



Joseph M. Centorino, Inspector General

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

DATE: April 19, 2023
PROJECT: Procurement Card Program Audit
OIG No. 23-06
PERIOD: October 1, 2018 – September 30, 2021

The City of Miami Beach Office of the Inspector General (OIG) conducted this audit to determine whether the established internal controls reasonably ensured that tested Procurement Card (P-Card) purchases were for authorized City purposes and complied with the City of Miami Beach Procurement Card Procedures Manual (Procedures Manual) and related Citywide Procedures FI.16.01 (Procurement Card (P-Card) Guidelines), PO.16.02 (Competitive Requirements in the Acquisitions of Goods and Services), and OD.20.01 (Travel on City Business).



INTRODUCTION

The City of Miami Beach P-Card program is designed to improve efficiency in processing

purchases required by City departments, by authorizing approved City employees to acquire certain approved commodities and services without needing a Purchase Order (Citywide Procedure PO.16.02). The program allows the cardholder to purchase approved items directly from vendors that accept the Visa credit card while reducing the time and effort typically associated with ordering and paying for these types of purchases. All purchases made with the P-Card must benefit the City and comply with established Citywide Procedures and all applicable Florida Statutes.

The P-Card program is not intended to replace the City procurement process. All requirements of Citywide Procedure PO.16.02 apply to all purchases completed through a P-Card, including the prohibition on splitting orders to avoid competitive requirements. The cardholder and its respective approvers are responsible for assuring that any credit card purchases comply with its requirements, applicable law, and grant requirements and ensuring funds are available for the purchase.

The SunTrust Bank Enterprise Spend platform showed 42,264 P-Card transactions totaling \$14,464,168.08 were processed during the October 1, 2018 through September 30, 2021 audit period. The following table provides the related total dollar amount of processed transactions in descending order for each named City Department or Division during the 2018/19, 2019/20, and 2020/21 fiscal years. The City's annual fiscal year is October 1st through September 30th.

Department or Division	FY 2018-19	FY 2019-20	FY 2020-21	Total
Fleet Management	\$887,787.98	\$818,234.98	\$719,930.44	\$2,425,953.40
Police	\$862,355.65	\$646,869.19	\$588,760.77	\$2,097,985.61
Parks & Recreation	\$838,343.96	\$601,081.70	\$587,219.16	\$2,026,644.82
Public Works	\$386,402.46	\$307,979.95	\$303,204.46	\$997,586.87
Housing Community Services	\$275,776.16	\$363,381.87	\$321,366.49	\$960,524.52
Property Management - Operations	\$247,710.75	\$444,765.39	\$230,495.24	\$922,971.38
Information Technology	\$344,685.03	\$269,506.64	\$261,123.98	\$875,315.65
Fire	\$255,325.37	\$238,881.47	\$232,746.51	\$726,953.35
Parking	\$146,006.42	\$168,346.27	\$111,736.41	\$426,089.10
City Manager's Office	\$155,041.73	\$75,405.88	\$122,954.59	\$353,402.20
Communications	\$148,879.30	\$91,488.50	\$104,926.89	\$345,294.69
Human Resources	\$90,981.50	\$60,572.89	\$130,023.95	\$281,578.34
Office of the Mayor & Commission	\$92,561.55	\$53,968.45	\$64,027.75	\$210,557.75
Office of The City Attorney	\$71,318.32	\$70,527.61	\$61,748.88	\$203,594.81
Environment & Sustainability	\$66,108.58	\$60,836.83	\$60,478.95	\$187,424.36
Planning	\$79,486.55	\$45,260.17	\$55,538.90	\$180,285.62
Cultural Affairs & Tourism Development	\$56,988.07	\$47,741.69	\$69,280.23	\$174,009.99
Finance Department	\$75,400.23	\$66,058.34	\$31,041.86	\$172,500.43
Emergency Management	\$82,910.30	\$38,459.83	\$46,259.46	\$167,629.59
Code Compliance	\$62,414.63	\$36,959.48	\$66,013.91	\$165,388.02
Building	\$46,663.88	\$42,120.28	\$72,733.50	\$161,517.66
City Clerk	\$53,068.53	\$21,902.95	\$24,678.29	\$99,649.77
Capital Improvement Projects	\$39,070.50	\$21,711.04	\$16,953.52	\$77,735.06
Transportation	\$37,980.98	\$22,982.29	\$16,697.96	\$77,661.23
Office of the Inspector General	\$7,478.30	\$24,326.56	\$20,428.83	\$52,233.69
Procurement	\$17,431.89	\$19,338.16	\$14,197.77	\$50,967.82
Organizational Development	\$9,505.35	\$16,068.00	\$2,439.89	\$28,013.24
Budget	\$8,128.57	\$3,158.54	\$3,412.00	\$14,699.11
Grand Total	\$5,445,812.54	\$4,677,934.95	\$4,340,420.59	\$14,464,168.08

A Financial Analyst III in the Finance Department is the P-Card Administrator and is responsible for the day-to-day management of the program, including the following:

- Review and approval of the P-Card Application/Agreement
- P-Card training for the cardholders and approving officials
- Updates and distribution of the Procedures Manual
- Issuance, replacement, and cancellation of all P-Cards
- Update approved cardholders' credit limits in the City banking system
- Review and update of the system's disapproved Merchant Category Codes (MCC)
- Safeguard P-Card information

The Procedures Manual, updated on February 25, 2020, provides guidance for the approval, issuance, and use of P-Cards. Only individuals who are permanent full-time employees and require a means to effect small dollar purchases for City business are eligible for a P-Card. Eligible employees must fill out and complete the Procurement Card Application/Agreement form. The applicable Department or Division Director (approving officials) review the application and determine the credit limits.

The P-Card Application/Agreement is then forwarded to the P-Card Administrator for review, approval, and processing in the bank web portal. The approved employee must pick-up the P-Card in person from the P-Card Administrator upon showing an official City photo ID. At that time, he/she will receive a 15-minute review and training on the P-Card policy and guidelines, as well as a copy of the Procedures Manual. The signature of the cardholder is required to acknowledge the completion of this process.

As of November 4, 2021, the City had issued 201 P-Cards to employees during the audit period, with most having a monthly credit limit ranging from \$2,500 to \$10,000. A few designated employees were granted a custom limit of up to \$50,000 per month. The following tables depict the designated signature approvals for the approved credit limits and a breakdown of the total number of P-Cards issued to each City Department or Division and its corresponding total credit limit.

Profile	Credit Limit	Signature Approvals
P1	\$2,500	Card Applicant and Department Head
P2	\$5,000	Card Applicant and Department Head
P3	\$10,000	Card Applicant, Department Head and Assistant City Manager
Custom	\$ _____	Card Applicant, Department Head, Assistant City Manager, and City Manager

DEPARTMENT OR DIVISION	TOTAL ISSUED P-CARDS	TOTAL CREDIT LIMIT
PARKS AND RECREATION	48	\$ 220,000.00
POLICE DEPARTMENT	16	\$ 215,326.00
PROPERTY MANAGEMENT	22	\$ 117,501.00
FLEET MANAGEMENT	4	\$ 95,000.00
FINANCE DEPARTMENT	4	\$ 82,500.00
FIRE	20	\$ 82,500.00
PUBLIC WORKS	14	\$ 75,000.00
HOUSING AND COMMUNITY	3	\$ 65,000.00
CITY MANAGER	5	\$ 50,000.00

INFORMATION TECHNOLOGY	7	\$	50,000.00
PARKING	7	\$	35,000.00
OCEAN RESCUE	3	\$	30,000.00
CITY ATTORNEY	3	\$	25,000.00
CITY CLERK	2	\$	25,000.00
SANITATION	4	\$	25,000.00
COMMUNICATIONS	2	\$	22,500.00
HUMAN RESOURCES	6	\$	20,000.00
OFFICE OF THE MAYOR AND COMMISSION	2	\$	20,000.00
PLANNING AND ZONING	2	\$	20,000.00
BUILDING	3	\$	17,500.00
ENVIRONMENT AND SUSTAINABILITY	3	\$	15,000.00
TOURISM AND CULTURE	3	\$	15,000.00
EMERGENCY MANNAGEMENT	3	\$	12,500.00
CAPITAL IMPROVEMENT PROJECTS	2	\$	10,000.00
CODE COMPLIANCE	2	\$	10,000.00
OFFICE OF THE INSPECTOR GENERAL	1	\$	10,000.00
ORGANIZATIONAL DEVELOPMENT	1	\$	10,000.00
PROCUREMENT	3	\$	10,000.00
PUBLIC SAFETY COMMUNICATIONS	3	\$	10,000.00
TRANSPORTATION	1	\$	8,500.00
OFFICE OF MANAGEMENT AND BUDGET	1	\$	5,000.00
ECONOMIC DEVELOPMENT	1	\$	5,000.00
GRAND TOTAL	201	\$	1,413,827.00

The cardholders and respective approvers, are responsible for assuring that credit card purchases comply with the requirements of Citywide Procedure FI.16.01, any applicable law, and any grant requirement, as well as making sure that funds are available for the purchase. Section 1.12.2 of the Procedures Manual states, "Every month the P-Card Administrator will email all departments that the monthly statements are available to be viewed and reconciled in Munis. Cardholders are then responsible for compiling and submitting all receipts and other documentation for their purchases to their department reconcilers. All receipts MUST be attached to the **Purchase Card** Statements and be approved by department heads. Final release and approval of statements in the **Purchase Card Statements** program in Munis must be completed by the date designated by the P-Card Administrator." The Munis system is the current City enterprise resource planning system.

