

Prince George's County, Maryland  
Office of Audits and Investigations

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**Office of Central Services**

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**Purchasing Card Program Audit**

**October 2019**



**David H. Van Dyke  
County Auditor**

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# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

October 2019

The County Council and County Executive  
of Prince George's County, Maryland

We have conducted a performance audit of the

### **OFFICE OF CENTRAL SERVICES' PURCHASING CARD PROGRAM**

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our Report is submitted herewith.

We have discussed the contents of this Report with appropriate personnel of the Office of Central Services, and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in blue ink, appearing to read "David H. Van Dyke".

David H. Van Dyke, CPA, CIA, CFE  
County Auditor

A handwritten signature in blue ink, appearing to read "Turkessa M. Green".

Turkessa M. Green, CPA, CIA, CISA  
Deputy County Auditor

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## Results In Brief

The Budget and Finance Division of the Office of Central Services (OCS) manages the County's Purchasing Card Program (Program). This division is staffed by an Administrator that oversees the program with the assistance of agency coordinators. During fiscal year 2017, approximately \$10.3 million dollars was expended by the County utilizing purchase cards.

Given the amount of funds expended by the County utilizing the program, it is imperative that the related internal controls are operating effectively and efficiently. These internal controls should also provide reasonable assurance that the County's purchasing card program is being utilized for its intended purposes. The lack of sufficient controls could expose the County to potential misappropriation by employees and its vendors.

The following major findings are addressed in our report:

- Established monthly and single transaction purchasing limitations were exceeded. Furthermore, purchasing activities reveal circumstances where purchases were split to circumvent the single transaction limitation.  
**(Repeat finding from prior audit reports dated May 2011 and September 2015).**
- Several purchase transactions contained missing, incomplete or inaccurate information and/or supporting documentation. The failure to provide this information/documentation lead to the following situations:
  - Misclassification of purchase card transactions;
  - Failure to identify term and sole source purchases and related information;
  - Lack of adequate business justification for purchases;
  - Lack of adequate justification for sole source purchases;
  - Purchases lacking supporting documentation; and
  - Failure to secure required competitive quotes for purchases.**(Repeat finding from prior audit reports dated May 2011 and September 2015).**
- The lack of adequate approval for purchase card transactions. **(Repeat finding from prior audit reports dated May 2011 and September 2015).**
- The execution of several prohibited purchase transactions. Some of which include utility bills, employee gifts, prepaid EZ-Pass toll transactions,

vehicle fuel, and payments made to supplement/complete previously made orders.

- Failure of the Program Administrator to adequately monitor the purchasing card program in accordance with established approved written procedures. **(Repeat finding from prior audit report dated September 2015).**
- Several policy and procedure concerns, including the failure to approve and authorize the Purchase Card Program manual timely, the lack of uniformity between the OCS and agency standard operating procedures (SOPs), and the failure to incorporate current operating practices into written SOPs.
- One Agency Coordinator was found to be an active cardholder at the time of the audit, which is in violation of the Purchase Card Program policy and procedures.
- The FY 2017 Purchasing Card Program Manual did not include language related to the use of Term Contracts as a first source for the purchase of goods and services, the list of County contracted vendors is not updated frequently, and expired term contracts are being utilized to make purchases.

Internal control activities are an important part of an agency's ongoing planning, implementation, and review of programs and services. They are essential for effective and efficient operations and proper accountability of County resources. For this reason, several recommendations for improving internal controls are made throughout this report.

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## Background

The Budget and Finance Division of the Office of Central Services (OCS) manages the County's Purchasing Card Program (Program). The Program is an important and powerful tool in the County's procurement system intended to simplify the Purchasing and Accounts Payable functions to provide prompt payment to vendors and a more efficient purchasing experience for County agencies. Purchase cards (P-Cards) are used to facilitate and automate the payment process to reduce costs and the need to process vendor invoices and issue checks. The Program requires a strong internal controls system to prevent misappropriation, theft, waste, or abuse of County resources.

The OCS developed a Purchasing Card Program Manual that establishes ethics and standards of conduct for Program participants and also outlines internal controls that govern the use of purchase cards and the administration of the Program. The Program is directed by the Program Administrator who is appointed by and reports to the Director of the Office of Central Services (OCS). The program is facilitated by J. P. Morgan (Chase Bank) using an online electronic system called PaymentNet.

The Program Administrator acts as the County's representative to the financial institution that services the Program. The Program Administrator helps to develop and enforce policies and procedures pertaining to the Program; reviews and approves agency's requests for purchase cards; helps develop and implement an appropriate training program for County personnel participating in the Program; and is responsible for the general oversight, monitoring, and auditing of the Program.

Each agency Director is responsible for the implementation of the Program within their respective agency. The Directors' duties include:

- Adopting, maintaining and requiring compliance with agency-specific Standard Operating Procedures (SOPs) and those outlined in the Program Manual;
- Appointing and directing the Agency Coordinators;
- Informing Agency Coordinators and the Program Administrator of agency Purchase Cardholders who are terminated, transferred, demoted or have a change in status;
- Returning to the Program Administrator, all purchase cards for Purchase Cardholders who fail to comply with Program policies and procedures;
- Conducting an annual physical count of all purchase cards issued to the agency and providing an inventory to the Program Administrator;
- Ensuring all files and documents related to the agency's purchase card activity are retained; and
- Responding to requests for Program inquiries and compliance comprehension.

The Agency Coordinator(s) is appointed by the agency Director and is responsible for the day-to-day administration and management of the Program at the agency. They ensure that all agency participants are trained and provided with a Program Manual; document the review of all monthly reports and transactions relative to the Program; investigate and report in writing any questionable and/or inappropriate purchase card activity to the Department Head and the Program Administrator; and annually inventory all cards assigned to the agency and submit a report to the Program Administrator.

The Purchase Cardholder (Cardholder) is the sole individual responsible for the security of the purchase card(s) placed in their possession. The Cardholder is required to attend training prior to use of the purchase card; complete and sign the Purchase Card Program Agreement and Delegation of Procurement Authority; adhere to all applicable Program policies and procedures; reconcile purchase card transactions using the PaymentNet system; and immediately notify the proper individuals if the purchase card is lost, stolen or used in an inappropriate manner.

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## **Objective, Scope, & Methodology**

The purpose of this audit was to: (1) assess the adequacy and design of established written and/or documented policies and procedures over purchase card transactions; (2) determine if existing controls are operating effectively and in accordance with applicable policies and procedures ensuring the accuracy of purchased card transactions; and (3) identify factors inhibiting satisfactory performance and recommend corrective action.

To conduct this audit we reviewed applicable County Administrative Procedures, and the OCS operating procedures. We interviewed staff members from the OCS and respective user agencies. We then obtained a download of purchase card transactions from the PaymentNet system for fiscal year 2017, and utilized these transactions in the selection of various audit samples. These samples were then compared to supporting documentation based upon testing attributes. We reviewed monitoring controls to ensure that they were operating correctly. We also verified the accuracy of purchase card expenditures reported on the financial statements.

