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# Procurement Card Program Audit Testing Phase

Frederick County Government, Maryland

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**SC&H Review Team:**

Joseph Freiburger, Director  
Matthew Simons, Principal  
Chris Patrick, Sr. Manager  
Ryan Kohan, Manager  
Lindsay Puccio, Staff

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# I. Executive Summary

## Background

SC&H has been engaged by the Frederick County Government Interagency Internal Audit Authority, (FCG, the County, IIAA) to perform an audit of the processes and controls associated with FCG's Procurement Card (P-Card) function. This project represents the second phase of this review, which began with a preliminary survey and risk assessment that concluded in May, 2015. The preliminary survey and risk assessment phase focused on gaining an understanding of the current P-Card policies and procedures and the identification of key sub-processes within this function.

SC&H met with P-Card process owners and reviewed relevant documentation in order to accurately understand and document the procedures related to the County's P-Card program, including new cardholder establishment, purchasing and processing steps, and cardholder termination. In documenting these functions, SC&H identified perceived risks inherent within the process, procedures potentially lacking internal controls, and other areas of interest. Based on this initial understanding, SC&H performed limited testing of the P-Card process to further enhance our functional understanding and gain additional supporting knowledge of the identified risks and control gaps. The results of the preliminary survey and risk assessment provided the basis for the audit objectives and procedures documented within this report.

The purpose of the P-Card program is to provide authorized FCG employees with the ability to make on-demand purchases of goods and services while streamlining the procure-to-pay process. The use of P-Cards allows the County to:

- Reduce transaction costs
- Easily track expenses
- Reduce or redirect staff in the purchasing and/or accounts payable departments
- Reduce or eliminate the need for petty cash

Each cardholder is assigned a monthly and single transaction spending limit as determined by the employee's Division Director. These limitations are assigned to the cardholder's profile when the card is established and are automatically enforced by JP Morgan, the County's contracted third party vendor responsible for administering the P-Card function. The County has elected to set additional parameters which restrict the cardholder's ability to purchase specific goods and services (e.g. alcohol).

On a bi-monthly basis Cardholder transactions are monitored by a designated "approver", as assigned by County Management. The approver is responsible for reviewing the transactions conducted during the period which are detailed in JP Morgan's PaymentNet card management portal. The approver is responsible for ensuring that the purchases appear reasonable and that they have been recorded to the correct account coding. Additionally, at the end of each month, the Cardholder's supervisor, who may be different than the designated approver noted above, performs his/her separate and independent review of the employee's physical P-Card statement and supporting receipts. Reviewed P-Card statements must be submitted to the P-Card Coordinator by the 20<sup>th</sup> of the month following the cardholder statement date. The supervisor's review provides an additional layer of assurance that the transactions are reasonable, appropriately coded, and supported with a corresponding receipt or invoice. In some cases the approver and supervisor is the same person, however this is not a requirement.

The P-Card program is administered by the County's P-Card Coordinator, a member of the FCG Procurement and Contracting Department. Cardholders maintain and submit purchase receipts to the P-Card Coordinator on a monthly basis, along with their monthly JP Morgan transaction statement that has

been reviewed and approved by a supervisor. On a monthly basis, the P-Card Coordinator reviews 100% of all receipts and statements submitted by the approximately 300 authorized users. Reviewed and approved monthly P-Card statements, along with purchase receipts/invoices and any other supporting documentation, are maintained in the County's OnBase document retention system. In addition to monitoring and reviewing spending, the P-Card Coordinator is responsible for all aspects of card issuance and termination.

In fiscal year (FY) 2014, there were 24,763 P-Card transactions totaling approximately \$9.4 million. During FY2015, 29,341 P-Card transactions occurred totaling approximately \$11.3 million.

