



Wicomico County, Maryland

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Internal Auditor's Report

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

Pursuant to Section 305(D) of the Wicomico County Code and Resolution 91-2020, the Office of the Internal Auditor (IA) has conducted an audit of the Wicomico County Purchase Card System. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of accounting for usage in Wicomico County through the established Purchase Card System.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current purchase card system practices are in compliance with applicable policies and procedures and whether those policies and procedures are adequate to obtain an acceptable level of control.

IA extends appreciation to Management and Staff for their timely assistance, cooperation, and candid assessment of the Purchase Card System.

Respectfully submitted,

Levin J. Hitchens

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Internal Auditor

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Audit Report

Background

Wicomico County Purchase Card System

Wicomico County utilizes Purchasing and Travel Cards to streamline the procurement process, reduce the volume of accounts payable transactions, reduce administrative costs, and insure prompt payment. The Purchase Department has the sole responsibility to authorize Purchase and Travel cards. The County prohibits the use of other credit cards outside the Purchase Card system without authorization from the Director of Administration. Wicomico County appointed the Purchasing Agent as Purchase/Travel Card Program Administrator. Their responsibilities include card issuance, card cancellation, training, and compliance. Issuance of Purchase/Travel cards must have approval of the Department Head.

Bank of America

Wicomico County Purchase/Travel cards are Visa cards issued by Bank of America. Bank of America provides the County with a password-protected internet based program called Works. Works is used to monitor the activity of the Wicomico County Purchase/Travel Card system in many ways. The Program Administrator provides users access to the program and a security level is set for each user according to their predefined needs.

Banks assign merchant category codes to vendors who accept credit cards. The codes broadly define goods and services provided by the vendor. Wicomico County can block a category code for its Purchase/Travel cards. Some categories such as financial institutions are blocked for all cards in the Wicomico system. The County blocks travel codes such as hotels and airlines for cardholders who are not authorized for travel.

Limits and Accountability

For the vast majority of cardholders, single transactions are limited to \$999. A few, uniquely authorized individuals have a \$4,999 single transaction limit. Monthly credit limits range from \$2,500 to \$25,000.

Every Department must maintain its own records for the Wicomico Purchase/Travel Card system. Each group appoints a proxy reconciler who is responsible for maintaining the records for a department. These records, such as invoices and packing slips, are maintained according to protocol established by Wicomico County and remain available for inspection by the internal and external auditors. Additionally, electronic signoff is required within the Works program by users, proxy reconcilers, and management.

Audit Objective

The objectives of the audit were to:

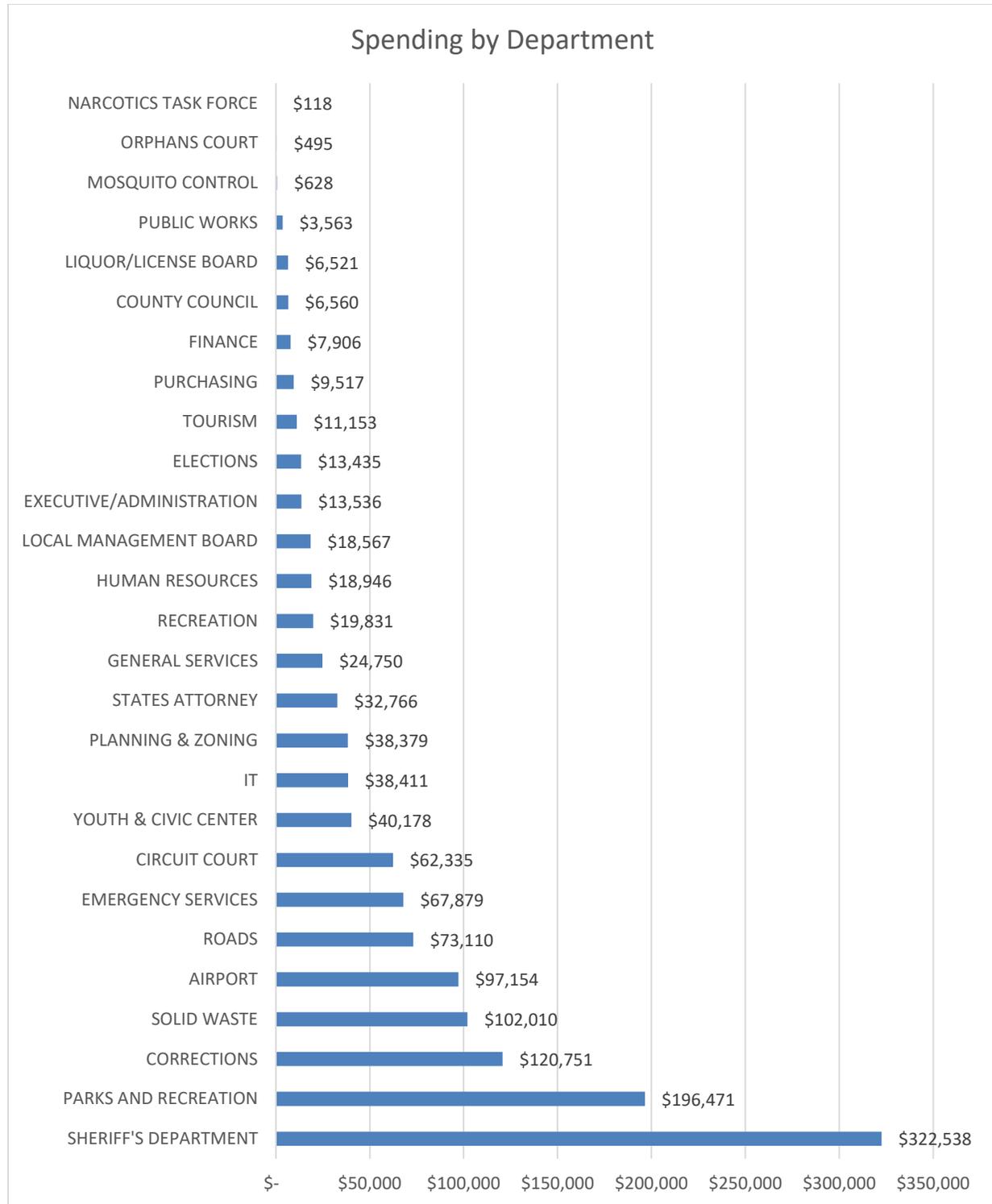
1. Determine if department level internal controls over purchase cards are appropriately designed
2. Analyze the usage of purchase cards
3. Evaluate adherence to internal controls
4. Make recommendations (if applicable)

