



OFFICE OF THE INSPECTOR GENERAL
MONTGOMERY COUNTY MARYLAND

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Performance Audit of Purchasing Card Usage
& Related Travel Expenses

Office of Intergovernmental Relations

APRIL 11, 2023

EXECUTIVE SUMMARY

This audit of the Office of Intergovernmental Relations (OIR) 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. OIR's operating budget for fiscal years (FY) 2021 and 2022 was approximately \$1.1 million a year, comprised mostly of personnel expenditures (e.g., salaries and employee benefits). We focused our audit on OIR's purchasing card (P-Card) expenditures, which were approximately 11% and 16% of their operating expenses in both FY21 and FY22, respectively.

We examined a sample of 30 P-Card transactions to identify any instances of non-compliance with the County's P-Card policy and to assess OIR's compliance with established County policies related to local and non-local travel. We also evaluated all 127 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 and items were purchased for use by the county; whether duplicate payments were made for items purchased; whether single item purchases complied with policy's \$10,000 purchase threshold; and whether P-Card transactions complied with the County's local and non-local travel policies.

SCOPE & STANDARDS

Our audit covered activity from January 1, 2021, through November 30, 2022, and was conducted in accordance with the generally accepted government auditing standards (GAGAS).

RESULTS

- OIR made two P-Card purchases that were subsequently processed as reimbursements to an employee, resulting in duplicate payments.
- We observed instances where no documented approval for non-local travel existed and noted that policy should be reevaluated and updated.

RECOMMENDATIONS

- OIR should recoup reimbursements that were improperly paid for purchases made on OIR's P-Card.

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BACKGROUND

The Office of Intergovernmental Relations (OIR) is responsible for “representing County interests at the regional, State, and Federal levels to: prepare the annual State Legislative Program; prepare the annual Federal priorities request; and to be the liaison with State Government, and State and Congressional delegations.” OIR “is the lead Executive Branch agency representing the County in the Maryland Association of Counties and the National Association of Counties.”¹ In both FY21 and FY22, OIR’s budget was approximately \$1.1 million. A breakdown of the FY21 and FY22 budgets is as follows:

OIR Budget Summary - FY21 and FY22

Budgeted Expenditure	FY21	FY22
General Fund Operating	\$201,393	\$116,813
General Fund Personnel	\$935,035	\$959,139
Grant Fund Operating	\$15,335	\$15,335

Our audit focused on OIR’s P-Card transactions which accounted for approximately 11% of the FY21 and 16% of the FY22 general fund budgeted operating expenses. The *Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual (P-Card Manual)*, revised March 2017, provides guidelines for the P-Card program. The Department of Finance (Finance) administers the county’s P-Card program and designated two P-Card administrators who have oversight responsibilities for all 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.

Additionally, since OIR’s work requires travel, both local (within 75 miles)² and non-local, we evaluated compliance with Administrative Procedures 1-2 and 1-5 (AP 1-2 and AP 1-5) which contain policies related to travel.

Through various designated roles defined in the P-Card Manual, each county department is responsible for ensuring that purchases follow county procurement regulations and P-Card program policies and procedures.³ For its credit card purchases, OIR utilizes two P-Cards each assigned to an individual employee cardholder. P-Card transactions during the audit scope period, January 1, 2021, through November 30, 2022, totaled \$34,411.59 and were comprised of 127 individual transactions.⁴

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

² AP 1-5 defines local travel as including Baltimore and Annapolis; however, the eTravel portal also provides a list of other localities considered to be local travel destinations.

³ 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 on individual cardholders. The cardholder is an employee authorized by a department to be the single user of a P-Card.

⁴ Audit scope period does not align with County fiscal year (July 1 – June 30)

FINDINGS AND RECOMMENDATIONS

Consistent with our mandate to conduct reviews of the internal accounting and contracting processes and controls used by principal offices in the Executive Branch, we tested a sample of OIR's P-Card transactions to determine if they were supported by proper documentation, coded to the proper accounting code, and complied with the \$5,000 purchase threshold in accordance with P-Card policy.⁵ Additionally, we tested the same sample of P-Card transactions for compliance with AP 1-2 (non-local travel) and AP 1-5 (local travel), as applicable. Finally, we compared all OIR P-Card transactions within the scope period to all reimbursements made to OIR employees in the same period to determine if duplicate payments for the same expense were made. We ultimately made one finding related to P-Card reimbursements and one observation regarding non-local travel.

