



EXECUTIVE SUMMARY

Government-Wide Credit/Debit Card Use Series, Part V

Public Defender Service Corporation

OPA Report No. 25-07, June 2025

Our audit on the Public Defender Service Corporation's (PDSC) credit card program determined that PDSC was not in compliance with its credit card policies and procedures, PDSC Procurement Regulations, Office/Purchase Requisition, the Government Travel Law, and PDSC travel policy. Specifically, we found:

- Credit card purchases were not aligned with policies and procedures relative to purchasing and approving;
- Transactions were conducted contrary to PDSC Procurement Regulations relative to small purchases and procurement from local suppliers;
- Travel-related expenses were missing clearance documentation in accordance with the Government Travel Law and PDSC travel policy; and
- Credit card payments were inadequately monitored and tracked.

Questioned costs totaled \$35,000 (K) (or 97%) of the \$36K credit card transactions tested and accounted for 24% of the \$145K in total credit card purchases from Fiscal Year (FY) 2022 to FY 2024. Based on our review, we did not identify any instances of fraud or abuse of the transactions we tested.

PDSC's Credit Card Purchases Were Not Aligned with Policies and Procedures

PDSC's credit card transactions must adhere its Standard Operating Procedures (SOPs) on Use of PDSC Credit Card and Office/Purchase Requisition(s). The SOPs were implemented in July 2017 and July 2020 to ensure proper usage of the company credit cards and compliance with sound competitive purchasing procedures. Based on our analysis, PDSC was non-compliant with its credit card policy relative to purchasing and approval processes. As a result, questioned costs totaled \$27K.

Deficiencies in the Purchase Requisition Process

PDSC's SOP on Office/Purchase Requisition(s) requires that all requests for procurement include a Purchase Requisition upon submission to its Fiscal Office. Additionally, the Purchase Requisition must include the total amount of the purchase, certification of funds, and an indication of the division's budget balance completed by the division supervisor. Under no circumstance shall Fiscal Office process a requisition absent of proper certification of funds. However, the audit revealed that 12 samples totaling \$5K had funds that were not certified before the transaction was conducted and 11 samples totaling \$815 had a certification of funds for no amount. Furthermore, 45 samples totaling \$19K did not indicate the division's budget balance. As a result, PDSC was non-compliant with its Office/Purchase Requisition SOP. Total questioned costs for this finding amounted to \$14K. This finding was a result of a weakness in policy enforcement.

Transactions Missing Required Documentation

All credit card transactions must be accompanied with supporting documentation including a Purchase Requisition, receipts, and any other documents relative to the purchase. Supporting documentation shall be submitted to the Fiscal Office the next business day following the transaction for bank reconciliation. Additionally, the requisition should include “Received by Fiscal Office”. However, we found that 12 samples totaling \$6K were missing a Purchase Requisition and three samples totaling \$2K were missing both a Purchase Requisition and receipt. Moreover, 67 samples totaling \$33K did not contain record of its submission to the Fiscal Office by the next business day. Total questioned costs related to this finding was \$11K. This finding was a result of a lack of proper monitoring and tracking of credit card transactions for completeness.

Lack of Evidence to Prove Transactions Were Business-Related

According to PDSC’s credit card SOP, credit card transactions must be business-related. Five (5) samples did not contain purchase requisitions and detailed receipts to justify the purchases were business-related. Questioned costs for this condition totaled \$317. Additionally, six samples were COVID-19 care packages for PDSC employees, which included Airborne Immune Support Gummies for Kids, popcorn, a Loco Moco meal, walnut chocolate chip cookies, and cream puffs. In addition, there were purchases for a blood pressure monitor and food for a holiday luncheon. We questioned \$687 in food-related credit card purchases. This finding was a result of a lack of documentation to justify paid services and inadequate guidance on authorized purchases, more specifically, meals and entertainment.

Credit Card Transactions Contrary to PDSC Procurement Regulations, Government Travel Law, and PDSC Travel Policy

PDSC’s credit card transactions must be conducted in accordance with its Procurement Regulations implemented in January 2004; however, PDSC did not furnish documentation to prove solicitation of vendors, both locally and off-island.

Additionally, the Government Travel Law and PDSC travel policy require travel clearance documentation; however, travel-related credit card expenses did not include clearances.

PDSC was found to be non-compliant with its Procurement Regulations, the Government Travel law, and PDSC travel policy. Questioned costs totaled \$8K.

Selection of Vendors Missing Solicitation Documentation

PDSC’s January 2004 Procurement Regulations require the solicitation of positive quotations. Purchases between \$500 and \$2,500 require informal written or oral quotations, while purchases between \$2,500 and \$10K require three informal written quotations. Additionally, best practices from government procurement regulations stated that if there are less than three positive quotations solicited, the agency shall include an attestation containing the record of businesses they contacted and their efforts to obtain quotes from a list of vendors.

We found that two samples had missing documentation to justify PDSC’s selection of vendors. Samples 8 and 37 involved payments made to update firewall subscriptions for one year, which

PDSC claimed was a sole source procurement. However, the Corporation did not provide the initial procurement record to support this statement.

