

Audit Report

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**Department of Public Works, Bureau of Highways**

**Procurement Card Purchase Transactions**

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Office of the County Auditor  
Baltimore County, Maryland  
July 2008



MARY P. ALLEN, CPA  
COUNTY AUDITOR

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July 3, 2008

Honorable Members of the County Council  
Honorable James T. Smith, Jr., County Executive  
Baltimore County, Maryland

We have audited the Department of Public Works, Bureau of Highways' internal controls and administrative and operating practices and procedures related to its procurement card (P-Card) purchases for the period from December 5, 2006 through December 5, 2007.

Our audit disclosed that the Bureau did not always comply with supervisory control procedures over the review and approval of P-Card purchases. If the Bureau had followed these procedures, it may have detected the improper use of P-Cards to purchase personal items totaling \$108 that we detected. In addition, we noted that the Bureau did not always use County price agreements to ensure the lowest prices were paid when purchasing goods (e.g., batteries, office supplies) with its P-Cards.

A response to our findings from the Department of Public Works, Bureau of Highways is included as an appendix to this report.

We wish to express our appreciation to the Department of Public Works, Bureau of Highways and the Office of Budget and Finance, Purchasing Bureau for the cooperation and assistance extended to us during our audit.

Our audit reports and responses thereto are available to the public and may be obtained on-line at "[www.baltimorecountymd.gov/agencies/auditor](http://www.baltimorecountymd.gov/agencies/auditor)" or by contacting the Office of the County Auditor, 400 Washington Avenue, Towson, Maryland 21204.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary P. Allen" followed by a long horizontal flourish.

Mary P. Allen, CPA  
County Auditor

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## **Background**

The Department of Public Works, Bureau of Highways is responsible for various services related to the repair, maintenance, reconstruction and improvement of the County's roads and open drainage systems (e.g., stream channels, culverts, ditches). The Bureau provides snow and storm debris removal services, emergency bridge repairs, roadside mowing and brush control, and tree and stump removal within the County's rights-of-way.

In accordance with Office of Budget and Finance (OBF) procurement policies, the Bureau uses procurement cards (P-Cards) to purchase many of the goods and services necessary for its day-to-day operations. In 1998, OBF implemented the P-Card purchasing procedure to reduce the administrative costs of processing small dollar purchases of \$1,000 or less and to provide a more convenient and efficient procurement method. In this regard, the County has established price agreements with certain vendors to ensure competitive pricing is available for many goods and services purchased with P-Cards. As of December 10, 2007, 49 Bureau employees were authorized to make P-Card purchases with individually-assigned County credit cards and 15 supervisors were responsible for reviewing the P-Card purchases. For the period from December 5, 2006 through December 5, 2007, the Bureau's P-Card purchases totaled \$333,408.

## Findings and Recommendations

- 1. The Bureau did not always comply with supervisory control procedures over the review and approval of procurement card (P-Card) purchases. If the Bureau had followed these procedures, it may have been able to detect the improper use of P-Cards to purchase personal items that we noted totaling \$108.**

Procurement Card (P-Card) policies and procedures (including training materials) established by the Office of Budget and Finance require that supervisory personnel review subordinate cardholders' monthly statements and supporting documentation such as sales receipts. However, we noted that the Bureau's supervisory review of the cardholders' monthly statements did not always include a review of the cardholders' supporting documentation such as sales receipts. Consequently, there was a lack of assurance that adequate supporting documentation was maintained for all P-Card purchases, that P-Cards were properly used for valid County business purposes, and that P-Card purchases complied with applicable procurement laws and regulations. For example, we noted that cardholders did not always maintain adequate supporting documentation on file. Specifically, our tests of 209 P-Card transactions totaling \$33,971 disclosed that 13 transactions totaling \$1,243 were not supported by adequate documentation on file at the time of our review. Further, out of the 209 P-Card transactions tested, we found purchases totaling \$108 for non-business personal items (i.e., designer sunglasses, a decorative spare tire cover for a personal vehicle, and a raincoat). In addition, the Bureau advised that upon closer review, it noted another non-business personal item (a raincoat) totaling \$57 that was purchased in February 2008.

