

# **STATE OF LOUISIANA**

## **OFFICE OF STATE INSPECTOR GENERAL**



## **LACARTE PURCHASING CARD PROGRAM**

**Date Released:**

**March 19, 2008**

**File No. 1-07-0022**

# STATE OF LOUISIANA

## OFFICE OF STATE INSPECTOR GENERAL



### LACARTE PURCHASING CARD PROGRAM

**Stephen B. Street, Jr.**  
**State Inspector General**

A handwritten signature in black ink, appearing to be "BJ", written over a horizontal line.

**Approved by:**  
**Governor Bobby Jindal**

**March 7, 2008**

**File No. 1-07-0022**

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**BOBBY JINDAL**  
GOVERNOR



**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of State Inspector General**  
**State Inspector General Stephen Street**

March 7, 2008

Honorable Bobby Jindal  
Governor of the State of Louisiana  
P.O. Box 94004  
Baton Rouge, LA 70804-9004

*Re: Case No. 1-07-0022*

Dear Governor Jindal:

This report addresses concerns raised about LaCarte Purchasing Card Program. The report includes eight recommendations that should improve internal controls over the program if implemented.

We provided drafts of the report to the following agencies:

- Division of Administration, Office of State Purchasing (OSP),
- Department of Social Services (DSS),
- Louisiana State Military Department (La. Military),
- Department of Culture, Recreation and Tourism,
- Louisiana Tech University,
- and Department of Wildlife and Fisheries.

Responses to the draft report were only required from OSP, DSS, and the La. Military. Written responses are included as Appendix C.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen B. Street, Jr.", written over a printed name.

Stephen B. Street, Jr.  
State Inspector General

SBS/cs

Enclosure

## **Executive Summary**

### **Audit Initiation**

The Office of State Inspector General conducted an audit of selected transactions charged to purchasing cards (P-Cards) issued through the state's Purchasing Card Program (LaCarte) from January 1, 2006 through December 31, 2006.

Our objective was to determine whether P-Card purchases are appropriate and whether controls are sufficient to ensure purchases comply with the LaCarte Purchasing Card Policy (LaCarte Policy) established by the Louisiana Division of Administration, Office of State Purchasing and Travel (OSP), as well as with all other procurement procedures established by law.

### **Summary of Findings**

We found the following deficiencies in our audit of LaCarte P-Card transactions:

- Thirteen single purchases from four agencies were split into multiple transactions to apparently circumvent the \$1,000 single purchase limit required by the LaCarte Policy, and in the process avoided appropriate procurement procedures.
- A competitive process was not utilized for six of the 13 split purchases as required by the Small Purchase Procedures prescribed in Executive Order KBB 2004-30, which were in effect at the time of the purchases.
- Two agencies did not ensure that sufficient documentation and/or approval existed to support all P-Card transactions as required by the LaCarte Policy and agency policies and procedures. Therefore, the agencies could not provide assurance that insufficiently documented or unapproved transactions were for official state business.
- OSP does not have sufficient control to ensure that single purchase transactions do not exceed the maximum \$1,000 single purchase limit without prior approval from OSP as required by the LaCarte Policy.

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## **Background**

OSP implemented the LaCarte program in August 2000. The LaCarte P-Card is a Visa card issued by Bank of America for the State of Louisiana. LaCarte was implemented to improve the efficiency and effectiveness of processing purchases and payments. Use of the P-Card ensures timely receipt of goods and payments to vendors, and reduces paperwork and associated processing costs.

OSP is responsible for the statewide contract administration of LaCarte and established minimum standards for the issuance and use of P-Cards in its LaCarte Policy. OSP's State Purchasing Card Administrator is the central point of contact for the program, responsible for addressing all concerns and coordinating necessary changes to the overall program with Bank of America.

Use of the P-Card card is limited to single purchase orders of \$1,000 or less. The LaCarte Policy requires agencies to set the individual cardholder's single purchase limits (SPL). However, OSP must approve in writing any authority for a SPL to be above \$1,000.

Other agency responsibilities required by the LaCarte Policy include:

- Administration of their P-Card program and compliance with the LaCarte Policy and the State Accounting and Purchasing Card Manual
- Designation of an Agency Program Administrator and notification to OSP of any changes in the position
- Performing post audits of cardholder transactions to monitor the number and amount of purchases made, proper vendor usage, and split purchases
- Establishing proper controls and developing internal policies and procedures
- Determining cardholders and setting individual cardholder transaction and spending limits within the agency delegation of authority
- Determining allowable Merchant Category Codes based on agency needs
- Ensuring adequate and sufficient documentation to allow for the proper recording of expenditures
- Maintaining a permanent file of all supporting documentation in accordance with record retention laws

The LaCarte Policy requires that P-Cards be limited for use:

- By state employees authorized as cardholders by the Agency Head,
- Only by cardholders,
- Only for official state business,
- For single purchases up to \$1,000 or higher with OSP approval, and
- For purchases on agency-approved Merchant Category Codes.

Agency Program Administrators are given access to Bank of America's Internet database program which allows the administrators to issue cards to cardholders, set individual transaction and spending limits, and set allowable merchant category codes based on agency needs. The program previously accessed by Program Administrators was called EAGLS. However, in December 2007, a new program was implemented called WORKS. The new program is a user-friendly program that allows Program Administrators to create reports specific to the agency that can be used for monitoring transactions.

