



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PURCHASE CARD CONTROLS

Report Number:

2023-A-16

Report Date:

9/22/2023

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Purchase Card Controls for the period of 7/1/2022 through 6/30/2023. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2023.

The objective of this audit was to confirm that controls are adequate to ensure that purchase card transactions are proper, allowable, approved and correctly allocated for financial reporting purposes. The scope of this review was limited to the controls over reviewing and approving transactions, cardholder logs and related accounting. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response provided follows the Issues and Corrective Actions.

Sincerely,

A handwritten signature in cursive script that reads "Chrystal Brooks, CPA".

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure that purchase cards are used in accordance with the County's guidelines, and they are properly accounted for. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ¹
Purchase card users follow the Procurement guidelines and P-card Policy Manual	Generally Effective
Transactions are properly accounted for	Effective
Purchases are reviewed and approved by supervisors	Effective

ISSUES AND CORRECTIVE ACTIONS

In a prior audit report, 2022-A-10, we noted “we found a number of transactions that were either unallowable per the County's Purchase Card Procedure Manual or lacked sufficient documentation to support the necessity, appropriateness, validity, and approval of the purchases.” Additionally, in audit report 2020-A-08, related to personal rewards accounts and shopper's club memberships, “we noted several transactions that were either for unallowed services or from prohibited retailers.” In the current audit we identified fewer errors, but among them we found:

- 3 transactions coded to an incorrect spend category; and
- 4 transactions for funeral/memorial flowers, so have no clear benefit to taxpayers.

We tested 237 transactions, and the total number of errors is below the expected/ acceptable error rate. *These two issues will be closed.* However, we continue to recommend periodic refresher training for purchase cardholders. Further, we recommend management develop a written policy related to memorial and care packages to clarify when these gifts will be considered allowable and/or who is eligible for this benefit.

We further noted, in report 2022-A-10, some “purchase card monthly activity logs either were not submitted by the cardholder timely ... and/or were not reviewed and approved timely ... by the assigned Approving Official.” In the current audit, we the number of late or unsigned logs was below the expected/ acceptable error rate. *This issue will be closed.*

MANAGEMENT RESPONSE

Thank you for your due diligence and input. Management will continue to train employees on proper procedures with regards to the use of P-cards. At the discretion of the County Executive, expenses for items that contribute to memorializing a person who has contributed to the betterment of Harford County through their professional or personal endeavors is worthy a token tribute.

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 19,000 transactions, totaling approximately \$8.0 million. The County has approximately 260 active purchase cards as of August 2023.

The audit approach focused on testing the key controls that address management's objectives. The scope was limited to the routine purchase, review, and approval components of the process. We did not review the Program-Wide controls such as training, card issuance and management oversight and analysis. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Purchase Card Use	
Cardholders follow the County Purchase Card Manual limiting purchases to only necessary and allowable transactions.	<ul style="list-style-type: none">• Searched for potentially problematic transactions such as duplicates, travel, high-risk or unallowed categories, and unusual dollar amounts, split purchases or weekends and holidays transactions
Documentation of Transactions	
Cardholders maintain sufficient documentation to justify the appropriateness of the purchase.	<ul style="list-style-type: none">• For sampled transactions, confirmed that the purchase was appropriate and allowable• For sampled transactions, confirmed supporting documentation was complete• For sampled transactions, confirmed expense account coding was correct

Process / Control Objective	Scope of Review
Review and Approval Approving officials review the monthly purchase card logs for support by the 12th day of the following month.	<ul style="list-style-type: none">• For sampled cardholders and months, reviewed cardholder logs for completeness and timely submission• For sampled cardholder logs, confirmed the supervisor's review was completed timely

We have reviewed the issues reported in prior audits and planned our audit procedures to address those matters. Current conclusions for the findings included in Audit Reports 2020-A-08 and 2022-A-10 are described in the Issues and Corrective Actions section of this report.

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.

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.

Report Distribution:	Audit Team:
Ms. Karen Myers, Director of Procurement	Chrystal Brooks
Mr. Robert McCord, Director of Administration	CPA, CIA, CGAP, CISA, CGFM, CRMA
Mr. Robert Sandlass, County Treasurer	<i>County Auditor</i>
	Sarah Self, CIA, CGAP
	<i>Senior Auditor</i>

ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.