## Objectives

The IIAA established seven objectives for its audit of the County's P-Card function:

1. Evaluate and test P-Card charges by testing transactions on a sample basis, identifying instances where FCG P-Card policies and procedures were not followed, and identifying where controls may have been lacking or circumvented.
2. Evaluate and test the need for quotes for goods or services exceeding \$2,500 purchased through the P-Card program.
3. Evaluate and test the risk of P-Card purchases also being submitted for personal expense reimbursement by employees.
4. Evaluate and test for instances where P-Cards were turned off timely, and appropriately, for employee terminations. Additionally, ensure that P-Card rights were adjusted or appropriately removed in the instances where employees transferred into different roles within the County.
5. Evaluate and test that the Procurement and Contracting Department is appropriately testing and reconciling P-Card transactions on a monthly basis.
6. Evaluate and test that cardholders appear appropriate by interviewing division directors regarding the P-Card roster for their departments and identifying cardholders who have not utilized their card for extended periods of time.
7. Evaluate and test that employees who have been noted as not following P-Card policy and procedures are documented and P-Card rights are appropriately removed, in accordance with P-Card policies and procedures.

## Scope

The audit process was initiated in July, 2015 and completed in October, 2015. The period in scope for the performance of this audit included all P-Card transactions and cardholder information for fiscal years 2014 and 2015, which encompasses July 2013 through June 2015.

## Methodology

The goal of the engagement was to evaluate and test adherence to policies and procedures, as well as the areas of greatest risk within the P-Card process, as identified during the preliminary survey and risk assessment phase. In order to achieve the objectives of this audit, SC&H performed the following procedures:

### Creation of Audit Program

SC&H created a detailed audit program which describes the action steps to address each of the objectives detailed above. The audit program was reviewed and approved by the Director- Internal Audit Division prior to implementation. The approved program was then used as a guide throughout the audit process to ensure that the goals of each objective were thoughtfully addressed and the resulting observations provided value-added and actionable information for the County.

### Data Analysis of Source Files

SC&H created a listing of reports and data necessary to conduct trend analyses and identify samples for transactional testing procedures. SC&H reviewed the available reports within the JP Morgan P-Card system and identified the data necessary to conduct the audit testing. SC&H then requested and received various database files, including all P-Card transactions for FY 2014 and 2015, comprehensive listings of cardholder terminations and transfers, and various cardholder profile/demographic information. Using these reports, SC&H performed a systematic data analysis to create an analytics package of P-Card usage and trends. These analyses include aggregation and quantification of transactions by department, vendor, dollar amount, and employee.

### Transactional Testing

Using the data analyses created by SC&H and the JP Morgan source files, SC&H selected samples for detailed transactional testing. These selections and associated testing included:

- 60 randomly selected P-Card transactions: For each transaction selected, SC&H performed testing to verify the existence of a supporting receipt or invoice and note the signature of the cardholder manager/supervisor and P-Card Coordinator on the associated Monthly P-Card statement. Additionally, re-performance of the P-Card Coordinator's review was performed for each statement containing the individually sampled transactions. This was achieved by agreeing 100% of all transactions in the corresponding JP Morgan monthly P-card master statements to the supporting receipts attached to the employee's approved monthly statement. These procedures, in conjunction with the following testing areas, resulted in the examination of 4,136 individual purchases. The appropriateness of each transaction was determined based on a review of the description and supporting receipt/invoice as well as confirmation of the existence of the supervisor and P-Card Coordinator's signatures indicating review and approval.
- 35 specific employee P-Card transactions: For each transaction selected, SC&H reviewed the purchase for reasonableness/appropriateness based upon the individual's title and job function. SC&H also performed testing to verify the existence of a supporting receipt or invoice and evidence of review and approval by the cardholder's manager/supervisor and the P-Card Coordinator on the associated Monthly P-Card statement.
- 40 randomly selected P-Card transactions greater than \$2,500: Cardholders are required by the Frederick County Procurement Card Policies and Procedures to obtain three quotes for transactions greater than \$2,500. SC&H requested the associated invoice/receipt and evidence that quotes were obtained for these transactions. The vendor quote documentation that was obtained for these samples was examined for existence, appropriateness, and compliance with policy.
- 20 non-P-card expense reimbursements: This sample was selected to evaluate whether employees may have submitted receipts related to P-Card purchases as duplicate expense report reimbursements which are processed through the Payroll Department. The risk is that the employee's supervisor responsible for reviewing P-Card purchases may not be the same person who reviews expense reports submitted via the time and expense system. The reviewer also may not compare P-Card purchases and reimbursements to identify duplicate transactions. This creates an opportunity for a cardholder to submit a P-Card purchase receipt as an expense reimbursement, receiving the cost of the purchases in their paycheck. For testing purposes, SC&H obtained the selected expense reimbursement reports and judgmentally examined specific transactions from each report. The receipts for these transactions were then compared to the