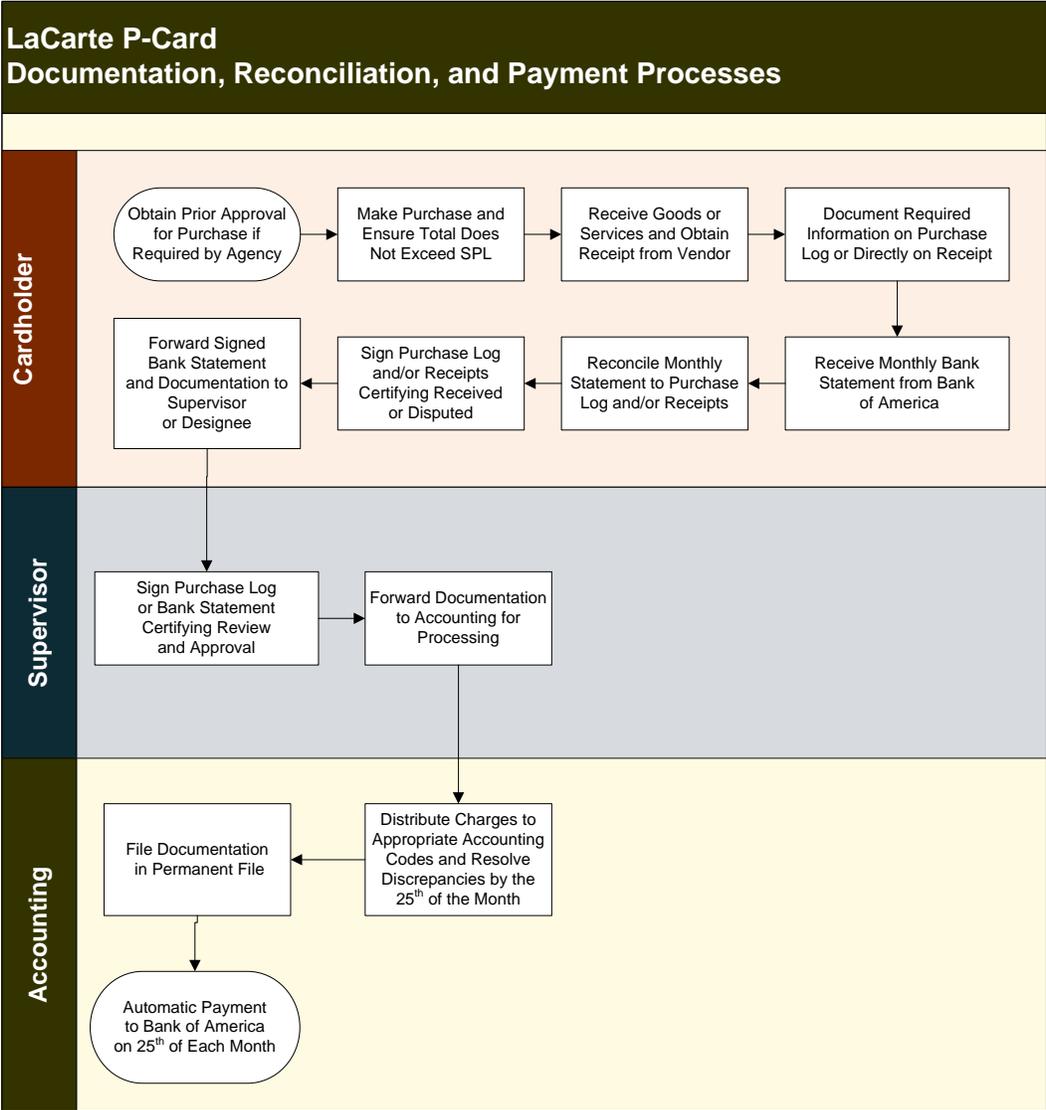
As noted above, agencies are responsible for determining allowable merchant category codes, which are codes that Bank of America assigns to vendors indicating the vendor's type of business. Each P-Card is encoded with allowable merchant category codes as determined by the agency. Cardholders are only able to purchase from vendors with these assigned codes.

Agencies are also responsible for maintaining a permanent file of all supporting documentation. Documentation is required for all purchases and credits. The cardholder should obtain the customer copy of the receipt for over-the-counter purchases. When ordering by phone, fax, or internet, the cardholder must obtain a packing list or ordering document that includes line descriptions and line item pricing.

To ensure proper recording of expenditures, the date of purchase, vendor name, description of the item purchased, amount, receipt date, and accounting distribution information must be maintained either on purchase logs or by recording the information directly on the receipt or other documentation obtained from the vendor.

According to OSP, as of December 7, 2007, 10,223 P-Cards were issued by agencies within 54 state departments, boards and commissions, and colleges and universities. Appendix A includes a list of the issuing agencies and the number of cards issued by each.

Shown on the following page is a flowchart of the typical documentation, reconciliation, and payment process for LaCarte P-Card purchases.



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## Scope and Methodology

Our office conducted an audit of selected purchases using LaCarte P-Cards to determine whether the transactions were appropriate and complied with the LaCarte Policy and the Small Purchase Procedures prescribed in Executive Order KBB 2004-30. We also assessed the efficiency and effectiveness of internal controls over LaCarte at the agency level. We conducted our audit in accordance with Principles and Standards for Offices of Inspector General as promulgated by the Association of Inspectors General.

The scope of our audit included purchases charged to LaCarte P-Cards from January 1, 2006 through December 31, 2006. Our initial procedures included exporting and reviewing detailed transaction lists from Bank of America's EAGLS database for all purchases charged to P-Cards during the audit period.

Charges by cardholders from the following seven agencies were selected for further examination. We limited our audit of the transactions to purchases from vendors with specific merchant category codes.

<b>Table 1 Agencies Selected For Examination</b>				
<b>Agencies</b>	<b>Total P-Cards Issued</b>	<b>Total Purchases</b>	<b>Total Transactions</b>	<b>Number of Transactions Reviewed</b>
Department of Public Safety & Corrections, Corrections Services	290	\$5,776,133	22,430	47
Department of Culture, Recreation & Tourism	225	\$2,299,561	12,768	57
Department of Social Services	1,692	\$3,459,496	32,685	1,689
Louisiana State Military Department	103	\$1,750,526	7,964	27
University of Louisiana System, Louisiana Tech University	465	\$1,765,086	8,790	49
Department of Wildlife & Fisheries	656	\$2,150,659	15,701	81
Department of Economic Development	18	\$209,835	956	17
<b>Total</b>	<b>3,449</b>	<b>\$17,411,296</b>	<b>101,294</b>	<b>1,967</b>

Procedures for the review of these transactions included:

1. Reviewing supporting documentation,
2. Reviewing internal control procedures established by the agencies,
3. Interviewing employees, and
4. Other procedures as we considered necessary.

## **Finding 1: Split Purchases**

During our examination of P-Card transactions for the seven selected agencies, we found 13 single purchases from four agencies that were split into multiple transactions to apparently circumvent the \$1,000 SPL required by the LaCarte Policy. We also found that a competitive process was not utilized for six of the 13 split purchases as required by the Small Purchase Procedures prescribed in Executive Order KBB 2004-30, which was in effect at the time of the purchases.

Purchases split to circumvent the \$1,000 SPL do not comply with the LaCarte Policy and may not comply with the Central Purchasing Procedures of L.A.C. 34, Subpart 1 and the Small Purchase Procedures prescribed by executive order of the Governor in effect at the time of the purchase.

### **Purchases Split Not To Exceed Single Purchase Limits**

The LaCarte Policy limits the use of P-Cards to single purchases of \$1,000 or less and states that prior approval must be obtained from OSP in writing for a SPL to be raised above \$1,000. It also states that the LaCarte P-Card shall not be used, regardless of dollar amount, to avoid appropriate procurement or payment procedures. Agency policies and procedures also include these statements.

