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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 a Vendor Audit. A report is submitted herewith. The purpose of the audit was to assure that vendors paid by the County are providing goods/services as well as to evaluate the internal controls surrounding the vendor creation and payment process.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current practices and procedures in regards to vendors 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 and cooperation during the Vendor Audit.

Respectfully submitted,

Levin J. Hitchens

Levin Hitchens, CIA
Internal Auditor

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Audit Report

Background

Wicomico County Vendor Database

Wicomico County utilizes its enterprise resource planning system, Munis, to maintain the vendor database. All departments that pay vendor invoices access the vendor database. Purchasing is responsible for adding and verifying vendor information before the accounts payable team in finance processes checks. Internal controls are proactive in nature with vendor checking writing. The purchase process receives signoffs through several layers (depending on department size), many times being requester, accountant, and department head before being sent to the finance department. This provides more assurance than the purchase card method that utilizes a reactive control but has an average transaction of only \$180.

Purchasing Thresholds

The current purchasing manual provides several purchase amount thresholds to mitigate risk and help assure the County is receiving the best value for time-and-effort in purchasing practices.

Threshold	General Procedure
Under \$1000	Authority delegated to department level. No competition required. Purchases can be made on Wicomico County (County) Credit Cards or by Purchase Order when the Vendor does not accept credit cards.
\$1,000 - \$9,999	Authority delegated to department level. Requires three written quotes. Purchases can be made by entering a Requisition for a Purchase Order. Quotes must be attached to the Requisition in MUNIS. Must be approved by the Purchasing Agent.
\$10,000 - \$24,999	Authority delegated to the Purchasing Department. Requires three written quotes. Purchase Order will be issued for order. Awarded by the Purchasing Department in collaboration with the using Department to the lowest Responsive and Responsible Vendor meeting the specifications in the solicitation document. Requisition will be entered by using Department. Quotes must be attached to the Requisition in MUNIS.
\$25,000 and over	Authority delegated to the Purchasing Department. Requires formal solicitation and advertisement. Purchase Order will be issued for order. Awarded by the Purchasing Department in collaboration with the using Department to the lowest Responsive and Responsible Vendor meeting the specifications in the solicitation document. Requisition will be entered by using Department. Bidding information must be attached to the Requisition in MUNIS.

This audit focused mostly on the pair of middle thresholds. Purchases in the lowest threshold are mostly with purchase cards. The highest threshold is the focus of this year's bid process audit.

Audit Objective

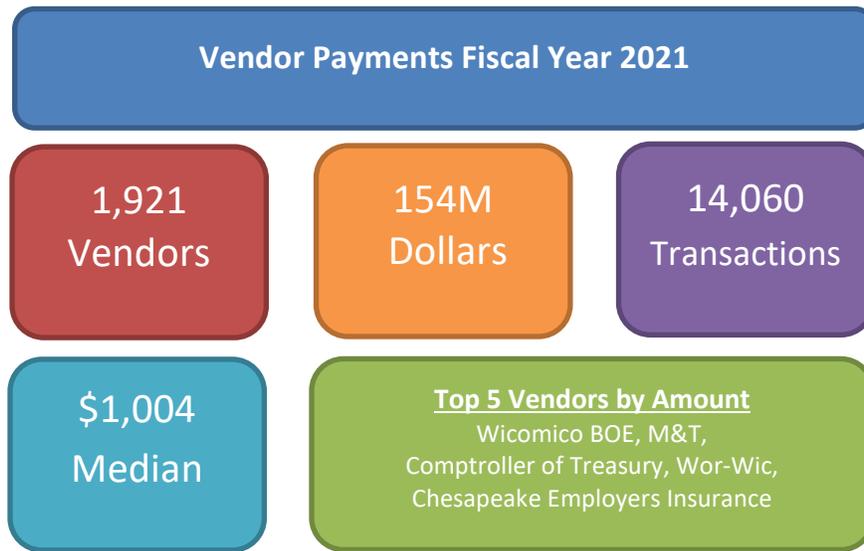
The objectives of the audit were to:

1. Assure that vendors paid by the County provide goods and services to the County
2. Evaluate the internal controls surrounding the vendor creation and payment process
3. Make recommendations (if appropriate)

Scope of the Audit

IA examined internal controls over vendors for the FY2021 period. Additionally, IA interviewed personnel and examined various documents related to procedures and purchase justification.

General Statistics and Highlights



Internal Controls

For this audit, IA reviewed vendor transactions for fiscal year 2021. IA reviewed purchase orders and requisitions for proper documentation to justify use of a vendor for purchases over \$1,000. Further, IA reviewed documentation submitted to the finance department for final payment to test for proper signoff.

Wicomico County has a vendor and payment system in place that requires several layers of individuals before sending payments to a vendor. As an overview, an individual requesting a vendor addition to the vendor list must submit that request to the purchasing department for final decision. Additionally, an individual requesting a vendor payment must receive signoffs from the department accountant and department head before sending it to the finance's accounts payable department where the check is printed then sent to the finance director for signature.

Conclusion

Based on testing and interviews performed for the Vendor Audit, IA is of the opinion that the program's design is at a satisfactory¹ level.

Schedule of Findings and Recommendations

1. Vendor List

Thirty-six vendors received payments during the test period that have duplicate profiles. The existence of duplicate vendor profiles contributes risk towards multiple payments for invoices as well as incorrect tax form filings. While no duplicate payments findings during this audit, IA recommends for management to update and maintain the

¹ For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

vendor list to eliminate duplicate vendors. One continuous method as a suggestion would be a procedure where departments alert the purchasing department of duplicates as they find them in the normal course of business.

Management Response

The Department of Finance recognizes the necessity of maintaining the vendor list and will continue to work closely with Purchasing to ensure vendors are up to date in information and duplicates are removed.

2. Open Checkbook

In the past, the County had an Open Checkbook module available for public use through a link on its homepage. Tyler Technologies retired the module and requires migration to a different product for continuation. The County has not adopted the new module but as an alternative publishes reports on its transparency portal that provide monthly expenditure information. This information is not as digestible as the previous version and it is recommended the County research the ability to publish a tool or report that allows for greater public consumption of County expenditures.

Management Response

As mentioned, Tyler Technologies, who currently provides our accounting software, has retired their open checkbook module. We are currently in the process of migrating to their new module, Socrata Open Finance. It is our hope this new module will provide any interested party the ability to gather the financial information they want in a convenient, easy-to-use report. The Department of Finance is committed to financial transparency.

3. Three quotes policy

As stated, one of the tests focused on transactions over \$1,000 for compliance with the three-quote requirement. IA identified one occurrence in which Management was utilizing a system that rotated through vendors for their services in a deliberate manner. While the system did not prompt any cause for concern it does not align with the County's established purchasing guidelines; therefore, IA recommends the County adhere strictly to receiving three quotes for all purchases that are reasonably expected to exceed the \$1,000 threshold (or current limit if that is ever altered).

Management Response

The Department of Finance agrees that a rotation of vendors is not in line with our purchasing policy, and will continue to work with Purchasing to educate all county departments in proper purchasing methodology.

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.