



OFFICE OF THE INSPECTOR GENERAL
MONTGOMERY COUNTY MARYLAND

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Performance Audit of Purchasing Card Usage

Office of Management and Budget

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EXECUTIVE SUMMARY

This audit of the Office of Management and Budget (OMB) was initiated pursuant to our mandate to conduct reviews of the internal accounting processes and controls used by each department and principal office in the Executive Branch. OMB's operating budget for fiscal years (FY) 2021 and 2022 was approximately \$6.4 million a year, mostly comprised of personnel expenditures (e.g., salaries and employee benefits). Operating expenses were approximately 5% and 4% of OMB's total budget in FY21 and FY22, respectively.

Our audit focused on OMB's P-Card transactions which accounted for approximately 12% and 24% of FY21 and FY22 operating expenses, respectively. We examined a sample of 30 P-Card transactions incurred during this period to identify any instances of non-compliance with the P-Card policy. We also evaluated all 130 P-Card transactions incurred during this period for potential instances of fraud, and impropriety.

OBJECTIVES

Through this audit we attempted to determine whether P-Card transactions were supported by proper documentation, coded with the appropriate accounting code, and purchased for use by the county; whether duplicate payments were made for items purchased; and whether single item purchases complied with the \$10,000 purchase threshold, in accordance with the P-Card policy.

SCOPE & STANDARDS

Our audit covered activity from July 1, 2020, through June 30, 2022, and was conducted in accordance with the generally accepted government auditing standards (GAGAS).

RESULTS & RECOMMENDATIONS

The audit did not result in any reportable instances of noncompliance with the P-Card policy during the audit scope period, nor did it uncover any indication of fraud or improper P-Card transactions. As a result, no recommendations have been issued.

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BACKGROUND, FINDINGS, AND RECOMMENDATIONS

The Office of Management and Budget (OMB) is responsible for “developing, implementing, and enforcing appropriate budgetary policies and procedures... preparing and administering the operating and capital budgets”¹ for county government. OMB’s budget for fiscal years (FY) 2021 and 2022 was approximately \$6.4 million per year. Approximately 96% of the budget was attributed to personnel costs (e.g., salaries and employee benefits) and 4% towards operating expenses. Purchasing card (P-Card) transactions during the audit scope period, July 1, 2020, to June 30, 2022, totaled \$45,812.61, accounting for approximately 12% and 24% of FY21 and FY22 operating expenses, respectively.

We initiated this audit of OMB to evaluate whether P-Card transactions complied with policy and whether there were indicators of potential fraud and to identify any improper transactions. The Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual (P-Card Manual), revised March 2017, defines the rules and requirements of the P-Card program. The Department of Finance (Finance) administers the county’s P-Card program and has designated two P-Card administrators who have oversight responsibilities for all of the county’s P-Card functions. The county utilizes the JP Morgan Chase Bank Reconciliation System (PaymentNet) to process all P-Card transactions. P-Cards can be issued to individual employee cardholders or to a department.

Through various designated roles defined in the P-Card Manual, each county department is responsible for ensuring that purchases meet county procurement regulations and P-Card program policies and procedures.²

OMB uses three P-Cards for its transactions which are each assigned to employee cardholders with pre-authorized single transaction and card limits.³ During our scope period there were 130 P-Card transactions totaling \$45,812.61. We tested 30 randomly selected transactions representing approximately 34% (or \$15,385) of those expenditures.⁴ We additionally analyzed all 130 transactions for characteristics of misuse and potential fraud.

Our audit did not uncover any reportable instances of noncompliance with the P-Card Manual during the audit scope period. Similarly, we did not find any indication of fraud or improper P-Card transactions.

Pursuant to Montgomery County Code section 2-151(k)(2) County management was provided an advance copy of this report.

¹ Montgomery County MD Operating Budget, Management and Budget (<https://apps.montgomerycountymd.gov/BASISOPERATING/>)

² The Department Head’s responsibilities include approving an employee’s request for a P-Card, assigning a default accounting code for purchases on the P-Card, and setting appropriate restrictions on the card. The Transaction Approver is responsible for approving transactions of individual cardholders. The cardholder is an employee authorized by a department to be the single user of a P-Card.

³ There were three cardholders during our audit scope period, one of which was only active through February 2021 with one transaction.

⁴ Refer to Appendix A for details regarding our sampling approach and methodology.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this performance audit were to determine whether P-Card transactions were supported by proper documentation, coded with the appropriate accounting code, and purchased for use by the county; whether duplicate payments were made for items purchased; and whether single item purchases complied with the \$10,000 purchase threshold, in accordance with P-Card policy.

Scope and Methodology

The scope of our audit covered the period of July 1, 2020, through June 30, 2022. We included all OMB cardholders' P-Card transactions within PaymentNet incurred during our scope period.⁵

We conducted our fieldwork from June 2022 to September 2022. To accomplish our objectives, we conducted interviews with the county's P-Card administrators; financial compliance analyst within the Financial Analysis, Audit, and Compliance (FAAC) section; OMB manager and staff; and the county's JP Morgan Chase Bank client relationship manager.

We reviewed and utilized the P-Card Manual and related guidance as our criteria for this performance audit.

To determine whether P-Card transactions were supported by proper documentation, coded with the appropriate accounting code, and purchased for use by the county in accordance with the P-Card Manual, we utilized a transaction query function in PaymentNet to identify a population of OMB P-Card transactions to randomly sample⁶ from using the sampling methodology shown in Table 1 below.⁷ We assessed the reliability of this data by reviewing documentation, tracing a total of 30 randomly selected transactions back to source documents, and interviewing OMB staff. We determined that the data was sufficiently reliable for our reporting purposes. Based on our sampling methodology we can project the results of our testing to the population.

Table 1: Sampling Methodology – P-Card Transactions

Population	Population Size	Population \$	Confidence Level	Tolerable Deviation Rate	Expected Deviation Rate	Sample Size	Sample \$
OMB P-Card transactions for all cardholders during the scope period	130	\$45,812.61	95%	8%	0%	30	\$15,385.37

⁵ We utilized the "Transaction Date" field available in PaymentNet queries.

⁶ A sample is a portion of a population that is examined or tested to obtain information or draw conclusions about the entire population.

⁷ We selected the "Date Range" as "Transaction Date is between July 1, 2019, and June 30, 2022" and subsequently filtered our scope period to July 1, 2020, through June 30, 2022.

For the selected samples, we obtained supporting documentation to determine whether P-Card transactions were initiated by the cardholder; at the request of, or benefit for, the county; supported by an itemized receipt or other acceptable means of documentation; approved by the designated transaction approver; classified with the appropriate accounting code; charged to approved and unrestricted merchant category codes; and whether purchases were appropriately shipped to OMB's county address.

We also utilized data analysis software to analyze all 130 transactions in our population for characteristics of potential fraud, and improper transactions.⁸

Internal Controls

We assessed OMB's internal controls and compliance with policies and procedures necessary to satisfy our audit objectives. We did not evaluate the internal controls of OMB to provide assurance on its internal control structure as a whole. Through interviews and review of documentation, we assessed whether internal controls related to the design of appropriate types of control activities, separation of duties, and documentation of responsibilities through policies are properly designed and implemented. However, because our review was limited, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objectives.

⁸ We used various data analytic scripts to identify P-Card transactions incurred during our audit scope period exhibiting characteristics of questionable vendors, excluded merchant category code purchases, weekend and holiday purchases, unusual amounts or relationships, year-end spending, duplicate payments (through expense reimbursements), or split purchases (a single item costing more than \$10,000.00, which is split into multiple transactions to circumvent the \$10,000.00 limit).