However, the policies do not include explicit statements describing single purchases as a single transaction that may include the purchase of multiple items or items purchased on state contract and that single purchases shall not be artificially divided to avoid the SPL or procurement procedures.

Due to the lack of these statements, cardholders are apparently under the impression that when single purchases either include multiple items or items purchased on state contract that the purchase can be split so the P-Card can be used without exceeding the SPL. As a result, we found 13 single purchases that included either multiple items or items on state contract which were split into multiple transactions in order to use the P-Card without exceeding the SPL, and, therefore, do not comply with the intent of the LaCarte Policy.

The LaCarte Policy also requires agencies to perform post audits of cardholder transactions to monitor the number and amount of purchases made, proper vendor usage, and split purchases. Agencies are performing post audits of P-Card transactions as required. However, persons responsible for reviewing P-Card transactions and performing post audits are apparently under the same misconception as the cardholders. For example, when questioned about a split purchase, a supervisor with the Department of Culture, Recreation and Tourism, responsible for monitoring transactions, stated that the transactions were not a split purchase because the purchase was made on state contract.

Of the 13 split purchases found, only two from cardholders employed with the Department of Wildlife and Fisheries were detected by the Agency Program Administrator prior to our audit.

Tables two through five below and on the following pages show the 13 split purchases found during our audit for each of the four agencies:

<b>Table 2 Department of Culture, Recreation &amp; Tourism</b>				
<b>Purchase Number</b>	<b>Transaction Date</b>	<b>Purchase Amount</b>	<b>Vendor</b>	<b>Auditor's Comments</b>
1	7/21/2006	\$184.40	Corporate Express	Purchased items were on state contract. CRT is under the impression that if the vendor is on state contract it is okay to split the purchase.
	7/21/2006	\$522.74	Corporate Express	
	7/21/2006	\$999.49	Corporate Express	
2	7/28/2006	\$870.94	Corporate Express	Purchased items were on state contract.
	7/28/2006	\$146.30	Corporate Express	

<b>Table 3 Department of Social Services</b>				
<b>Purchase Number</b>	<b>Transaction Date</b>	<b>Purchase Amount</b>	<b>Vendor</b>	<b>Auditor's Comments</b>
3	11/13/2006	\$500.00	Conn's Appliances	Purchased items were not on state contract. The Social Worker made this purchase for one client. DSS allows Social Workers to split purchases when making a single purchase of several items for different clients. A minimum of three quotes are required.
	11/13/2006	\$500.00	Conn's Appliances	
	11/13/2006	\$500.00	Conn's Appliances	
	11/13/2006	\$154.89	Conn's Appliances	
4	12/18/2006	\$999.00	Conn's Appliances	Purchased items were not on state contract. The Social Worker made this purchase for one client. A minimum of three quotes are required.
	12/18/2006	\$999.00	Conn's Appliances	
	12/18/2006	\$999.00	Conn's Appliances	
	12/18/2006	\$760.73	Conn's Appliances	
	12/18/2006	\$47.00	Conn's Appliances	
	12/18/2006	\$3.00	Conn's Appliances	

**Table 4  
Department of Wildlife and Fisheries**

<b>Purchase Number</b>	<b>Transaction Date</b>	<b>Purchase Amount</b>	<b>Vendor</b>	<b>Auditor's Comments</b>
5	7/31/2006	\$1,000.00	STAT Waste Services	This purchase was for equipment repairs to a treatment plant. One quote was obtained for the job. This vendor is not on state contract and is not an authorized dealer. Therefore, a minimum of three quotes are required. The repairs were completed in two phases but billed on the same day.
	7/31/2006	\$957.00	STAT Waste Services	
6	2/18/2006	\$892.74	Corporate Express	Purchased items were on state contract.
	2/18/2006	\$980.21	Corporate Express	
7	9/8/2006	\$665.00	Metro Boating	This purchase was for equipment repairs from an authorized dealer and, therefore, exempt from the competitive bid process. The split purchase was caught by the agency administrator and the cardholder was counseled.
	9/8/2006	\$168.00	Metro Boating	
	9/8/2006	\$341.30	Metro Boating	
	9/8/2006	\$623.32	Metro Boating	
8	7/25/2006	\$1,000.00	Jim Taylor Ford	This purchase was for equipment repairs from an authorized dealer and, therefore, exempt from the competitive bid process. This split purchase was caught by the agency administrator and the cardholder was counseled.
	7/25/2006	\$648.01	Jim Taylor Ford	
9	11/12/2006	\$953.60	Savoie Lumber	Purchased items were not on state contract. A minimum of three quotes are required.
	11/12/2006	\$252.18	Savoie Lumber	
10	10/14/2006	\$946.70	Cabelas	The items for all four transactions were ordered on 10/10/06. The items were not on state contract. Therefore, a minimum of three quotes are required.
	10/17/2006	\$913.83	Cabelas	
	10/17/2006	\$563.69	Cabelas	
	10/19/2006	\$164.41	Cabelas	

Table 5 Louisiana Tech University				
Purchase Number	Transaction Date	Purchase Amount	Vendor	Auditor's Comments
11	4/10/2006	\$1,000.00	Crain Communications	This purchase was for advertising from a vendor not on state contract. However, advertising is exempt from the competitive bid process.
	4/10/2006	\$302.00	Crain Communications	
12	3/24/2006	\$1,000.00	Louisiana Tech Tuition	This purchase was for tuition for an online course for one student from a vendor not on state contract. However, training is exempt from the competitive bid process.
	3/29/2006	\$295.00	Louisiana Tech Tuition	
13	2/17/2006	\$600.00	Tommy's Tees	This purchase was for T-shirts from a vendor not on state contract. A minimum of three quotes are required. The Band Department ordered T-shirts for a Band Organization. The amount was to be reimbursed by the Band Organization. However, LTU was not aware of the transaction or that it had been split until our examination.
	2/17/2006	\$652.42	Tommy's Tees	

## Split Purchases Not In Compliance With Small Purchase Procedures

The Small Purchase Procedures, prescribed in Executive Order KBB 2004-30 and in effect at that time of the P-Card transactions included in our examination, do not require a competitive process for purchases not exceeding \$500 per single purchase transaction when made without using the LaCarte P-Card, and do not require a competitive process for purchases not exceeding \$1,000 per single purchase transaction when made with the LaCarte P-Card. However, a minimum of three or more quotes is required from qualified vendors for purchases exceeding these limits but not exceeding \$5,000. Additional competitive processes are required for single purchases exceeding \$5,000.

