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## Purchasing Card (P-Card) Audit - #904

### Executive Summary

#### ***Why We Did This Review***

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Purchasing Card (P-Card) Program. The City of Jacksonville's P-Card Program is governed by the City's P-Card Standard Operating Procedures (SOPs) and is processed through the City's financial system, which automatically imports the transaction data from the bank's system. The P-Cards are credit cards tied to the City, but issued to employees. At the time of the audit testing, P-Cards served as the primary mechanism for City departments to process minor miscellaneous expenditures, such as travel expenses, training costs, and membership dues as well as some larger items like the purchase of food for animals by Animal Care and Protective Services.

At the time of the audit testing, the Administration and monitoring of the P-Card Program was a shared responsibility involving the Treasury Division, the Accounting Division, and the Procurement Division.

As of the time of the audit testing, the P-Card Program included 111 active P-Cards distributed across 33 departments/divisions. This total included 109 cards issued to individual employees and 2 department-level cards utilized by the Jacksonville Fire and Rescue Department emergency deployment teams. P-Card issuance requests are initiated by managers through the Treasury Division's Program Administrator. During calendar year 2024, the P-Card Program processed 6,507 transactions, totaling \$2,145,396 in expenses.

#### ***What We Found***

While it appears that purchasing card transactions were overall appropriate, sufficiently documented, properly approved, and accurately recorded in accordance with laws, policies, and procedures, we did find significant issues with timeliness and several internal control weaknesses and findings that need to be addressed related to the other areas. Specific issues included:

- A lack of written policies and procedures for some P-Card tasks performed by the Accounting Division.
- A lack of reconciliation of P-Card expenses to actual bank reimbursements.
- There were 22 additional Merchant Category Codes (MCCs) that should have also been blocked.
- 202 transactions totaling over \$94,000 from calendar year 2024 were not fully recorded in the financial system as of April 21, 2025. After further testing to see if the Department/Division could provide support that was not in the system, as of June 26, 2025, 45 transactions totaling \$10,946 had still not been processed and/or the area lacked adequate support.
- P-Cards of former employees were not cancelled timely.
- P-Card transactions were not consistently processed in a timely manner. Of the 206 P-Cards transactions tested:
  - 75 (or 36.4%) were not submitted within the 7 working day requirement.
  - 20 (or 9.7%) were not reviewed and approved by cardholders' managers within the 7 working day requirement.
  - 13 (or 6.3%) were not reviewed and approved by the Expense Auditors in the Accounting Division within the 10 working day requirement.
- 3 out of 206 (or 1.5%) P-Card transactions tested, totaling \$914.97, were not properly authorized.

#### ***What We Recommend***

We recommend that the City implement policies and procedures to address the items noted above as explained in detail in the report.



**Council Auditor's Office**

**Purchasing Cards (P-Cards) Audit**

**April 28, 2026**

**Report #904**

**EXECUTIVE SUMMARY**

**AUDIT REPORT #904**

INTRODUCTION ..... 1  
STATEMENT OF OBJECTIVE ..... 2  
STATEMENT OF SCOPE AND METHODOLOGY ..... 2  
REPORT FORMAT..... 3  
STATEMENT OF AUDITING STANDARDS ..... 3  
AUDITEE RESPONSES ..... 3  
AUDIT CONCLUSION ..... 3  
AUDIT OBJECTIVE..... 4

**OFFICE OF THE COUNCIL AUDITOR**  
Suite 200, St. James Building



April 28, 2026

Report #904

Honorable Members of the City Council  
City of Jacksonville

**INTRODUCTION**

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the City's Purchasing Card (P-Card) Program. The City of Jacksonville's P-Card Program is governed by the City's P-Card Standard Operating Procedures (SOPs) and is processed through the City's financial system, which automatically imports the transaction data from the bank's system. The P-Cards are credit cards tied to the City, but issued to employees. At the time of the audit testing, P-Cards served as the primary mechanism for City departments to process minor miscellaneous expenditures, such as travel expenses, continuing education fees, and membership dues.

