	Allowable under policy
E	<i>"In October and November of 2013 purchases totaling \$178 were made for four lunches attended by employees and a consultant."</i>	Working lunches with vendor (engaged to provide financial services for year-end closing) who was on-site to help the Property Appraiser's staff.	\$14.83	Allowable under policy

Total cost of meals and refreshments in question for a 30 month period = \$3,574 (3.79% of all p-card transactions)



/OCPAFL



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