The Small Purchase Procedures also exempts numerous specific items from the competitive process, including, but not limited to, equipment repair services obtained from a Louisiana authorized dealer, educational training, and advertising. In addition, single purchases of items covered by an existing state contract are not subject to the Small Purchase Procedures.

In addition, the Small Purchase Procedures explicitly states that no purchase or procurement shall be artificially divided within a cost center, or its equivalent, to avoid the competitive process or the solicitation of competitive sealed bids.

The LaCarte Policy and agency policies also require that P-Cards not be used, regardless of dollar amount, to avoid appropriate procurement or payment procedures. However, as noted in the preceding section, the policies do not explicitly state that single purchases should not be artificially divided to avoid the SPL or procurement procedures, and do not define a single purchase transaction. As a result, we found that six of the 13 split purchases noted in the preceding section did not comply with the Small Purchase Procedures.

Single purchases split to avoid the SPL do not comply with the intent of the LaCarte Policy regardless of whether the items purchased are on state contract, and may not comply with the Small Purchase Procedures if all three of the following apply:

- The items purchased were not on state contract and were not exempt from the competitive process,
- The single purchase exceeded the amounts allowed per single purchase transaction without a competitive process, and
- The purchase was made without following the applicable competitive process required.

The six split purchases that did not comply with the Small Purchase Procedures are listed in Table 6 on the following page.

**Table 6  
Split Purchases Not In Compliance  
With Small Purchase Procedures**

<b>Agency</b>	<b>Purchase Number</b>	<b>Transaction Date</b>	<b>Purchase Amount</b>	<b>Vendor</b>
Louisiana Tech University	1	2/17/2006	\$600.00	Tommy's Tees
		2/17/2006	\$652.42	Tommy's Tees
Department of Social Services	2	11/13/2006	\$500.00	Conn's Appliances
		11/13/2006	\$500.00	Conn's Appliances
		11/13/2006	\$500.00	Conn's Appliances
		11/13/2006	\$154.89	Conn's Appliances
Department of Social Services	3	12/18/2006	\$999.00	Conn's Appliances
		12/18/2006	\$999.00	Conn's Appliances
		12/18/2006	\$999.00	Conn's Appliances
		12/18/2006	\$760.73	Conn's Appliances
		12/18/2006	\$47.00	Conn's Appliances
		12/18/2006	\$3.00	Conn's Appliances
Department of Wildlife & Fisheries	4	7/31/2006	\$1,000.00	STAT Waste Services
		7/31/2006	\$957.00	STAT Waste Services
	5	11/12/2006	\$953.60	Savoie Lumber
		11/12/2006	\$252.18	Savoie Lumber
	6	10/14/2006	\$946.70	Cabelas
		10/17/2006	\$913.83	Cabelas
		10/17/2006	\$563.69	Cabelas
		10/19/2006	\$164.41	Cabelas

Recommendations:

1. The Office of State Purchasing and Travel should revise the LaCarte Policy to include a definition for single purchases and include a statement that single purchases shall not be artificially divided to avoid the single purchase limit or procurement procedures.
2. Agencies should also revise their policies to include a definition for single purchases and include a statement that single purchases shall not be artificially divided to avoid the single purchase limit or procurement procedures.
3. The Division of Administration and the Office of State Purchasing and Travel should consider increasing the maximum allowed for single purchase transactions.
4. The Division of Administration and the Office of State Purchasing and Travel should consider allowing single purchase transactions in excess of the single purchase limit to be charged to P-Cards, if the single purchase transaction is for a small purchase that is exempt from the Small Purchase Procedures prescribed by executive order of the Governor.

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## **Finding 2: Inadequate Documentation and Approval**

Two of the seven selected agencies for which we examined P-Card transactions did not ensure that sufficient documentation and/or approval existed to support all P-Card transactions as required by the LaCarte Policy and agency policies and procedures. In addition, insufficiently documented or unapproved transactions for purchases from some merchants appear inappropriate. As a result, we had no assurance that insufficiently documented or unapproved transactions were for official state business.

The LaCarte Policy requires adequate documentation to support all purchases and credits in the form of customer receipts, packing lists, or ordering documents. Information must be recorded directly on the receipt or on a Purchase Log indicating the purchase date, the vendor name, description of the item, the receipt date, and accounting information. The agency must also maintain a permanent file of all supporting documentation in accordance with record retention laws.

The LaCarte Policy also requires the supervisor or designee to verify that acceptable documentation exists to support all transactions and that purchases were for official state business. The supervisor must sign the receipts or Purchase Log certifying that the documentation has been reviewed and approved.

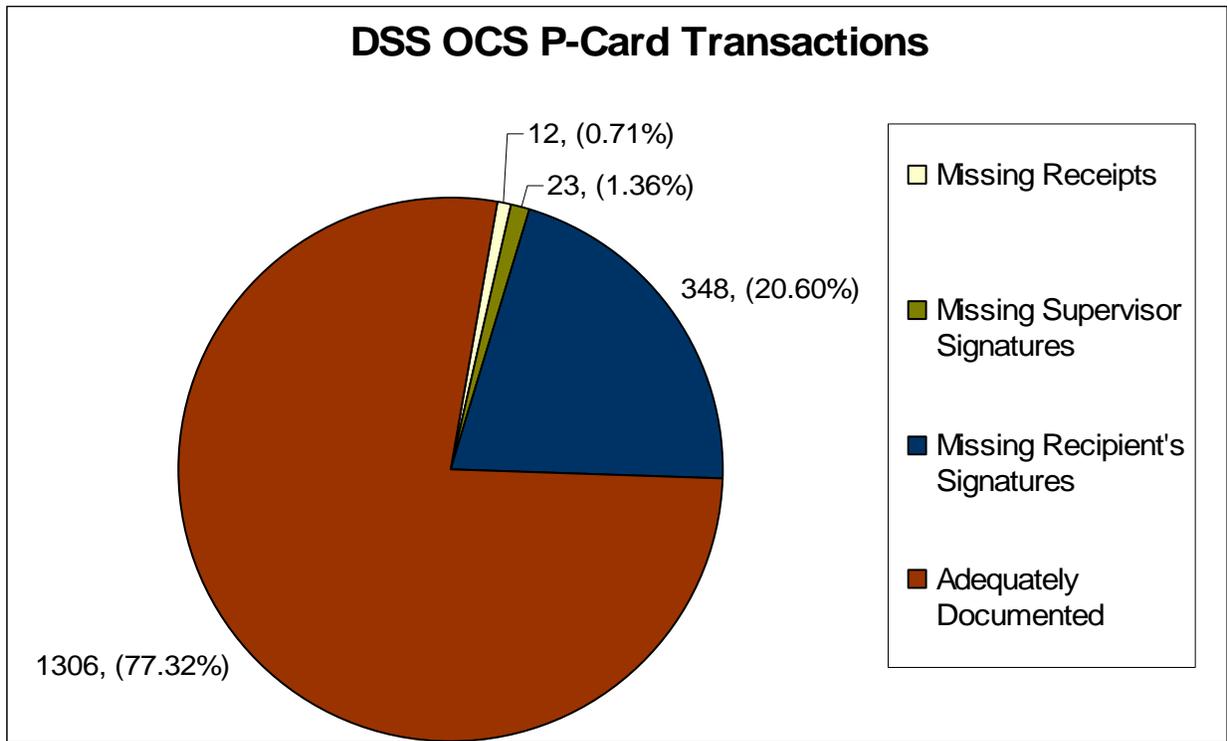
The Department of Social Services (DSS) and the Louisiana State Military Department (La. Military) have the aforementioned requirements in their respective LaCarte policies and procedures.