At the time of our audit testing, the administration of the P-Card Program was a shared responsibility involving the Treasury Division, the Accounting Division, and the Procurement Division:

- Treasury Division (Program Administrator): Responsible for developing and enforcing P-Card Program policies and procedures as well as serving as the primary liaison with the contracted bank.
- Accounting Division (Expense Auditors): Responsible for reviewing and approving P-Card expense reports created by the departments within the financial system as well as processing the monthly credit card payment by the City.
- Procurement Division (Program Auditor): Conducts periodic post-transaction reviews of all P-Card activity to monitor overall program performance and identify any unauthorized or improper purchases.

As of the time of the audit testing, the P-Card Program included 111 active P-Cards distributed across 33 City departments/divisions. This total included 109 cards issued to individual employees and 2 department-level cards utilized by the Jacksonville Fire and Rescue Department (JFRD) emergency deployment teams. P-Card issuance requests are initiated by managers through the Treasury Division's Program Administrator.

During calendar year 2024, the P-Card Program processed 6,507 transactions, totaling \$2,145,396 in expenses.

## **STATEMENT OF OBJECTIVE**

To determine whether purchasing card transactions are appropriate, sufficiently documented, properly approved, accurately recorded, and timely processed in accordance with laws, policies, and procedures.

## **STATEMENT OF SCOPE AND METHODOLOGY**

Our audit scope focused on P-Card transactions posted to the bank from January 1, 2024, through December 31, 2024. The audit included an assessment of relevant City policies and procedures governing the P-Card Program, applicable laws and regulations, transaction documentation obtained from the City's financial system, transactional data obtained from the P-Card banking system, and the list of P-Card holders and their respective approvers. Additionally, we conducted interviews with key personnel responsible for the administration, management, and execution of P-Card transactions to gain a comprehensive understanding of the program operations.

All P-Card transactions within the audit period were extracted from the bank online portal. Concurrently, the population of corresponding expense reports was obtained from the expense module within the City's financial system. To ensure completeness and accuracy, a reconciliation was carried out between the bank-recorded P-Card transactions and the expense reports in the financial system. Any identified discrepancies were thoroughly reviewed.

Following this reconciliation, 417 credit (i.e., negative) transactions were excluded, resulting in a final audit population of 6,090 P-Card purchases, totaling \$2,227,013.

From this refined population, we statistically selected a sample size of 185 and selected the sample for testing at random. Due to 21 P-Card holders not having a sample item selected, we added a random transaction for each of those holders bringing our sample to 206 P-Card transactions. For each of the 206 selected P-Card transactions, the following procedures were performed:

- 1) Documentation Review - Verification of proper supporting documentation on file.
- 2) Transaction Appropriateness: Confirmation that each transaction was appropriate and for a valid business purpose.
- 3) Tax and Fee Exclusion - Verification that Florida sales tax and credit card fees were appropriately excluded from the recorded expense.
- 4) Duplicate Payment/Reimbursement - Confirmation that travel-related expenses paid with a P-Card were not separately reimbursed by the City to the employee.
- 5) Approval Timeliness - Verification that expense reports were submitted and approved in a timely manner by the cardholder, the cardholder's manager, and the Expense Auditor in the Accounting Division.
- 6) Financial System Accuracy - Verification that the P-Card expense was accurately recorded in the financial system.

Additionally, analytical procedures were conducted to identify potential anomalies or control weaknesses. These procedures included the identification of:

- 1) Transactions exceeding established spending limits.
- 2) Payments of Florida sales tax.
- 3) Instances of split payments designed to bypass single-purchase spending limit controls.

- 4) Potentially fictitious vendors.
- 5) Timely and accurate payments of P-Card balances to the bank.
- 6) Prohibited purchases.

Unless specifically stated otherwise, based on our selection methods and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

### **REPORT FORMAT**

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objective(s). Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management's objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

### **STATEMENT OF AUDITING STANDARDS**

We conducted this performance 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.

