

**Montgomery County, Maryland
Office of the County Executive
Office of Internal Audit**



**Purchasing Card and Employee Expense
Targeted Internal Control Review
Department of Health and Human Services**

August 20, 2025

Highlights

Why MCIA Did this Review

The Montgomery County Office of Internal Audit (MCIA) conducted a targeted internal control review of the Montgomery County Government's (the County) Department of Health and Human Services (DHHS) purchasing card (PCard) and employee expense functions (collectively, review).

DHHS provides services to protect the community's health, protect the health and safety of at-risk children and vulnerable adults, and address basic human needs including food, shelter and clothing through approximately 120 programs and 20 locations. Service areas include Aging and Disability Services; Behavioral Health and Crisis Services; Children, Youth and Family Services; Public Health Services; and Services to End and Prevent Homelessness.

The review was conducted by the accounting firm SC&H Group, Inc., under contract with MCIA.

August 2025

Purchasing Card and Employee Expense Targeted Internal Control Review

Montgomery County Department of Health and Human Services

What MCIA Found

Overall, the review found that DHHS has formalized PCard and employee expense policies and procedures that provide a consistent framework for these functions. These policies and procedures incorporate County requirements that are tailored to the department's operations.

The review also found that DHHS's PCard and employee expense functions include processes and internal controls to mitigate fraud risks. However, opportunities exist to improve control design and operational effectiveness to mitigate risks more effectively.

MCIA identified three areas of improvement to strengthen controls and mitigate risks in the following areas:

1. Temporary cardholder account changes
2. PCard management and operations
3. Employee expense management and operations

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Objectives

This report summarizes the results of a targeted internal control review of Montgomery County's (the County) purchasing card (PCard) and employee expense functions in the County's Department of Health and Human Services (DHHS) (collectively, review). The review was performed by SC&H Group, Inc. (SC&H), under contract with the Montgomery County Office of Internal Audit (MCIA).

The review's objectives were to:

1. Reconcile DHHS's PCard and employee expense policies and procedures to County policies, procedures, and related documentation.
2. Confirm fraud risks, internal controls, and gaps within DHHS's PCard functions, as identified and documented through prior risk assessment.
3. Identify fraud risks, internal controls, and gaps within DHHS's employee expense functions.
4. Evaluate DHHS PCard and employee expense internal controls for design and operational effectiveness, and compliance with County policy.

Background

PCard Overview

The County's PCard Program is administered through the County's Accounts Payable (AP) Section within the Controller Division of the Department of Finance (Finance). The Program is managed by the PCard Administrator, a County Finance employee who reports to the AP Manager.

The PCard Program's purpose is to provide an efficient and effective method for purchasing and/or paying for small dollar goods and/or services to reduce paperwork and costs associated with processing vendor payments. The physical PCard, a Mastercard credit card from JPMorgan Chase Bank (JPMorgan), is issued either to an individual cardholder or to a department (Department PCard). PCard transactions are recorded and administered in JPMorgan's PaymentNet system.

Employee Expense Overview

The County's Employee Expense Program is also administered through the County's AP Section. The program is managed by County Finance employees who report to the AP Manager.

The Employee Expense Program is facilitated through the iExpense application. iExpense's purpose is to provide an efficient and effective method for employees to obtain reimbursement for allowable expenses for local and non-local travel while on authorized County government business and obtain reimbursement of official business expenses incurred by County employees while carrying out official duties.

Montgomery County Department of Health and Human Services

DHHS consists of approximately 1,948 full-time employees and provides comprehensive services for County residents' health, economic, and housing needs. DHHS achieves this by:¹

1. Providing customer-focused care and support.

¹ Montgomery County Government FY24 Budget
(<https://apps.montgomerycountymd.gov/BASISOPERATING/Common/Department.aspx?ID=60D>)

2. Efficiently managing resources and seeking strategic funding.
3. Testing and evaluating innovative service delivery methods.
4. Building and maintaining partnerships with community organizations, public agencies, and private entities to expand service availability.