### **Department of Social Services**

Social workers employed with the DSS Office of Community Services (OCS) are allowed to purchase items using P-Cards for clients enrolled in Foster Care, Young Adult, and other programs. The purchases must fall within the program guidelines.

In addition to the requirements in the LaCarte Policy and in DSS's LaCarte policies and procedures, DSS OCS Policy 12-102 also requires the recipients of the items purchased or their caregivers and the supervisor of the social worker purchasing the items to sign the front of receipts acknowledging that the items were received.

However, we audited 1689 P-Card transactions for cardholders employed with DSS OCS as social workers and found approximately 383 or 23% that lacked sufficient documentation or approval as shown on the following page.



Examples of purchases from merchants which appear inappropriate, and lacked sufficient documentation or approval are listed in the table below:

Table 7 Examples of Insufficiently Documented Transactions For DSS OCS		
Merchant	Transaction Date	Transaction Amount
Furniture Factory Outlet	08/10/06	\$150.00
The Gap	12/08/06	\$178.88
Banana Republic	12/08/06	\$45.90
Wal-Mart Supercenter	08/23/06	\$232.38
Abercrombie and Fitch	12/19/06	\$109.00
RadioShack	12/19/06	\$294.98
Conn's Appliances	12/18/06	\$3,807.73

Because DSS supervisors did not always ensure sufficient documentation existed to support P-Card transactions and/or sign receipts or Purchase Logs certifying their review and approval, DSS could not provide assurance that the insufficiently documented or unapproved transactions were for official state business.

## Louisiana State Military Department

The La. Military also did not always ensure sufficient documentation existed to support P-Card transactions as required by the LaCarte Policy and the La. Military's LaCarte policies. Therefore, the La. Military could not provide assurance that the insufficiently documented transactions were for official state business.

We audited 27 transactions for cardholders employed with the La. Military and found five or 19% that lacked sufficient documentation. The five transactions were charged by two cardholders as detailed in the table below:

<b>Transaction Date</b>	<b>Vendor</b>	<b>Amount</b>
02/23/06	TLF Ourso's Flower Shop	\$54.98
04/07/06	Tom Water's Clothes and Opticals	\$209.44
11/19/06	TLF Ourso's Flower Shop	\$66.75
07/26/06	Factory Brand Shoes	\$37.96
07/31/06	TLF Ourso's Flower Shop	\$66.75

According to the supervisor responsible for approving transactions for the two cardholders, the accounting office moved several times after Hurricanes Katrina and Rita. The supporting documentation for the five transactions was inadvertently lost during one of the moves.

The supervisor stated that all purchases are approved on Requests for Materials, Services, and/or Contracts forms prior to any purchase. However, after the cardholders reconcile the bankcard statements to supporting documentation, the cardholders submit the statements along with the supporting documentation to the accounting office for payment processing.

The supervisor does not verify that bankcard statements include only those P-Card transactions he approved and does not verify that acceptable documentation exists to support all P-Card transactions on the bankcard statement as required by the LaCarte Policy and La. Military policies. He stated that he relies on the accounting office to ensure that acceptable documentation

and approvals exist for all transactions and to maintain a permanent file of the supporting documentation.

Because this documentation has been lost, the supervisor stated that he would now require all cardholders to maintain copies of the reconciled bankcard statements, along with copies of their corresponding approved requests for purchase and receipts for a period of three years.

### Recommendations:

5. The Department of Social Services should ensure that supervisors are verifying that acceptable documentation exists to support all transactions and signing receipts or Purchase Logs certifying that the documentation has been reviewed and approved.
6. The Louisiana State Military Department should ensure that supervisors are verifying that acceptable documentation exists to support all transactions and signing receipts or Purchase Logs certifying that the documentation has been reviewed and approved.

### **Finding 3: Single Purchase Limits**

During our initial review of P-Card transactions for the audit period, we found that agency Program Administrators had not set the SPL for 719 P-Cards. In addition, during our examination of P-Card transactions for the seven selected agencies, we found that the Louisiana Tech University (LTU) Program Administrator had raised the SPL for a cardholder above \$1,000 to accommodate a purchase without obtaining prior written approval from OSP as required by the LaCarte Policy.

The LaCarte Policy requires the maximum SPL to be \$1,000, and that OSP give prior approval in writing for a SPL to be above \$1,000. However, it also gives agencies the responsibility for setting and increasing the individual cardholder limits for single purchases, as well as all other spending limits.

Because agencies have the ability to set and increase individual cardholder limits for single purchases without prior approval, OSP does not have sufficient control to ensure that single purchase transactions do not exceed the maximum \$1,000 SPL without prior approval as required by the LaCarte Policy.

### **P-Cards Without Single Purchase Limits**

Agency Program Administrators had not set the SPL for 719 P-Cards, which gave cardholders the ability to charge up to the total credit limit allowed on the P-Card in a single purchase transaction. Credit limits for some P-Cards exceed well over \$100,000.

Due to the increased risk for inappropriate transactions to occur, we immediately notified the OSP LaCarte Program Administrator of this issue, who then contacted Bank of America and had a blanket \$1,000 SPL placed on all accounts.

During this time, Bank of America was using the EAGLS internet database program. The reports obtained from this system were not user friendly and not conducive for effective monitoring of P-Card transactions and purchasing limits. However, in December 2007 a new program was implemented called WORKS. The new program is a user-friendly program that allows Program Administrators to create more specific reports.