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## **Management's Responsibility for Internal Control**

Internal control is defined as “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance” regarding the achievement of the following objectives relating to operations, reporting, and compliance<sup>1</sup>:

- Effectiveness and efficiency of the entity’s operations;
- Reliability, timeliness, and transparency of financial and non-financial reporting; and
- Adherence to laws and regulations to which the entity is subject.

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<sup>1</sup> *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 2013

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal controls is communicated to employees, particularly through management's own actions and beliefs, the process is more likely to function effectively.

A strong internal control environment is essential in minimizing operational risks and improving accountability; this further helps an agency to achieve its mission.

We noted the following strengths in relation to the internal controls surrounding the Purchasing Card Program that we reviewed within the OCS:

- The OCS has detailed written policies and procedures in place governing the Purchasing Card Program.
- There are clear separations of duties outlined for Purchasing Card Program participants.
- There is an accountability system in place for noncompliance with Purchasing Card Program policies and procedures.
- There are numerous monitoring controls in place to ensure that policies and procedures are being followed.

We also observed internal control weaknesses surrounding the administration of the Purchasing Card Program that require management's attention. The following sections detail the items noted during our review.

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## Purchase Card Limitation Violations

Audit testing revealed the following instances where purchase card transaction limitations were breached:

### Split Transactions

There were 98 instances where transactions were identified as potentially being situations where individuals circumvented the single item transaction limit of \$5,000 by splitting the transaction into two or more smaller transactions. The criteria used to identify these potentially split transactions was whether they were initiated on the same day, by the same individual, utilizing the same vendor, and the total of the transactions exceeded the \$5,000 single transaction limit. A sample of 11 of the possible 98 instances was selected to determine if these occurrences actually represented situations where transactions were split to circumvent the \$5,000 limitation. A review of the sampled items revealed four (4) instances were representative of situations where transactions were split to circumvent the \$5,000 single transaction limitation.

### **Monthly and Single Transaction Limits Exceeded**

In FY 2017, there were 20 instances identified where a total of seven (7) cardholders exceeded the monthly 30-day billing cycle limit of \$25,000. According to the OCS records, three (3) of the seven (7) cardholders have two or more purchase cards issued to them. The OCS issues more than one purchase card to one individual in situations where their purchasing activity for their particular agency warrants multiple card usage. We also identified three (3) transactions that exceeded the \$5,000 single transaction threshold.

**Note:** Some of the above instances were initiated by individuals that have more than one purchase card thus opening the potential for situations where limitations established (i.e. \$5,000 per transaction, \$25,000 per 30-day billing cycle) were not violated when applied to a specific purchase card. However, with the intent of each limitation being to control an individual's activity and not purchase card activity, the identified instances are truly representative of violations of each established limitation.

The Office of Central Services Purchasing Card Program Manual, section V, subsection C, states “Split purchases are prohibited. A split purchase is one in which the original purchase requirement for the same or related goods or services is deliberately broken into multiple smaller purchases which are made over a short period of time. A split purchase is created to circumvent a card’s single transaction limit. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases. Split purchases include the following types of transactions:

- Purchase of a single item costing more than \$5,000 (including shipping) with the purchase being divided (split) between several different card transactions
- Purchase of a group of items totaling over \$5,000 (including shipping) for a single purchase need. A single purchase need identifies a group of items that are similar enough in nature to be purchased from a single source and that are all known to be needed at the time of the first purchase transaction...”

Additionally, the Office of Central Services Purchasing Card Program Manual, section V, subsection E, states “\$5,000 is the maximum dollar amount a Cardholder is permitted to spend with his/her Purchase Card on a single transaction...\$25,000 is the maximum dollar amount a Cardholder is permitted to spend with his/her Purchase Card within a 30-day billing cycle.”

The Purchasing Card Program Manual allows cardholders to deviate from these requirements “only upon approval from the Program Administrator”. Requests for deviations must be submitted to the Program Administrator in writing.

The primary reason for the instances where purchase card limitations were exceeded is the failure to follow policies and procedures and/or the lack of supervisory overview to identify these situations. While conducting audit fieldwork, discussions with various agencies revealed the following insights into the reasons for these violations:

- The need to procure goods and services in an expedited manner; and
- Emergency purchases that need to be made.

Failure to follow documented policies and procedures related to splitting transactions could lead to a high number of transactions being diverted from purchase order to purchase card processing. This occurrence would increase the volume of transactions being processed through the Purchasing Card Program thus compromising the intended nature of the program. Furthermore, this occurrence could potentially allow for a higher probability of noncompliance with other requirements such as approvals and bid submissions due to the expedited nature apparent in purchase card processing.

**We recommend** the following actions:

- 1(a)** The Program Administrator should make every effort to ensure that transactions are within the established monetary limitations. These efforts should include a documented review and follow-up of issues noted in various error reports generated by the current purchase card system (PaymentNet) to identify these violations. The privileges of cardholders that continually fail to adhere to spending limitations should be evaluated, and the appropriate disciplinary actions taken in accordance with the Purchase Card Program Manual.
- 1(b)** The Program Administrator should ensure that written policies and procedures are updated to incorporate the practice of multi-card issuance to one individual.

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## **Incorrect Account Classification**

Audit testing revealed that 89 of the 598 transactions selected for testing, or 15%, were not recorded in the appropriate general ledger account, or were recorded in a non-descriptive account (i.e. Procurement Card Purchase) based upon the nature of the goods or services being purchased. As of January 25, 2019, transactions totaling \$151,694 were recorded in general ledger account '514190 Procurement Card Purchase' for FY 2017.

All purchase card transactions must be coded to the appropriate general ledger account. The Office of Central Services Purchasing Card Program Manual, section VIII states, "Cardholders must check each entry carefully to verify its

accuracy. The Cardholder is also responsible for verifying that the fund, account and center number for each transaction is correct. The Agency Coordinator may change the fund, account and center number for a transaction after it has been reviewed by the cardholder. However, once the Agency Coordinator approves the transaction, no additional changes can be made unless they are made through a manual journal entry submitted to the Office of Finance.”

Additionally, the Government Accountability Office (GAO) standards for internal controls (GAO-14-704G) states that appropriate control activities should be designed to ensure that “all transactions are completely and accurately recorded.”

All unreconciled transactions that cardholders and agency coordinators do not properly classify are put into a default general ledger account, “Procurement Card Purchase.” Once posted, cardholders and agency coordinators did not properly reclassify those transactions. Additionally, the Cardholder may not have fully understood where to classify each transaction’s fund, account, and center number.

The lack of supervisory review to identify situations where adequate information and/or documentation were not provided, may have also resulted in transactions being posted incorrectly in the County’s financial system.