DHHS offers over 120 programs and provides services at more than 20 locations throughout the County.² The department is organized and operated through the following areas/offices:³

1. Office of the Director
2. Children, Youth, and Family Services
3. Aging and Disability Services
4. Behavioral Health and Crisis Services
5. Public Health Services
6. Services to End and Prevent Homelessness
7. Planning, Analytics, and Customer Service
8. Office of Community Affairs
9. Governance, Risk, and Compliance
10. Legislative Coordination Intergovernmental Relations

DHHS's PCard and employee expense functions are administered through its 10 area/office management teams, including the Department Head, Division Chief, and/or Division Designee with PCard processes being administratively managed by the Department's PCard Liaison.

The following provides a summary of the DHHS PCard and employee expense transaction data for the review's scope period (1/1/2023 through 6/30/2024):

1. 10,272 PCard transactions resulting in a total spend of \$4,050,602.
2. 6,769 employee expense transactions resulting in a total spend of \$484,297.

DHHS PCard Functions

PCard Setup

DHHS employees or management may determine the need for a new PCard within DHHS. DHHS requires two separate application forms for a new PCard: DHHS's application and the County's application. DHHS's PCard application requires the requestor's program information, justification for the PCard, and three levels of approval (Administrative Services Coordinator, Service Area Chief, and PCard Liaison). The County's PCard application, completed by the employee's supervisor, requires pertinent information about the custodian of the card, the requested card limits (single transaction and monthly spend limits), the required merchant category codes (MCCs), and Department Head approval of the application. Once both application forms are appropriately reviewed and approved, the applications are sent to the Department PCard Liaison (PCard Liaison) for additional processing.

The PCard Liaison completes a PCard Liaison Form on the County's SharePoint site and attaches copies of both application forms. The PCard Liaison Form serves as the main request document for new PCards, adjustments to cardholder accounts, and PCard suspensions/terminations. Utilizing the information within the submitted form, the PCard

² Montgomery County Government, Department of Health and Human Services Website (<https://www.montgomerycountymd.gov/hhs/aboutHHS/aboutHHSmain.html>)

³ Montgomery County Government, Department of Health and Human Services Organizational Chart (<https://www.montgomerycountymd.gov/HHS/Resources/Files/pdfs/11-15-24-DHHS%20Org%20Chart.pdf>)

Administrator requests a new card from JPMorgan and notifies the PCard Liaison and cardholder once the card is received.

Prior to issuance of the card, cardholders are required to attend training on the appropriate use of a PCard and sign a Cardholder Agreement, acknowledging their understanding of their responsibilities related to the use and reconciliation of a PCard.

PCard Usage and Reconciliation

Once the PCard is issued and activated, cardholders can utilize the card to make purchases that support day-to-day business in line with County and DHHS PCard policies. DHHS Department PCards are issued to a primary cardholder, but may be used by multiple staff members within a program or service area. The primary cardholder must maintain a log to document who used the card, the date of purchase, and the total cost. Department PCards are required to be returned to the primary cardholder within 48 hours.

DHHS cardholders must obtain prior written management approval, maintain adequate supporting documentation for seven years, and reconcile transactions within PaymentNet in a timely manner. DHHS cardholders are assigned a transaction approver who is responsible for reviewing and approving all reconciled transactions in PaymentNet on a monthly basis.

PCard Adjustments

Cardholders may identify the need for a temporary or permanent PCard change, including an adjustment to a single transaction and/or monthly spending limit, allowance of a restricted MCC, assigning a new transaction approver, etc. Cardholders communicate change requests to the PCard Liaison, who submits a PCard Liaison Form to the PCard Administrator. The PCard Liaison specifies the type of adjustment (temporary or permanent) and the justification. The PCard Administrator reviews the request, updates the cardholder profile within PaymentNet accordingly, and notifies the PCard Liaison and cardholder once completed. Temporary adjustments are entered into PaymentNet for a set period of time and will automatically revert to the previous settings once the expiration date has passed.