associated employee's Monthly P-Card Statement(s) to determine whether the transaction amount was present in both the P-Card Statement and the expense reimbursement.

- 20 terminated employee cardholders: For each tested cardholder, evidence of card deactivation and termination, including the completed destruction statement was requested and reviewed.
- 20 cardholder statements for inactivity testing: SC&H obtained the monthly tracking spreadsheet that is maintained by the P-Card Coordinator for the purpose of monitoring the receipt and review of monthly P-Card statements. SC&H judgmentally selected 20 employees with periods of inactivity and reviewed the associated JP Morgan statements to confirm that no purchases occurred during the corresponding period.

#### Departmental P-Card Roster Analysis and Review

In order to test the accuracy and appropriateness of the current P-Card roster, SC&H first delineated the cardholder listing by department. This provided a listing of the current cardholders for each department, which included the cardholder spending limits. Then, based upon the data analyses and testwork performed, several additional areas of review were identified for the departmental directors. SC&H then compiled a workbook for each department that listed the current cardholders and other areas of review, including action steps, and emailed this information to each department director for review. The requested review action steps are described below:

- Departmental Cardholder Appropriateness: Directors were asked to consider all cardholders within their department, including whether each employee requires a P-Card and the appropriateness of the assigned spending limits.
- Cardholders with Periods of Inactivity: SC&H identified cardholders with periods of card use inactivity greater than four months during period in scope. Directors were asked to review the appropriateness of continued cardholder status for these individuals.
- Transferred Cardholders: Directors were provided with a listing of cardholders who transferred into their departments. Review of the appropriateness of employee cardholder status and assigned spending limits was requested.
- Large Spending Limits: SC&H identified specific cardholders with aggregate monthly spending limits greater than \$30,000 and single use limits greater than \$15,000. Directors were asked to review the appropriateness of these spending levels relative to the assigned employees.
- Multiple Instances of Accidental/Inappropriate Usage: SC&H obtained the receipts and other supporting documentation of all cardholders with accidental or inappropriate usage who subsequently reimbursed the County. SC&H identified those employees with multiple instances of misuse. Directors were asked to review these cardholders and provide a response related to the usage monitoring methods within their departments.

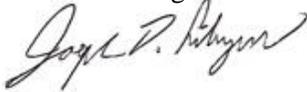
## Summary of Work

Our review and test work indicated that there is a need for improvement in the overall process. We noted five reportable observations for the processes and controls related to the administration of the P-Card program. Details of the observations noted during this review and our recommendations for corrective action are detailed in Section II of this report.

While a number of improvement opportunities were noted, the percentage of process variances observed in relation to the large volume of transactions necessary for review by a single P-Card Coordinator is relatively low. This is indicative of a dedicated staff and a structurally sound process that can be further improved through the implementation of the recommendations in this report.

We appreciate the assistance and cooperation of management and staff during the performance of this audit. Please contact us if you have any questions or comments regarding the information contained in this report.

SC&H Consulting



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Joseph D. Freiburger, CPA, CIA, CISA  
Director

## II. Detailed Observations and Recommendations

The following observations were noted during the performance of the testing as described in Section I. Detailed findings associated with each observation are provided, along with the associated risks and recommendations for improvement or risk mitigation.

### Observation 1

The volume of transactions and statements reviewed by the P-Card Coordinator on a monthly basis appears to be overly cumbersome for a single individual to review, in addition to the performance of other non-P-Card related purchasing responsibilities.