### **AUDITEE RESPONSES**

Responses from the auditee have been inserted after the respective finding and recommendation. We received responses from Marcia Saulo, City Comptroller, on April 20, 2026.

### **AUDIT CONCLUSIONS**

While it appears that purchasing card transactions were overall appropriate, sufficiently documented, properly approved, and accurately recorded in accordance with laws, policies, and procedures, we did find significant issues with timeliness and several internal control weaknesses and findings that need to be addressed related to the other areas as described below.

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## **AUDIT OBJECTIVE**

**To determine whether purchasing card transactions are appropriate, sufficiently documented, properly approved, accurately recorded, and timely processed in accordance with laws, policies, and procedures.**

### **Internal Control Weakness 1 – Lack of Written Policies and Procedures for P-Card Tasks Performed by the Accounting Division**

We identified significant gaps in the Accounting Division's written policies and procedures governing P-Card operations. The division lacked standardized documentation for key processes performed by Accounting Division personnel, creating potential ambiguity and inconsistency in operations and increasing the risk of control failures. Our review found that the following key tasks were not formally documented:

- 1) Expense Report Review: There were no documented procedures describing how Expense Auditors in the Accounting Division should review and approve the P-Card expense reports in the financial system.
- 2) Monitoring Unreported Transactions: There were no documented procedures describing how the Accounting Division should monitor and review P-Card transactions that had been imported into the financial system but were not yet attached to or submitted with an Expense Report.
- 3) P-Card Reconciliation: There were no documented procedures describing how the Accounting Division should perform the P-Card reconciliation between bank statements and the expense reports in financial system. As noted in Internal Control Weakness 2, this process was not being performed during our audit scope.
- 4) Issue Resolution: There were no documented procedures describing how to monitor, resolve, or communicate issues to applicable management.
- 5) Correcting Importing Issues to the AP Module: There were no documented procedures describing how to identify and correct expense reports that were not imported into the Accounts Payable (AP) module of the financial system. There was also nothing on how frequently this review needed to be performed.
- 6) Correcting Validation Issues: There were no documented procedures explaining how to identify, review, and process P-Card related invoices with validation issues (e.g., budget limitation) in the AP module of the financial system that prevent the expense from posting. There was also nothing on how frequently this review needed to be performed.
- 7) Year-End Accruals: There were no documented procedures to identify and process year-end accruals specifically related to P-Card expense reports.

### **Recommendation to Internal Control Weakness 1**

We recommend that the Accounting Division develop comprehensive written policies and procedures to document the P-Card tasks performed by its staff. These procedures should, at a minimum, address all the areas mentioned above. Additionally, the Accounting Division should

periodically review their written policies and procedures to ensure they reflect current practices and address current risks.

**Auditee Response to Internal Control Weakness 1**

Agree                       Disagree                       Partially Agree

*The Accounting Division will develop comprehensive written policies and procedures that document all P-Card tasks performed by its staff. These SOPs will address all the areas mentioned above. We will periodically review our written policies and procedures to ensure they reflect current practices and address current tasks.*

**Internal Control Weakness 2 – P-Card Reconciliation Not Being Performed**

Due to inherent timing differences, the monthly P-Card balance reimbursed to the bank does not consistently match the P-Card expense reports recorded in the City’s financial system. To ensure accurate financial reporting and ensure transactions are being processed timely, the Accounting Division needs to perform monthly reconciliations between recorded P-Card expenses and actual bank reimbursements.

We found no evidence that a periodic P-Card reconciliation process was occurring during our audit scope. The last documented reconciliation was completed in September 2023, which represented a significant gap in financial oversight. This lapse in controls occurred after the departure of the employee who was previously responsible for this task, and no other employee had been assigned to perform the P-Card reconciliation process.

Delays in processing P-Card expense reports in the financial system further exacerbate the discrepancies between system balances and bank balances, making timely and accurate reconciliations even more critical.