PCard Suspensions/Terminations

A PCard may be suspended or terminated due to noncompliance with County and/or DHHS policies, determination that a business need no longer exists to require a PCard, or a cardholder leaving the County. When the need for a suspension or termination is identified, the PCard Liaison completes a PCard Liaison Form and notes the action to be taken and the effective date of the suspension/termination. The PCard Administrator processes the action once the PCard Liaison Form is received and notifies the PCard Liaison once completed.

DHHS Employee Expense Functions

County employees are permitted to request expense reimbursement through iExpense when purchases are made for business purposes using personal funds. DHHS employees must obtain supervisory approval prior to incurring expenses for which reimbursement will be sought. When an employee incurs a reimbursable expense, the employee completes the appropriate reimbursement form (e.g., Employee Expense Request for Authorization, Request for Payment, Travel Expense Voucher) to detail the purchase, date, amount, and business purpose. The reimbursement form and expense receipt are submitted to the employee's manager for review and approval. DHHS employees are reimbursed following final approval of individual expense reports within iExpense.

Scope and Methodology

The review was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA). The scope focused on the following:

1. PCard and employee expense functions within DHHS, including:
 - a. PCard Setup: PCard application review and approval, PCard training and refresher training, cardholder agreement, and PCard system entry
 - b. PCard Usage: Transaction review and approval, monthly reconciliation, Department PCard usage, inappropriate usage, and resolution
 - c. PCard Account Change: PCard account change review and approval and cardholder profile review
 - d. PCard Termination and Suspension: PCard termination, PCard suspension, and cardholder profile review
 - e. iExpense Usage: Reimbursement review and approval, transaction reimbursement, monthly reconciliation, inappropriate usage, and resolution
 - f. Duplicate Transaction Comparison: Comparison between PCard and employee expense transactions
 - g. Maintenance and retention of related documentation
2. PCard and employee expense transaction period: 1/1/2023 through 6/30/2024
3. County policies:
 - a. Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, revised March 31, 2017 (County PCard Policy)
 - b. Montgomery County MD Controller's Division Purchasing Card Procedure Manual, effective January 1, 2024 (County PCard Manual)⁴
 - c. Montgomery County Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements, effective October 21, 2011 (AP 1-2)
 - d. Montgomery County Administrative Procedure 1-5, Local Travel Guidelines, effective April 13, 2007 (AP 1-5)
2. DHHS policies:
 - a. Montgomery County Government Department of Health and Human Services Accounts Payable: Payments to Suppliers, Clients, and Employees, effective May 14, 2018 (DHHS AP Policy)
 - b. Montgomery County Government Department of Health and Human Services P-cards, effective September 1, 2021 (DHHS PCard Policy): This policy establishes a uniform set of guidelines for DHHS regarding the use of PCards, ensuring their proper use and outlining control processes that extend beyond those set by County Finance.

Documentation Reconciliation

To understand DHHS's PCard and employee expense functions, SC&H obtained and reviewed DHHS's departmental policies, procedures, and documentation related to the functions. Using the documentation, SC&H reconciled DHHS internal controls, policies, and procedures with County-level policies, procedures, and documentation to identify areas of alignment and misalignment.

⁴ The County PCard Manual represents the updated version of the County PCard Policy. While the format of the document has been revised, the policies, procedures, and content remain unchanged. Consequently, there were no differences that would have impacted the review or the findings.

Fraud Risk Assessment

SC&H conducted a fraud risk assessment of the County's DHHS PCard and employee expense functions, which included the following procedures:

1. Conducted interviews/walkthroughs with DHHS to understand and document its current PCard and employee expense functions.
2. Prepared a fraud risk and control matrix that included:
 - a. Fraud risks/scenarios related to PCard and employee expense functions.
 - b. Internal controls designed to mitigate the fraud risks.
3. Identified gaps in the internal controls (e.g., where risks were not mitigated by controls).
4. Prepared a fieldwork test plan to test internal controls identified during the fraud risk assessment and evaluate DHHS policies and procedures.

