



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 FY2021.

What We Found

We noted that controls are adequate to ensure that purchase card use is allowable, supported and reviewed.

Report Number: 2021-A-10

Date Issued: 08/18/2021

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the County's 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. Additionally, we tested the program-wide controls and noted that they were adequate to ensure that cards, cardholders and transactions meet the program requirements.

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: Ms. Karen Myers, Director of Procurement

Audit Team:

Chrystal Brooks, CPA, CIA,
CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder, CPA, CIA
Senior Auditor

Sarah Self, CIA
Staff Auditor



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REVIEW RESULTS

We have audited Purchase Card Controls for the period of 03/28/2020 through 06/27/2021. 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. 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 | Cardholders provide documentation to justify the appropriateness of the purchase. Approving officials review the monthly purchase card logs for support by the 12th day of the following month. | Satisfactory Satisfactory |
| Large purchases do not meet Procurement requirements | Only a few cardholders have high single transaction and monthly purchase limits. Cardholder limits are reviewed and adjusted periodically by the Program Administrator. | Satisfactory Satisfactory |
| Purchases are made that cannot be attributed to a specific employee | Cardholders follow the County policy prohibiting the sharing of cards | Satisfactory |
| Cardholders are not familiar with the County policies and regulations | Cardholders are required to complete training prior to card issuance. | Satisfactory |

Management has been provided an opportunity to respond to this report; since there were no issues reported, no response was required or provided.

STATUS OF PRIOR AUDIT FINDINGS

We have reviewed the issues reported in a prior audit. Current conclusions for the findings included in Audit Report 2020-A-08 are explained below.

Previously, we noted, "Some purchases were made that do not follow the County's purchase card guidelines." Specifically, there were purchases at membership clubs that were not allowed. In the current audit, we found the issue was addressed with an update to the Purchase Card Program guidelines. *This issue has been closed.*

Other issues noted in prior Purchase Card audits were closed before we began this project but were considered in our risk analysis when planning our audit procedures.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County uses corporate purchase cards to simplify and expedite the process for procuring goods and services. During the 15-month review period, Harford County purchase cards were used for almost 20,000 transactions, totaling approximately \$7.8 million. The County had approximately 250 active purchase cards as of August 2021.

The objective of this audit is 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 is limited to the controls over reviewing and approving transactions, cardholder logs and related accounting. We also reviewed the program-wide controls.

The audit focused on activity during the period of 03/28/2020 through 06/27/2021. Our audit procedures included interviewing personnel, observation and testing. Specifically, testing included 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.

In addition to transactions and cardholder logs, we reviewed the program-wide controls to ensure that they are adequate. The program-wide review tested new card issuance, cardholder spending limits, data transfer between systems and confirmed that Bank of America's processing controls had been reviewed by an external auditor.

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.