The assigned department reconcilers, per Section 1.18, review and assign General Ledger account numbers for every transaction, upload the original receipt and any relevant documentation, and after completing and releasing the statement for approval, predetermined departmental P-Card approvers must review and approve every P-Card purchase.

In addition to the P-Card program, the City offers an E-Marketplace program for City departments. The E-Marketplace is a system for maximizing the efficiency of maintenance, repair, and operations purchases through a simplified web-based tool that provides access to the pre-discounted competitively bid contract. The City issued 44 E-Marketplace Cards with a total credit limit of \$804,626.00 and individual limits ranging between \$600 and \$200,000 during the audit period. E-Marketplace Cards and the corresponding transactions were not tested as part of this audit due to the program's different requirements and procedures from those pertaining to P-Cards.

OVERALL OPINION

The OIG Auditors performed various analyses of data obtained from the Munis system and the SunTrust Bank Enterprise Spend platform and sampled a relatively low percentage of the numerous P-Card transactions occurring during the audit period. If one were to expand the sample size and perform additional testing, more questionable and undetected P-Card purchases might be identified.

The OIG has concluded that the internal controls associated with issuing, monitoring, and oversight of P-Cards need strengthening. Some recommended improvements include providing more in-depth training for new cardholders, reviewers, and approvers; periodic refresher trainings for all individuals involved in the P-Card process; updating current Citywide Procedures, which contain some vague and incomplete information likely to cause confusion; assigning designated Finance Department personnel to conduct more frequent documented reviews to help mitigate the possibility of misuse; and enforcing available disciplinary actions against repeated non-compliant P-Card holders and approvers. If these and other needed changes are not implemented, the likelihood increases that erroneous and/or improper transactions will occur and not be detected.

The OIG also suggests the City Administration evaluate whether the issuance of 201 P-Cards to permanent employees with various credit limits needs revision. Reductions in the number of issued P-Cards and/or credit limits would help reduce possible misuse, as items purchased through the City procurement process are typically more closely vetted.

OIG and City Administration staff participated in a Microsoft TEAMS meeting to discuss the vehicle use policy and the ongoing P-Card audit. Upon request, the OIG shared its preliminary findings so that the City Administration could examine the identified deficiencies, provide additional supporting documentation, and implement any warranted corrective action. This was followed up by an in-person meeting held by OIG staff with an Assistant City Manager, Acting Chief Financial Officer, and the P-Card Administrator. All the City Administration's supporting documentation have been incorporated into this audit report. This has also led to an ongoing effort by the City Administration to update and revise the Procedures Manual on P-Card usage.

After evaluating all the documentation available, the OIG Auditors identified the following deficiencies during the audit period requiring corrective action:

1. The City made nine duplicate payments to vendors resulting in a \$5,984.92 overpayment.
2. The segregation of duties principle, involving cardholders approving their own purchases, was violated in 208 P-Card transactions, totaling \$75,374.31.
3. Florida Sales Tax was improperly paid by the City on 94 sampled P-Card transactions totaling \$1,356.28.
4. Required supporting documentation, pursuant to the Procedures Manual, was not present in the Munis System relating to two sampled transactions, totaling \$8,317.23.
5. P-Card expenditures, totaling \$236,643.91, were paid by the City, despite being specifically disallowed in Section 1.16 of the Procedures Manual.
6. The Procedures Manual contains vague, incomplete, and undefined general terms likely to cause confusion regarding the validity of some P-Card transactions.
7. Additional P-Card expenditures totaling \$23,581.99, although not expressly prohibited in the Procedures Manual, appear questionable due to the nature of the transactions.
8. 39 P-Card purchases, totaling \$12,387.24, were made from disapproved merchant

category codes that were not blocked in the City Banking System.

SCOPE, OBJECTIVES, AND METHODOLOGY

The primary scope of this audit was to determine whether tested cardholders and respective approvers have complied with the P-Card Citywide Procedure FI.16.01, updated in September 2018, and the Procedures Manual, updated on February 25, 2020. Also, previously implemented internal controls and other documentation were examined for sufficiency, completeness, and accuracy. The audit focused on the following general objectives:

1. To confirm whether tested applicants satisfied the designated requirements to be issued a P-Card.
2. To confirm whether tested P-Card purchases complied with established Citywide Procedures and the P-Card Procedures Manual.
3. To confirm whether tested P-Card expenditures were related directly to a stated business purpose.
4. To confirm whether cardholders maintained adequate supporting documentation for tested purchases, transactions were adequately reconciled to monthly statements, and accurately recorded in the Munis system.
5. To confirm whether appropriate action was taken regarding any identified cardholders who have either misused P-card privileges or violated established requirements.
6. To confirm whether tested monthly reconciliations were reviewed and approved by the corresponding Department or Division Directors or their assignees.
7. To confirm whether sufficient internal controls exist to deter potential misuse, abuse, or fraud.
8. To confirm whether tested P-Card transactions included improper payment of taxes from which the City is exempt from paying. If so, was the transaction questioned, and did the cardholder reimburse the City or obtain credit from the vendor pursuant to Section 1.15 of the Procedures Manual?
9. Other audit procedures as deemed necessary.

The audit methodology included the following:

- Reviewed applicable policies and procedures and relevant sections of the City Code/Charter and Florida Statutes conducive to the completion of the audit objective;
- Interviewed and made inquiries of key staff to gain an understanding of internal controls, assess control risk, and plan audit procedures;
- Performed substantive testing consistent with the audit objectives, including, but not limited to, examination of applicable transactions and records;
- Drew conclusions based on the results of testing, made corresponding recommendations, and obtained auditee responses and corrective action plans; and
- Performed other audit procedures as deemed necessary.

FINDINGS AND RECOMMENDATIONS

The findings and recommendations below include P-Card usage by members of the Office of Mayor and Commission staff who have been issued P-Cards (the Mayor and Commissioners themselves are not issued P-Cards). The OIG could not locate any documentary evidence indicating whether the related Citywide Procedures and Procedures Manual apply to those not working under the City Manager, i.e., the Mayor and Commission and charter departments. The City Administration and the OIG concluded in a January 26, 2023 meeting that staff members of these departments would not be automatically subject to these established procedures.

Each department not working under the City Manager was contacted by the OIG, which determined that the City Attorney, City Clerk, and Inspector General follow the established Citywide Procedures and Procedures Manual related to this audit, although each office retains the discretion to interpret those written procedures. The Chief of Staff for the Office of Mayor and City Commission met with the OIG to discuss the need for established procedures for that office in view of some of its unique circumstances and special occasions, such as the entertainment of foreign dignitaries, and it is in the process of memorializing such procedures.

Instances of possible non-adherence involving such staff members cannot be determined to be in violation of Administration policies. It is recommended that documentation be maintained prospectively by the Finance Department indicating whether the Office of the Mayor and City Commission and charter departments have agreed to follow the established Citywide Procedures and the Procedures Manual. If not, each should be requested to submit the procedures to be followed by its staff in order to facilitate proper oversight.

The OIG and City Administration staff also met to discuss the identified deficiencies contained in this report. The City Administration made the OIG aware of the implementation of related corrective actions to remedy some deficiencies. The OIG did not perform additional testing to determine the appropriateness of these actions but supports the Administration's efforts to strengthen the internal controls in the City P-Card process.

