

Audit Report

Office of Budget and Finance, Property Management Division

Procurement Card Purchases



Office of the County Auditor
Baltimore County, Maryland
April 2014



BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

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April 30, 2014

Honorable Members of the County Council
Honorable Kevin Kamenetz, County Executive
Baltimore County, Maryland

We have audited the procedures and controls over the Office of Budget and Finance, Property Management Division's procurement card (p-card) purchases for the period July 1, 2012 through June 30, 2013. The Office of Budget and Finance, Purchasing Division manages the county-wide p-card process, while department-level responsibilities reside with the Property Management Division.

During the audit period, the Property Management Division made 6,712 p-card purchases totaling \$1.3 million, which accounted for 18% of total county-wide p-card purchases. Our audit did not disclose any significant findings that warrant mention in this report.

We wish to express our appreciation to the Office for the cooperation and assistance extended to us during our audit.

Our audit reports are available to the public and may be obtained on-line at "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 "Lauren M. Smelkinson". The signature is written in a cursive style.

Lauren M. Smelkinson, CPA
County Auditor

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Background

In 1998, the Office of Budget and Finance implemented the procurement card (p-card) purchasing program to reduce the administrative costs of processing small-dollar purchases (generally \$1,000 or less) and to provide a more convenient and efficient procurement method. The Office has established county-wide p-card policies and procedures, including those prescribed in the County's Purchasing Manual. The Office's Purchasing Division manages the county-wide p-card process and has delegated department-level management responsibilities to each agency that uses p-cards.

In accordance with the p-card policies and procedures, cardholders are subject to a per-transaction purchase limit (generally \$1,000 or less), and a monthly aggregate limit (generally \$10,000 or less) set by the cardholder's "approving official" (agency head or designee). Cardholders are restricted from splitting purchases (i.e., one purchase with the same vendor, on the same date, divided into multiple purchases to avoid the per-transaction purchase limit). The policies and procedures specifically restrict sales tax from being charged and certain types of purchases using p-cards (e.g., travel, food, medical/health care services, personal use, and telecommunication services). P-card purchase restrictions are enforced before the purchase is made through Merchant Category Classification (MCC) codes, which block purchases from vendors with conflicting industry classifications, and after the purchase is made by the approving official's review of the p-card documentation to identify restricted p-card purchases.

For each p-card purchase, the cardholder is to record the purchase on an activity log; maintain the corresponding proof of purchase (e.g., receipt/invoice); reconcile his/her monthly p-card statement with the activity log; sign both documents; and submit the documents (with proof of purchase) to the approving official. The approving official is to verify that the activity log and p-card statement were reconciled and signed by the cardholder; proofs of purchase exist for each purchase and the purchase was permissible and not restricted; sales tax was not charged; and split purchases did not occur. Once the review is complete, the approving official signs and submits the p-card statement to the Purchasing Division by the 20th of the month, to make one monthly county-wide payment.

The Property Management Division is primarily responsible for managing new construction and renovation projects and for cleaning, maintaining, and repairing County government buildings and grounds. Property Management is responsible for complying with the county-wide p-card policies and procedures.

For the period from July 1, 2012 to June 30, 2013, Property Management made 6,712 p-card purchases totaling \$1,300,658, which accounted for 18% of total county-wide p-card purchases. As of June 30, 2013, 75 p-cards were issued to 70 Property

Management employees (certain employees with multiple budget responsibilities were assigned multiple cards) and approving official responsibilities were assigned to 15 Property Management employees.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Office of Budget and Finance, Property Management Division's internal control over procurement card purchase and approval processes. Our audit also did not disclose any significant instances of noncompliance with applicable laws, regulations, policies and procedures. Other less significant findings that did not warrant inclusion in this report were communicated to the Office.

A draft copy of this report was provided to the Office. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have audited the procedures and controls over the Office of Budget and Finance, Property Management Division's procurement card (p-card) purchases for the period July 1, 2012 through June 30, 2013. 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 control practices and procedures over the Division's p-card purchases and to determine compliance with any applicable policies and procedures. In planning and conducting our audit, we focused on the Division's p-card purchase and approval processes based on assessments of materiality and risk.

Our audit procedures included inquiries of appropriate personnel and inspections of documents and records. We also tested purchases and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable but were not independently verified.

Management is responsible for establishing and maintaining effective internal control over p-card purchases and for compliance with any applicable policies and procedures. 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.

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