According to the OSP LaCarte Program Manager, since the implementation of WORKS she has been able to monitor the SPL for all P-Cards, as well as transactions in excess of the \$1,000 SPL. Monitoring may catch P-Cards without a SPL, or with an incorrect SPL. However, it will not prevent an unauthorized increase of a SPL to accommodate purchases in excess of the \$1,000.

## **Unauthorized Single Purchase Limit Increase**

The LTU LaCarte Program Administrator temporarily increased a cardholder's SPL above \$1,000 in order for a charge in excess of \$1,000 to be accepted on the P-Card. The P-Card transaction, dated November 20, 2006, was for computer software from Best Access Systems totaling \$1,825. The LTU cardholder's SPL is normally \$1,000. Supporting documentation is inadequate to explain why the SPL was increased for this transaction and prior written approval from OSP was not obtained.

### **Recommendation:**

7. The Office of State Purchasing and Travel should be the only agency with the authority for setting and increasing single purchase limits above the \$1,000 established in the LaCarte Policy.

## **Matters For Further Consideration**

During our initial review of P-Card transactions for the audit period, we found approximately 30 cardholders with P-Cards that have a credit limit of \$100,000 or more. In addition, we found approximately 100 cardholders that were issued multiple P-Cards.

Of the 30 cardholders with credit limits of \$100,000 or more, one cardholder had two P-Cards. Louisiana State University (LSU) issued 28 of the 31 P-Cards to its employees. The SPL for these P-Cards is also higher. Only four of the 31 P-Cards had a \$1,000 SPL. The SPL for the remaining P-Cards was between \$5,000 and \$300,000. Because of the excessive limits on these P-Cards, there is an increased risk for inappropriate purchases.

Agencies issued multiple P-Cards to 100 cardholders because the agencies only wanted one employee making purchases. Each P-Card is coded to a different accounting unit, so that purchases would not be split between accounting units. Louisiana Tech University (LTU) issued P-Cards to 79 of the 100 cardholders. One cardholder with LTU has 35 P-Cards. The SPL for each of the 35 P-Cards was set to \$1,000, and the monthly credit limit was set no higher than \$4,000. Of the remaining 100 cardholders, only two cardholders have P-Cards with a SPL in excess of \$1,000, and only one cardholder has two P-Cards with excessive credit limits. However, supervisors of the cardholders charged with reviewing transactions for the different P-Cards may be overwhelmed and, therefore, increase the risk that inappropriate transactions will go undetected.

The LaCarte Policy does not provide guidance for setting credit limits or for issuing multiple P-Cards to one cardholder.

### **Recommendation:**

8. The Office of State Purchasing and Travel may want to consider including guidance for setting credit limits or for issuing multiple P-Cards to one cardholder in the LaCarte Policy.

## **APPENDIX A**

### **Agency Listing Of Active P-Cards**

AGENCY NAME		TOTAL # OF ACTIVE CARDS
STATE DEPARTMENT		
AGRICULTURE & FORESTRY		40
CORRECTIONS		290
CULTURE, RECREATIONS, TOURISM		225
DIVISION OF ADMINISTRATION		139
ECONOMIC DEVELOPMENT		18
ENVIRONMENTAL QUALITY		404
GOV'S OFFICE OF HLS&EP		7
GROUP BENEFITS		28
HEALTH AND HOSPITALS		954
INSURANCE		9
JUSTICE		10
LASERS		17
LABOR		145
LEGISLATIVE AUDITORS		2
LOUISIANA HOUSING FINANCE AGCY		3
MILITARY DEPARTMENT		103
MUNICIPAL FIRE & POLICE		6
NATURAL RESOURCES		23
NOCCA		7
PATIENT'S COMPENSATION FUND		6
PUBLIC SAFETY		332
REVENUE		28
SCHOOL FOR THE DEAF		54
SECRETARY OF STATE		23
SOCIAL SERVICES		1692
TRANSPORTATION & DEVELOPMENT		47
TREASURY		3
USED MOTOR VEHICLE COMM		13
VETERANS AFFAIRS		59
WILDLIFE & FISHERIES		656
Active Cards State Departments		5343
Total State Departments, Including Legislative Auditors		30

AGENCY NAME		TOTAL # OF ACTIVE CARDS
COLLEGES AND UNIVERSITIES		
BOSSIER PARISH COMM COLLEGE		14
DELTA COMMUNITY COLLEGE		3
LSU		2087
LOUISIANA TECH		465
LSU AG CENTER		786
LSU HSC - N.O.		331
LSU SHREVEPORT		12
LSUHSC - HCSD		59
MCNEESE UNIVERSITY		25
NICHOLLS STATE UNIVERSITY		114
NORTHWESTERN STATE UNIV		10
NUNEZ COMMUNITY COLLEGE		6
RIVER PARISH COMM COLLEGE		1
SOUTHEASTERN LA UNIV		320
SOUTHERN UNIVERSITY - SHREVE		10
SOUTHERN UNIVERSITY BR		197
SOUTHERN UNIVERSITY NO		15
SOWELA TECH COMM COLLEGE		15
UNIVERSITY OF LA - LAF		373
UNIVERSITY OF LA - MON		30
LCTCS		2
Active Cards Colleges and Universities		4875
Total Colleges and Universities		21
BOARDS AND COMMISSIONS		
BOARD OF INTERIOR DESIGNS		1
BOARD OF NURSING		2
UL - BOARD OF SUPERVISORS		2
Active Cards Boards and Commissions		5
Total Boards and Commissions		3
Total Active Cards All Agencies		10223
Total Agencies in the LaCarte Program		54

## **APPENDIX B**

### **Inspector General's Comment**

## **Inspector General's Comment**

Although a written response was not received from the La. Military, a verbal response concurring with our findings was received from the Deputy Director of Administration, Colonel Louis B. May, and the LaCarte Program Administrator, Master Sergeant Thomas "Pat" Hassion. Colonel May and Master Sergeant Hassion stated that all supervisors responsible for reviewing and approving P-Card transactions are required to verify that acceptable documentation and approvals exist for all transactions and to maintain a permanent file of the supporting documentation. They also stated that they would take corrective action to ensure that these policies and procedures are followed.

## **APPENDIX C**

### **Responses**

BOBBY JINDAL  
GOVERNOR



ANGELE DAVIS  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of State Purchasing**

February 20, 2008

Mr. Stephen Street  
State Inspector General  
Office of State Inspector General  
P. O. Box 94095  
Baton Rouge, LA 70804-9095

RE: Case No. 1070022

Dear Mr. Street:

The Division of Administration appreciates your review of the State's procurement card program. I have reviewed the above referenced report. The audit comes at an important time for this program as it has been up and running for approximately seven (7) years and the last thing the state wants to do is become complacent with the administration of a successful program that allows state agencies to process efficiently 450,000 transactions and \$90 million of procurements during the last calendar year.