In response to discussions concerning the audit findings with OIG staff, the City Administration issued an email informing that the existing Citywide Procedures were being revised, and the City banking services transitioned, with new P-Cards to be issued. This email is provided in its entirety in the "Update" section located at the end of this audit report.

Responses received from the City Administration regarding all findings below are attached to this report.

1. FINDING: THE CITY MADE NINE DUPLICATE PAYMENTS TO VENDORS RESULTING IN \$5,984.92 OVERPAYMENT.

Duplicate payments to vendors are one of several overpayment errors that can occur within the accounts payable process. Although duplicate payments are not necessarily fraud-related, overpayments represent an organizational vulnerability and a loss of revenue, if undetected.

OIG Auditors compared payments made through P-Cards with those made by City issued check as reflected in the Munis system Accounts Payables module. The parameter used for the comparison was the total invoice amount; therefore, this analysis

would not have captured any transactions in which a City check was issued in combination with more than one invoice or if partial payments were made. Given these limitations, there might have been additional undetected duplicate payments made by the City.

In sum, nine transactions were identified in which the City paid the same invoice twice, resulting in overpayments totaling \$5,984.92 (see the table below). All transactions were paid originally by P-card and then were subsequently paid again by City issued check. No evidence was provided to the OIG Auditors showing that either the City or the listed vendors were aware of any of these duplicate payments and initiated any corrective actions.

DEPARTMENT OR DIVISION	INVOICE #	VENDOR	AMOUNT	CHECK #	CHECK DATE	P-CARD STATEMENT ID #
FLEET MANAGEMENT	400959462	Xylem Dewatering Solutions Inc.	\$ 3,380.32	445583	11/7/2019	10567
POLICE DEPARTMENT	9821864626	Cellco Partnership	\$ 1,068.15	435380	2/5/2019	7453
PARKS AND RECREATION	122226	Above All Garage Doors	\$ 325.00	463087	5/20/2021	14351
FLEET MANAGEMENT	401046533	Xylem Dewatering Solutions Inc.	\$ 313.71	457434	11/17/2020	13149
PARKS AND RECREATION	197094	Friendly John Inc.	\$ 300.00	431822	10/11/2018	6720
POLICE DEPARTMENT	RT170128	Roadsafe Traffic Systems, Inc.	\$ 300.00	436943	3/19/2019	8440
FLEET MANAGEMENT	400995038	Xylem Dewatering Solutions Inc.	\$ 129.72	450304	3/24/2020	11646
FIRE	8027135	Fisher Scientific Company LLC	\$ 85.84	450032	3/19/2020	11133
FLEET MANAGEMENT	11498045	Altec Industries, Inc.	\$ 82.18	458379	12/24/2020	12836
			Total: \$ 5,984.92			

Recommendation(s):

The Finance Department should establish and follow a documented procedure to reduce the risk of duplicate payments. It should contain, at a minimum, the following recommended provisions: (1) a process to recover duplicate payments; (2) identification of the employee responsible for the recovery process; (3) when attempted recovery should begin; (4) how vendors should be notified; and (5) how to document the recovery efforts.

2. FINDING: THE SEGREGATION OF DUTIES PRINCIPLE, INVOLVING CARDHOLDERS APPROVING THEIR OWN PURCHASES, WAS VIOLATED IN 208 P-CARD TRANSACTIONS TOTALING \$75,374.31.

Segregation of duties (SOD) is an important internal control and an essential component of an effective risk management strategy. SOD emphasizes sharing the responsibilities of key business processes by distributing the discrete functions of these processes to multiple people and departments, helping to reduce the risk of possible errors and fraud.

Section 1.12 of the Procedures Manual states, "Transactions are uploaded into the **Purchase Card Statements** program in Munis on a monthly basis. They must be reviewed and verified by the assigned department reconcilers." Furthermore, the Frequently Asked Questions (FAQ) section included in Appendix A states as follows:

What if my Supervisor is out-of-office and I cannot get my card transaction verifications approved by the deadline?

Answer: Supervisors should delegate their approvals before leaving for extended periods. The next level supervisor may be able to manage the delegations for the absent

supervisor. Any changes need to be communicated to 'Munis Access Request' at MunisAccessRequest@miamibeachfl.gov.

OIG Auditors identified 208 P-card transactions totaling \$75,374.31 in which cardholders approved their own purchases. To ensure a proper SOD, cardholders should not approve their own transactions involving key functions such as making, authorizing, and reviewing purchases. Failure to provide a proper SOD potentially exposes the City to the misuse of funds and inappropriate use of P-Cards.

Every month, the transactions are uploaded into the Munis system Purchase Card Statement program. Once the statement is released in Munis, a Statement ID is assigned. Testing determined that cardholders from Fleet Management, Fire Training, Communications, Housing and Community Development, and Tourism and Culture Departments reviewed and approved their P-Card statements in the Munis system.

The P-Card Administrator researched the deficiencies and concluded that the related approval queues were initially properly created in the Munis system. The deficiencies occurred when an approver was not in the office. The corresponding Department or Division would then request that the approval queue be changed to compensate for the absence of the employee. However, the changes performed resulted in the cardholder's being able to approve his/her P-Card purchases in violation of the SOD principle, as shown in the following table:

Statement ID	Cardholder Employee Number	Department or Division	Statement Amount	Number of Transactions
15277	20624	HOUSING AND COMMUNITY	\$30,466.24	131
15430	20624	HOUSING AND COMMUNITY	\$16,643.48	7
15088	20624	HOUSING AND COMMUNITY	\$7,698.07	14
14727	20347	COMMUNICATIONS	\$7,660.98	24
14896	20624	HOUSING AND COMMUNITY	\$4,931.74	13
13329	18823	FLEET MANAGEMENT	\$4,430.89	4
8903	16982	TOURISM & CULTURE	\$1,417.18	11
14354	18156	FIRE TRAINING	\$1,274.99	2
14933	18156	FIRE TRAINING	\$850.74	2
Total:			\$75,374.31	208

These transactions were given to the City Administration to determine their legitimacy and compliance with approved Citywide Procedures and the Procedures Manual. Insufficient information has been furnished to the OIG Auditors related to these identified transactions to resolve this issue.

Recommendation(s):

Department or Division Directors requesting changes to the established Munis system P-Card approval queue should ensure that a proper SOD be maintained after the changes are implemented. The cardholder should never be able to approve his/her own P-Card purchases, and this requirement should be added to the Citywide Procedures.

Also, the City Administration should complete its examination regarding the 208 identified P-Card transactions, totaling \$75,374.71, to determine the legitimacy of each purchase. Appropriate action should be taken regarding any verified unpermitted purchases.

3. FINDING: TAX WAS IMPROPERLY PAID BY THE CITY ON 94 SAMPLED P-CARD TRANSACTIONS TOTALING \$1,356.28.

Citywide Procedure FI.16.01 states, “The City is exempt from paying any State of Florida sales and or use tax, even if the purchase is made with the P-Card. Cardholders are required to present the tax-exempt certificate to the merchant before payment.” In addition, Section 1.12.1 of the Procedures Manual states, “Cardholders are responsible for ensuring receipt of merchandise and following up with suppliers to resolve any sales tax charges, delivery problems, discrepancies, or damaged merchandise.”

In addition, Section 1.15 states, “The City of Miami Beach is tax exempt and should not be charged sales tax for charges in the State of Florida. **IT IS THE CARDHOLDER’S RESPONSIBILITY TO MAKE SURE THEY ARE NOT CHARGED SALES TAX.** The cardholder is responsible to obtain credit for sales tax charges. A copy of the sales tax-exempt certificate can be obtained on page 41 of this manual, or by contacting the P-Card Administrator. Note: The cardholder is responsible for reimbursing the City or obtaining credit from the vendor for any sales tax charges.”

OIG Auditors reviewed all P-Card purchases present on 89 randomly selected Statement IDs, many of which contained numerous P-Card purchase transactions. It was subsequently determined that 94 transactions included sales tax totaling \$1,356.28 (see the table below), contrary to Citywide Procedure FI.16.01. Most of these related transactions involved the payment of sales taxes on food and beverage. No evidence was found indicating that the Finance Department was aware of these errors, or that any action was taken to recover any of the sales taxes paid.