#### **Observation Detail**

SC&H examined 121 monthly statements through the execution of the various procedures performed during this review. We independently inspected the JP Morgan statement and associated receipts for each and noted that documentation could not be found in the OnBase document retention system for four of the statements selected for testing. Each of the four statements was for the month of June 2015, which is the final month included within the scope of this review. Per discussion with the P-Card Coordinator, as of October, 2015 there is a back log of statements and supporting receipts that have yet to be reviewed. This is due to the voluminous amount of documentation for thousands of monthly transactions in need of review in addition to the normal workload of a full-time Purchasing buyer. Support was subsequently maintained for three of the four missing statements, with the fourth noted as being a contracted purchase. The approval of these statements by the P-Card Coordinator is noted as having occurred on October 5th, 2015. As of October 25, 2015 these monthly statements have not yet been uploaded into OnBase. According to the P-Card Coordinator, it may take up to a month following approval to appear in OnBase depending upon the backlog of documentation to be scanned.

In addition, due to the amount of information necessary for review and the present backlog, diligent oversight may be adversely affected. SC&H examined 20 instances in which it was noted that there was no activity associated with the card and consequently there is no associated monthly statement from JP Morgan to review. In one instance, SC&H found that there was activity associated with the card for the month and a statement was available for review, despite having been noted to the contrary by the Coordinator.

Additionally, as noted in the following observations, P-Card statements have been found that are missing supervisory or cardholder review. SC&H does note that, in comparison to the volume of transactions and statements necessary for review, the number of unsigned statements is very low.

#### **Risk**

The inability of the P-Card Coordinator to review monthly P-Card statements in a timely manner may result in inappropriate usage occurring for an extended period of time before being identified by the P-Card Coordinator. If an employee no longer works with the County and is found to have made inappropriate or fraudulent purchases several months later, it may be difficult to recover the misappropriated funds.

The large amount of information required to be reviewed by the P-Card Coordinator, in addition to their other duties, may result in less scrutiny of purchases. The Coordinator may note that a receipt exists for the correct amount, but may not pause to consider the appropriateness of the purchase. Additionally, there may be a disinclination to pursue follow-up with an employee or supervisor for questionable purchases that are otherwise supported.

**Recommendation 1**

SC&H recommends that a full-time P-Card Coordinator, and/or an assistant to the Coordinator, be hired to assist with the administration of the County's P-Card program. An additional resource charged with the administration of this process will help to ensure that statements are reviewed in a timely manner and appropriate due diligence is performed with regard to purchasing consideration. This will reduce the risk of unauthorized purchases going un-noticed, or being delayed in discovery.

**Management Response for Recommendation 1**

We agree with the recommendation of SC&H. We recently hired a full-time P-Card Coordinator to oversee the P-Card program. This position will ensure that statements are being reviewed in a timely manner. The County has dedicated Procurement and Contracting staff which will provide additional support, including added review, a back-up function, and oversight to the P-Card Coordinator and P-Card program to help ensure accuracy.

**Recommendation 2**

SC&H recommends modification of the current P-Card statement review process to reduce the requirement for 100% transactional review by the P-Card Coordinator each month. The primary control point to ensure that transactions are appropriate and properly supported is the review performed by the cardholder's direct supervisor. We recommend the P-Card Coordinator review each monthly P-Card statement to ensure that a signature indicating review by the supervisor is present. Additionally, in order to ensure statements and support are being appropriately provided, the P-Card Coordinator should spot check a sample of monthly statements (e.g. a percentage of statements received). By implementing these review modifications, process redundancy can be avoided.

In conjunction with reduced review requirements by the P-Card Coordinator, enhanced training should be made mandatory for supervisory reviewers and backup reviewers. Supervisory reviewers should be required to attend P-Card usage training upon initial designation in this role, with an annual recertification of understanding thereafter. This will help to ensure that appropriate review is occurring by the supervisors prior to the submission of monthly P-Card statements. The recommendation for enhanced P-Card training is further detailed in Recommendation 6 below.