I will address your recommendations point by point.

Finding 1: Split Purchases:

Recommendation 1. The Office of State Purchasing and Travel should revise the LaCarte Policy to include a definition for single purchases and include a statement that single purchases shall not be artificially divided to avoid the single purchase limit or procurement procedures.

**Response:** The following language that is currently in the Small Purchase Executive Order will be incorporated into the State's policy, "In the absence of a good faith business basis, no purchase or procurement shall be artificially divided within a cost center, or its equivalent, to avoid the competitive process as set forth in the Small Purchases Executive Order, the solicitation of competitive sealed bids or the single purchase limit."

Recommendation 2. Agencies should also revise their policies to include a definition for single purchases and include a statement that single purchases shall not be artificially divided to avoid the single purchase limit or procurement procedures.

**Response:** When the revised state policy referenced in number 1's response is released, instructions to the department head and contract administrator will be included to update their policy accordingly.

Recommendation 3. The Division of Administration and the Office of State Purchasing and Travel should consider increasing the maximum allowed for single purchase transactions.

Recommendation 4. The Division of Administration and the Office of State Purchasing and Travel should consider allowing single purchase transactions in excess of the single purchase limit to be charged to P-cards. If the single purchase transaction is for a small purchase that is exempt from the Small Purchase Procedures prescribed by executive order of the Governor.

**Response to 3 & 4:** The office has interpreted the rules to allow for single purchase limit over \$1000 either on a permanent basis or through a one time override for purchasing state contract items and/or purchases handled in accordance with the Small Purchases Executive Order. We will review the language to make sure it is clear to the departments.

We have had discussions with department program administrators and there has been some reluctance to raise the overall limit based on concerns with asset tagging and pre-encumbrance requirements. I am confident we can continue these discussions and re-write this section of the policy to provide for departmental flexibility in the single purchase limit/transactions.

## Finding 2: Inadequate Documentation and Approval

Recommendations 5 and 6 were made to the Department of Social Services and the Louisiana Military Department.

We stress the importance of proper documentation in training and require it by rule. While no recommendations were made to this office, we will contact the agencies to reinforce the importance of adequate documentation.

## Finding 3: Single Purchase Limits

Recommendation 7. The Office of State Purchasing and Travel should be the only agency with the authority for setting and increasing single purchase limits above the \$1,000 established in the LaCarte Policy.

**Response:** The policy requires this office to approve increasing any single purchase limits. However, there are no system controls from the bank that would prevent an agency from increasing without proper approvals. In August of 2007 this office reviewed every card limit in the system and found 7 instances where agencies had set a limit higher than \$1,000 without proper approvals. These instances were individually addressed by the Office of State Purchasing and Travel. A December 2007 review revealed that there were no cards with a single purchase limit over \$1,000 without proper approvals.

## Matters for Further Consideration

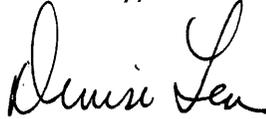
Recommendation 8. The Office of State Purchasing and Travel may want to consider including guidance for setting credit limits or for issuing multiple P-Cards to one cardholder in the LaCarte Policy.

**Response:** While we train state agencies that best practices in the card program are to limit multiple cards to one individual and limit monthly credit limits, the program must be flexible enough to accommodate specific agency needs.

Although we do stress the above as best practices and we recognize risk is an important concern, we must remember that the state agreement with the credit card company requires them to assume the ultimate liability for any fraudulent card use.

Thank you for the opportunity to respond to this audit. If you require any additional information please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Denise Lea". The signature is written in a cursive style with a large initial "D" and a long, sweeping tail on the "L".

Denise Lea  
Director

- c Angele Davis, Commissioner of Administration  
Barbara Goodson, Deputy Commissioner

BOBBY JINDAL  
GOVERNOR



ANN SILVERBERG WILLIAMSON  
SECRETARY

**State of Louisiana**  
Department of Social Services  
Office of Management and Finance

February 27, 2008

Stephen Street  
State Inspector General  
P.O. Box 94095  
Baton Rouge, LA 70804-9095

Re: Audit Findings -- LaCarte Purchasing Card Program

Dear Mr. Street:

We concur that two of the 15 cases cited as split purchase violations were applicable to DSS and were inappropriately made with the LaCarte card resulting in violations of the small purchase rules.

Corrective action implementation began on 12/1/2007 when DSS Departmental Policy 1-19 covering use of the LaCarte Procurement Card Program was revised to include:

1. Definition of a Split Purchase.
2. Another action step in progressive discipline against any employee who is non-compliant with the policy.
3. A recommendation to the appointing authority to revoke the card privileges of any employee upon the 4th violation in a year.
4. An administrative cancellation of any card that has been used to routinely violate the procurement policy upon the 5<sup>th</sup> offense of the cardholder.

The policy will be revised further within 60 days to include:

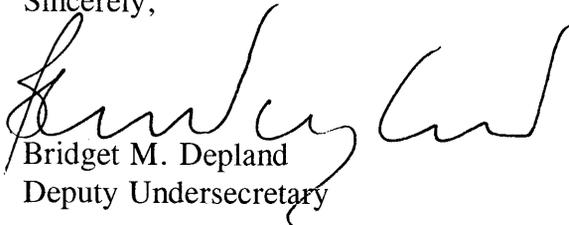
1. A link to the PowerPoint Presentation training tool for new cardholders and cardholder's supervisors as well as for cardholders that have been cited for non-compliance.
2. Adding accountability responsibilities for supervisors in reviewing card uses and maintaining documentation as required by policy and procedures.
3. The definition of a single purchase and a statement prohibiting the artificial division of sales receipts to avoid single purchase limits.
4. A clear statement of the OCS requirement to have the client sign the front of the receipt for any purchase made on behalf of that client as supporting documentation.

Stephen Street  
State Inspector General  
Page 2

The Department of Social Services, Office of Community Services concurs that it did not assure that sufficient documentation exists to support every P-card transaction and intends to improve in this regard.

In addition to adopting the policy changes described above, the Office of Community Services will require that all supervisors add a discussion of LaCarte Procurement Policy and Procedures to the agenda at their next monthly staff meetings. This will assure that an in-depth and systemic re-training regarding documentation requirements and single purchase rules will be conducted agency-wide within the next 45 days. This combination of policy revision, retraining and progressive discipline will be utilized to attain proper use and program accountability.