DEPARTMENT OR DIVISION	# TRANSACTIONS	SALES AMOUNT	TAX CHARGED
OFFICE OF THE MAYOR AND COMMISSION	33	\$ 7,604.18	\$ 798.34
POLICE DEPARTMENT	23	\$ 5,182.44	\$ 306.13
CITY MANAGER	7	\$ 939.12	\$ 89.09
PUBLIC WORKS- STREETS	3	\$ 408.93	\$ 36.51
BUILDING	5	\$ 347.20	\$ 24.54
HUMAN RESOURCES	4	\$ 317.61	\$ 25.00
CITY ATTORNEY	6	\$ 260.25	\$ 22.94
PROPERTY MANAGEMENT	2	\$ 254.43	\$ 22.90
COMMUNICATIONS	5	\$ 178.80	\$ 11.09
PUBLIC SAFETY COMMUNICATIONS	2	\$ 159.55	\$ 6.04
SANITATION	1	\$ 103.35	\$ 0.56
FLEET MANAGEMENT	1	\$ 93.00	\$ 8.01
FIRE RESCUE	1	\$ 40.71	\$ 3.66
TOURISM AND CULTURE	1	\$ 19.00	\$ 1.47
GRAND TOTAL	94	\$ 15,908.57	\$ 1,356.28

Recommendation(s):

The City Administration should decide whether any action should be taken pursuant to SOP FI.16.01 to obtain reimbursement for incorrectly paid sales taxes in P-Card purchases. All individuals involved in the processing of P-Cards including the cardholders, assigned reviewers, approvers, Department or Division Directors, designated Finance Department staff should be instructed to scrutinize future P-Card purchases to help prevent similar errors from occurring.

Any noted future deficiencies should be documented and provided periodically to the Chief Financial Officer and City Administration. Repeat offenders should be required to attend refresher trainings.

4. FINDING: NO SUPPORTING DOCUMENTATION, AS REQUIRED BY THE PROCEDURES MANUAL, WAS FOUND IN THE MUNIS SYSTEM RELATED TO TWO SAMPLED TRANSACTIONS, TOTALING \$8,317.23.

Procedures Manual Section 1.12.2 states as follows: *Every month, the P-Card Administrator will email all department reconcilers that the monthly statements are available to be viewed and reconciled in Munis. Cardholders are then responsible to compile and submit all receipts and other documentation for their purchases to their department reconcilers. All receipts MUST be attached to the **Purchase Card Statements** program in Munis and be approved by department heads.*

In addition, Section 1.13 states: *Scans of original receipts **MUST** be attached when completing and submitting the P-Card reconciliations in the **Purchase Card Statements** program in Munis. If the receipt is not available, the cardholder or reconciler must complete the “Missing Receipt Documentation Form” (page 38). The “Missing Receipt Documentation Form” must be signed by the Department head (or designee.) Failure to submit receipts as an attachment with each transaction may be grounds for cancellation of the P-Card and disciplinary action in accordance with Section 1.17. **If a cardholder regularly misplaces their receipts and uses the “Missing Receipt Documentation Form,” the Finance Department may reach out to the cardholder’s department head to notify them of the recurrence.***

From the 89-Statement IDs transactions reviewed, OIG Auditors found that Statement ID #8417 related to the Police Chief’s Office included the following two transactions, totaling \$8,317.23, without the required supporting documentation or a “Missing Receipt Documentation Form.”

STATEMENT ID	DEPARTMENT OR DIVISION	TRANSACTION DATE	VENDOR NAME	DESCRIPTION	AMOUNT	TAX	TIP/Service Charge/Shipping	TOTAL
8417	POLICE CHIEF OFFICE	5/28/2019	Loews Hotel	Expenditures for 2019 Dade Chiefs Dinner	\$ 5,825.63	\$ -	\$ -	\$ 5,825.63
8417	POLICE CHIEF OFFICE	5/16/2019	Loews Hotel	Payment to the Loews Hotel for Dade Chief's Dinner	\$ 2,491.60	\$ -	\$ -	\$ 2,491.60
								<u>\$ 8,317.23</u>

Although the described purpose of these expenditures appears to be legitimate, no additional supporting documentation, as required by the Procedures Manual, e.g., invoices or correspondence related to the event, or a “Missing Receipt Documentation Form,” was provided to the OIG Auditors in support of these two P-Card purchases.

Recommendation(s):

As part of the review/approval process, designated City employees should verify that sufficient supporting documentation is attached to the P-Card Statement, which may include a completed “Missing Receipt Documentation Form.” If not provided, the

transaction should not be approved and should be returned to the cardholder for corrective action.

Repeated noncompliant cardholders should be required to attend additional refresher trainings, and P-cards may be revoked if the behavior is not altered. The City may consider reimbursement in cases involving unsupported expenditures. Furthermore, the Finance Department should record all non-compliant P-Card behavior to provide an audit trail in support of any disciplinary actions taken.

5. FINDING: P-CARD EXPENDITURES, TOTALING \$236,643.91, WERE PAID BY THE CITY DESPITE BEING SPECIFICALLY DISALLOWED IN SECTION 1.16.1 OF THE PROCEDURES MANUAL.

Section 1.16.1 of the Procedures Manual, updated on February 25, 2020, provides the following examples of misuse:

- *Any purchase not in compliance with the aforementioned requirements or City policy, including, but not limited to, non-authorized purchases, personal (non-City business related) purchases, or the purchase of the following:*
 - *Alcoholic beverages*
 - *Gift Cards*
 - *Miscellaneous travel expenses such as meals, tolls, etc.*
 - *Salary or monetary rewards*
 - *Beautification and decoration accessories (except for public areas)*
 - *Taxes, late penalties/fees, and interest charges.*
 - *Cash advances.*
 - *Gifts, Flowers, etc., for employees for any occasion.*
 - *Special day lunches (Ex: Secretaries Day, Birthdays, Retirements, etc.)*
 - *Personal lunch (Business lunches must include a clear description of business purpose and be included in the supporting documentation.*
- *Circumventing card program requirements. (For example, splitting orders to circumvent transaction limits.)*
- *Lending or transfer of an individual card to anyone other than the cardholder.*
- *Multiple charges of sales tax by the same cardholder.*

The Procedures Manual further provides as follows: **“MISUSE OF CARD PRIVILEGES OR VIOLATION OF ANY REQUIREMENT SET FORTH HEREIN MAY RESULT IN SUSPENSION OR CANCELLATION OF THE USER’S P-CARD, AND/OR DISCIPLINARY ACTION UP TO AND INCLUDING TERMINATION.”**

OIG Auditors identified the purchases below, separated by category, in which sufficient documentation was not found and/or transactions appear to be contrary to Section 1.16.1, Appendix A, and the Procedures Manual. All OIG questioned transactions were furnished to the City Administration for their examination and assessment. Any corroborating documentation subsequently provided to the OIG Auditors was evaluated, and, in appropriate instances, the finding revised.

A. SUNPASS OR OTHER TOLL CHARGES TOTALING \$26,359.44

Section 1.16.1 of the Procedures Manual specifically excludes miscellaneous

travel expenses such as meals, tolls, etc. In addition, Citywide Procedure OD.20.01 Travel on City Business states as follows:

Each City official, employee, or contracted consultant authorized to travel to attend a convention, conference, or meeting to conduct bona fide City business, which serves a direct, official, and lawful purpose shall be reimbursed for reasonable and necessary expenses while attending such meeting or conducting such business per Resolution No. 2015-28902.

Reasonable and necessary travel expenses such as flights, lodging, rental cars and conference registrations should be charged/paid for using City issued purchasing cards (P-cards) to minimize the need for employees to carry travel expenses. Miscellaneous expenses, such as meals, tolls, etc., should not be charged using a P-card but should be requested for reimbursement after travel is complete. Doing so should avoid a situation where an employee has to pay the City for all or a portion of non-eligible travel expenses.

OIG Auditors identified 1,081 transactions totaling \$26,359.44 associated with merchant codes related to SunPass or other toll charges during the October 1, 2018, through September 30, 2021, audit period. Most of these transactions did not include a clear description of the work-related travel when reconciled in the Munis system. A few questioned City Departments or Divisions claimed that the employees were directed to take their vehicles home to make parking more accessible to the public during high impact periods such as the Super Bowl, Art Basel, etc. However, the supporting documentation provided did not include an authorization by the City Administration to confirm this assertion.

In addition, some City Departments or Divisions claimed it is not a violation of either the Procurement Card (P-card) Guidelines (FI.16.01) or the Travel on City Business Policy (OD.20.01) to use a City-issued P-Card to pay for SunPass tolls related to routine and customary work-related travel in the performance of an employee's job duties.

However, Section 1.16.1, Appendix A of the Procedures Manual, and Citywide Procedure OD.20.01 does not define routine work-related travel or authorize payment with P-Card for tolls incurred during routine work-related travel in the performance of an employee's job duties outside City limits.