**Management Response for Recommendation 2**

We agree with the recommendation, currently we do a 100% audit of statements. However, going forward we will focus on a reduced percentage of statements while continuing to audit the departments that have a heavy flow of month-to-month transactions and/or have had deficiencies in the past to ensure that the statements received are accurate. As we review the statements we will look specifically for the signature of the reviewing supervisor and will follow up when statements do not have the required signatures. We will update our procedures for these changes.

## Observation 2

The P-Card cardholder listing is not regularly reviewed by department management. SC&H noted numerous adjustments based on our review of P-Card rosters by departmental points of contact.

### **Observation Detail**

SC&H received responses from all departmental contacts that were requested to review their department's cardholder listing, spending limits, and instances of cardholder misuse. These departmental reviews covered all 315 active cardholders within the P-Card roster at the time of this review. Of the responses received, action items instructed by the departmental contacts include:

- **Discontinuation of Access:** 17 cardholders were noted as no longer requiring access and should be deactivated
- **Confirmation of Deactivation:** 11 cardholders were noted as being previously deactivated, however they appeared as active during the time of review
- **User Profile Updates:** One user was noted as having requested a new card to reflect a name change, however this was not reflected within the roster at the time of testing. 12 users were noted as requiring an update to their department code within the system.
- **Change in Cardholder Limits:** 24 requests for cardholder limit increases were noted, with one request for a decrease received

In performing this management review exercise, it appears that independent monitoring and review of cardholders is not occurring in all departments, as evidenced by the requested updates to the cardholder roster.

### **Risk**

Employees may retain cardholder access or excessive spending limits beyond the appropriate time frame required for performance of their daily responsibilities. Inappropriate cardholder status or unnecessarily high spending limits may result in unauthorized spending by these employees. Unauthorized spending should be identified through the supervisory approval process. However, the employee's direct supervisor may not be the department director and may not consider the employee's cardholder status for appropriateness. As such, the supervisor's review does not include consideration as to whether cardholder should have a card and whether their spending limits are appropriate for their position. Without regular review of the P-Card roster, the departmental directors may not be aware of where and how spending is occurring within their department. Additionally, without regular review, transferred employees may retain P-Card access or spending limits that are not appropriate for their current position.

### **Recommendation 3**

A regular review of the listing of departmental cardholders should be required of all directors. At least yearly, the P-Card Coordinator should accumulate the cardholder listing and the associated parameters that have been assigned to each, by department and communicate these lists to each director. Directors should review these listings and provide the P-Card Coordinator with any necessary updates to cardholder status or spending limits. By performing a periodic review of the P-Card rosters, the County reduces the risk of unauthorized cardholders and obtains greater assurance that cardholders are valid with the correct spending limits.

### **Management Response for Recommendation 3**

We agree with the recommendation provided by SC&H that a regular review of cardholders should be reviewed by the directors for each department at least yearly. This review has been done in the past on a quarterly basis, and now with a full time P-Card Coordinator hired we will continue to send out a list to each department for review on a quarterly basis.

### Observation 3

Documentation and approval of purchases is not consistently obtained and subsequently maintained for all P-Card transactions.

#### **Observation Detail**

During the performance of transactional testing, a total of 4,136 transactions were examined through the testing of 121 monthly P-Card statements occurring during FY14 and FY15. For each of these transactions SC&H agreed the amount of the expense as documented on the approved monthly P-Card statement to the corresponding receipt or invoice on file. Additionally, SC&H examined the monthly P-Card statements for evidence of review and approval by the employee's supervisor, as denoted on the P-Card statement. Two of the 121 statements reviewed did not contain evidence of review and approval by the employee's supervisor and one was not signed by the cardholder.

#### **Risk**

The payment of monthly P-Card statements without proper approval by the employee's supervisor also creates the risk of inappropriate purchasing. While the P-Card Coordinator's review may ultimately confirm that the transactions are supported and appear to be appropriate, the supervisor is responsible for ensuring that purchases are authorized and for legitimate business purposes.