The failure to properly classify transactions within the County’s accounting system could lead to an inaccurate representation of expenditures. This misrepresentation could cause incorrect decisions to be made by decision makers, with respect to the County’s resources, due to the usage of inaccurate expenditure information.

**We recommend** the following actions:

**2(a)** The Program Administrator provide periodic training and written guidance to Agency Coordinators and cardholders to further their understanding of which fund, account and center number to use to record purchase card transactions in the County’s financial system.

**2(b)** Agency Coordinators and Cardholders must be expected to complete monthly transaction reconciliations without exception. A lack of adherence should be documented in writing. This documentation provides evidence to determine when a pattern of noncompliance is created and may need to be referred for possible disciplinary action.

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## Inadequate Approval for Purchase Card Transactions

Audit testing revealed the following instances where purchase card transactions lacked the appropriate approvals:

### **General Transactional Approvals**

A judgmental sample of 598 purchase card transactions were selected to verify that adequate written approval was received by the cardholder prior to the execution of the purchase. The results of audit testing revealed that 162 out of 598, or 27%, of the transactions lacked adequate approval. Examples of inadequate approval include instances where transactions either lacked the required signatures or signatures were received after the execution of the purchase.

### **Special Supplemental Approvals**

The purchase of certain goods or services requires special prior written approval. These special approvals must be received by the Director of the Office of Information Technology (OIT) or his/her designee, the Deputy Chief Administrative Officer (DCAO) for the agency, and the Director of the Office of Management and Budget (OMB) or his/her designee prior to the purchase of computer hardware /software and communication supplies/services, food/catering and travel reservations (including conference registrations and memberships), respectively. We identified the following transactions where these special approvals were not received:

- ***Computer Hardware/Software and Communication Supplies/Services*** - 7 out of 26, or 27%, of computer hardware/software and communication supplies/services related transactions lacked prior written approval from the OIT Director or designee;
- ***Food/Catering*** - 10 out of 41, or 24%, of food/catering related transactions lacked prior written approval from the agency's DCAO;
- ***Travel Reservations (including conference registrations and memberships)*** - 8 out of 66, or 12%, of travel related transactions lacked prior written approval from the OMB Director or designee.

The Office of Central Services Purchasing Card Program Manual, page 17, section VI, subsection A, states "...Cardholders must obtain all appropriate approvals and certify that agency funds are available in accordance with the [Agency Standard Operating Procedures] ASOP prior to making a purchase... The Purchasing Card Agency Control Sheet and other approval requirements must be

completed and signed by the Agency Coordinator prior to any purchase being made.”

Furthermore, the Office of Central Services Purchasing Card Program Manual, page 15, section V, subsection F, states “Cardholders must obtain prior written approval from persons indicated below before using the Purchase Card to purchase the following goods and services:

Good/Service	Approval Required From
Computer hardware or software and Communications supplies or services	The Director of the Office of Information Technology (OIT) or his/her designee
Food/Catering	The Deputy Chief Administrative Officer (DCAO) for the agency
Travel Reservations (hotel rooms, airline tickets, train tickets); Conference Registrations and Memberships	The Director of the Office of Management and Budget (OMB) or his/her designee

The lack of approvals prior to making a purchase using the P-Card may have resulted from the cardholder’s failure to follow policies and procedures and/or the lack of supervisory oversight.

Failure to obtain prior written approval for purchase card transactions increases the likelihood of fraud, misuse, and misappropriation of County Government resources.

**We recommend** the following action:

**3(a)** The Program Administrator direct cardholders and agency coordinators to conduct a thorough review of purchase card transactions to ensure that the appropriate prior written approvals have been granted.

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## Prohibited Purchases

Of the 598 transactions selected for review, audit testing revealed the following instances where prohibited purchases were made by cardholders:

- **Maryland Sales Tax-** There were thirteen (13) instances where the total purchase amount paid included Maryland sales tax.
- **Utility Bills-** There were three (3) instances where purchase cards were used to pay for utility bills (one (1) gas/electric, one (1) water/sewer, and one (1) telephone bill).

- **Gifts**- There were three (3) instances where purchase cards were used to pay for gift related items. These instances included two (2) floral arrangements for employees during the bereavement of a family member, and a \$877.80 clock for a retiring employee.
- **Vehicle Fuel**- There were three (3) instances where purchase cards were used to pay for boat fuel. It was noted that there was approval from OCS prior to the use of the purchase card.
- **E-Z Pass**- There were four (4) instances where purchase cards were used to automatically rebill (i.e. prepay) an E-Z Pass.

#### Agency Standard Operating Procedures

- During a review of each agencies standard operating procedure (ASOPs) we noticed that three (3) ASOPs (Police Department, Fire/EMS, and County Council) allowed cardholders the opportunity to purchase special occasion items. Special occasion items are currently prohibited from being purchased according to the OCS purchasing card program manual. Although OCS acknowledges and agrees with these exceptions, the Purchasing Card Program Manual does not clearly document all exceptions allowed by the policies and procedures.

The Office of Central Services Purchasing Card Program Manual states the following as it relates to the issues noted above:

- *Section VI, subsection B* states “It is the responsibility of the cardholder to inform the vendor that sales tax not be charged when making a purchase in the State of Maryland.”
- *Section V, subsection A* states “The Purchasing Card shall not be used to purchase utilities, gasoline or oil, and gifts, among other identified goods and services.”
- *Section V, subsection A* states “The Purchasing Card shall not be used to purchase the following goods and services” such as “special occasion items such as flowers, fruit baskets, candy, and balloons.”
- *Section V, subsection B* states “Using the Purchasing Card for the following purposes is strictly prohibited:
  - To complete or supplement previously made orders;
  - To make purchases originally started with a different County procurement device (e.g., purchase order, payment request, blanket purchase order);
  - Any purchases prohibited by the Cardholder agency’s ASOP”.

- *Section IV, subsection E, paragraph 2* states “It is prohibitive to give your card number to a sales representative to “keep on file” for future use.”

Prohibited purchases may have been made as a result of purchase cardholders failing to follow policies and procedures coupled with the lack of supervisory oversight to identify situations where prohibited transactions had occurred.

Additionally, exceptions to the Purchasing Card policies and procedures allowed by the Program Administrator were not documented in the FY 17 Purchasing Card Program Manual.

Failure to follow documented policies and procedures around making prohibited purchases could lead to purchases being made in conflict with the intended nature of the purchase card program. This occurrence could increase the likelihood of misuse and misappropriation of resources given that the identified prohibited uses lend themselves to being personal in nature.

The failure of OCS and other agencies to properly update policies and procedures could lead to policies and procedures being practiced without the appropriate approval, and outdated policies being followed.

**We recommend** the following actions:

**4(a)** The Program Administrator ensure that each Agency Coordinator and the appropriate approvers thoroughly review purchase card transactions to identify any transactions that are prohibited. Once identified, the initiator of the transaction should be informed of the prohibitive nature of the purchase and the appropriate corrective action should be taken.