OIG Auditors did not determine whether the SunPass or other tolls paid were incurred during regular working hours and/or related to business purposes. The supporting documentation reviewed did not always include a description of the purpose of the travel. The determination needs to be made at the Department or Division level and then sufficiently documented in the Munis system to provide a proper audit trail.

The following table provides the related totals for each City Department or Division during the audit period, presented in descending order based on the total dollar amount of SunPass or other toll charges.

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
PUBLIC WORKS	547	\$11,573.66
BUILDING	84	\$3,259.41
FACILITIES AND FLEET MANAGEMENT	56	\$2,341.49
POLICE DEPARTMENT	33	\$1,758.07
HOUSING AND COMMUNITY	40	\$1,634.68
PARKS AND RECREATION	36	\$1,524.94
CODE COMPLIANCE	8	\$896.61
CITY MANAGER	68	\$869.48
FIRE	40	\$686.32
ENVIRONMENT AND SUSTAINABILITY	35	\$393.67
INFORMATION TECHNOLOGY	22	\$375.01
CAPITAL IMPROVEMENT PROJECT	20	\$297.59
PARKING	57	\$294.34
TRANSPORTATION	14	\$147.12
HUMAN RESOURCES	11	\$145.14
PLANNING AND ZONING	1	\$60.00
CITY CLERK	5	\$50.00
TOURISM AND CULTURE	3	\$46.41
COMMUNICATIONS	1	\$5.50
GRAND TOTAL	<u>1081</u>	<u>\$26,359.44</u>

The questioned SunPass and toll charges were furnished to the City Administration for examination and assessment concerning each transaction's validity. Evidence was subsequently provided to the OIG, indicating that two employees in the City Manager's Office reimbursed the City a total of \$324.95 in February and March of 2021 related to SunPass drive home charges (prior to the start of this audit).

The Citywide procedure on City Vehicle Assignment, Operation and Maintenance HR.03.01, was updated in February 2022. One of the changes was to state the following: "A City issued SunPass may not be used to access express lanes or toll roads for travel to and from work, or for personal use. It also states, "Use of SunPass is restricted to the business use of the vehicle."

B. GIFT CARDS TOTALING \$194,757.15

Both Section 1.16.1 and Appendix A of the Procedures Manual specifically state that gift cards should not be purchased through P-Cards. However, OIG Auditors identified 82 transactions totaling \$194,757.15 associated with the purchase of gift cards by the following City Departments or Divisions:

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
CITY MANAGER	7	\$104,976.47
HUMAN RESOURCES	28	\$47,504.50
HOUSING AND COMMUNITY	1	\$19,200.00
POLICE DEPARTMENT	24	\$18,612.19
OFFICE OF THE MAYOR AND COMMISSION	7	\$1,679.15
PARKS AND RECREATION	10	\$1,359.77
BUILDING	3	\$1,322.14
FACILITIES AND FLEET MANAGEMENT	2	\$102.93
GRAND TOTAL	<u>82</u>	<u>\$194,757.15</u>

The supporting documentation for the reviewed gift card transactions contained notations indicating that they were related to grocery gift cards, Wellness gift cards, gift cards for vaccinated employees, gift cards issued to Building Learn and Reward Pop Quiz recipients, gift cards for Team Building Events, Emergency Food, and necessities for victims of major crimes and tragedies, etc. Although such gift cards may have been used for legitimate purposes, buying them with a P-Card contradicts Section 1.16.01 and Appendix A.

Furthermore, the OIG Auditors did not perform testing to determine whether all gift cards were properly distributed to eligible employees and/or residents for the stated purposes, as an objective of this audit was to verify the proper usage of tested P-Card purchases with Citywide Procedures, rather than the appropriateness of the P-Card transaction.

All related transactions were furnished to the City Administration. All subsequent information received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The above-noted remaining deficiencies represent a consensus reached between the City Administration and the OIG.

C. GIFTS, FLOWERS, ETC. FOR EMPLOYEES TOTALING \$6,604.62

Section 1.16.1 specifically identifies gifts, flowers, etc. for employees for any occasion as an example of misuse of a City issued P-Card. However, OIG Auditors identified 13 Department or Division transactions, totaling \$6,604.62, associated with purchasing gifts, flowers, etc. for employees (see the table below).

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
POLICE CHIEF OFFICE	5	\$5,045.92
PUBLIC SAFETY COMMUNICATIONS	2	\$1,070.95
BUILDING	4	\$281.80
CITY MANAGER	1	\$125.00
OFFICE OF THE MAYOR AND COMMISSION	1	\$80.95
GRAND TOTAL	<u>13</u>	<u>\$6,604.62</u>

All related transactions were furnished to the City Administration. All subsequent evidence received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The remaining deficiencies noted above, represent a consensus reached between the City Administration and the OIG.

D. SPECIAL DAY LUNCHESES TOTALING \$4,055.85

Although Section 1.16.1 specifically excludes using P-Cards from purchasing Special Day lunches (ex: Secretaries Day, Birthdays, Retirements, etc.), OIG Auditors identified 18 related transactions totaling \$4,055.85 (see the table below). Examples include purchases related to Employee Appreciation Day, Birthdays, Employee Recognition Programs, Memorial Day Weekend, and retirement parties.

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
OFFICE OF THE MAYOR AND COMMISSION	2	\$1,614.00
POLICE CHIEF OFFICE	5	\$1,374.72
BUILDING	7	\$712.77
PUBLIC SAFETY COMMUNICATIONS	2	\$159.55
ORGANIZATIONAL DEVELOPMENT	1	\$149.99
CODE COMPLIANCE	1	\$44.82
GRAND TOTAL	<u>18</u>	<u>\$4,055.85</u>

All related transactions were furnished to the City Administration to determine the validity of each associated transaction. All subsequent evidence received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The remaining deficiencies noted above, represent a consensus reached between the City Administration and the OIG.

E. ALCOHOLIC BEVERAGES TOTALING \$251.51

Section 1.16.1 lists the purchase of alcoholic beverages as an example of misuse of a City issued P-Card. However, OIG Auditors identified four transactions from the Office of the Mayor and Commission and Building Department totaling \$251.51 associated with purchasing alcoholic beverages for Employee Appreciation Day, Sister Cities events, and the Potential Client Hosting Conference at the City.

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
OFFICE OF THE MAYOR AND COMMISSION	3	\$211.17
BUILDING	1	\$40.34
GRAND TOTAL	<u>4</u>	<u>\$251.51</u>

All related transactions were furnished to the City Administration to determine their validity. All subsequent evidence received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The remaining deficiencies noted above, represent a consensus reached between the City Administration and the OIG.

F. PERSONAL AND BUSINESS LUNCHES, TOTALING \$4,273.91, LACKING A CLEAR DESCRIPTION OF BUSINESS PURPOSE

Section 1.16.1 lists personal lunches (business lunches must include a clear description of business purpose and be included in the supporting documentation) as an example of misuse of P-Cards. OIG Auditors identified 45 transactions associated with purchasing food, groceries, or meals without a clear description of the business purpose (see table below).

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
OFFICE OF THE MAYOR AND COMMISSION	8	\$989.63
POLICE DEPARTMENT	3	\$657.73
BUILDING	5	\$651.24
PUBLIC WORKS	4	\$620.79
CITY ATTORNEY	7	\$273.49
CITY MANAGER	9	\$256.81
PROPERTY MANAGEMENT	2	\$254.43
PROCUREMENT	2	\$173.32
HUMAN RESOURCES	1	\$168.66
FLEET MANAGEMENT	1	\$93.00
CODE COMPLIANCE	1	\$75.10
FIRE RESCUE	1	\$40.71
TOURISM AND CULTURE	1	\$19.00
GRAND TOTAL	<u>45</u>	<u>\$4,273.91</u>

Although the Procedures Manual does not define a business lunch, Internal Revenue Service (IRS) Notice 2018-76 under chapter 274 of the Internal Revenue Code, defines business meals as "Food and beverages provided to a current or potential business customer, client, consultant, or similar business contact."

All transactions were furnished to the City Administration to determine their validity. All subsequent evidence received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The remaining deficiencies, noted above, represent a consensus reached between the City Administration and the OIG.