#### **Recommendation 4**

All supervisors should be required to have a designated back-up approver for P-Card statements in their absence. In the event that a supervisor is unable to review and approve a cardholder's purchases prior to submitting the monthly statement to the P-Card Coordinator and a back-up approver is unavailable, subsequent review should be obtained and documented. The P-Card Coordinator, or designee, should email the unapproved monthly statement to the supervisor and request a response confirming their approval of all purchases. This email should be maintained with the supporting receipts and other documentation in OnBase. Enhanced review documentation requirements will reduce the risk of inappropriate purchases.

Additionally, in the event that multiple statements for the same cardholder are turned in without supervisory review in consecutive months, the P-Card Coordinator should temporarily suspend the cardholder's account pending investigation. The P-Card Coordinator should then follow up with the cardholder and/or supervisor to determine the cause and resolution for the lack of review prior to reinstating cardholder access.

#### **Management Response for Recommendation 4**

We agree with this recommendation. This will be incorporated into the P-Card Policies and Procedures and will be the focus of the newly hired P-Card Coordinator.

#### Observation 4

A test of 20 terminated/resigned employee cardholders indicated that evidence of cardholder termination is not consistently maintained and deactivation of cardholder status in the JP Morgan PaymentNet system may occur more than two months after the cardholder has left the County.

##### **Observation Detail**

At the termination of employment, or the discontinuation of cardholder status, the employee's division director should deliver the card to the P-Card Coordinator for deactivation. Retrieval of the P-Card is noted on the employee off-boarding checklist for terminated employees, which is signed by the employee's division director and/or an HR representative. The Coordinator is responsible for deactivating cardholder access to JP Morgan PaymentNet and destroying the card. Destruction of the card is co-witnessed by a separate independent individual and then both the P-Card Coordinator and the witness sign a P-Card destruction statement to formally document the destruction of the card.

SC&H's review examined 20 terminated cardholders to determine whether cards had been appropriately deactivated and destroyed. It was noted that three employee off-boarding checklists were completed but were not signed noting that the P-Card was returned. In one of these cases, no P-Card destruction statement was completed. Deactivation of all selected cardholder P-Cards was noted in JP Morgan PaymentNet, the electronic P-Card management system. One employee's card was not deactivated until 68 days after removal of cardholder status, while another was not disabled until 77 days later. There were no purchases made by any of the cardholders subsequent to their documented date of termination.

##### **Risk**

Delayed card cancellation and lack of destruction documentation creates the risk that an employee could have retained his or her P-Card and continued to make purchases after the end of employment.

In the event that collection of the P-Card is not noted on the employee off-boarding checklist, the P-Card Coordinator may not be made aware of the cardholder termination in a timely manner. This can result in terminated employee's card remaining active and in the possession of someone other than the P-Card Coordinator.

##### **Recommendation 5**

On a monthly basis, the P-Card Coordinator should review the terminations listing to ensure that he/she is aware of all terminated cardholders. This will allow the P-Card Coordinator to follow up with specific departments, as needed, to obtain the card and proceed with deactivation procedures. This can help to reduce unauthorized purchasing following the termination of a cardholder.

Additionally, enhanced emphasis should be placed on maintaining complete documentation of the destruction process. This should include following up with managers to obtain completed off-boarding statements and the maintenance of all completed destruction statements. This will help to ensure that P-Cards are closed in a timely fashion and provide supporting documentation of the completion of this process.

##### **Management Response for Recommendation 5**

We agree with the recommendation from SC&H. The County would like to emphasize that there were no purchases made by any of the cardholders subsequent to their documented date of termination. We will continue to review termination lists to ensure accounts are closed and no further card use happens after date of termination. It is our understanding that HR is in the process of creating a termination notification group in Outlook and we are asking to be included as a part of that group, to ensure that when there is a termination and the employee was a cardholder we can quickly update JP Morgan to close the account.

## Observation 5

Accidental or inappropriate misuse of the P-Card is not actively tracked by the P-Card Coordinator, and follow-up communication of misuse to the cardholder's superiors is not regularly performed.

