

**The Maryland-National Capital Park and Planning Commission
Office of the Inspector General**

**Commission-Wide Purchase Card Program
Report Number: CW-004-2024**

May 23, 2024

Distribution:

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I. EXECUTIVE SUMMARY

A. Overall Perspective

The Maryland-National Capital Park and Planning Commission (Commission) is a bi-county agency serving Prince George's and Montgomery counties in Maryland. The Commission's staff includes career employees such as planners, park and recreation administrators, park police and administration staff. The Commission's organizational functions are conducted by several administrative departments within Central Administrative Services such as the Department of Finance (Finance).

Finance is led by the Secretary-Treasurer who has the responsibility to provide corporate financial oversight and direct overall operations of the Department's divisions. Finance is organized into three divisions:

- Corporate Business Services and Finance Administration
- Corporate Accounting; and
- Corporate Procurement

Corporate Procurement administers Commission purchasing to achieve maximum value from the expenditure of public funds. The Commission developed the Purchase Card Program to reduce administrative costs and time associated with procuring goods and services required for conducting official business. The Purchase Card Program is an efficient way of paying for necessary low risk, low dollar purchases. The financial institution, JP Morgan Chase Bank, administers the Commission's purchase cards.

As of January 2024, the Commission has 226 purchase cardholders (cardholders), an increase of 11 since September 2023. Each cardholder has an assigned approving official. However, each approving official can be responsible for multiple cardholders. Cardholders and approving officials are required to complete training before purchase card issuance. Total purchase card expenditures and the total rebate amount for calendar year 2022 were \$14,852,463 and \$274,865, respectively.

The Commission uses a cloud-based application solution referred to as Infor Enterprise Resource Planning (Infor). Infor provides critical corporate functionalities on an integrated platform for its Procurement, Finance, and Human Resource functions. Cardholders and approving officials are required to review, approve, and close out purchase card transactions on a monthly basis in Infor.

The Corporate Procurement Director, who reports to the Secretary-Treasurer, oversees the Purchase Card Program. The Corporate Strategic Procurement

Manager and Corporate Procurement Specialist are primarily responsible for the Purchase Card Program administration activities.

B. Audit Objective, Scope, and Methodology

Audit Objective

The objective of this audit was to evaluate the system of internal controls for the appropriate administration of the Purchase Card Program and identify any opportunities to improve operational efficiencies to ensure compliance with Commission practices and procedures.

Scope

The scope for the Commission-Wide Purchase Card Program audit included, but was not limited to, the following audit procedures:

- Reviewed Commission Practices and Procedures and the Purchase Card Program Policy and Procedure Manual (Manual);
- Interviewed Corporate Procurement management and staff to obtain an understanding of purchase card operations and administration;
- Selected a sample of cardholder purchase card transactions and performed detailed testing of key attributes to verify compliance with Commission Practices and Procedures;
- Selected a sample of departmental supplemental policies and procedures and verified they do not conflict with Commission Practices and Procedures;
- Traced and recalculated the annual JP Morgan Chase Bank rebate provided to the Commission for calendar year 2022 to verify payment accuracy;
- Selected a sample of cardholders who requested overrides of Merchant Category Codes and evaluated the process for approval and tracking;
- Reviewed close out of purchase card transactions processed between June 2023 through August 2023 to verify timely close out in Infor;
- Performed a reconciliation of the bank servicing fees, Treasury Cash Alert, and JP Morgan Chase Bank statement for July 2023.
- Reviewed administrative oversight of the Purchase Card Program to verify compliance with policies and procedures.

In addition, the audit scope was designed to identify possible fraud, waste, or abuse within the processes being audited.

The period covered in this review was July 1, 2022 through November 30, 2023.

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Methodology

During the audit, the OIG conducted interviews of management and staff, and reviewed relevant standard operating procedures and Commission policies. For our analysis, we reviewed a sample of purchase card transactions and performed detailed testing, reviewed a sample of departmental supplemental internal policies and procedures which cardholders may follow to assist with the process¹, and reviewed supporting documentation to assess compliance with Commission Practices and Procedures.

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards*. 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 objective.

¹ Departments have the option to develop departmental supplemental internal policies and procedures to assist with facilitating the purchase card process, provided they do not conflict with Commission Practices and Procedures, including the Purchase Card Program Policy and Procedure Manual.

C. Major Audit Concerns

The results of our evaluation and testing procedures indicated no major audit concerns.

D. Overall Conclusions

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls for the Commission-Wide Purchase Card Program. On an overall basis, we consider the controls to be satisfactory.