G. RED LIGHT VEHICLE VIOLATION TOTALING \$162.95

Section 1.16.1 states that taxes, late penalties/fees, and interest charges are an example of a non-authorized P-Card transaction. The OIG Auditors initially identified five transactions associated with red-light ticket violations paid with P-Cards. The City Administration provided sufficient evidence verifying that four red-light ticket violations totaling \$651.80 and initially paid by the Building Department were reimbursed by its corresponding employees. These reimbursements were made during February and March 2019, prior to the start of this audit, through the processing of Miscellaneous Cash Receipts. However, one violation issued to an Environment and Sustainability employee for \$162.95 had not been repaid as of December 2022.

The questioned red-light ticket violation was furnished to the City Administration. The OIG was subsequently informed by the Administration that this Environment and Sustainability Department employee is no longer employed by the City and the \$162.95 was deemed uncollectible.

H. BEAUTIFICATION OR DECORATION ACCESSORIES (EXCEPT FOR PUBLIC AREAS) TOTALING \$178.48

Section 1.16.1 specifically states that beautification and decoration accessories (except for public areas) are not to be purchased with P-Cards. OIG Auditors identified a P-Card transaction in which the Police Chief's Office purchased \$178.48 in Christmas decorations.

DEPARTMENT OR DIVISION	# TRANSACTIONS	AMOUNT
POLICE CHIEF OFFICE	1	\$178.48
GRAND TOTAL	<u>1</u>	<u>\$178.48</u>

The questioned purchase was furnished to the City Administration. All subsequent evidence received was evaluated for sufficiency by the OIG Auditors and any warranted adjustments were made. The above-noted remaining deficiencies represent a consensus reached between the City Administration and the OIG.

Recommendation(s):

P-Card purchases should comply with the approved related Citywide Procedures and/or Procedures Manual. Alternatively, the City Administration may consider revising either of these documents to include a provision allowing the stated terms to be overridden by documented approval of the City Manager prior to the purchase.

Predetermined Department or Division P-Card approvers and designees should closely review all transactions to determine whether they are related to City business and serve a direct, official, and lawful purpose for reasonable and necessary expenses of conducting City business. If the required criteria are not satisfied, the cardholder and the P-Card Administrator should be immediately notified. In addition, the City Administration should determine whether a cardholder should be subject to cancellation of his/her P-Card and/or other disciplinary action, pursuant to Citywide Procedures and/or Procedures Manual.

6. FINDING: THE PROCEDURES MANUAL CONTAINS VAGUE, INCOMPLETE, AND UNDEFINED GENERAL TERMS, WHICH MAY CAUSE CONFUSION REGARDING THE VALIDITY OF SOME P-CARD TRANSACTIONS.

OIG Auditors noted that the Procedures Manual was, in some instances, vague, incomplete, or contained undefined general terms subject to differing interpretations. For example, there is no description of the transaction thresholds or definitions for such terms as small-dollar items, business lunches, gifts, public areas, business purposes, routine and customary work-related travel, etc. Furthermore, neither the pertinent Citywide Procedures nor the Procedures Manual address whether cardholders may pay tips/gratuities or up to some limit, make charitable contributions to not-for-profit institutions, or buy special events tickets.

The OIG Auditors also identified weaknesses in specific areas such as policy, monitoring, and training, which reduces program efficiency and increases the risk that unauthorized purchases by cardholders will not be detected.

In addition, OIG Auditors requested that Human Resources Department management provide its Standard Operating Procedure (SOP) related to the separation of an employee from the City due to resignation, termination, or retirement. After evaluation of the SOP received by e-mail, the OIG Auditors concluded that it did not establish a process to inform the Finance Department to deactivate the P-Card upon the employee's separation from the City.

Recommendation(s):

The pertinent Citywide Procedures as well as the Procedures Manual should be revised to define terms, reduce ambiguities, address the usage of P-Cards to donate monies to other organizations or charities, buy event tickets, and the amount of allowable tips or gratuities. Also, the Human Resources Department should update its SOP concerning timely notification of the Finance Department of the termination of any employee so that P-Cards can be promptly deactivated.

7. FINDING: EXPENDITURES TOTALING \$23,581.99, ALTHOUGH NOT EXPRESSLY PROHIBITED IN THE P-CARD PROCEDURES MANUAL, APPEAR QUESTIONABLE DUE TO THE NATURE OF THE TRANSACTIONS.

Section 1.2 of the Procedures Manual states as follows:

The City of Miami Beach P-Card is for City business purposes only. All purchases made with the P-Card must benefit the City in some way and must be authorized by each Department.

NO PERSONAL CHARGES ARE ALLOWED. *Doing so will be considered misuse. Misuse of card privileges or violation of any requirement set forth herein may result in suspension, cancellation of the user's P-Card, and/or disciplinary action up to and including termination.*

OIG Auditors noted that the nature of the following transactions, although not expressly prohibited, appear to be questionable in the absence of clear substantiation:

- **CHARITABLE CONTRIBUTIONS TOTALING \$13,480.00**
OIG Auditors identified four transactions from the Office of the Mayor and City Commission totaling \$13,480.00, associated with such not-for-profit organizations as Latin Builders Association (LBA) Community Foundation, Equity Florida Institute, Aids Walk Miami, and LGBTQ Sponsorship. All the contributions were paid with the P-Card of a departmental employee.
- **TRANSACTIONS, TOTALING \$7,289.01, WITHOUT A PROPER DESCRIPTION OF THE GOODS OR SERVICES RECEIVED**
OIG Auditors identified two transactions totaling \$7,289.01 associated with an employee recovery program and a flower delivery to a resident.

DEPARTMENT	# TRANSACTIONS	AMOUNT
POLICE CHIEF OFFICE	1	\$ 7,213.06
OFFICE OF THE MAYOR AND COMMISSION	1	\$ 75.95
GRAND TOTAL	<u>2</u>	<u>\$ 7,289.01</u>

- **GRATUITY (TIP) OR SERVICE CHARGES TOTALING \$1,125.24**
OIG staff identified 47 transactions totaling \$1,125.24 associated with gratuity or service charges paid with P-Card. Although it is common practice to pay gratuity

or services charges when eating at a restaurant or when ordering food to be delivered, the Citywide Procedures do not specify whether it is acceptable to pay the gratuity with the P-Card and whether there is a maximum cap (ex. 20% of the purchase price).

- SPECIAL EVENTS TICKETS TOTALING \$823.92**
 OIG Auditors identified four transactions paid by the P-Card of an employee of the Office of the Mayor and City Commission, totaling \$823.92 and associated with the purchase of tickets for such events as Halloween Ball Disco Dance Party, Miami New Drama, LGBT - Sage and Friends Miami Tickets, and Gay 8 Festival VIP.

Recommendation(s):

Cardholders, reviewers, approvers, or their designees should scrutinize all transactions to validate whether they are eligible and serve a direct, official, and lawful purpose as the reasonable and necessary expenses of conducting business. If any transaction is related to a non-eligible expenditure, the P-Card reviewer or approver should follow the established guidelines for timely notification of all relevant parties of the identified deficiency. Once the deficiency is verified, the available disciplinary actions in the Citywide Procedures as well as the Procedures Manual may be utilized.

8. FINDING: 39 P-CARD PURCHASES, TOTALING \$12,387.24, WERE MADE FROM DISAPPROVED MERCHANT CATEGORY CODES THAT WERE NOT BLOCKED IN THE CITY BANKING SYSTEM.

Credit card processors assign four-digit numbers called merchant category codes to describe a merchant’s primary business activities. The IRS website states, “In general, this revenue procedure (Rev. Proc. 2004-43) classifies businesses by Merchant Category Codes (MCCs) according to whether they predominantly furnish services (for which payments are reportable) or predominantly provide goods (for which payments are not reportable). A payment card organization may assign MCCs, or equivalent Industry Codes, to merchant/payees that accept its payment cards and notify cardholder/payors that use its payment card of the MCC or equivalent Industry Code assigned to a merchant/payee.”

To prevent violations, the Finance Department requested SunTrust Bank to decline or block P-Card purchases made by businesses with disapproved MCCs during the audit period. Section 1.3 of the Procedures Manual identifies a list of disapproved MCCs followed by a short description and their corresponding Category Group. However, the OIG Auditors identified 39 P-Card purchases made from eight disapproved MCCs during the audit period (see the table below).