**4(b)** The Program Administrator ensure that updates are made to the Purchasing Card Program Manual to include the *limited* exceptions that have been granted to the policy related to the purchase of special occasion items such as flowers, fruit baskets, candy, and balloons.

**4(c)** The Program Administrator ensure all Agencies follow policies and procedures when implementing changes to their internal controls. This practice would include seeking appropriate approval and formally updating current policies and procedures to ensure agency procedures are consistent with the Program’s policies and procedures.

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## **Missing/Inadequate/Inaccurate Documentation and Information**

Audit testing revealed the following instances where purchase card transactions lacked adequate documentation:

### **Missing/Incomplete Agency Control Sheet (ACS)**

Most purchase card transactions require a completed ACS. A completed ACS provides pertinent information about the completed transaction such as approval signatures, account code classification, competitive bid information (if required), a description of the purchase, and the business justification along with other information. We reviewed a judgmental sample of 598 purchase cards transactions. Our audit testing revealed that seven (7) of the 598 transactions, or 1%, lack a required ACS to support the transaction.

An ACS has several sections that must be completed to support a purchase card transaction. Depending on the nature of the purchase, cardholders must also complete other applicable sections of the ACS. There were several instances where one or more of these sections were incomplete or inadequately completed. Some of the incomplete or inadequate information was as follows:

- A business justification is mandatory for all purchase card transactions. However, we identified missing or insufficient business justification statements for 51 of the 598, or 9%, of the purchase card transactions reviewed;
- We identified 117 transactions that were indicative of sole source purchases made by cardholders. Our audit testing revealed that 33 of 117 transactions, or 28%, failed to have the appropriate section of the ACS completed identifying that a sole source purchase was made and the justification for the sole source purchase.
- We identified 108 transactions that were made from vendors that have an existing term contract agreement with the County. Our audit testing revealed that 63 of 108 transactions, or 58%, failed to have the appropriate section of the ACS completed identifying that the purchase was made from a term contractor along with the applicable contract number and its expiration date.

## **Missing, Inadequate/Incomplete, Inaccurate Documentation and Information**

There were several instances where the documentation and/or information provided were missing, inadequate/incomplete, or inaccurate. Details of these instances are as follows:

### **Supporting Documentation**

- All purchase card transactions must be adequately supported. Our audit testing revealed that 31 of the 598 transactions, or 5%, lacked adequate documentation (i.e. invoice, receipt, etc...) to support the purchase. Some of the inadequate documentation presented were missing quotes, missing credit card statements, or had no documentation at all.

### **Competitive Quotes**

- In most instances cardholder purchases exceeding \$500 require the cardholder to obtain two (2) verbal or written quotes from vendors, and purchases exceeding \$1,000 requires three (3) written quotes. During our audit, we identified 197 transactions in our sample where competitive bids were required to be obtained to facilitate the selection of the lowest price vendor for a specific good or service. Our audit testing revealed that 103 of the 197 transactions, or 52%, lacked the required written competitive quotes.

A practice that's being conducted at one agency that contributed to the lack documentation for competitive quotes was the granting of blanket purchase card approvals for various amounts to different vendors. These blanket approvals would give cardholders the pre-approval up to a certain amount to purchase goods from a particular vendor without having to obtain competitive quotes.

### **Sole Sourcing**

- In certain justified situations cardholders are allowed to make sole source purchases from vendors without obtaining competitive bids. Additionally, these purchases can be made with selected vendors without referring to the County's term contracting listing. In order to substantiate these sole source purchases cardholders must provide documented explanations to justify the need to make these exclusive purchases. During our audit, we identified 117 transactions that were indicative of sole source purchases made by cardholders. Our audit testing revealed that 33 of the 117 transactions, or 28%, were sole source purchases made by a cardholder that either lacked an explanation to justify the sole source purchase or the explanation provided was not sufficient to justify the sole source purchase.

The Office of Central Services Purchasing Card Program Manual, page 19, section VII states, “Documentation is required for every purchase made using the Purchase Card. The required documentation must be kept with the printed monthly bank statements in which the transaction occurred and kept for seven years. All documentation must include, at a minimum, the following:

- **Monthly Bank Statement;**
- Completed and Approved Agency Control Sheet (which must have the required signatures for the period approval and business justification for the purchase);
- Original Itemized Receipt or one of these approved substitutions listed:
  - The invoice
  - A fax order form sent to the supplier
  - A Screen Print of the Internet order confirmation
  - A copy of an order form, the conference registration form etc.
  - The subscription order form, the conference registration form etc.
- Required **Quotes** and evidence of competitive bidding, if applicable;
- In the case of a rare lost receipt or unavailable documentation, the Missing Receipt Form which must include an authorized signature from the cardholder’s immediate supervisor and Agency Coordinator;
- **Office of Management & Budget Approval**, if applicable, for travel is mandatory and must be filed with each travel transaction. The approval is a required form of documentation and a copy must be retained with the purchasing card records.” [Underlined for emphasis]

The Office of Central Services Purchasing Card Program Manual, page 17, section VI, subsection A, paragraph 3, states “**The Purchase Card Agency Control Sheet and other approval requirements must be complete and signed by the Agency Coordinator prior to any purchase being made.**” [Underlined for emphasis]

The Office of Central Services Purchasing Card Program Manual, section V, subsection G, states, “In the event a contracted vendor is not available or cannot provide the County with the best value for goods or services, the Cardholder must obtain competitive quotes for the goods or services.” Each particular agency has specific requirements that dictate the number of quotes needed depending on the dollar amount of the goods or services being purchased. The manual goes on to state, “Upon obtaining the appropriate number of competitive quotes, the Cardholder must select the vendor with the lowest quote. All of the competitive quotes must be documented and placed or attached to the Cardholder’s Agency Control Sheet file for compliance purposes. If there is only one commercial source (sole source) for the desired goods or services, the Cardholder must complete the Sole Source section on the Agency Control Sheet for compliance purposes.”

According to the Government Accountability Office (GAO) standards for internal controls (GAO-14-704G), internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form, and should be properly managed and maintained.

Inadequate documentation to support purchase card transactions may have resulted from the failure of purchase cardholders to follow policies and procedures and/or the lack of supervisory oversight to identify situations where adequate information and/or documentation were not provided.

Lack of documentation to support purchase card transactions decreases the level of accountability, increases the likelihood of errors, and decreases amount of evidence available if a question or dispute arises. Furthermore, it could also question the validity of purchases made by cardholders.

The failure to obtain competitive quotes and provide justification for sole sourcing could potentially lead to the County expending more money for goods and services than necessary. Furthermore, it could open up the possibility of purchases being directed to specific vendors for inappropriate reasons.

