

OVERVIEW

Program and Management Audit of the State's Purchasing Card Program

Report No. 10-05, June 2010

Summary

In 2001, the State Procurement Office (SPO) established its Procurement Card Program (pCard program). As defined by law, a *procurement card*, commonly referred to as a *purchasing card*, *pCard*, or *charge card*, is a limited credit card to be used by government agencies in place of cash or purchase orders for the acquisition of goods, services, or construction. The pCard program was meant to simplify the State's small purchase operations and reduce the administrative burden associated with issuing purchase orders and processing invoices for payment without sacrificing controls. As of April 1, 2005, executive branch agencies were required to use pCards to pay for goods and services under \$2,500.

Our program and management audit of the SPO's Purchasing Card Program focused on the procurement of goods and services by executive branch agencies using pCards from July 2008 to October 2009. We focused on the three executive branch agencies with the highest number of pCard transactions and largest dollar volume of pCard expenditures for the period audited: the Departments of Health (DOH), Human Services (DHS), and Transportation (DOT). In the case of DOT, we focused on two of its four divisions—Administration and Highways.

We found that the pCard program has had some benefits: vendors get paid sooner, cardholders receive their goods and services faster, and the State receives a rebate. However, other benefits, including a more efficient and streamlined government procurement system, have not been achieved. Although the procurement office is ultimately responsible for the program, it has taken a hands-off approach to administering the program by delegating significant responsibilities to the executive departments.

We found that the procurement office has failed to adequately establish and evaluate goals and objectives and meaningful performance measures for the pCard program. In addition, the SPO does not properly evaluate and monitor the program's performance nor has it implemented an effective system for sharing innovations and experiences. Until the SPO becomes more proactive, it will not recognize and address the problems and concerns facing executive departments and cannot make program improvements to realize the full potential of the pCard program.

We also found that the executive branch agencies' current card programs lack streamlined procedures that could save time and money. Lacking guidance from the procurement office, the DOH, DHS, and DOT structured their pCard process to closely mirror that of the purchase order process. We found that the pCard process had more steps than the cumbersome purchase order process, thereby negating administrative efficiencies the program was intended to provide.



Further, the SPO cannot identify where nor quantify how much savings the program has achieved. And finally, staff from the three executive departments we tested could not say that the benefits of the program outweighed the administrative burdens associated with the program.

Recommendations and Response

We recommended the procurement office assume a more hands-on approach and play a stronger role as the administrator by ensuring that the intent of the pCard program is being met. We also made specific recommendations for the procurement office to perform a re-engineering effort by formulating and adopting clear guidance that will help the executive branch agencies in achieving consistency and efficiency.

In its response to our draft report, the State Procurement Office claimed that our report contains many misstatements and fails to take into account the limited resources available. Although the SPO provided extensive comments to refute our findings, the SPO acknowledged that there may be more that the pCard program can do for the State and counties. The SPO also stated that it has focused more on internal controls, which supports our findings that it has lost sight of what the pCard program was designed to do. Thus, the pCard program has not realized its potential for efficiency. A perceived shortage of resources does not relieve the SPO of these responsibilities. The SPO acknowledged our recommendations but stated that the recommendations have already been accomplished or it sees no merit in complying. We stand by the findings and conclusions in our report.

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