



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PURCHASE CARD CONTROLS

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2020.

What We Found

Purchase card transactions are supported and reviewed.

Management should continue to monitor and enforce controls to ensure all purchases meet County guidelines.

Report Number: 2020-A-08

Date Issued: 11/19/2020

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of purchase card controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found purchase card transactions were generally reasonable and supported and cardholder logs were reviewed and approved timely. However, several transactions did not meet County guidelines, which we have noted in past years' audits.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Benjamin Lloyd, Director of Administration
Ms. Karen Myers, Director of Procurement



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REVIEW RESULTS

We have audited Purchase Card Controls for the period of 06/26/2019 through 03/25/2020. Due to the potential for abuse associated with purchase cards, the Office of the County Auditor performs continuous audit procedures related to the program.

Our conclusion, based on the evidence obtained, is most purchases are reasonable and appropriate and policies and procedures have been adequately enforced to ensure compliance with guidelines. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Cardholders use cards for personal or inappropriate purchases.	Cardholder provides sufficient documentation to justify the appropriateness of the purchase. Approving officials review the monthly purchase card logs for support by the 12 th day of the following month.	Needs Improvement Satisfactory
Purchases in excess of \$5,000 do not meet procurement documentation requirements.	Cardholders provide additional required documentation per purchasing guidelines for purchases in excess of \$5,000 to support the transaction.	Satisfactory
Purchases are made that cannot be attributed to a specific employee.	Cardholders follow the County policy prohibiting the sharing of cards.	Satisfactory

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report; the response provided follows the Findings and Corrective Actions.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2020-A-08.01 Prohibited Purchases

Some purchases were made that do not follow the County's purchase card guidelines.

Analysis: During our review of purchase card activity throughout the audit period, we noted several transactions that were either for unallowed services or from prohibited retailers. Per the Harford County Government Corporate P-Card Program Manual as of April 2019, the "P-

Card may not be used in conjunction with an employee's personal club membership i.e. BJ's Wholesale Club, Sam's Club, and Costco. Harford County does not subscribe to any of these wholesale memberships and therefore the employee would need to purchase such items under their personal membership and submit for reimbursement." Of the 146 transactions reviewed, 13 were made at BJ's Wholesale Club; two of those transactions were for club memberships.

The P-Card Program Manual also states, for travel by air, "Personal reward credits cannot be received using your County P-Card." We noted three (3) instances of personal reward account numbers used to book flights for County related travel.

Recommendation: We recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so they are aware of the documentation and approval requirements for purchase card use, including the types of retailers employees are not permitted to make County purchases from. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically.

Management Response: All purchase card holders are provided training when they initially receive their card. Procurement provides training as necessary and continues to audit approximately 20% of the cardholder logs. If Procurement deems a purchase was inappropriate they will notify the card holder. Treasury will also do the same if they find an inappropriate use. With regards to the use of a P-Card at a wholesale club, the County will be updating the P-Card policy and procedures manual to allow transactions at wholesale clubs under business memberships, as well as reviewing best practices regarding travel rewards.

Expected Completion Date: 6/15/2021

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County uses corporate purchase cards to simplify and expedite the process for procuring goods and services. During the review period, Harford County purchase cards were used for more than 13,500 transactions, totaling approximately \$4.3 million. The County had approximately 250 active purchase cards as of March 2020.

The objective of the audit was to perform continuous review of the County's purchase card program to ensure sufficient controls are in place to ensure purchases are proper, allowable and correctly allocated for financial reporting. The scope was limited to the controls over

approving and reviewing transactions and cardholder logs. This audit did not include a complete evaluation of internal control but instead relied on substantive testing to support conclusions. Due to the narrow scope of this review, our evaluation of internal control was limited to those areas noted above. This lack of a complete review of internal controls did not affect our achievement of the audit objectives.

The audit focused on activity during the period of 06/26/2019 through 03/25/2020. Our audit procedures included testing a selection of transactions and cardholder logs for supporting documentation, timely completion, supervisory review and approval. For the transaction testing, we selected a random sample of transactions, with a focus on high risk categories. We believe our sample of transactions and monthly cardholder logs is a fair representation of the purchase card activity and purchase card risk areas.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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.

Audit Team:

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