**Recommendation to Internal Control Weakness 2**

We recommend that the City establish a monthly reconciliation of bank transactions to P-Card expenses, which will help detect missing or incomplete expense reports in the financial system. This process should be documented in written policies and procedures that address how and when to perform and document the reconciliation.

We also recommend that the City actively monitor P-Card expense reports and collaborate with City departments to ensure all P-Card expense reports are processed promptly in the financial system. Timely processing of expense reports will significantly reduce discrepancies and minimize the effort required to perform the reconciliation.

**Auditee Response to Internal Control Weakness 2**

Agree                       Disagree                       Partially Agree

*The monthly reconciliation process of bank transactions to P-Card expenses will be re-established and documented in the comprehensive written policies and procedures document noted in the response to Internal Control Weakness 1.*

*A ICloud report exists which lists P-Card charges that have not been submitted on an expense report. In January 2026, the Accounts Payable Supervisor began emailing cardholders with a list of their unsubmitted P-Card charges, requesting that these unsubmitted P-Card charges be submitted promptly on an expense report. To facilitate the cardholders' efforts, she provides a copy of the SOP that documents how to locate unsubmitted P-Card charges and how to create an expense report. This process now occurs monthly.*

**Internal Control Weakness 3 – Several Merchant Category Codes Need to be Blocked**

The City is able to block purchases from Merchant Category Codes (MCCs). An example of this is blocking the cards from being utilized for wire transfer money orders and golf clubs. The City is currently blocking 45 out of 931 MCCs for most P-Cards. We found an additional 22 MCCs that were not blocked that appear as though they should be based on other items MCCs that are blocked. Allowing these MCCs to remain unblocked increases the risk that P-Cards could be used for prohibited purchases such as internet gambling, timeshares, amusement parks, and other entertainment-related expenses.

**Recommendation to Internal Control Weakness 3**

We recommend that the City conduct a comprehensive review of the MCCs blocked with the bank and ensure that all MCCs lacking a legitimate business purpose are properly restricted. Additionally, this review should be re-performed annually to ensure there are no changes needed.

**Auditee Response to Internal Control Weakness 3**

Agree                       Disagree                       Partially Agree

*Procurement has reviewed the MCC codes. A new set of MCC codes will be rolled out with the new J.P. Morgan Chase P-Cards. They will be reviewed when changes are needed.*

**Finding 1 – P-Card Transactions with Missing or Incomplete Expense Reports**

During our reconciliation of P-Card transactions for calendar year 2024, we examined a total of 6,464 transactions (6,507 total transactions less the 43 reversed transactions), totaling \$2,145,396. As of April 21, 2025, we identified 202 out of 6,464 (or 3.1%) transactions in our audit scope that were not fully recorded in the financial system, resulting in an understatement of expenditures by \$94,712. Specifically:

- 70 out of 6,464 (or 1.1%) transactions, totaling \$39,658, lacked corresponding expense reports in the financial system as of the time of testing. These transactions were outstanding without an expense report for an average of 210 days.
- 132 out of 6,464 (or 2.0%) transactions, totaling \$55,054, had expense reports created but not fully reviewed or approved in the financial system as of the time of testing.

Given the risk associated with these transactions that had not been properly reviewed and processed in the financial system, we reached out to the applicable area for each to try and get supporting documentation or for them to process the transactions in the system. As of June 26, 2025, when we completed the additional testing, we found that:

- For 45 of the 202 (or 22.3%) transactions that had not been processed originally, totaling \$10,946, the department/division did not process the transaction and was not able to provide adequate supporting documentation.
  - For 38 of the 45 transactions without adequate support that totaled \$10,837, we were unable to verify the legitimacy of the purchase due to a lack of supporting documentation.
- For 31 of the 202 (or 15.3%) transactions that had not been processed originally, totaling \$12,626, it involved employees who were no longer with the City as of June 1, 2025, which is a contributing factor for why some of these expense reports had not been processed in the financial system.