**We recommend** the following actions:

**5(a)** the Program Administrator direct cardholders and agency coordinators to conduct a thorough review of purchase card transactions to ensure that the appropriate information has been included. Upon review, if there are any transactions that are lacking the appropriate documentation every effort should be made to obtain the necessary information. The privileges of cardholders that continually fail to provide the required documentation for competitive bids and sole sourcing should be evaluated and the appropriate disciplinary actions taken in accordance with the Purchase Card Program Manual. We also recommend that the practice of issuing blanket purchase card approvals to non-contracted vendors without an explanation be discontinued.

**5(b)** The Program Administrator institute periodic supervisory review of the purchase card transactions to ensure that documents maintained are accurate, complete, consistent, and prepared according to standards. Procedures should also include supervisory reviews, which should be clearly documented.

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## **Failure to Adequately Monitor and Adhere to Purchasing Card Program Requirements**

Audit testing revealed the following instances of inadequate monitoring or failure to adhere to purchase card program requirements:

### **Program Administrator**

According to the Purchasing Card Program Manual, monthly reviews of transactional data are conducted by the Program Administrator to ensure the continued success of the Purchasing Card Program. To facilitate this review, the Program Administrator would randomly select Cardholders and contact their Agency Coordinator to gather supporting documentation for review based on transactions posted to the monthly statement.

A judgmental sample of two (2) months during fiscal year 2017 was selected to ensure that documentation was present to support completion of the monthly review for those months. Copies of Program Administrator PaymentNet reports and the results of the review for one (1) of the two (2) selected months, were provided to the Auditor to substantiate periodic review requests. The Program Administrator revealed that a physical file of documents to support the completion of monthly reviews was not maintained. Correspondence for the review requests are sent via electronic mail and all information, review findings, and follow-up information are maintained as electronic records within the Program Administrator's Outlook mailbox. Audit testing was expanded as a result of the inability to produce documents for one (1) of the selected months. It was determined that no documentation was maintained to support completion of a monthly review for August 2016 and there was inadequate documentation maintained for June 2017.

A completed Procedural review checklist was requested for each of the eighteen (18) judgmentally selected Agencies. A copy of each Agency's Standard Operating Procedures (ASOP) was also requested and reviewed. The Program Administrator revealed there were no procedural reviews conducted in fiscal year 2017.

Sixteen (16) of the selected 18 participating purchase card program agencies/divisions did not provide a signed and dated copy of their ASOPs to the Program Administrator in accordance with Procedural review requirements. Hence we obtained and reviewed the ASOPs provided to A&I by each agency, and noted 16 of the 18 ASOPS reviewed were not approved by the Agency Director before the start of fiscal year 2017, as evidenced by their signature and date.

The Purchasing Card Program Manual requires the Agency Director to take an annual physical count of all Purchasing Cards issued within their agency and to submit an inventory to the Program Administrator. The Agency Director is also responsible for assigning a County employee serving a budgetary function to perform Procedural Reviews on policies and procedures manually and online by agency Cardholders. Agency Coordinators and Cardholders may not be assigned to conduct the Procedural Review.

The Program Administrator was unable to provide the physical counts of all Purchasing Cards issued to each agency and verified by each Agency's Director during fiscal year 2017. Through inquiry it was determined that annual physical counts of issued Purchasing Cards are not conducted. The Program Administrator relies on PaymentNet to provide an accurate database of Purchasing Cards. A query can be requested and produced within PaymentNet at any given moment, which can be exported to Microsoft Excel and used to verify active purchase cards within each Agency.

The Office of Central Services Purchasing Card Program Manual states the following as it relates to the issues noted above:

- Section X, subsection A states, "To ensure the continued success of the Purchasing Card Program and to meet the County's audit requirements, a periodic inquiry of a Cardholder's monthly transaction files must occur. The Program Administrator or his/her designee will randomly select cardholders and notify the Agency Coordinator to gather appropriate paperwork for review based on the transactions posted to the monthly statement."
- Section X, subsection B states, "In addition to monthly inquiries, each agency is responsible for completing a Procedural Review. The Program Administrator will distribute to each Agency Coordinator the procedures and checklist for conducting a Procedural Review. The Procedural Review shall be initiated no later than December 31<sup>st</sup> of each year and must be submitted to the Program Administrator with a copy of the agency's ASOP."
- Section III, subsection C. requires the Program Administrator to develop and enforce County-wide policies and procedures governing the Purchasing Card Program. The manual also states the Program Administrator must oversee, monitor and evaluate the Purchasing Card Program for compliance comprehension.

As discussed with OCS, the Program Administrator conducts a procedural review that focuses primarily on the overall program's policy and procedure process and

whether the Agency is adhering to them as required. A checklist of true or false questions is required to be completed by each Agency Coordinator and each Cardholder, to facilitate the annual review. Each Cardholder places their completed checklist in a sealed envelope and forwards the envelope to their respective Agency Coordinator. The Agency Coordinator must send each Cardholder's sealed envelope, a copy of the Agency Standard Operating Procedures and their completed checklist to the Program Administrator.

#### **Agency Director/Manager**

Each Agency Director wishing to participate in the Purchasing Card Program must complete and sign an Agency Director's Statement of Responsibility form. The form requires the Director to acknowledge that they have read the Purchasing Card Manual and they are responsible for the Agency's appropriate use of the purchase card. A new form is to be completed and signed each fiscal year or when updates have been made to the Purchasing Card Manual, by each Agency Director participating in the Program.

Documentation was requested to support completion of an Agency Director's Statement of Responsibility form for each Agency participating in the Program. The Program Administrator did not provide forms for any participating agencies, except the Office of Management and Budget.

The Office of Central Services Purchasing Card Program Manual, section III, subsection D states, "Every Agency Director whose agency participates in the Purchasing Card Program is required to sign the Agency Director's State of Responsibility form. This statement acknowledges that the Director has read the Purchasing Card Manual and is responsible for the agency's proper use of the purchase card. The Agency Director is required to sign this form at the beginning of each fiscal year or when the Purchasing Card Manual has been updated or changed."

#### **Agency Coordinators**

All new Agency Coordinators are to be selected by their respective Agency Director. The Director of OCS has final approval on the appointment of all Agency Coordinators. Upon appointment, Agency Coordinators must contact the Program Administrator to schedule training. Agency Coordinators are prohibited from serving as Purchasing Card Program Cardholders.

Documentation was requested to support completion of mandatory training for Agency Coordinators appointed during fiscal year 2017. The Program Administrator provided a Statement of Responsibility and Training Agreement for Purchasing Cardholders for all the new fiscal year 2017 Agency Coordinators.

However, a separate training program specifically for Agency Coordinators was not conducted by the Program Administrator. Additionally, the Program Administrator did not provide completed Training Agreement forms for two (2) of the four (4) Agency Coordinators selected for testing and did not provide the dates that new Agency Coordinators were appointed by the Director of OCS.

The Office of Central Services Purchasing Card Program Manual, section IV, subsection B states, “[The Program Administrator] Provides Agency Coordinators with duty specific training that addresses all required monitoring, reporting and compliance comprehension of Cardholders.”