Fieldwork

Fieldwork consisted of testing the operational design and/or effectiveness of internal controls identified during the fraud risk assessment and evaluating process alignment with related policies and procedures.

Internal Controls Testing

SC&H performed sample-based internal control test procedures to evaluate DHHS's PCard and employee expense functions related to the following:

1. PCard setup and training
2. PCard monitoring
3. PCard transaction processing
4. PCard usage and reconciliation
5. PCard termination and suspension
6. Employee expense reimbursement and reconciliation

Compliance Testing

SC&H performed sample-based test procedures to evaluate compliance between DHHS's PCard and employee expense functions and County and department policies.

Supplemental Testing

SC&H evaluated alignment with processes and procedures by reconciling the following:

1. DHHS PCard and employee expense internal controls
2. DHHS departmental policies and procedures
3. County-level policies and procedures

Scope Limitation

SC&H was unable to perform certain test procedures due to a scope limitation related to the audit trail within PaymentNet. Refer to Finding #1 below for additional information.

Validation

The preliminary test results were compiled and presented to DHHS Management and the MCIA Manager.

Findings and Recommendations

Results

Both DHHS and County Finance provided timely feedback and information during the review. Their cooperation, responsiveness, and support helped MCIA and SC&H reach conclusions to promote risk mitigation with DHHS.

Although the review identified certain findings as presented below, DHHS presented and demonstrated organized and functioning PCard and employee expense operations that administer and manage thousands of transactions and millions of dollars in spending each year.

The review yielded three findings with six supporting recommendations. The findings and recommendations are presented to help strengthen DHHS's PCard and employee expense functions and their related internal controls.

Finding 1: DHHS did not maintain proper evidence of temporary cardholder account changes.

Background

The PaymentNet system manages the processes for PCard applications, activations, profile updates, and suspensions/terminations, based on inputs from departmental stakeholders. Temporary cardholder account changes are entered into PaymentNet for a set period of time and will automatically revert to the previous settings once the expiration date has passed.

Findings

During test procedures, DHHS was unable to produce evidence to verify the reversal of temporary cardholder account changes.

SC&H identified the following exception related to temporary cardholder account changes:

1. 16 of 16 temporary cardholder account changes: DHHS was unable to provide evidence to verify the temporary account change within PaymentNet agreed to the PCard Liaison Form or that the temporary account change did not extend past the end date.

Risks

The unavailability of cardholder data, including cardholder account changes, could result in delays or inconsistencies in monitoring cardholder activity and account information. This could further result in temporary cardholder account changes not being properly reversed or unauthorized changes to cardholder accounts, all without the knowledge of DHHS management.

Recommendation 1.1

DHHS should establish and document internal processes and controls to offer increased assurance that evidence of temporary cardholder account changes within PaymentNet is properly stored within the department. When temporary changes occur, relevant forms, supporting documents, and system evidence should be retained for each cardholder. For example, DHHS could:

1. Maintain a centralized log to track temporary cardholder account changes, including details such as cardholder name, card number, nature of the change, implementation date, expiration date, reviewed date, and other relevant information.

Finding 1: DHHS did not maintain proper evidence of temporary cardholder account changes.

2. Conduct periodic sample reviews of temporary account changes (e.g., biweekly, monthly), with a focus on changes involving monetary limits or those with changes to MCC codes that present greater perceived risk (e.g., allowance to purchase a gift card).
3. Capture and retain screenshots of the cardholder's profile settings in PaymentNet to evidence the temporary account change was successfully reverted to the original settings after the expiration date.

Finding 2: DHHS did not adhere to the County and departmental policies and procedures related to PCard transactions and reconciliations.