MCC #	MCC DESCRIPTION CATEGORY GROUP	UNALLOWABLE MCCs FOUND	TOTAL AMOUNT
5921	PKG STORES/BEER/WINE/LIQUOR EATING AND DRINKING PLACES	2	\$1,073.48
5944	JEWELRY STORES RETAIL	1	\$1,059.30
5960	DIRECT MARKETING INSURANCE SVC BUSINESS SERVICES	1	\$60.00
5976	ORTHOPEDIC GOODS MEDICAL	1	\$188.85
7298	HEALTH & BEAUTY SPAS ENTERTAINMENT	1	\$700.00
7519	MOTOR HOME/RV RENTALS AUTO/VEHICLE RENTALS	1	\$1,775.00
8661	RELIGIOUS ORGANIZATIONS MISCELLANEOUS	1	\$420.00
9211	COURT COSTS/ALIMONY/SUPPORT MISCELLANEOUS	31	\$7,110.61
	Totals:	39	\$12,387.24

Recommendation(s):

The Finance Department should request the City contracted bank to decline or block all P-Card purchases of businesses containing disapproved MCCs listed in Section 1.3 of the Procedures Manual. As a compensating internal control, P-Card reviewers and approvers should validate that all purchases submitted for reimbursement comply with all requirements, including those in Section 1.3 of the Procedures Manual.

ADMINISTRATION ACTIONS TAKEN IN CONCERT WITH AUDIT DISCUSSIONS

In context of the OIG's consultations with the City Administration related to this P-Card audit, as well as to changing banking services from SunTrust/Truist to JP Morgan Chase Bank, the Acting Chief Financial Officer sent out an email on February 8, 2023 to all employees involved in the P-Card process. These changes helped resolve some deficiencies identified during this audit with the previously adopted Citywide Procedures and listed the related procedures or cardholders to access and use the soon to be issued new P-Cards. The email states as follows:

Pursuant to RFQ # 2021-090-KB for various banking services and subsequent contract with JP Morgan Chase Bank, the current p-cards will be replaced with JPM p-cards. The Finance Department is currently in the migration and testing stages and project to go live in March or April 2023. Below are some very important things that you should know:

For cardholders:

- *You will receive a JPM p-card to replace your SunTrust/Truist card.*
- *You will be informed when you can pick up your card in the Finance Department or can schedule a delivery to you.*
- *Cards cannot be picked up on your behalf.*
- *We will let you know when to start using your JPM card.*
- *At the time of receiving your card you will have to sign an acceptance/ certification form.*
- *At the time of receiving your card you will receive the p-card policy.*

For reconcilers:

- *You will receive an email from JPM with login information and letting you know that you were added to the p-card portal. The portal is PaymentNet.*
- *You will receive an updated procedures manual from the Finance Department.*
- *We will be given training on how to log on and download statements from PaymentNet.*
- *PaymentNet contains on-line training videos and other knowledge sharing documents to you.*
- *The Munis process will remain the same.*

We are working on updating the P-card procedure and manual to incorporate JPM processes and clarify areas of concern. The "P-Card Procedures Manual" was last updated in February of 2020. In the meantime, I would like to highlight some important points of the current manual that remain in effect and have been troublesome in the past:

- *The p-card should only be used for City business purposes. All purchases made with the P-card must benefit the City in some way and must be authorized by each*

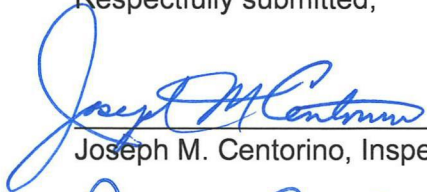
department head or designee. The City business purpose must be documented on the receipt and on the P-Card statement.

- A p-card holder is prohibited from approving the holder's own p-card statement. Be careful when forwarding approvals in your absence, to ensure you are not forwarding to the original P-card user for approval.
- Transactions are loaded into Munis on a monthly basis. Approvers are responsible for the following:
 1. Ensuring that appropriate receipts are attached for each transaction
 2. Ensuring that no Florida sales tax is being charged. If vendor does not accept the Florida sales tax exempt certificate, a note should be added to the receipt, including why that vendor .
 3. Ensuring that reimbursements are made when necessary.
 4. Ensure that duplicate payments are not made via a different payment method.
 5. Ensuring that transaction is an allowable p-card purchase. Under the current procedures, the following are examples of misuse:
 - Alcoholic Beverages
 - Gift Cards [note we will be modifying the procedure in the future for very limited uses – in the meantime, the City Manager's signature must be obtained in advance of purchase, for each specific purchase]
 - Miscellaneous travel expenses such as meals, tolls, etc. (See Travel on City Business AD.20.01)
 - Salary or monetary rewards
 - Beautification and decorating accessories (except for public areas).
 - Taxes, late penalties/fees and interest charges.
 - Cash advances.
 - Gifts, flowers, etc. for employees for any occasion.
 - Special day lunches (Ex: Administrative assistant day, birthdays, retirements, etc.)
 - Personal lunch (Business lunches must include a clear description of business purpose and be included in the supporting documentation).
 - Circumventing card program requirements (For example: splitting orders to circumvent transaction limits)
 - Lending or transfer of an individual card to anyone other than the cardholder.
 - Sales Tax

In addition to the p-card procedures, the following rules apply to City issued Sunpasses as stated in the "City Vehicle Assignment, Operation and Maintenance", HR.03.01, "A city-issued SunPass may not be used to access express lanes or toll roads for travel to and from work, or for personal use. Violators will be warned and/or disciplined, including repayment of tolls, or removing of driving privileges."

Management responses received pursuant to City Code Section 2-256(h) are attached.

Respectfully submitted,



Joseph M. Centorino, Inspector General

04/19/2023
Date



Mark D. Coolidge, Chief Auditor

04/19/2023
Date

cc: Alina T. Hudak, City Manager
Eric Carpenter, Deputy City Manager
Mark Taxis, Assistant City Manager
Rickelle Williams, Assistant City Manager
Jason Greene, Chief Financial Officer
Rafael Paz, City Attorney
Rafael Granado, City Clerk
Michele Burger, Chief of Staff

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MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

April 17, 2023

Jason D. Greene, CGFO, CFE
Chief Financial Officer *J.D.G.*
City of Miami Beach

RE: Procurement Card (P-Card) Program Audit

OIG No. Pending

Overall Opinion

The Office of the Inspector General (OIG) auditors performed various analyses of data obtained from the Munis system and the SunTrust Bank Enterprise Spend platform and sampled a relatively low percentage of the numerous P-Card transactions occurring during the audit period. If one were to expand the sample size and perform additional testing, more questionable and undetected P-Card purchases might be identified.

The OIG has concluded that the internal controls associated with issuing, monitoring, and oversight of P-Cards need strengthening. Some recommended improvements include providing more in-depth training for new cardholders, reviewers, and approvers, periodic refresher trainings for all individuals involved in the P-Card process; updating current Citywide Procedures, which contain some vague and incomplete information likely to cause confusion; assigning designated Finance Department personnel to conduct more frequent documented reviews to help mitigate the possibility of misuse; and enforcing available disciplinary actions against repeated non-compliant P-Card holders and approvers. If these and other needed changes are not implemented, the likelihood increases that erroneous and/or improper transactions will occur and not be detected.

The OIG also suggests the City Administration evaluate whether the issuance of 201 P-Cards to permanent employees with various credit limits needs revision. Reductions in the number of issued P-Cards and/or credit limits may help reduce possible misuse, as items purchased through the City procurement process are typically more closely vetted.

OIG and City Administration staff participated in a Microsoft TEAMS meeting to discuss the vehicle use policy and the ongoing P-Card audit. Upon request, the OIG shared its preliminary findings so that the City Administration could examine the identified deficiencies, provide additional supporting documentation, and implement any warranted corrective action. This was followed-up by an in-person meeting held by OIG staff with an Assistant City Manager, Acting Chief Financial Officer, and the P-Card Administrator. All the City Administration's supporting documentation has been incorporated into this audit report. This has

also led to an ongoing effort by the City Administration to update and revise the Procedures Manual on P-Card usage.

After evaluating all the documentation available, the OIG Auditors identified the following deficiencies during the audit period requiring corrective action:

1. The City made nine duplicate payments to vendors resulting in a \$5,984.92 overpayment.

Recommendation(s): The Finance Department should establish and follow a documented procedure to reduce the risk of duplicate payments. It should contain, at a minimum, the following recommended provisions: (1) a process to recover duplicate payments; (2) identification of the employee responsible for the recovery process; (3) when attempted recovery should begin; (4) how vendors should be notified; and (5) how to document the recovery efforts.

The Finance Department is exploring a detective control procedure to reduce the risk of duplicated payments. The process is being tested and if successful will be started in the quarter ending June 30, 2023. The departments should periodically review their actual expenses and compare them to budget to ensure that if any duplicates are made that corrective action is taken. In addition, the Finance Department will emphasize this item in both the Citywide Procedures and to cardholders and approvers during training and other communications.