Additionally, it appears that there is not a well-designed report in the financial system that could be run by the Accounting Division staff to identify P-Card transactions with missing expense reports.

**Recommendation to Finding 1**

We recommend the City do the following to address the issues noted:

- 1) Conduct regular reconciliations of P-Card transactions against expense reports and proactively follow up with departments on all outstanding items.
- 2) Determine whether automated reminders and escalation procedures for overdue expense reports and unapproved transactions, targeting P-Card policy compliance by both cardholders and their supervisors could be directly implemented in the system. Design and run a report in the financial system that identifies any P-Card transaction without an expense report similar to what we did for our testing.
- 3) Enforce the requirement that all cardholders assign a delegate in the Expense module of the financial system to help mitigate the risk of outstanding P-Card transactions following an employee's departure.

**Auditee Response to Finding 1**

Agree                       Disagree                       Partially Agree

*1. Reconciling PCard Transactions Against Expense Reports:*

*A ICloud report is available which lists P-Card charges that have not been submitted on an expense report. In January 2026, the Accounts Payable Supervisor began emailing cardholders a*

*list of their unsubmitted P-Card charges, requesting that that these unsubmitted P-Card charges be submitted promptly on an expense report, and providing a copy of the SOP that documents how to locate unsubmitted P-Card charges and how to create an expense report. This process now occurs monthly.*

### *2. Notifications for Expense Reports & Unreported Charges:*

*ICloud does currently send an initial automated notification to cardholders. A ICloud report is now reviewed manually at least monthly and emails are sent by the AP team to all cardholders with unsubmitted P-Card charges. Automated recurring and/or escalated notifications are not currently active. Accounting will consult with Technology Services to determine whether such recurring and escalation notifications should be configured and reactivated in ICloud.*

### *3. Delegate Requirements:*

*Per current Treasury PCard Policy, managers must ensure every cardholder assigns a delegate. ICloud displays a delegate reminder notification in the user's "Me – Expense" module. Technology Services will be consulted to determine whether requiring a delegate can be configured in ICloud.*

*The forthcoming Procurement P-Card Policy will also require a P-Card Coordinator be assigned for each department which will also help ensure no P-Card charges remain unsubmitted.*

## **Finding 2 – P-Cards of Former Employees Not Canceled in a Timely Manner**

We found that 2 out of 111 (or 1.8%) active purchasing cards at the time of our testing were assigned to former City employees. These P-Cards remained active for more than 60 days after the employees' separation dates. This indicates a control deficiency in the P-Card termination process. As of April 30, 2025, we confirmed that both cards have since been canceled in the bank portal after we notified the Treasury Division. In both cases, the cardholders' manager attempted to deactivate the P-Cards by contacting the former P-Card Program Administrator, but it appears that the department manager was unaware that there was a new P-Card Program Administrator. This suggests that communication regarding the change in the P-Card Program Administrator was not effectively shared with City departments, leading to these delays.

Additionally, we noted that the Treasury Division did not use a generic email account for P-Card requests (e.g., p-cards@coj.net).

### **Recommendation to Finding 2**

We recommend the City establish a service email account (e.g., p-card@coj.net) for P-Card related inquiries and requests, including card cancellation. This will ensure that requests are routed to the appropriate current personnel, regardless of staff changes. If that is not possible, the City needs to notify all P-Card holders and managers whenever the P-Card Administrator changes.

Lastly, a periodic review of all active P-Card accounts to identify and promptly deactivate any P-Cards assigned to former employees should be put in place.

**Auditee Response to Finding 2**

Agree                       Disagree                       Partially Agree

*A service email account is being created by Technology Solutions for P-Card servicing. Department/Division P-Card Coordinators are to notify the P-Card Administrator of terminated employees. As a backup, Employee Services will send us a monthly employee termination report to cross check any P-Cards not terminated when the employee leaves.*

**Finding 3 – P-Card Purchases Lacked Proper Authorization**

During detailed testing, we found 3 out of 206 (or 1.5%) P-Card transactions tested, totaling \$914.97, were not properly authorized. While the P-Card purchases had receipts on file, two travel related purchases did not have adequate pre-approval (one lacked the pre-approval entirely and the other lacked a proper authorization of the form) and one purchase for gift cards did not have the required form on file for gift card purchases.