The Office of Central Services Purchasing Card Program Manual, section IV, subsection C states, “Agency Coordinators are prohibited from serving as Purchasing Card Program Cardholders” and “Newly OCS appointed Agency Coordinators must schedule and attend training immediately with the Program Administrator upon being appointed. The Program Administrator is responsible for making such immediate training available to newly appointed Agency Coordinators.”

#### **Purchase Cardholders**

Proposed Cardholders who have been assigned an Agency Coordinator must complete a Purchasing Cardholder Account Form. The form must be completed accurately, must obtain the Agency Director’s signature, and must be submitted to the Program Administrator.

Three (3) active cardholders from fiscal year 2017 were selected for audit testing. Documentation was requested to support completion of training and requisite forms. No documentation was provided for one (1) Purchase Cardholder. Purchase Cardholder Account Forms were not provided for two (2) cardholders. Completed J.P. Morgan Individual Card Application Forms were not provided for two (2) cardholders. No Purchase Card Program Agreement Forms were provided to support completion of training for the three (3) selected cardholders.

The Office of Central Services Purchasing Card Program Manual, section IV, subsection D states, “Agency Directors seeking issuance of a Purchasing Card must assign an Agency Coordinator to a proposed Cardholder. The Agency Coordinator must provide the proposed Cardholder with a Purchase Cardholder Account Form application to complete and return to the Agency Coordinator. Upon verification that the application is completed correctly, the Agency Coordinator must sign and obtain the Agency Director’s signature on the application and submit the signed original to the Program Administrator.”

The issues identified above are a result of the Program Administrator not enforcing adherence to all County-wide policies and procedures governing the

Purchase Card Program. The Program Administrator is not holding individuals accountable for a lack of adherence to Program procedures. Furthermore, proper documentation is not being retained to provide evidence of ongoing adherence to internal control policies and the performance of control activities. OCS also reported that the Office was not able to provide sufficient oversight while the Program Administrator position was vacant (February 2016 to October 2016), as a result of a lack of resources.

Internal control activities are not being performed as required, placing County resources at risk unnecessarily. The lack of accountability for compliance with Program policies and procedures creates a negative ethical tone which may interfere with the quality of internal control and may lead to unethical behavior. When required forms are not completed in their entirety, Management may not be able to hold employees accountable for their lack of understanding of policies and procedures or their failure to comply with Program internal control activities.

**We recommend** the following actions:

**6(a)** The Program Administrator must enforce policies and procedures governing the Purchasing Card Program in a consistent manner. Agency Coordinators and Cardholders must be expected to complete monthly periodic reviews and annual procedural reviews without exception. A lack of adherence should be documented in writing, which provides evidence to determine when a pattern of noncompliance is created and may need to be referred for possible disciplinary action.

**6(b)** Documentation must be maintained as evidence of ongoing adherence to internal control policies and the performance of control monitoring activities. The documentation should contain summary information for the transaction selected for review, supporting documentation for the transaction, documented evidence of review of the transaction by the Program Administrator and any written correspondence regarding the results of the review. The Agency Coordinator and Purchase Cardholder who initiated the transaction must also be required to document their understanding of the results of the review.

**6(c)** The Program Administrator establish a record retention policy that governs the maintenance of the aforementioned documentation, which should be in agreement with the Purchasing Card Program's overall retention of records policy.

**6(d)** The Program Administrator obtain, review, and verify the accurate completion of all required forms under the Purchasing Card Program. The Program Administrator must pay careful attention to detailed information provided on each form and must ensure forms are properly dated and signed by the appropriate individuals.

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## Purchasing Card Program Manual Concerns

The fiscal year 2017 Purchase Card Program Manual was not approved, as indicated by the Purchasing Agent's signature and date. It was also noted that the effective date of the unsigned fiscal year 2017 Purchase Card Program Manual was July 1, 2012.

Note: The current fiscal year 2019 Purchase Card Program Manual was approved by the Purchasing Agent prior to the start of fiscal year 2019.

The Director of the Office of Central Services (OCS) acts as the Purchasing Agent for the County and is vested with the rights, powers, duties, and authority on all Purchasing Card Program related matters. The Program Administrator, who is appointed by the Director of OCS, is responsible for developing and enforcing County-wide policies and procedures governing the Purchasing Card Program. Good business practices require written policies and procedures to be approved by the appropriate authority before it becomes effective.

Furthermore, up-to-date procedures are essential for effective management of County processes. Current, approved procedures allow staff to effectively and consistently perform their duties and responsibilities. The Program Administrator reported that the Purchase Card Program Manual is reviewed every June and issued annually in July at the beginning of the fiscal year.

The Director of the Office of Central Services (OCS) has not established guidelines governing the requirement to timely update manuals containing policies and procedures for programs administered by OCS. The Program Administrator is applying subjective judgment when making decisions regarding Program manual updates.

When updates to policies and procedures are not documented and published in program manuals in a timely manner, employees (and Departments) may not apply processes in a consistent manner, which may lead to inconsistent or inaccurate data. Additionally, inaccurate, incomplete, or outdated procedures decreases the County's ability to enforce accountability.

Failure to approve and authorize the Purchase Card Program Manual allows for a lack of accountability from the Purchasing Agent to the Cardholder. Management may not be able to hold employees accountable for their lack of understanding policies and procedures.

**We recommend** the following action:

**7(a)** The Director of the Office of Central Services ensure the Purchasing Card Program Manual is properly prepared, reviewed, and approved, annually, prior to the start of the fiscal year in which the manual will be applicable, as required.

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## **Agency Coordinator Violation**

The Purchasing Card Program Manual requires each Agency participating in the Program to have an Agency Coordinator. The Agency Coordinator must be a County employee, employed at wage grade 18 or higher that is selected by the Agency Director to manage and administer the Purchase Card Program at the agency level.

A list of Agency Coordinators for the audit period was obtained from the Program Administrator at audit commencement. Of the thirty-three (33) Agency Coordinators, one (1) was found to be an active cardholder. That individual was trained as an Agency Coordinator in March 2017 and the card was issued March 2017. The agency reported and A&I confirmed that the employee no longer works for the County.

Discussions with the Program Administrator revealed that the assignment of the Agency Coordinator was temporary since the previous Agency Coordinator for the Agency no longer wanted to serve. The card was to be suspended for the duration of the temporary appointment and we noted no activity on the card during the audit period. However, there was no indication given as to the intended duration of the assignment and the card was not suspended at the time of the temporary appointment.

The Office of Central Services Purchasing Card Program Manual, section IV, subsection A states, “Agency Coordinators are prohibited from serving as Purchasing Card Program Cardholders.”

Further the Manual authorizes the Program Administrator to develop and enforce County-wide policies and procedures governing the Purchasing Card Program.