Sincerely,



Bridget M. Depland  
Deputy Undersecretary

C: Ann S. Williamson  
Lisa Woodruff-White  
Terri P. Ricks  
Marketta Gautreaux  
Cathy H. Lockett  
Debbie Johnson



MITCHELL J. LANDRIEU  
LIEUTENANT GOVERNOR

**State of Louisiana**  
OFFICE OF THE LIEUTENANT GOVERNOR  
DEPARTMENT OF CULTURE, RECREATION & TOURISM  
OFFICE OF THE SECRETARY

DAWN ROMERO WATSON  
SECRETARY

February 21, 2008

Stephen Street  
State Inspector General  
P. O. Box 94095  
Baton Rouge, LA 70804

Dear Mr. Street:

Thank you for the opportunity to review and comment on the report on the recently completed audit of the LaCarte Purchasing Card Program. We have reviewed the report and found that transactions made by the Department of Culture, Recreation and Tourism on four different dates were included in the audit report. The following comments are offered concerning each of these transactions.

Three transactions on July 21, 2006 and two transactions on July 28, 2006 were made to Corporate Express. In each of these cases, we concur that we did make multiple payments in order to utilize the purchasing card. All items purchased were on state contract. Consequently, these purchases were made in compliance with the Small Purchases Executive Order. Since payment with the LaCarte Card is considerably more cost effective than processing purchase orders and it was our understanding that it was permissible to make multiple payments when bid requirements were not an issue, we used the purchasing card to complete the transaction. We have recently been advised that this is not allowed. We have requested and received approval to increase the single purchase limit on our Purchasing Coordinator's LaCarte Card to allow him to make a single payment for contract items with the card in the future.

Three transactions were made to JA Styron Engraving on January 25, 2006. Although the auditor's comments say "Purchased items were not on state contract. A minimum of three quotes are required", the total of these three purchases was less than \$1,000.00; therefore, no bids were required. We therefore do not concur with this finding.

Stephen Street  
Page 2

Three transactions were made to Styron Engraving Co. on November 11, 2006. Although these payments were made on the same day, they were for separate purchases that were made on different days. Business cards were ordered on October 2, 2006; letterhead was ordered on October 26, 2006; and envelopes were ordered several days later. The business cards were delivered on November 17, 2006, and the letterhead and envelopes were delivered on November 19, 2006. Separate payments were made for each of these orders with the LaCarte Purchasing Card on November 28, 2006. Neither split purchasing nor split payments occurred in this instance; therefore, we do not concur with this finding.

Because we do not concur with the findings regarding Styron Engraving, no corrective action plan is required. We have advised the cardholder who made these payments that making multiple payments on one order is not permitted, and have requested and been granted an increase in the single purchase limit on his card to allow him to pay for contract items with his LaCarte Purchasing Card.

If you have any questions or need additional information, please contact our Fiscal Officer, Beverly Shaw, at (225) 342-8198.

Sincerely,



Dawn Romero Watson  
Secretary

c: Desireé Honoré



LOUISIANA TECH  
UNIVERSITY

OFFICE OF VICE PRESIDENT  
FOR FINANCE AND ADMINISTRATION

February 18, 2008

Mr. Stephen Street  
State Inspector General  
Office of the Inspector General  
P. O. Box 94095  
Baton Rouge, LA 70804-9095

RE: Case No. 1070022

Dear Mr. Street:

I have reviewed the Audit Report of the LaCarte Purchasing Card Program and, in particular, the transactions listed for Louisiana Tech University. We do appreciate the opportunity to offer comments on this report and to work with your office on ways to address the audit concerns and to enhance and improve the LaCarte Program.

The University feels that we have comprehensive internal control and review procedures for our LaCarte purchases. Our system provides a 100% review of all LaCarte transactions each month. All the items listed had already been identified in our system and an explanation received. Of the transactions listed, only one dealt with a split purchasing issue. All other transactions were LaCarte purchases made under the "Small Purchasing Procedures" as "non-bid" items costing over \$1,000. It has been our understanding and policy to allow and approve LaCarte purchases over \$1,000 when a "no bid" or state contract procurement could be utilized, especially when this method provided the most cost effective, timely, and efficient method to obtain supplies or services. It seems somewhat impractical to abandon all the inherent benefits that come with the LaCarte Program when an allowable purchase goes over the \$1,000 threshold. The University agrees with your recommendation that the \$1,000 limit be reviewed especially for "non-bid" items. We have reviewed our internal procedures and fully agree with the findings and will limit purchases to \$1,000 unless the card limit is raised or until this policy can be reviewed and updated.

It is our belief that local approval is the most practical option for a "one-time" raising of the LaCarte purchasing limit on an individual card purchase. It is impractical and burdensome to secure approval from State Purchasing for each "one-time"

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

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purchasing card exception. For any permanent increase in the LaCarte limit for a cardholder, we certainly feel that a request and justification should be sent to State Purchasing for review and approval.

Multiple LaCarte cards assigned to one individual have proven very successful for our campus. Departmental accounts, grant and contract accounts, gift accounts, etc. have differing requirements and restrictions that make co-mingling of purchases on one card very difficult to manage and charge-out to the required University accounts. The LaCarte system allows electronic import of transactions into our accounting system eliminating time-consuming and costly manual re-charging. There is also an inherent control advantage of multiple cards with small limits versus one card with a very large purchasing limit.

This review has been very beneficial and hopefully will allow further enhancements to the LaCarte Program. There has been a fundamental change in the manner and method of procurement of goods and services in today's marketplace. The LaCarte system has been very successful and should continue its development to allow the State of Louisiana to procure needed commodities timely, efficiently, and cost effectively. The added consumer protection of purchases provided by the LaCarte Card versus a check payment should also be a compelling reason to expand use of this program.

Again, we wish to thank you and members of your staff who worked so diligently on this audit.

Sincerely,



Joseph R. Thomas, Jr.  
Vice President for Finance  
and Administration

xc: Dr. Dan Reneau, President  
Mrs. Melissa Hughes, LaCarte Program Administrator

Thirty-six copies of this public document were published in this first printing at a cost of \$ 182.63. The total cost of all printings of this document, including reprints is \$ 182.63. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at [www.doa.louisiana.gov/oig/inspector.htm](http://www.doa.louisiana.gov/oig/inspector.htm). Reference should be made to Case No. [1-07-0022](#). If you need any assistance relative to this report, please contact Bruce J. Janet, CPA, State Audit Director at (225) 342-4262.

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To report alleged fraud, waste, abuse, or mismanagement relative to state programs or operations, use one of the following methods:

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- Call the Office of State Inspector General at (225) 342-4262