Due to the travel related expense report that lacked proper authorization of the pre-approval form, we performed expanded testing of travel forms submitted by that area (Risk Management Division). Our review revealed that 8 out of 19 (or 42%) travel-related expense reports contained inserted images of signatures rather than authenticated digital signatures on their travel request forms. Despite these issues, the expense reports were accepted by the Expense Auditors in the Accounting Division.

For the gift card purchases, we performed further analytical testing to identify other potential gift card purchases and found 7 P-Card transactions, totaling \$2,350, for gift cards purchases that lacked the required form for gift card purchases.

**Recommendation to Finding 3**

We recommend that the City reinforce policy adherence, set-up adequate policies and procedures related to electronic approvals, and ensure that all standard documents for travel and gift card purchases are included with applicable expense report submissions.

**Auditee Response to Finding 3**

Agree                       Disagree                       Partially Agree

*We will ensure that P-Card transactions adhere to City policies as it relates to required authorization and standard documents for travel and gift card purchases. Additionally, we will develop policies and procedures related to electronic approvals.*

#### **Finding 4 – P-Card Processing Timeliness Issues**

We found that P-Card transactions were not always processed in a timely manner in the financial system. City policy requires cardholders to submit expense reports within 7 working days of either the P-Card transaction upload date or the next workday after the cardholder returns from travel, whichever is later. City policy also requires managers to approve expense reports within 7 working days from the date the cardholder submitted the expense report. Finally, Accounting Division management requires Expense Auditors to review and approve these expense reports within 10 working days of submission.

Our review of P-Card transactions revealed the following timeliness issues:

- Cardholder Submission - 75 of 206 (or 36.4%) P-Card transactions were not submitted within the 7 working day requirement.
- Manager Review and Approval - 20 of 206 (or 9.7%) P-Card transactions were not reviewed and approved by cardholders' managers within the 7 working day requirement.
- Expense Auditor Review and Approval - 13 of 206 (or 6.3%) P-Card transactions were not reviewed and approved by the Expense Auditors in the Accounting Division within the 10 working day requirement.

Within the 75 transactions that a cardholder did not process in a timely manner was a fraudulent transaction. Although this obviously should not have been processed, the item was not flagged as fraudulent for several months. In researching this item further, we became aware that the fraudulent activity occurred over an extended period, with the first unauthorized transaction posted on March 7, 2024, and the last on May 27, 2024. This means the compromised P-Card information was utilized by unauthorized individuals for 81 days. During that time there were 59 fraudulent transactions, totaling \$18,023, that were charged to a P-Card within the Jacksonville Sheriff's Office (JSO). It is important to note that JSO took action and was reimbursed for these fraudulent transactions prior to our audit testing. The issue that we have is the time that it took to identify and address these items. If all P-Cards transactions were being processed by the cardholders within the 7 working days as required by City policy, this would have been identified and addressed sooner.

#### **Recommendation to Finding 4**

We recommend that the City establish monitoring activities to identify P-Card transactions that have not been attached to an expense report and to identify all expense reports that have not been fully processed. Those with issues then should be communicated to the appropriate managers so that appropriate action can be taken to get the transactions processed and other actions such as suspension of P-Cards and/or additional training as applicable.

Additionally, the City should research to determine whether the financial system could automatically send reminder notifications to cardholders, managers, and Expense Auditors as a deadline approaches.