We believe all weaknesses identified and communicated are correctable and that management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh the possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Department of Finance management and staff for the cooperation and courtesies extended during the course of our review.

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May 23, 2024

Conclusion Definitions

Satisfactory	No major weaknesses were identified in the design or operation of internal control procedures.
Deficiency	A deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.
Significant Deficiency	A deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and reported. This deficiency is less severe than a material weakness, yet important enough to merit attention by management.
Material Weakness	A deficiency in the design or operation of an internal control procedure(s) which may result in a material misstatement of the Commission's financial statements or material impact to the Commission.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Ensure Monthly Purchase Card Transactions are Closed Out Timely

Issue: Monthly purchase card transactions are not closed out on a timely basis as required by Commission policies and procedures. As of January 8, 2024, \$362,448 in purchase card transactions were not closed/approved by the approving official (see **Exhibit A**).

On a weekly basis, Corporate Procurement uploads purchase card transactions from JP Morgan Chase Bank into Infor. The cardholder is required to review and approve or dispute each transaction. Upon completion, the approving official must review and close out (i.e., approve) or reject each transaction in Infor. If approved by the approving official, an expense is generated and posted to the Commission's general ledger.

When cardholders and approving officials do not review and close out purchase card transactions in Infor, the transaction charges and credits are not allocated to departmental budgets. Consequently, department management may erroneously assume the budget has a certain amount of available funds for expenditure; however, this is a false perception because all purchase card transaction charges and credits have not been appropriately allocated to the budget.

Criteria: *Purchase Card Program Policy and Procedure Manual* (Manual), dated July 1, 2018, governs the purchase of goods and services with the purchase card. The Manual indicates that purchase card transactions processed for each month are to be reviewed and closed out by the 15th of the following month.

Cause: Corporate Procurement sends monthly reminders to cardholders and approving officials reminding them that monthly transactions are to be closed out by the 15th of the following month. However, it appears that cardholders and approving officials have not established purchase card transactions review and approval as a high priority.

Other factors contributing to the untimely close out of purchase card transactions include:

- For field employees (e.g., maintenance workers), available computer time to reconcile and close out transactions can be limited.
- The approving official may change because of retirement, resignation, promotion, or termination. The new approving official may not gain access rights to Infor until months later. Although designated Corporate Procurement staff have access rights to close out transactions on behalf

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of the approving official, they are not always notified timely of the status change.

- The cardholders may change for the same reasons as approving officials. Approving officials do not have access rights to approve and close out transactions on behalf of cardholders, only designated Corporate Procurement staff. Lack of timely notification of status changes is a factor.
- Technology issues with Infor have contributed to delays. For example, access to PD 20.1 screen, Purchase Card Charge Approval, may be suddenly denied to cardholders and/or approving officials for no apparent reason. Communication among Corporate Procurement, cardholders, approving officials, and information Technology staff to address the issues is time consuming.

Risk: The Commission's Purchase Card Program provides authority for cardholders to procure goods and services without pre-approval by management. Management's post review and approval of purchase card transactions is a strong internal control. Management review helps identify fraudulent or unnecessary transactions.

In addition, failure to review, approve, and close out monthly purchase card transactions may result in erroneous departmental budgets.

Recommendation: Corporate Procurement should update the Manual to include specific roles and responsibilities of Commission management (e.g., Department Heads, etc.) for purchase card operations. After updating the Manual, Corporate Procurement should include department management on the monthly emails sent to cardholders and approving officials to elevate the issue and disclose the associated risks related to untimely transaction close outs. The emails should request that department management enforce the following requirements:

- Approving officials should ensure that cardholders present complete monthly purchase card logs, supporting invoice and receipt documentation, and JP Morgan Chase Bank statements to them by a specific date to expedite monthly review and approval.
- Whenever cardholders and approving officials have valid reasons for not closing out all monthly transactions, they should communicate the reasons to Corporate Procurement staff for assistance.

Corporate Procurement should implement stricter consequences for non-compliance of purchase card requirements. As stated previously, the Purchase Card Program provides an efficient way of paying for necessary expenses. The loss of purchase card privileges may provide an additional incentive to

management to ensure all purchase card transactions are closed out on a timely basis.

Issue Risk: High

Management Response: Corporate Procurement is currently updating the Purchase Card Manual to strengthen the roles and responsibilities of Commission Management with respect to transaction approvals. Corporate Procurement currently suspends cardholders' accounts when transactions are more than two months old. In order to have the purchase card re-activated, the purchase card holder must close out the open transactions. In the interest of strengthening accountability measures, Corporate Procurement will implement more robust consequences, including requiring additional training and the possible revocation/cancellation of an employee's purchase card if the cardholder's account has been suspended three times within a 12-month period for overdue/open transactions. Additionally, Corporate Procurement will include Department Heads on all monthly correspondence with respect to untimely transaction close-outs. It is important to note that Corporate Procurement can revoke card privileges; however, Corporate Procurement cannot impose disciplinary actions that are related to the performance of a cardholder or approving official.