The Office of Central Services Purchasing Card Program Manual, section II states, “Cardholders are to avoid any action that might result in or create an appearance of:

- Using County status for personal gain;
- Giving preferential treatment to any person or organization;
- Impeding government efficiency or economy;

- Losing independence or impartiality;
- Making decisions on behalf of the County outside approved channels;
- Adversely affecting public confidence in the County's integrity; or
- Conflict of interest".

Failure to terminate the cardholder account before he/she is appointed to be an Agency Coordinator compromises established internal controls related to segregation of duties. This may increase the likelihood of fraud, waste, and abuse within the Purchasing Card Program.

Additionally, an individual could circumvent procurement law for personal gain which is a conflict of interest per the fiscal year 2017 Purchasing Card Program Manual.

**We recommend** the following action:

**8(a)** The Director of the Office of Central Services ensure that the Program Administrator adheres to established policies and procedures related to the issuance of purchasing cards and the appointments of Agency Coordinators, as documented in the Purchasing Card Program Manual, at all times. Failure to comply with Program policies and procedures must be documented in writing and provided to the Director of the Office of Central Services for disciplinary action that may result in temporary or permanent suspension of an Agency's participation in the Purchasing Card Program.

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## Use of Term Contracts

The FY 2017 Purchasing Card Program Manual does not include language related to the use of Term Contracts as a first source for the purchase of goods and services and does not refer to any contract tracking database or list that cardholders can utilize to access the County's current contracted vendors. Additionally, we noted that the contract list posted on the Contract Administration & Procurement website is not updated on a regular basis.

The Program Administrator noted that cardholders are given a link during training to access a PDF listing all County contracted vendors and also encourages the Agency Coordinators and Cardholders to contact their OCS Buyer for confirmation of contracted vendors. This practice is in place due to the Program Administrator's concerns that the PDF listing was not being updated in a frequent and consistent manner.

*As a follow up, we reviewed the FY 2019 Purchasing Card Program Manual and noted that it includes language related to the use of Term Contracts as a first source for purchases.*

Additionally, a review of a sample of term contracts identified during our audit revealed a practice of utilizing term contracts that were expired, at the time the purchasing card transaction occurred. We also noted that term contract awards continued to be extended, even when there were no option years remaining.

The Director of OCS is appointed by the County Executive to administer central services for the County as required by law, including procurement and materials management. The Director of OCS acting as Purchasing Agent is vested with rights, powers, duties and authority on all Purchasing Card Program related matters.

Cardholders are allowed and encouraged to make purchases from vendors that are included on the County's term contracting list. This list includes all vendors who have a current negotiated contract agreement with the County for a specific type of work.

The language related to the use of term contracts was inadvertently removed from the FY 2017 manual. Additionally, the Purchasing Card Program, Cardholder & Agency Coordinator Training presentation does not explicitly state that Cardholders are to utilize Term Contracts as a first source for the purchase of goods and services.

Furthermore, cardholders may not have been aware that the term contracts were expired, since updated term contract lists are not readily available and easily accessible to users.

Failure to require or ensure that Cardholders purchase from valid term contracts could result in cardholders making purchases from vendors that may not be cost effective or in the best interest of the County.

**We recommend** the following actions:

**9(a)** The Director of the Office of Central Services ensure that annual updates to the Purchasing Card Program Manual include language that clearly indicates how term contracts should be utilized by cardholders.

**9(b)** The Director of the Office of Central Services ensure that the Contract Administration & Procurement Division updates the term contract list on a regular basis (at least quarterly).

**9(c)** The Director of the Office of Central Services and the Program Administrator establish procedures to ensure that agencies are making purchases with the purchasing card from vendors that are included on the County's term contracting, when practical.

**PRINCE GEORGE'S COUNTY GOVERNMENT**  
Office of Central Services



Angela D. Alsbrooks  
County Executive

Jonathan R. Butler  
Director

TO: David H. Van Dyke  
County Auditor

FROM: Jonathan R. Butler  
Director, Office of Central Services

SUBJ: Response to Notification of Findings & Recommendations – Audit of Procurement Card Program

Thank you for the opportunity to respond to the subject notification. We sincerely appreciate the consideration given to the Office of Central Services. Please find below our responses to the corresponding findings and recommendations set forth in your notification.

**1. Purchase Card limitation violation**

**RECOMMENDATION:**

We recommend the following actions:

- 1(a) The Program Administrator should make every effort to ensure that transactions are within the established monetary limitations. These efforts should include a documented review and follow-up of issues noted in various error reports generated by the current purchase card system (PaymentNet) to identify these violations. The privileges of cardholders that continually fail to adhere to spending limitations should be evaluated, and the appropriate disciplinary actions taken in accordance with the Purchase Card Program Manual.
- 1(b) The Program Administrator should ensure that written policies and procedures are updated to incorporate the practice of multi-card issuance to one individual.

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Director

### **AUDITEE'S RESPONSE:**

**X Management concurs with the finding and recommendation.**

The Program Administrator ensures transactions are within the established monetary limitations by reviewing the monthly bank statement and supporting program reports. These efforts are documented with a formal inquiry to the Agency Coordinator when a non-compliant transaction is found. Cardholders not adhering to spending limitations will be reviewed and disciplined up to possible revocation of their Pcard in accordance with an updated violations template found in the Purchase Card Program Manual.

### **2. Incorrect Account Classifications**

### **RECOMMENDATION:**

- 2a) We recommend that the Program Administrator provide periodic training and written guidance to Agency Coordinators and cardholders to further their understanding of which fund, account and center number to use to record purchase card transactions in the County's financial system.
- 2b) Agency Coordinators and Cardholders must be expected to complete monthly transaction reconciliations without exception. A lack of adherence should be documented in writing. This documentation provides evidence to determine when a pattern of noncompliance is created and may need to be referred for possible disciplinary action.

### **AUDITEE'S RESPONSE:**

**X Management concurs with the finding and recommendation.**

The Program Administrator provides training and written guidance to all new Agency Coordinators and Cardholders to include proper general ledger reconciliation. Periodic refresher training is conducted throughout the fiscal year to update information for program participants. This training includes proper reconciliation and general ledger information. Individual training will also be conducted when requested. Agency Coordinators and Cardholders that are not

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adhering to monthly reconciliations will be subjected to violations according to an updated violations template found in the Purchase Card Program Manual.

### 3. Inadequate Approval for Purchase Card Transactions

#### RECOMMENDATION:

- 3) We recommend that the Program Administrator direct cardholders and agency coordinators to conduct a thorough review of purchase card transactions to ensure that the appropriate written approvals have been granted, prior to making purchases.