**Auditee Response to Finding 4**

Agree

Disagree

Partially Agree

*ICloud does currently send an initial automated notification to cardholders advising of all P-Card charges that have not been submitted on an expense report. Beginning in January 2026, the Accounts Payable Supervisor also began emailing cardholders a list of their unsubmitted P-Card charges, requesting that these unsubmitted P-Card charges be submitted promptly on an expense report, and providing a copy of the SOP that documents how to locate unsubmitted P-Card charges and how to create an expense report. This process now occurs monthly. The managers of the cardholders are copied on these emails, as are the Expense Auditors, the Manager of AP, the Assistant Comptroller over AP, the Comptroller, and the CFO. Follow up and escalation continues until the charges are submitted.*

*Automated recurring and/or escalated notifications are not currently active. Accounting will consult with Technology Services to determine whether such recurring and escalation notifications should be configured and reactivated in ICloud.*

**Finding 5 – Expense Reports Stuck in “Ready for Payment Processing” Status**

During our completeness testing of P-Card payments made in calendar year 2024, we found that as of April 21, 2025, 51 P-Card transactions totaling \$13,368 were associated with expense reports stuck in "Ready for Payment Processing" status within the expense module of the City’s financial system. These expense reports appeared to be fully processed within the expense module but had not yet been processed in the AP module. These P-Card transactions had not been processed for an average of 278 days.

We performed additional testing to identify the extent of the issue given the problem was isolated to two P-Card holders. We found that as of May 27, 2025, there were 118 total P-Card expense reports for \$27,901 filed by the two P-Card holders that had not been fully processed in the financial system. These transactions all remained stuck in the “Ready for Payment Processing” status within the expense module of the financial system, despite being fully approved by management and the expense auditors in the Accounting Division.

The failure appeared to stem from the system's inability to automatically transfer P-Card expense transactions from the expense module to the AP module, resulting in no corresponding invoices being generated within the AP module. This issue has led to expenses being understated by \$27,901 for the department. Our research with the Accounting Division revealed that the financial system was unable to properly process expense reports for users with "contingent worker" profiles. These two P-Card holders were state employees and not City employees. The individuals had a P-Card because the City must fund certain court costs and they are employees of Court Administration. This was a system issue and not something that was done wrong by the P-Card holders.

## **Recommendation to Finding 5**

We recommend that the City immediately investigate and correct (if necessary, manually process) all outstanding P-Card expense reports to ensure they are moved to the AP module without further delay.

Additionally, we recommend conducting a comprehensive review of the data flow between the expenses and AP modules to determine why the expense reports of contingent workers are stuck in the “Ready for Payment Processing” status and resolve these systemic issues to prevent similar occurrences in the future.

## **Auditee Response to Finding 5**

Agree                       Disagree                       Partially Agree

*“Ready for Payment Processing” status consists of two groups of Expense Reports:*

*1. The Expense Reports for City employees that have been approved by the Expense Auditor and are ready to be submitted to the AP Module: ICloud automatically transfers these Expense Reports daily at 4:30 pm to the AP module. If any of these Expense Reports do not automatically transfer, the Expense Auditors work with Technology Services to transfer them.*

*2. The Expense Reports for cardholders designated as a contingent workers in ICloud: These Expense Reports currently must be manually entered into the AP Module as ICloud does not have an automated process that works for contingent workers. The Expense Auditor works with Technology Services to update Expense Report Status in the Expense Module to “Paid” and then manually creates the Expense Report as an invoice in the AP Module. This process is to be completed on a bi-weekly basis.*

*Procurement, Accounting and Technology Services are currently working with Employee Services to resolve the contingent worker issue.*

## **Finding 6 – P-Card Transactions with Florida Sales Tax Included**

Our review of P-Card transactions found that the City was not consistently leveraging its Florida sales tax exemption status. During various audit testing procedures, we identified 11 P-Card transactions that incorrectly included a total of \$211.55 in Florida sales taxes as explained below.

- During detailed testing of P-Card transactions, we found 2 out of 206 transactions tested improperly included Florida sales taxes. These purchases included a total of \$71.73 in Florida sales taxes.
- During further testing of the 202 missing or incomplete P-Card expense reports, we found 9 transactions that improperly included Florida sales taxes. These purchases included a total of \$139.82 in Florida sales taxes.