Expected Completion Date: December 2024

Follow-Up Date: January 2025

2. Ensure Compliance with Purchase Card Policies and Procedures

Issue: The OIG selected a representative sample of 26 cardholders from the Commission's four departments and Central Administrative Services.² OIG judgmentally selected 100 of 1540 total transactions (6.5%) processed from August 2023 through October 2023 and performed detailed testing. For each purchase card transaction, OIG tested attributes such as supporting documentation including invoices, receipts, purchase card logs, and JP Morgan Chase Bank statements. OIG also tested non-allowable purchases and Maryland state sales tax payments. Audit testing disclosed the following exceptions:

- Twenty-two of 26 (85%) cardholders and their approving officials either did not sign and date all monthly purchase card transaction logs, or did not sign and date them timely. Policies and procedures require that they sign and date transaction logs by the 15th of the following month to support their review and approval of purchase card transactions.
- Three of 26 (12.0%) cardholders paid Maryland state sales taxes on purchase card transactions, without documenting why the exception to policy was allowed.
- One of 26 (3.8%) cardholders purchased janitorial services, which is listed as non-allowable purchases. According to Corporate Procurement, janitorial services must be procured using a purchase order through vendors with whom the Commission has contract agreements.

Criteria: The Manual requires cardholders to record transaction(s) as they are ordered on the transaction log. The cardholder matches receipts to the monthly statement, performs a reconciliation, and forwards the transaction log and all supporting documentation to their approving official for monthly review approval, and storage. Transaction logs must be signed and dated by the 15th of the following month. At no time should more than one month's transaction log be outstanding for approving official's approval. The transaction log is to be the record of ***all*** transactions authorized in the month.

The Manual states the Commission is exempt from Maryland Sales and Use Tax. Therefore, when making a purchase, cardholders should identify the purchase as tax exempt in Maryland to avoid being charged sales tax.

² The four departments include Prince George's County Department of Parks and Recreation, Prince George's County Planning Department, Montgomery County Department of Parks, and Montgomery County Planning Department. Central Administration Services includes the Department of Finance, Department of Human Resources and Management, General Counsel's Office, and the Office of the Chief Information Officer.

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The Manual governs the purchase of goods and services with the purchase card and Attachment A in the Manual provides Examples of Allowable and Non-Allowable Purchases.

Cause: The approving officials did not provide adequate oversight to ensure the cardholders adhere to the policies and procedures.

Risk: Failure to ensure compliance with the policies and procedures may lead to waste of taxpayer funds, resulting in negative publicity to the Commission.

Recommendation: Corporate Procurement should update the Manual to include the following:

- Cardholders must present the Maryland Sales and Use Tax Exemption Certificate to merchants for all purchases and request the exemption. If the merchant does not accept the certificate, the denial should be documented and included with the purchase cardholders' receipts.
- Once the Manual is updated, training should be provided to cardholders and approvers. Upon the completion of training, Corporate Procurement should enforce stricter consequences for non-compliance with purchase card policies and procedures.

Issue Risk: Medium

Management Response: Corporate Procurement is in the process of creating a form for missing receipts and the denial of tax exemptions status by the merchant. The form will require the approval of Department Heads and will be included in the supporting documentation for the specific transaction by the cardholder.

Purchase card training is currently provided to all cardholders and approvers; however, Corporate Procurement has retained a consultant to facilitate the development of a more comprehensive purchase card training program. The new training program will enhance accountability mechanisms in order to uphold the highest standards of accountability, integrity and transparency. Both cardholders and approving officials will be required to complete the new training and pass a written exam in order to participate in the Purchase Card Program. It is important to note that Corporate Procurement can revoke card privileges; however, Corporate Procurement cannot impose disciplinary actions that are related to the performance of a cardholder or approving official.

Expected Completion Date: December 2024

Follow-Up Date: January 2025

Exhibit A

**Dollar Value of Unclosed Purchase Card Transactions
As of January 8, 2024**

Department	Dollar Value
Prince George's County Department of Park Recreation	\$282,536
Montgomery County Parks	\$ 41,134
Central Administrative Services	\$ 26,595
Montgomery County Planning	\$ 6,460
Prince George's Planning	\$ 5,723
Total	\$362,448