



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 FY2019.

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: 2019-A-14

Date Issued: 08/02/2019

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 and our findings 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 reasonable and supported and cardholder logs were reviewed and approved timely.

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. Billy Boniface, 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 06/26/2018 through 06/27/2019. Due to potential for abuse associated with purchase cards, the Office of the County Auditor performs continuous audit procedures related to the program, as well as a review of the overall controls for the program at least every two years.

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. | Satisfactory |
| | Approving officials review the monthly purchase card logs for support by the 12th day of the following month. | Satisfactory |
| Purchases in excess of \$2,500 do not meet procurement documentation requirements. | Only a few cardholders have single transaction limits greater than \$2,500 and all other purchasing guidelines must be followed. | Satisfactory |
| Purchases are made that cannot be attributed to a specific employee. | Cardholders follow the County policy prohibiting the sharing of cards. | Satisfactory |
| Cards are issued to employees who are not familiar with the County policies and regulations. | Cardholders are required to complete training prior to card issuance. | Not tested |
| | Cardholders and approvers receive refresher training periodically | Not tested |

Management has been provided an opportunity to respond to this report; however, none was required because there were no conditions requiring remediation. Accordingly, no response was provided.

STATUS OF PRIOR AUDIT FINDINGS

We have reviewed the issues reported in prior purchase card audits. Current conclusions for the open findings included in prior audit reports are noted below.

Previously, we noted “Documentation for purchase card transactions was not sufficient to support the necessity, appropriateness and approval of purchases.” In the current review, based on our testing and discussions with management, the number of exceptions has fallen below the tolerable error rate. *This issue has been closed.*

Previously, we noted, “Not all County Purchase Card users have completed the required on-line training.” In the current review, we found that online training program has been discontinued until further notice. Management is continuing offline training for cardholders. Accordingly, we will not continue to follow-up on this issue. *This issue has been closed.*

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County uses corporate purchase cards to simplify and expedite the process for procuring goods and services under \$2,500. During the review period, Harford County purchase cards were used for more than 16,000 transactions, totaling approximately \$4.3 million. The County had 235 active purchase cards as of July 2019.

The County’s Corporate Purchasing Card Program Policies and Procedures requires cardholders to be accountable for their purchases and ensure that proper accounting exists for the related transactions. Cardholders are required to maintain a purchase card log which is reconciled to the bank statements and supporting documentation, including an itemized receipt. Cardholders must submit their purchase card activity logs and appropriate support for each transaction to their assigned supervisor for approval of purchases. Without appropriate review by the assigned approver, cardholders may make purchases that are not prudent and necessary. Through effective controls, a department can safeguard assets, prevent, detect, and correct errors and irregularities, ensure reliability of financial information, ensure compliance with the policies and procedures, and maintain appropriate records in a safe and secure location.

The objective of this audit was to determine if Harford County’s corporate purchase card program has sufficient controls 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 06/26/2018 through 06/27/2019. Our audit procedures included testing transactions for supporting documentation and cardholders' logs for timely completion and supervisory review and approval. For the transaction testing, we selected a random sample of 242 transactions, as well as a sample of 865 transactions in high risk categories. We believe our sample of 91 monthly cardholder logs and transactions is a fair representation of the purchase card activity and purchase card risk areas. Last year, we reviewed program-wide purchase card controls to ensure adequacy. This review was not performed this year; it will be performed in FY2021.

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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County Auditor

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