2. The segregation of duties principle, involving cardholders approving their own purchases, was violated in 208 P-Card transactions, totaling \$75,374.31.

Recommendation(s): Department or Division Directors requesting changes to the established Munis system PCard approval queue should ensure that a proper SOD be maintained after the changes are implemented. The cardholder should never be able to approve his/her own P-Card purchases, and this requirement should be added to the Citywide Procedures. Also, the City Administration should complete its examination regarding the 208 identified P-Card transactions, totaling \$75,374.71, to determine the legitimacy of each purchase. Appropriate action should be taken regarding any verified unpermitted purchases.

- The Munis workflow is laid out to avoid duplicate approvals and for segregation of duties. However, the Munis workflow does not prohibit forwarding of transactions to another individual which has resulted in approval of the cardholders own P-card purchases. The Finance Department will emphasize this item in both the Citywide Procedures and to cardholders and approvers during training and other communications.
- the 208 transactions in this finding were reviewed by the approvers and a physical signature was obtained for each statement. These signed statements were uploaded into the Munis record.
- As a detective control, the Finance department now has a report that is run quarterly to identify and mitigate any situations where the cardholder approved their card transactions. When these cases are found, the designated approver is advised, the approver reviews the affected statement, a physical signature is obtained, and the signed statement is uploaded into the Munis record.

- To ascertain that segregation of duties are maintained in the Munis Workflow the IT department will initiate annual reviews to be conducted and action taken as applicable by each department. This review will be a companion item to the annual roles and permission reviews.

3. Florida Sales Tax was improperly paid by the City on 94 sampled P-Card transactions totaling \$1,356.28.

Recommendation(s): The City Administration should decide whether any action should be taken pursuant to SOP Fl.16.01 to obtain reimbursement for incorrectly paid sales taxes in P-Card purchases. All individuals involved in the processing of P-Cards including the cardholders, assigned reviewers, approvers, Department or Division Directors, designated Finance Department staff should be instructed to scrutinize future P-Card purchases to help prevent similar errors from occurring. Any noted future deficiencies should be documented and provided periodically to the Chief Financial Officer and City Administration. Repeat offenders should be required to attend refresher trainings.

- The Finance Department will emphasize this item in both the Citywide Procedures and to cardholders and approvers during training and other communications.
- The new JP Morgan P-cards delivered to cardholders in March 2023 have the City's State of Florida tax exemption certificate number on the front of the card. This is intended to assist cardholders with presenting the necessary information to avoid paying sales tax at the time of purchase.
- The OIG should also consider that today's methods of procuring goods and services, especially with e-commerce, are not always conducive to presenting a tax exemption certification. Electronic points-of-sale have no provisions for providing tax exemption information and eliminating Florida sales tax payment. An explanation of why sales tax was paid will be required to be included in the supporting documents for purchases.

4. Required supporting documentation, pursuant to the Procedures Manual, was not present in the Munis System relating to two sampled transactions, totaling \$8,317.23.

Recommendation(s): As part of the review/approval process, designated City employees should verify that sufficient supporting documentation is attached to the P-Card Statement, which may include a completed "Missing Receipt Documentation Form." If not provided, the transaction should not be approved and should be returned to the cardholder for corrective action. Repeated noncompliant cardholders should be required to attend additional refresher trainings, and P-cards may be revoked if the behavior is not altered. The City may consider reimbursement in cases involving unsupported expenditures. Furthermore, the Finance Department should record all non-compliant P-Card behavior to provide an audit trail in support of any disciplinary actions taken.

Certain transactions noted in this finding, were sufficiently described and for a legitimate purpose at the time of purchase and approval. To clarify for cardholders and approvers what is sufficient, adequate, and relevant supporting documentation, the Finance Department will prepare a checklist for supporting documentation and add it to the Citywide Procedures. Sufficient, adequate, and relevant supporting documentation are the responsibility of the cardholder and approver. The Finance Department will emphasize this item in both the Citywide Procedures and to cardholders and approvers during training and other communications.

5. P-Card expenditures, totaling \$236,643.91, were paid by the City, despite being specifically disallowed in Section 1.16 of the Procedures Manual.

Recommendation(s): P-Card purchases should comply with the approved related Citywide Procedures and/or Procedures Manual. Alternatively, the City Administration may consider revising either of these documents to include a provision allowing the stated terms to be overridden by documented approval of the City Manager prior to the purchase. Predetermined Department or Division P-Card approvers and designees should closely review all transactions to determine whether they are related to City business, and that they serve a direct, official, and lawful purpose for reasonable and necessary expenses of conducting City business. If the required criteria are not satisfied, the cardholder and the P-Card Administrator should be immediately notified. In addition, the City Administration should determine whether any cardholder should be subject to cancellation of his/her P-Card and/or other disciplinary action, pursuant to Citywide Procedures and/or Procedures Manual.

The Finance Department will update to include and emphasize these items in both the Citywide Procedures and to cardholders and approvers during training and other communications. To clarify for cardholders and approvers what is sufficient, adequate, and relevant supporting documentation, The Finance Department will prepare a checklist for supporting documentation and add it to the Citywide Procedures.

In the event it is determined that a P-card holder has not followed the procedures approved by the City Manager, the circumstances will be reviewed by the CFO, with a recommendation to the ACM and City Manager regarding whether the P-Card should be terminated for that P-Card holder. The ACM and City Manager shall approve or reject the recommendation.

6. The Procedures Manual contains vague, incomplete, and undefined general terms likely to cause confusion regarding the validity of some P-Card transactions.

Recommendation(s): The pertinent Citywide Procedures as well as the Procedures Manual should be revised to define terms, reduce ambiguities, address the usage of P-Cards to donate monies to other organizations or charities, buy event tickets, and the amount of allowable tips or gratuities. Also, the Human Resources Department should update its SOP concerning timely notification of the Finance Department of the termination of any employee so that P-Cards can be promptly deactivated.

- The Finance Department is in the process of revising the Procedures Manual. There will be 2 documents, 1) Procedures and Guidelines and 2) P-card How-To Handbook. All the underlying factors for the findings herein will be addressed in the revision. See response to finding No. 7 addressing donations, tickets, and tips/gratuities.
- As noted in this audit report, under ADMINISTRATIVE ACTIONS TAKEN IN CONCERT WITH AUDIT DISCUSSION, the City Administration has already started to address deficiencies identified during this audit.
- The Finance Department Accounts Payable P-card team was added to the Human Resources Department distribution list beginning in November 2022. This was intended to, and allows for, the Finance Department to remove p-card holders from the SunTrust/Truist and now JP Morgan PaymentNet platform.

7. Additional P-Card expenditures totaling \$23,581.99, although not expressly prohibited in the Procedures Manual, appear questionable due to the nature of the transactions.

Recommendation(s): Cardholders, reviewers, approvers, or their designees should scrutinize all transactions to validate whether they are eligible and serve a direct, official, and lawful purpose as the reasonable and necessary expenses of conducting business. If any transaction is related to a non-eligible expenditure, the P-Card reviewer or approver should follow the established guidelines for timely notification of all relevant parties of the identified deficiency. Once the deficiency is verified, the available disciplinary actions in the Citywide Procedures as well as the Procedures Manual may be utilized.

The items in this finding are not expressly prohibited, however, sufficient, adequate, and relevant supporting documentation would avoid the questionable nature of the item and allow for transparency. As noted in the response to finding No. 4, the Finance Department will provide a checklist of what is deemed sufficient, including pre-approval from the City Manager where applicable.

The Finance Department will emphasize this item in both the Citywide Procedures and to cardholders and approvers during training and other communications.

8. 39 P-Card purchases, totaling \$12,387.24, were made from disapproved merchant category codes that were not blocked in the City Banking System.

Recommendation(s): The Finance Department should request the City contracted bank to decline or block all P-Card purchases of businesses containing disapproved MCCs listed in Section 1.3 of the Procedures Manual. As a compensating internal control, P-Card reviewers and approvers should validate that all purchases submitted for reimbursement comply with all requirements, including those in Section 1.3 of the Procedures Manual.

The Finance Department via the bank, has blocks and resulted in declines of purchases with the MCC codes noted in this finding. Exceptions were made for the MCC codes herein on specific cards due to the nature of the cardholder's business. The forth coming P-card procedures and guidelines will include circumstances and an approval process for overriding MCC codes for specific cardholders.