



# Wicomico County, Maryland

## OFFICE OF THE INTERNAL AUDITOR

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**Levin Hitchens, CIA**  
*Internal Auditor*

September 26, 2022

## Internal Auditor's Report

The County Council and Acting County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Resolution 81-2021, the Office of the Internal Auditor (IA) has conducted an audit of miscellaneous expenditures in Wicomico County. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls in place for the coding and approval process of purchases in the County.

IA conducted the audit with due professional care, and IA planned and performed the audit to evaluate the current practices and management of expense coding in the County.

IA extends appreciation to Management and Staff for their timely assistance, cooperation, and candid assessment during the audit process.

Respectfully submitted,

*Levin Hitchens*

Levin Hitchens, CIA  
Internal Auditor

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## Audit Report

### Background

Department purchases in Wicomico County, less than \$10,000, are the sole responsibility of departments. When procuring goods, the requestor or department accountant assigns an appropriate object line item number to the purchase for coding in Munis. Whether the purchase is performed via check or purchase card, the authorization lies within the department and the proper forms are sent to finance for final signoff before writing the check or authorizing payment to Bank of America Purchase Cards. The County has around 500 line item options for departments to use for operating and capital expenses. A common purchase from an office supply store would be coded to object number 520020 (office supplies) for instance. Some object numbers, by virtue of ambiguity or misunderstanding, may be subject to mistaken coding. The focus of this audit is to look at such object numbers to assure reasonableness and appropriate expense coding.

### Audit Objective

The objectives of the audit were to:

1. Analyze the County's operating expenses to determine appropriate categories for evaluation
2. Evaluate expenses from select categories for reasonableness and appropriate expense coding
3. Make recommendations (if appropriate)

### Scope of the Audit

The audit period examined was FY2022. The scope was open ended. Observations and interviews with departmental staff from several departments were conducted.

### General Statistics and Highlights

During the audit, ten categories in Munis were examined and tested: office supplies, postage, furniture <\$5000, advertising, printing – general, professional fees, vehicles expenses – fuel, meetings/seminars – hotel fees, telephones/cell phones, and hand tools. Further, the filtering tool in the Bank of America Works program was used to isolate food purchases. Each category was viewed for every department in the County. A sample of vouchers and purchase card packets were requested from finance to further examine receipts for purchases for descriptions or vendors that did not intuitively line up to the category assigned. A random sample was requested for merchants that carry a variety of items such as Staples, Sam's Club, and Amazon.

### Conclusion

Based on testing and interviews performed for the Miscellaneous Expenditures Audit, IA is of the opinion that the program's design is at an adequate<sup>1</sup> level. Below, IA offers findings and suggestions to the overall program.

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<sup>1</sup> According to the IPPF Practice Guide issued March 2009: "Adequate system of internal control means that findings are subject to reservations. A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions may be at too early a stage to allow a satisfactory audit opinion to be given."

## Schedule of Findings and Recommendations

### 1. Local Meals

The County has very specific rules in the personnel manual regarding meals while traveling for business. The County does not have written guidelines or policies for meals consumed for local meetings. IA viewed a number of transactions for meals/catering in the local area. The largest single purchase was \$966. Local meals were also assigned to a variety of purchase categories. IA would recommend the County develop a policy to set a local meal policy to include appropriate circumstances and monetary guidelines.

### 2. Miscoding of Operational Expenses

The County does not utilize a universal line item that allows departments a budget for miscellaneous or discretionary items. In the samples tested, it seemed that "office supplies" was the category most frequently allocated for goods/services that did not fit into any other category, even if they did not fit into office supplies perfectly. Some examples of expenses are: work wear/apparel, holiday greeting cards, retirement plaque, retirement cake, funeral arrangement, and professional day lunch supplies. Like local meals, there is not a clear policy on purchases for holiday cards or a final sendoff for a retiring employee. IA would recommend the County establish guidelines for all departments to follow for uniformity, transparency, and proper coding (perhaps a miscellaneous fund that is budgeted based on some criteria).

### 3. Capital Expense in Operating

During the course of the audit, two transactions to purchase equipment which should have been assigned as capital expenses were identified. Capital expenses differ from ordinary operating expenses in that the piece of equipment is recognized as an asset and depreciated over time. IA recommends Management work to assure the process for identifying and properly assigning capital expenses is followed through all levels of the procurement and accounts payable process.

### Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the various departments for their timely cooperation and assistance during the audit.



## WICOMICO COUNTY, MARYLAND

DEPARTMENT OF FINANCE

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Pamela B. Oland  
Director of Finance

October 11, 2022

Levin Hitchens, CIA  
Internal Auditor  
Wicomico County

Mr. Hitchens,

The Department of Finance has received your Draft Report in regards to categorization to expense accounts. We would like to express our appreciation for your diligence over the county's control systems and account integrity.

We concur with the schedule of findings and recommendations. Specifically:

1. Local Meals. The Department of Finance will work with Administration and Human Resources to look at implementing a uniform policy.
2. Miscoding of Operational Expenses. The Department of Finance agrees treatment of expenses should be uniform throughout the county, and that proper coding is necessary for transparency and ability to compare financial information.
3. Capital Expense in Operating. We agree that our current system of asset identification requires continuous improvement, and we are diligently identifying and implementing solutions to make asset identification and reporting better.

We thank you again for bringing these issues forward so we may continue to strengthen the internal controls over county finances.

Sincerely,

A handwritten signature in blue ink that reads "Pamela B. Oland".

Pamela B. Oland  
Director of Finance