**To ensure the proper use of P-Cards for business purposes, we recommend that all of the Bureau's supervisors consistently review the P-Card purchase supporting documentation along with cardholder monthly statements as required by P-Card policies and procedures.**

- 2. The Bureau's procurement cardholders did not always utilize established price agreements.**

Procurement Card (P-Card) policies and procedures established by the Office of Budget and Finance state that cardholders should use established price agreements when making P-Card purchases. The Office establishes price agreements to ensure that goods and services can be purchased at competitive prices. However, our review disclosed that the Bureau's cardholders did not always use established price agreements to purchase items such as batteries, office supplies, and computer-related items and, for non-price agreement purchases, it did not document the reason, such as

lower unit prices. Consequently, there was a lack of assurance that the Bureau received the most competitive pricing available for the items purchased. For example, we noted that the Bureau purchased various-sized batteries at unit prices that were more than double (i.e., from 102% to 159% over) the County's price agreement.

**We recommend that the Bureau utilize established County price agreements for P-Card purchases as required or maintain written justification (e.g., a price comparison) for purchases from other vendors and attach the written justification to the corresponding supporting documentation (e.g., sales receipt).**

## **Audit Scope, Objectives and Methodology**

We have audited the Department of Public Works, Bureau of Highways' internal controls and administrative and operating practices and procedures related to procurement card purchases for the period December 5, 2006 through December 5, 2007. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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.

In accordance with the Baltimore County Charter, Section 311, the objectives of our audit were to evaluate the adequacy of internal controls and administrative and operating practices and procedures over procurement card purchases. In planning and conducting our audit, we focused on the procurement card purchase transactions controlled and managed by the Bureau based on assessments of materiality and risk.

Our audit procedures included inquiries of appropriate personnel and inspections of documents and records. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives.

The Department's management is responsible for establishing and maintaining effective internal control over its procurement card transactions. 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, regulations, policies and procedures are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports on fiscal compliance are designed to assist the Baltimore County Council in exercising its legislative oversight function and to provide constructive recommendations for improving County operations. As a result, our reports generally do not address activities we reviewed that may be functioning properly.

This report includes findings and recommendations relating to conditions that we consider significant deficiencies in the design or operation of internal control and operating practices and procedures that could adversely affect the Bureau's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, regulations, policies and procedures.

## **APPENDIX A**

**DEPARTMENT OF PUBLIC WORKS,  
BUREAU OF HIGHWAYS' RESPONSE**

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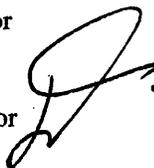
**Baltimore County, Maryland**  
**Inter-Office Memo**

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**DATE:** July 1, 2008

**TO:** Mary P. Allen, County Auditor  
Office of the Auditor

**FROM:** Edward C. Adams, Jr., Director  
Department of Public Works



**SUBJECT:** Procurement Card Audit Response

In response to your request, we have reviewed the Bureau of Highways draft procurement audit report and we are providing the following information:

**Item 1:** The Bureau did not always comply with supervisory control procedures over the review and approval of procurement card (P-Card) purchases. If the Bureau had followed these procedures, it may have been able to detect the improper use of P-Cards to purchase personal items totaling \$108.

**Auditor's Recommendation:** To ensure the proper use of P-Cards for business purposes, we recommend that all of the Bureau's supervisors consistently review the P-Card purchase supporting documentation along with cardholder monthly statements as required by P-Card policies and procedures.

**DPW Comments:** We agree. We have instructed all supervisors to be sure to review all P-Card supporting documentation along with the monthly statements each month. The County has been reimbursed for the personal items that were purchased.

**Item 2:** The Bureau's procurement cardholders did not always utilize established price agreements.

**Auditor's Recommendation:** We recommend that the Bureau utilize established County price agreements for P-Card purchases as required or maintain written justification (e.g., a price comparison) for the purchases from other vendors and attach the written justification to the corresponding supporting documentation (e.g., sales receipt).

**DPW Comments:** Unless permission for an exception is obtained in advance, we have instructed all P-Card holders to always utilize established County price agreements for P-Card purchases. In fact, we recently sought an exception for tack coat. Both Steve Myer and Dennis

Owings from Purchasing advised us to honor the Bel Air Road Supply contract since the other vendors chose not to bid.

Please contact me if you have any questions. Thanks for your continued cooperation and I sincerely appreciated the effort of your staff with regards to their communication and professionalism.

ECA/dl

c: Lauren Smelkinson  
Ed Adams  
Bill Korpman  
Tim Burgess  
File

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