#### AUDITEE'S RESPONSE:

*Management concurs with the finding and recommendation.*

### 4. Prohibited Purchases

#### RECOMMENDATION:

To ensure prohibited purchases are not made with the purchasing card, we recommend:

- 4(a) The Program Administrator ensure that each Agency Coordinator and the appropriate approvers thoroughly review purchase card transactions to identify any transactions that are prohibited. Once identified, the initiator of the transaction should be informed of the prohibitive nature of the purchase and the appropriate corrective action should be taken.
- 4(b) The Program Administrator should ensure that updates are made to the Purchasing Card Program Manual to include the limited exceptions that have been granted to the policy related to the purchase of special occasion items such as flowers, fruit baskets, candy, and balloons.
- 4(c) The Program Administrator ensure all Agencies follow policies and procedures when implementing changes to their internal controls. This practice would include seeking

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appropriate approval and formally updating current policies and procedures to ensure agency procedures are consistent with the Program's policies and procedures.

**AUDITEE'S RESPONSE:**

*Management concurs in part with the finding and recommendation.*

The Program Administrator (PA) conducts overall monitoring of the program participation. This monitoring and oversight at the PA level are conducted weekly, monthly and yearly on a sample population after the transactions have been made. Compliance to program policies and procedures are enforced during discovery. Once identified, the Agency Coordinator and Cardholder are informed of the prohibited purchase and corrective action is immediately taken according to the violations template. The Purchase Card Program Manual is updated annually. The FY20 manual has been updated to incorporate specific language for special occasion items, such as flowers, fruit baskets, candy, balloons etc. Agencies participating in the Program are required to submit annually their Standard Operating Procedures (SOPs); documenting updated current policies, procedures and internal controls to ensure consistency and compliance with Program policies and procedures.

**5. Missing/Incomplete/Inaccurate Documentation and Information**

**RECOMMENDATION:**

5(a) We recommend that the Program Administrator direct cardholders and agency coordinators to conduct a thorough review of purchase card transactions to ensure that the appropriate information has been included. Upon review, if there are any transactions that are lacking the appropriate documentation every effort should be made to obtain the necessary information. The privileges of cardholders that continually fail to provide the required documentation for competitive bids and sole sourcing should be evaluated and the appropriate disciplinary actions taken in accordance with the Purchase Card Program Manual. We also recommend that the practice of issuing blanket purchase card approvals to non-contracted vendors without an explanation be discontinued.

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5(b) We also recommend that the Program Administrator institute periodic supervisory review of the purchase card transactions to ensure that documents maintained are accurate, complete, consistent, and prepared according to standards. Procedures should also include supervisory reviews, which should be clearly documented.

**AUDITEE'S RESPONSE:**

***☒ Management concurs with the finding and recommendation***

The Agency Control Sheet is a template to guide the Agency Coordinator and Cardholders with the required documentations and compliance with competitive bidding and sole sourcing rules. When improper documentation is found, appropriate disciplinary actions will be taken in accordance with the violations template. The violations template will be updated to include disciplinary action for transactions to non-contracted vendors without an explanation. The Program Administrator ensures transactions are documented, accurate, complete, consistent and prepared according to standards by reviewing the monthly bank statement and supporting program reports. These efforts are documented with a formal inquiry to the Agency Coordinator when a non-compliant transaction is found. Cardholders not adhering to spending limitations will be reviewed and disciplined up to possible revocation of their Pcard in accordance with an updated violations template found in the Purchase Card Program Manual.

**6. Failure to Adequately Monitor Monitor/Adhere to Purchase Card Program Requirements**

**RECOMMENDATION:**

We recommend the following actions based upon each condition identified:

6(a) The Program Administrator must enforce policies and procedures governing the Purchase Card Program in a consistent manner. Agency Coordinators and Cardholders must be expected to complete monthly periodic reviews and annual procedural reviews without exception. The Program Administrator should consider automating the procedural review process, where practical. A lack of adherence to policies and procedures should be documented in writing. This documentation provides evidence to determine when a

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pattern of noncompliance is created and may need to be referred for possible disciplinary action.

- 6(b) Documentation must be maintained as evidence of ongoing adherence to internal control policies and the performance of control monitoring activities. The documentation should contain summary information for the transaction selected for review, supporting documentation for the transaction, documented evidence of review of the transaction by the Program Administrator and any written correspondence regarding the results of the review. The Agency Coordinator and Purchase Cardholder who initiated the transaction must also be required to document their understanding of the results of the review.
- 6(c) A record retention policy that governs the maintenance of the aforementioned documentation should be created and should be in agreement with the Purchase Card Program's overall record retention policy.
- 6(d) The Program Administrator must obtain, review and verify the accurate completion of all required forms under the Purchasing Card Program. The Program Administrator must pay careful attention to detailed information provided on each form and must ensure forms are properly dated and signed by the appropriate individuals.
- 6(e) Specialized training and/or regular meetings should be held with Agency Coordinators to discuss their oversight responsibility, in addition to the current training program being offered by the Purchasing Card Program.

### AUDITEE'S RESPONSE:

Management concurs with the finding and recommendation.

### **7. Purchase Card Program Manual Concerns**

#### RECOMMENDATION:

- 7a) We recommend that the Director of the Office of Central Services ensure the Purchasing Card Program Manual is properly prepared, reviewed, and approved, annually, prior to the start of the fiscal year in which the manual will be applicable, as required.

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### AUDITEE'S RESPONSE:

*Management concurs with the finding and recommendation.*

The Purchase Card Program Manual is reviewed every June and issued annually in July at the beginning of the fiscal year. On the last page of the Purchase Card Program Manual, it states, "**This Purchasing Card Program Manual (Section 412 Prince George's County Charter)** shall become effective upon July 1<sup>st</sup> of each fiscal year and shall remain in effect until superseded. Due to the absence of a Program Administrator during the audit period there were no revisions to the manual until 2019. We will ensure the manual is signed annually by the Purchasing Agent despite revisions were made or not.

### 8. Agency Coordinator Violations

#### RECOMMENDATION:

8(a) We recommend that the Director of the Office of Central Services ensure that the Program Administrator adheres to established policies and procedures related to the issuance of purchasing cards and the appointments of Agency Coordinators, as documented in the Purchasing Card Program Manual, at all times. Failure to comply with Program policies and procedures must be documented in writing and provided to the Director of the Office of Central Services for disciplinary action that may result in temporary or permanent suspension of an Agency's participation in the Purchasing Card Program.

### AUDITEE'S RESPONSE:

*Management concurs with the finding and recommendation.*

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**9. Use of Term Contracts**

**RECOMMENDATION:**

- 9(a) We recommend that the Director of the Office of Central Services ensure that annual updates to the Purchasing Card Program Manual include language that clearly indicates how term contracts should be utilized by cardholders.
- 9(b) We recommend that the Director of the Office of Central Services ensure that the Contract Administration & Procurement Division updates the term contract list on a regular basis (at least quarterly).
- 9(c) We recommend that the Director of the Office of Central Services and the Program Administrator establish procedures to ensure that agencies are making purchases with the purchasing card from vendors that are included on the County's term contracting, when practical.

**AUDITEE'S RESPONSE:**

*Management concurs with the finding and recommendation*

cc: Glenn Moorehead, Deputy Director