Scope of the Audit

The audit period examined was from July 1, 2020 to March 31, 2021. IA examined, on a test basis, monthly purchase documentation and electronic system information in the Works program.

General Statistics and Highlights

During the period July 1, 2020 to March 31, 2021, net Purchase/Travel card activity for Wicomico County totaled \$1,347,507. The average transaction was \$180. Total number of transactions recorded for the period was 7,492. The following chart shows Purchase/Travel Card usage by group:



Department Level Internal Controls

For this audit, IA selected three fiscal quarters worth of receipts from three departments. IA also reviewed transactions in the Works program from every department for the period tested.

The formality of the purchase request process varies by department. As an example, a large department may use a purchase request form that provides various levels of signature, from requestor to department head. Small departments lean toward a less formal process for approval but still obtain final signatures on the receipts. Both methods are acceptable as they provide verification and authorization of the purchase.

Conclusion

Based on testing, and interviews performed for the Purchase Cards Audit, IA is of the opinion that the program's design is at a satisfactory¹ level. Below, IA offers findings related to the electronic procedures regarding the Works program

Schedule of Findings and Recommendations/Management Response

1. Electronic Transaction Signoffs

The electronic signoff function in Works is an important control that validates purchases and expedites the final approval process that takes place in the finance department. IA reviewed physical documentation across multiple departments and found directors provided signoffs 100% of the time. Electronically (in Works) directors signed off on department accountant and deputy director transactions in Works 51% of the time. There were also a number of instances where department directors did not receive a signoff from the Director of Administration or Finance Director. IA recommends Management ensure that appropriate personnel are reviewing and approving all transactions in Works.

2. Comments in Works Program

The Works program features a 'comments' box that allows for an explanation of purchases which aids management in the approval process beyond just the receipt or invoice. The period tested had approximately 7,500 transactions and nearly 2,500 of those did not include comments. IA recommends Management require comments for each transaction before final approval.

3. Purchase Allocations

During the audit, IA compiled a list of transactions that may warrant further review by Management. A small portion of the transactions were unallocated and the majority of the transactions may need review to make sure they were allocated to the proper object number. The finance department provides support to the program in reviewing that documentation for transactions on a frequent basis. IA recommends that the finance department offer further support by reviewing allocations and making recommendations when appropriate.

¹ 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."

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.

Management Comment

We have received the Audit Report over the Wicomico County Purchase Card System. We would like to thank you for your diligence, observations, and recommendations to correcting identified findings.

We concur with the findings brought to light. We agree electronic signoffs are integral to controls. We agree that explanation and comments are a necessary part of proper documentation. We also agree further review for account allocation is warranted. The Department of Finance is currently identifying and implementing control procedures to eliminate these findings in the future. In addition, we are cooperating with Purchasing to implement a training program for department heads, purchasing card users, and relevant support personnel to ensure county policies and procedures are being followed.

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