### **Observation Detail**

When a cardholder makes an unqualified or non-business related purchase, accidentally or otherwise, he/she must reimburse the County for the amount of the transaction. According to the Compliance Violation section of the Frederick County Procurement Card Policies and Procedures, a P-Card will be canceled after three instances of misuse. This misuse of the card may be identified by the cardholder, the reviewing supervisor, or the P-Card Coordinator. The cardholder must provide a reimbursement check to the P-Card Coordinator, who deposits this amount in the Frederick County Treasury. A deposit receipt and P-Card Reimbursement Form, which details the expense and the original receipt are maintained as documentation. The process for reimbursing the County is not formally documented in the P-Card Policies and Procedures. As such, if an instance of cardholder misuse is identified by the cardholder or supervisor, it may not be communicated to the P-Card Coordinator. As a result, proper documentation of payment may not be received and maintained, and overall cardholder misuse cannot be effectively tracked and monitored by the P-Card Coordinator.

SC&H met with the P-Card Coordinator to discuss the available documentation of cardholder misuse for testing purposes. It was noted that the cardholder reimbursements are maintained in hard copy format. Upon inquiry, SC&H found that no specific tracking procedures of misuse are performed by the P-Card Coordinator. Additionally, the P-Card Coordinator noted that communication to the employee supervisor in the event of repeated accidental/inappropriate use does not always occur.

SC&H obtained documentation related to each instance of a cardholder reimbursement to the County occurring during FY14 and FY15. SC&H noted four employees who each provided two reimbursements to the County for accidental or inappropriate card usage during FY14 and FY15. In each of the noted instances, SC&H obtained documentation suggesting the charges were appropriately reimbursed to the County. SC&H contacted each employee's departmental manager to request that he/she review these transactions and provide an explanation of the procedures taken to address potential misuse. SC&H also inquired as to their procedures for tracking cardholder usage. Responses were received for three of these employees, noting that, as these were instances of accidental misuse that were self-reported, they were not considered compliance violations and no disciplinary action was taken. The responding director also noted that in the event that inappropriate usage is suspected, an investigation within his/her department would be conducted, resulting in potential disciplinary action, ranging from counseling to termination.

### **Risk**

Individual departments within the County may not have robust procedures for identifying and tracking P-Card misuse. As a result, the P-Card Coordinator may not be aware of the cardholders who are frequently in violation of policy compliance. The P-Card Coordinator maintains reimbursement documentation, but does not track cardholder reimbursements in a central location. This reduces the ability to note and address trends in compliance violations.

Also, the lack of a defined process for communicating cardholder reimbursement to the P-Card Coordinator also reduces the ability to track inappropriate card usage.

Further, a risk also exists for a scenario in which an employee is instructed by a supervisor to reimburse the County, but does not follow-up or document this reimbursement. In this situation, the potential exists that the employee may never reimburse the County for the improper card usage.

**Recommendation 6**

The P-Card policies and procedures document should be updated to include a formal process for notifying the P-Card Coordinator in the event that accidental or inappropriate use of the card is identified. This process should include providing the P-Card Coordinator with the reimbursement check, or a receipt from the Frederick County Treasury department, evidencing the deposit. Additionally, P-Card cardholder and reviewer training materials should be updated to reflect these and any other changes to the P-Card use and review processes. Cardholders and supervisors should be required to attend P-Card usage training upon initial designation in these roles, with an annual recertification of understanding thereafter.

Additionally, the process of tracking cardholder misuse by the P-Card Coordinator should be formalized to include electronic monitoring, such as spreadsheet. This will allow the P-Card Coordinator to quickly identify previous instances of cardholder misuse. Upon noting multiple instances of cardholder reimbursement, the P-Card Coordinator should inform the cardholder's department director and/or supervisor. Departmental management will then have the information needed to further investigate cardholder misuse, as determined necessary.

**Management Response for Recommendation 6**

We agree with the recommendation, we currently have implemented a Misuse Spreadsheet, where any P-Card transactions that considered misuse are documented and the report is reviewed weekly by the director of DP&C. We have also spoken with the Treasury office about any deposit being made for a reimbursement from a P-Card purchase must come through the P-Card Coordinator first to ensure the transaction is documented. This new chain of command protocol has been issued to all tellers by the Director of Treasury and will be included in the updated P-Card Policies and Procedures.