Background

The County has the following policies in place to govern the PCard process throughout the County:

1. County PCard Policy
2. County PCard Manual

County Departments are allowed to issue departmental policies and procedures that supplement policies and procedures issued by the County. DHHS has the following policy in place to govern the PCard process throughout DHHS:

1. DHHS PCard Policy

The following provides excerpts from the County PCard Policy, County PCard Manual, and DHHS PCard Policy specific to where exceptions were identified. Those areas include:

1. Annual cardholder review
2. Monthly reconciliations
3. PCard transaction documentation and approval.

County PCard Policy

Section I.G: Purchasing Card Violations and Consequences

I.G.3.c: "Failure to reconcile or review and or approve a transaction within the timeframe will be considered a violation of the County Purchasing Card policy. The Purchasing Card Administrator will notify the Departmental Liaison and Transaction Approver by e-mail of the problem and request a response. If the problem is not corrected, a final warning may be issued by the Purchasing Card Administrator after which the Purchasing Cards may be suspended for a minimum of three months. The department may be required to change the Department Liaison or Transaction Approver depending upon the nature and severity of the problem."

Section II.H.1: Cardholder Responsibilities

II.H.1.b.1: "Obtain and reconcile all sales slips, register receipts, and/or Purchasing Card charge slips to the JPMorgan PaymentNet Reconciliation system and provide same to the Transaction Approver for reconciliation, approval and allocation of transactions."

II.H.1.b.2: "Retain all receipts, charge slips, Cardholder reports, transaction summaries and vouchers for audit by internal and external audits unless Transaction Approver is assigned this responsibility. Receipts and other documentation for purchases are to be maintained for seven years of which three years are onsite."

Finding 2: DHHS did not adhere to the County and departmental policies and procedures related to PCard transactions and reconciliations.

Section II.H.3 Department Liaison Responsibilities

II.H.3.c.10: "Reviewing and certifying the accuracy of the annual list that is sent by the Purchasing Card Administrator on a timely basis. This annual list includes the names of Cardholders and Transaction Approvers, Cardholders' default Oracle accounting string, monthly credit limits, and restrictions, and any under-utilized card will be marked for underutilized cards, as part of certification process, providing to the Purchasing Card Administrator recommendation to either close account or decrease the monthly spending limit."

Section II.H.4: Transaction Approver Responsibilities

II.H.4.b: "The Transaction Approver examines and authorizes transactions that are legitimate County expenses and [that] no Maryland Sales and Use Taxes have been charged. The Transaction Approver can also be a Department Liaison—but not a Cardholder or Record Keeper."

County PCard Manual

Section 3.C: Transaction Approval

"If all transactions for each card assigned to the Transaction Approver are not reviewed and approved within 30 days of the posting date, AP Management will send a reminder email to the Transaction Approver."

Section 4.A: Receipt and Reconciliation of Monthly MasterCard/Visa Bill

"At the end of each monthly billing cycle, JPMorgan Chase Bank will send an electronic billing statement for payment to the P-Card Administrator. This statement contains ALL charges and credits to Montgomery County-issued P-Cards for that billing cycle. The P-Card Administrator will review the bill and reconcile it to the Cardholder/Custodian reports using the PaymentNet file."

DHHS PCard Policy

Section 3.9: Documentation and Record Retention

3.9.5: "P-cards used by multiple staff within a program or service area must maintain a log of who used the P-card, date of purchase and cost. P-card must be returned to primary cardholder within 48 hours from when they obtained the card."

Section 4.7: P-card Cardholder Responsibilities

4.7.3: "Obtain written prior-management approval for purchases and maintain evidence of authorization with other transaction documentation."

4.7.9: "Retain hard copies of documents for seven (7) years."

