



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PURCHASE CARD CONTROLS

Report Number:
2024-A-10

Report Date:
09/10/2024

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 6/28/2023 through 6/27/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of this audit was to confirm that controls were 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. We also reviewed the program-wide controls. 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. Although none was required, they have been provided an opportunity to respond to this report; the response provided follows the Conclusions.

Sincerely,

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 program guidelines and County's Procurement Code. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

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

MANAGEMENT RESPONSE

Management would like to thank the Auditor and staff for its review of the purchase card program and operational effectiveness.

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 \$8.4 million. The County has approximately 240 active purchase cards as of June 2024.

The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Purchase Card Authorization and Issuance	
Only authorized individuals are issued a card.	<ul style="list-style-type: none">• Performed a Program-wide Controls Review to ensure adequate controls over card issuance
Cardholders and approvers are properly trained in using Purchase Cards.	<ul style="list-style-type: none">• For a sample of new cardholders, confirmed Purchase Card training was received prior to card issuance
Proper 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
Accounting for Purchases	
Costs allocations are approved and transferred completely to the County's resource management system	<ul style="list-style-type: none">• For sampled transactions, confirmed cost allocations are coded correctly

Process / Control Objective	Scope of Review
Review and Approval	
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
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

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 CPA, CIA, CGAP, CISA, CGFM, CRMA <i>County Auditor</i>
Mr. Robert Sandlass, County Treasurer	Brad DeLauder CIA, CPA <i>Senior Auditor</i>
	Cassandra Binesar <i>Summer Intern</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.