Samples 53 and 55 had incomplete documentation to determine if PDSC solicited positive quotations from the vendors.

PDSC did not provide procurement documentation for Samples 8, 37, 53 and 55. Total questioned costs associated with this finding is \$5K. This finding was a result of lack of regulation enforcement. Furthermore, we recommend training for all personnel involved in the procurement process.

Off-Island Purchases Non-Compliant with Procurement Regulations

PDSC Procurement Regulations prioritizes procurement from local vendors before facilitating off-island purchases, unless it is to meet a disaster, emergency, or results in significant savings for PDSC. Ten (10) samples tested totaling \$5K did not include supporting documentation to justify purchases from off-island vendors.

Three (3) samples had other deficiencies. For example, Sample 13 was a purchase from an e-commerce company in the amount of \$35, however, local vendors quoted the amounts of \$23 for two rolls and \$26 for “1 each.” Documentation on the request for quotation and a cost analysis were not provided; therefore, it is unknown if PDSC considered the number of rolls in selecting the vendor. Additionally, Sample 17 involved the purchase of headsets from a technology company, despite receiving price quotations from local vendors in amounts lesser or close to the price of the items off-island. PDSC stated that the headsets were “best suited and most appropriate for use in a correctional facility.”.

PDSC failed to provide documentation to justify its off-island credit card purchases in accordance with its procurement regulations. Total questioned costs associated with this finding is \$780. This finding was a result of a weakness in regulating the procurement process and abiding by PDSC’s Procurement Regulations.

Travel-Related Expenses Missing Clearance Documentation

The Government Travel Law requires travelers to submit an itemized statement of actual expenditures incurred with supporting documents or an itinerary within 10 days following the return from official travel. Additionally, PDSC travel policy states that travelers must complete the Travel Clearance Form with the Chief Fiscal Officer (CFO).

Three (3) samples were missing documentation of the submission of itemized statement of actual expenditures incurred or an itinerary and travel clearance forms within 10 business days following the traveler’s return. This finding was a result of a weakness in enforcement of the Government Travel Law and PDSC travel policy. Furthermore, travelers did not submit their travel-related documentation and Fiscal Office failed to monitor and enforce this submission. As a result, PDSC is unable to prove the travelers’ clearance and if they owed or were owed money. Questioned costs for this finding totaled \$2K.

Inadequate Monitoring of Credit Card Payments

PDSC's SOP on Use of PDSC Credit Card states that "as soon as the transaction using the CC is completed, all supporting documents, i.e. Purchase request [...] must be submitted by the next business day to Fiscal for purposes of reconciling with Bank statements".

Of the bank statements provided by PDSC, there were no record of credit card payments in March 2022, October 2022, November 2022, and from September 2023 to September 2024 for account ending in 0806. In addition, there were no recorded payments in February 2022, March 2022, and from May 2022 to September 2024 for account ending in 9831.

Furthermore, PDSC was untimely in facilitating credit card payments between FY 2022 and FY 2024. Although the CFO stated that Fiscal Office pays for credit card charges in the following month after reconciling the bank statements, we noted recurring inconsistencies between the credit card payments and the previous month's Purchases and Other Charges.

In July 2023, credit card account ending in 9831 exceeded the \$5K card limit with Purchases and Other Charges totaling \$11K. Questioned costs totaled \$240 in interest charges incurred in 2024 as of October 2024. These audit finding conditions were a result of inadequate monitoring of credit card charges and untimely submission of supporting documentation, leading to untimely payments.

Other Matters

During our analysis, we found other matters relative to PDSC Procurement Regulations and the Government Travel Law as follows.

PDSC did not procure their credit cards properly and could not provide written documentation regarding the credit cards' implementation. Instead, PDSC sought credit card services from their bank, due to having existing business accounts with the bank. As a result, PDSC was non-compliant with its procurement regulations.

PDSC's travel-related credit card purchase did not accrue mileage for the Senator Edward J. Cruz Medical Referral and Education Mileage Program. Furthermore, PDSC's credit card agreement with their bank does not indicate that the credit cards are capable of accruing travel miles. As a result, PDSC does not contribute to the Senator Edward J. Cruz Medical Referral and Education Mileage Program and is non-compliant with the Government Travel Law.

Conclusion and Recommendations

PDSC implemented its Credit Card and Office/Purchase Requisition(s) policies and procedures "To ensure that standards and procedures are followed for preparing requisitions for processing by Fiscal of the Public Defender Service Corporation." We found PDSC was non-compliant with its credit card policies, procurement regulations and requisition procedures, and travel law and policy. Consequently, we recommend corrective actions to assist PDSC in achieving compliance, including revisiting and enforcing its policies and procedures, procurement regulations, and the government travel law. Additionally, we recommend that PDSC provide training to all personnel involved in the procurement process to ensure compliance.

A handwritten signature in blue ink, appearing to read "Benjamin J.F. Cruz".

Benjamin J.F. Cruz
Public Auditor