During our testing, we observed no evidence that approvals were obtained prior to employees traveling for 3 out of 8 non-local travel transactions. Of the 8 transactions tested, 2 had approval dates that fell after the actual date of travel, and one had no approval. AP 1-2 requires that non-travel be authorized before the "County will pay or reimburse reasonable and necessary travel expenses". An October 18, 2021, policy reminder email sent by the Deputy Chief Administrative Officer (DCAO) to all Directors stated that "all County employees, including directors, undertaking business related non-local travel (more than 75 miles from the EOB⁶) must receive approval prior to traveling and document the trip in eTravel".⁷ Since AP 1-2 was last updated in 2011, the guidance from the DCAO does not appear in policy, but it is evident that the County's intent is that approvals should be obtained and documented prior to employees engaging in non-local travel.

The absence of approvals prior to travel could result in potentially fraudulent transactions and misappropriation of County funds. Although our observation did not rise to the level of a finding, it presents the County with the opportunity to reevaluate and update outdated policies to eliminate any confusion and safeguard against fraud.

Finding: OIR made two P-Card purchases that were subsequently processed as reimbursements to an employee, resulting in duplicate payments.

We performed multiple tests to identify transactions that contained characteristics that may be indicative of fraudulent, improper, or abusive purchases. To potentially detect duplicate payments made for the same expense, this analysis included comparing all P-Card transactions during the scope period to all reimbursements submitted to iExpense⁸ during the same period.

⁵ Through discussions with the County's Internal Audit manager, we were informed that the P-Card manual's reference to a \$5,000 threshold is incorrect and that it should be \$10,000. We were told that the manual will be updated to reflect a \$10,000 threshold in June 2023.

⁶ Executive Office Building

⁷ eTravel is the county's online travel tracking system where employees enter non-local travel authorizations.

⁸ iExpense is a business expense system utilized by the County for employees to report and seek reimbursement of expenses incurred while carrying out official duties for the County.

Through this testing, we found two instances in which purchases were made using a P-Card and were also subsequently reimbursed through iExpense. The two duplicate transactions dated 3/23/2022 and 4/7/2022 were each for \$20 parking receipts that had been paid with a county P-Card and then also submitted for reimbursement and paid by the county.

Through discussion with OIR, we were informed that these duplicate payments and subsequent reimbursements were made in error. Although not yet obtained, OIR is seeking repayment from the employee who received the reimbursement. OIR stated that the subject employee had noted on the submitted receipts that payment was made via P-Card; however, these notes were missed during the administrative process of gathering receipts for submission for reimbursement in iExpense.

Recommendation

We recommend OIR recoup from the employee the reimbursements that were improperly paid for purchases made on OIR's P-Card.

OIG COMMENTS TO THE CAO'S RESPONSE

The County Chief Administrative Officer's response to our report is included in its entirety in Appendix B. The response notes concurrence with the OIG's recommendation.

We ask that the Administration inform us when the revision to Administrative Procedure 1-2 is published.

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 and items were purchased for use by the county; whether duplicate payments were made for items purchased; whether single item purchases complied with the \$10,000 purchase threshold, in accordance with P-Card policy; and whether P-Card transactions complied with established County policies and procedures relating to local and non-local travel.

Scope and Methodology

The scope of our audit covered the period of January 1, 2021, through November 30, 2022. We included all OIR cardholders' P-Card transactions within PaymentNet incurred⁹ during our scope period.

We conducted our fieldwork from December 2022 to March 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; OIR staff; and the county's JP Morgan Chase Bank client relationship manager. We also verified certain policies related to testing with the Accounts Payable Manager in Finance.

We reviewed and utilized the P-Card Manual and related guidance as well as AP 1-2 and 1-5 for non-local and local travel as our criteria for this performance audit.

To determine whether P-Card transactions were supported by proper documentation, 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 OIR P-Card transactions to randomly sample¹⁰ using the sampling methodology shown in Table 2 below. We assessed the reliability of this data by reviewing documentation, tracing a total of 30 randomly selected transactions back to source documents, and interviewing the OIR P-Card transaction approver. 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 2: Sampling Methodology – P-Card Transactions

Population	Population Size	Population \$	Confidence Level	Tolerable Deviation Rate	Expected Deviation Rate	Sample Size	Sample \$
OIR P-Card transactions for all cardholders during the scope period	127	\$34,411.59	95%	8%	0%	30	\$10,516.79

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;

⁹ We utilized the "Transaction Date" field available in PaymentNet queries.

¹⁰ A sample is a portion of a population that is examined or tested to obtain information or draw conclusions about the entire population.

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 OIR’s county address.

We also utilized data analysis software to analyze all 127 transactions in our population for characteristics of potential fraud, and improper transactions.¹¹

For the selected samples related to non-local travel, we obtained supporting documentation to determine whether P-Card transactions were supported by an itemized receipt or other acceptable means of documentation in accordance with the non-local travel policy (AP 1-2); approved by the department head or designated approver; and supported by eTravel electronic approval notification.