Note that the ones that had been processed were approved by Expense Auditors in the Accounting Division without being flagged as P-Card policy violations. These types of issues should have been

flagged and documented as to why an exception was needed or there should have been a reimbursement from the P-Card holder or a credit from the vendor. This indicates a failure to enforce established P-Card policies. Note that for the ones that had not yet been approved, there is a chance they could have been flagged.

**Recommendation to Finding 6**

We recommend the City establish a mechanism to track recurring violations related to payments of Florida sales tax and report violations to relevant managers for corrective action including whether reimbursements from the employee and/or vendor needs to be sought.

**Auditee Response to Finding 6**

Agree                       Disagree                       Partially Agree

*Currently the P-Card Cardholders, Coordinators and Expense Auditors are to review their receipts / invoices to determine if Sales Taxes were charged and/or if other report violations have occurred. A process will be developed to track recurring violations and to notify relevant managers for corrective action.*

**Finding 7 – P-Card Transactions with Credit Card Fees Included**

The P-Card Policy explicitly prohibits the use of the P-Card to pay for credit card processing fees or surcharges. Cardholders who violate this rule are subject to a warning and must seek vendor credit or reimbursement. We identified 4 out of 206 (or 1.9%) P-Card transactions tested during detail testing that included \$153 in these fees. The expense reports associated with these transactions were not flagged as policy violations in the financial system by the Expense Auditors in the Accounting Division, allowing the charges to be processed without corrective action.

During our testing of the 202 transactions with missing or incomplete expense reports, we identified 4 additional transactions with \$85 in these fees.

**Recommendation to Finding 7**

We recommend the City analyze whether this requirement makes sense as currently set-up. For instance, possibly the policy should be modified to set a maximum service fee rate and/or amount instead of a strict prohibition given the frequency of these types of fees for the types of goods the P-Cards are intended to be utilized to purchase. It may be more economical to pay these fees with the applicable vendor than to choose a different vendor that does not charge these fees.

Once a conclusion is reached, then the City needs to update the P-Card policy to clearly explain the policies and procedures and ensure that the City enforces the policy. Additionally, processes for how to handle violations should be included in the policies and procedures.

**Auditee Response to Finding 7**

Agree                       Disagree                       Partially Agree

*The city has experienced challenges validating merchant processing fees imposed by various entities due to the complex network of rules/regulations. Most processors do not negotiate these fees with individual merchants. This said, one of the benefits of newly established P-Card Program under JP Morgan Chase is the rebates the city will begin to receive, which will result in cost absorption of these fees. Because of this, procurement has removed convenience fees from the list of prohibited purchases in the new P-Card Policy.*

**Finding 8 – P-Card Transaction Split Payment**

We performed various procedures to identify situations where transactions might have been split to circumvent the single purchase spending limit of \$4,500. Our analysis identified transactions from the same card number on the same date for the same vendor or amount, which flagged 24 transactions for further testing. During that testing we reviewed the support to determine whether there appeared to be a circumvention of the procurement policy and considered if there was a valid reason (e.g., related to declared emergencies). We identified 2 transaction sets (totaling \$13,546) that appeared to have been intentionally split to circumvent the single-purchase spending limit outside of state of emergencies.

**Recommendation to Finding 8**

We recommend that the City implement periodic monitoring procedures to flag, review, and address similar types of transactions.

**Auditee Response to Finding 8**

Agree                       Disagree                       Partially Agree

*The auditing of P-Card transactions is to be transferred to Accounting with the rollout of J.P. Morgan Chase P-Cards. Accounting has contracted with Card Integrity, a 3rd party supplier, to monitor 100% of all transactions monthly.*

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We appreciate the assistance and cooperation we received from Accounting, Treasury, and Procurement Divisions throughout the course of this audit.

Respectfully submitted,

*Kim Taylor*

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