Findings

SC&H identified the following exceptions related to the above County and DHHS policies, organized by PCard process/category:

Annual Cardholder Review

1. 1 of 1 annual cardholder reviews: The annual cardholder review was certified; however, an exception was identified during the review. Per inquiry with DHHS, the County Finance AP Manager provided the PCard report to the department for certification on 4/19/2024. A new PCard account was opened on 4/24/2024 and as

Finding 2: DHHS did not adhere to the County and departmental policies and procedures related to PCard transactions and reconciliations.

such, was not listed on the PCard report administered by the County Finance AP Manager. The DHHS Department Liaison certified the listing on 5/15/2024; however, no comment or note was added to the listing to include the new cardholder. (County PCard Policy Section II.H.3)

Monthly Reconciliations

1. 3 of 4 monthly reconciliations: The PaymentNet transaction approval was not completed prior to County Finance's deadline communicated in the outstanding transaction email. (County PCard Manual Sections 3.C and 4.A)
2. 2 of 4 monthly reconciliations: The identified PCard was not suspended or cancelled after the outstanding PaymentNet transaction was not reconciled timely. (County PCard Policy Section I.G)

PCard Transactions

1. 1 of 90 PCard transactions: The transaction date on the invoice/receipt did not agree to the transaction date within PaymentNet. (County PCard Policy Section II.H.1)
2. 4 of 90 PCard transactions: Evidence of the invoice/receipt was not provided to verify the transaction information within PaymentNet and/or verify the assigned accounting code appeared reasonable. (County PCard Policy Section II.H.1, DHHS PCard Policy Section 4.7)
3. 14 of 90 PCard transactions: Written management approval was obtained post-transaction rather than prior to its occurrence. (DHHS PCard Policy Section 4.7)
4. 19 of 90 PCard transactions: Evidence was not provided to verify written management approval was obtained prior to the transaction occurrence. (DHHS PCard Policy Section 4.7, County PCard Policy Section II.H.1)
5. 2 of 90 PCard transactions: The transaction was not approved by the Cardholder's assigned transaction approver, or designee. (County PCard Policy Section II.H.4)
6. 28 of 31 PCard transactions made with a Department PCard: Evidence was not provided to verify the use of the Department PCard was maintained within a log. (DHHS PCard Policy Sections 3.9 and 4.7, County PCard Policy Section II.H.1)

Operational, Risk-based Findings

The County PCard Policy, County PCard Manual, and DHHS PCard Policy present specific definitions of requirements and guidance for departments to manage their PCard operations. However, there are supplemental criteria that departments should build into their own processes and operations to support the requirements and guidance. These criteria, sometimes in the form of internal controls, offer departments operational flexibility, while maintaining compliance and mitigating related risks. SC&H identified the following exceptions related to internal operations:

1. 4 of 7 permanent cardholder account changes: Evidence was not provided to verify the permanent cardholder change within PaymentNet agrees to the PCard Liaison Form.
2. 1 of 90 PCard transactions: Oracle evidence was not provided to verify the transaction information within Oracle agrees to the transaction information within PaymentNet.

Risks

1. Failure to maintain an accurate listing of PCards could result in:
 - a. Unauthorized use of PCards.
 - b. Fraudulent activities.

Finding 2: DHHS did not adhere to the County and departmental policies and procedures related to PCard transactions and reconciliations.

- c. Non-compliance with County and/or DHHS policies and procedures.
- d. Operational inefficiencies.
- 2. Failure to suspend or cancel a PCard in violation of County and/or DHHS policies and procedures could result in unauthorized and inappropriate charges.
- 3. The lack of (1) complete and accurate maintenance of PCard transaction documentation, (2) evidence of proper reviews, and (3) compliance with County and/or DHHS policies and procedures could result in:
 - a. Unauthorized and inappropriate charges.
 - b. Inaccurately charged transactions (e.g., the inclusion of Maryland Sales and Use Taxes).

Limited Sampling and Extrapolation Considerations

The exceptions outlined above pertain to a limited sample of PCard transactions and records. DHHS should consider the potential impact if these exceptions were extrapolated across the entire population of PCard transactions and activities. Although the full population has not been tested to determine the exact percentage and value of exceptions, the risk and financial impact to DHHS and the County could be of greater significance.