For testing compliance with administrative procedures explicitly related to local travel, we utilized a transaction query function in the county’s Enterprise Business Intelligence and reporting system (BI), Accounts Payable Dashboard to identify a population of OIR reimbursable transactions to randomly sample¹², using the sampling methodology shown in Table 3 below. We assessed the reliability of this data by reviewing documentation and tracing a total of 22 randomly selected transactions back to source documents. 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 3: Sampling Methodology – Reimbursable Travel Transactions

Population	Population Size	Population \$	Confidence Level	Tolerable Deviation Rate	Expected Deviation Rate	Sample Size	Sample \$
OIR reimbursable transactions requested and paid during the scope period	42	\$1,315.72	95%	8%	0%	22	\$807.19

For the selected samples related to local travel, we obtained supporting documentation to determine whether reimbursements were supported by itemized receipts or other acceptable means of documentation in accordance with the local travel policy (AP 1-5); approved by the department head or designated approver; whether the effective Federal Government mileage reimbursement rate was appropriately used in the calculation of reimbursable miles; and whether the mileage between an employee’s residence and official workstation was excluded in the calculation of reimbursable miles.

¹¹ 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, which is split into multiple transactions to circumvent the \$10,000 limit).

¹² We selected the “Creation Date” as “Creation Date between July 1, 2020, and January 31, 2023” and subsequently filtered our scope period to January 1, 2021, through November 30, 2022.

Internal Controls

We assessed OIR's internal controls and compliance with policies and procedures necessary to satisfy our audit objectives. We did not evaluate the internal controls of OIR to provide assurance on its internal control structure. 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.

APPENDIX B: THE CAO'S RESPONSE

The Chief Administrative Officer provided the following response to our report:



OFFICE OF THE COUNTY EXECUTIVE

Marc Elnich
County Executive

Richard S. Madaleno
Chief Administrative Officer

MEMORANDUM

April 5, 2023

TO: Megan Davey Limarzi, Esq., Inspector General

FROM: Richard S. Madaleno, Chief Administrative Officer *RSM*

SUBJECT: OIG Confidential Draft Report – Performance Audit of Purchasing Card Usage & Related Travel Expenses, Office of Intergovernmental Relations, OIG Publication #OIG-23-011

Thank you for the opportunity to respond to the issues identified in the draft report. The Office of Intergovernmental Relations (OIR) provides a significant, but oftentimes not widely known, service to support County government and residents by working with State and Federal government officials to ensure County interests and programs are advanced. Attending the Maryland Association of Counties (MACo) conferences is a critical part of the relationship building necessary to advance County priorities.

We are pleased that the audit of OIR did not identify any instances of apparent fraud following the review of all (127) purchasing card (P-Card) transactions during fiscal years 2021 and 2022. We were also pleased that for the 27 P-Card transactions tested to determine if the transactions were supported by proper documentation, coded to the proper accounting code, and complied with the \$5,000 purchase threshold in accordance with P-Card policy, no instances of failure to comply with P-Card policy were identified.

For the one finding identified in the report, concerning two instances where an employee's parking receipts (totaling \$40) had been paid with a P-Card and also submitted by the employee for reimbursement and paid by the County, it appears that these reimbursements were made as a result of an administrative oversight. The employee repaid the overpayment once the matter was brought to their attention.

Recommendation 1: We recommend OIR recoup from the employee the reimbursements that were improperly paid for purchases made on OIR's P-Card.

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CAO Response: We concur. OIR has obtained a repayment from the employee of the \$40 overpayment; the repayment was submitted to Finance on March 24, 2023. We have also asked OIR to emphasize the importance of iExpense approvers to fully review all documentation submitted by an employee for reimbursement. Your report noted that the subject employee had stated on the submitted receipts that parking was paid via P-Card; however, these notes were missed during the administrative process of gathering receipts for submission for reimbursement through iExpense.

Regarding your observation concerning prior approval of non-local travel, we have reminded OIR management of the importance of complying with the October 18, 2021, policy reminder on this issue. As the County attends the non-local MACo Summer Conference each year, the most cost-effective option for travel is to reserve a block of rooms at the earliest possible date. To comply with County policy, we will ensure that attendees of the conference request eTravel approval prior to reserving the block of rooms. In addition, Administrative Procedure 1-2, *Non-Local Travel Guidelines*, is undergoing review and will be updated to incorporate the October 18, 2021, guidance.

Thank you for bringing these matters to our attention.

cc: Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive
Melanie Wenger, Director, Office of Intergovernmental Relations
Bill Broglie, Internal Audit Manager, Office of the County Executive