Recommendation 2.1

DHHS should regularly (e.g., quarterly) review and update the departmental PCard Master List to offer increased assurance that it is complete, accurate, and reflects the most recent changes. Additionally, when DHHS certifies the annual PCard listing, it should ensure the listing is complete and accurate as of the certification date, rather than the date County Finance provided the listing for certification.

Recommendation 2.2

DHHS should implement a centralized tracker of PCards in violation of County and/or DHHS policies and procedures to offer increased assurance that they are suspended or cancelled timely. The tracker should include, but not be limited to, the following:

- 1. Cardholder's name
- 2. PCard account number
- 3. Transaction date
- 4. Transaction number
- 5. Transaction amount
- 6. Date of County Finance's notification email
- 7. Deadline within County Finance's notification email

Recommendation 2.3:

DHHS should require all cardholders and transaction approvers to attend the DHHS Refresher Courses on a regular basis (e.g., biannually, annually) to offer increased assurance that all PCard-related operations are effectively performed, completely and accurately supported, and in compliance with County and DHHS policies and procedures. The DHHS Refresher Courses should cover, but not be limited to, the following:

- 1. Prior written management approval
- 2. Assigned transaction approvers
- 3. Required documentation
- 4. Documentation retention
- 5. Monthly reconciliations performed by County Finance
- 6. Violations and consequences

Finding 3: DHHS did not adhere to the County and departmental policies and procedures related to employee expense transactions.

Background

The County has the following policies in place to govern the employee expense process throughout the County:

1. AP 1-2
2. AP 1-5

County Departments are allowed to issue departmental policies and procedures that supplement policies and procedures issued by the County. DHHS has the following policy in place to govern the employee expense process throughout DHHS:

1. DHHS AP Policy

The following provides excerpts from AP 1-2, AP 1-5, and the DHHS AP Policy specific to where exceptions were identified: employee reimbursements and supporting documentation for completed transactions.

AP 1-2

Paragraph 3.1: Authorized Travel

"Travel, whether in or out of State, overnight or day trip, while on official County business must be approved by the department head or designee before it may be considered authorized travel for which the County will pay or reimburse reasonable and necessary travel expenses."

Paragraph 3.4: Supporting Documentation

"Documentation will include amount, nature, and business purpose of the expenditure, written authorizations, and supporting analysis required under this Administrative Procedure. All expenditures incurred, regardless of how paid or reimbursed, must be supported by original vendor invoices or receipts, except as noted below. Summary credit card receipts or statements must be accompanied by original detailed invoices/receipts (such as hotel folio, detailed restaurant receipt, etc.)."

DHHS AP Policy

Section 3.5: Records Retention

3.5.1: "Accounts payable records must be retained for either (a) seven years, the first two of which must be on-site, or (b) for the duration specified by the funder, whichever is longer."

Findings

SC&H identified the following exceptions related to the above County and DHHS policies, organized by employee expense process/category:

Employee Expense Transactions

1. 11 of 90 employee expense transactions: The amount reimbursed to the employee did not match the amount requested and evidence was not provided to explain the variance. (AP 1-2 Paragraph 3.4)
2. 8 of 90 employee expense transactions: Evidence of the complete transaction/reimbursement documentation was not provided. (AP 1-2 Paragraph 3.4, DHHS AP Policy Section 3.5)

Finding 3: DHHS did not adhere to the County and departmental policies and procedures related to employee expense transactions.

- a. 7 of the 8 employee expense transactions: Evidence was not provided to verify the transaction was appropriately approved (AP 1-2 Paragraph 3.1, DHHS AP Policy Section 3.5)
3. 4 of 90 employee expense transactions: The employee's Travel Reimbursement Request Form did not include a supervisor signature of approval. (AP 1-2 Paragraph 3.1)

Operational, Risk-based Findings

AP 1-2, AP 1-5, and the DHHS AP Policy present specific definitions of requirements and guidance for departments to manage their employee expense operations. However, there are supplemental criteria that departments should build into their own processes and operations to support the requirements and guidance. These criteria, sometimes in the form of internal controls, offer departments operational flexibility, while maintaining compliance and mitigating related risks. SC&H identified the following exceptions related to internal operations:

1. 7 of 90 employee expense transactions: The employee's request for reimbursement did not include an assigned accounting code.
2. 16 of 90 employee expense transactions: Evidence was not provided to verify the assigned accounting code appeared reasonable.

Risks

The lack of (1) complete and accurate maintenance of employee expense transaction documentation, (2) evidence of proper reviews, and (3) compliance with County and DHHS policies and procedures could result in unauthorized and inappropriate charges.

Limited Sampling and Extrapolation Considerations

The exceptions outlined above pertain to a limited sample of employee expense transactions and records. DHHS should consider the potential impact if these exceptions were extrapolated across the entire population of employee expense transactions and activities. Although the full population has not been tested to determine the exact percentage and value of exceptions, the risk and financial impact to DHHS and the County could be of greater significance.

Recommendation 3.1:

DHHS should update the DHHS AP Policy to offer increased assurance that all employee expense-related operations are effectively performed, completely and accurately supported, and aligned with AP 1-2 and AP 1-5. The contents of AP 1-2, AP 1-5, and the DHHS AP Policy are currently documented as subjects/topics rather than process-based. DHHS should integrate these subjects/topics and their associated criteria into the recommended internal processes and controls.

Recommendation 3.2:

SC&H was advised by County Finance that they are in the process of developing an employee expense-related training course for County employees to offer increased assurance that all employee expense-related operations are effectively performed, completely and accurately supported, and in compliance with County policies and procedures. The training course will be delivered through the County's online learning platform on a biannual basis, with attendance tracked through the system for monitoring and compliance purposes. The training course will cover, but not be limited to, the following:

1. AP 1-2

Finding 3: DHHS did not adhere to the County and departmental policies and procedures related to employee expense transactions.

2. AP 1-5
3. County PCard Policy (only employee expense-related sections)
4. County Accounts Payable Policy (only employee expense-related sections)

DHHS should require all employees to attend County Finance's biannual employee expense-related training course. Additionally, DHHS should consider developing a departmental employee expense-related training course to offer increased assurance that all employee expense-related operations are in compliance with DHHS policies and procedures. The training course should cover, but not be limited to, the following:

1. Prior supervisory approval
2. Required documentation and sign-offs
3. Document retention

Recommendation 3.3

DHHS should determine which department employees should participate in the training courses and the frequency of participation, and should monitor participation to offer increased assurance that all department employee expense-related operations are effectively performed in compliance with County and DHHS policies and procedures.

Comments and MCIA Evaluation

The draft report was shared with the following departments for review and comment:

- Department of Health and Human Services (DHHS)
- Department of Finance (Finance)

DHHS acknowledged the issues identified in the audit, and commits to implementing corrective actions to improve the processes and address the findings. Finance stated that an employee expenses-related training course is needed; and affirmed that it is in the process of developing the course, expected to be developed by November 2025.

No changes were made to the report. A copy of the comments from each department can be found in Appendix A.

APPENDIX A – DEPARTMENT COMMENTS



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Marc Elrich
County Executive

James C. Bridgers, Jr., Ph.D., MBA
Director

MEMORANDUM

August 18, 2025

TO: William Broglie
Office of Internal Audit

FROM: Mark Hodge, Chief Operating Officer
Office of the Chief Operating Officer, DHHS

SUBJECT: Formal response to Purchasing Card and Employee Expense Targeted Internal Control Review

The Montgomery County Department of Health and Human Services (DHHS) acknowledges that there have been deficiencies in processes which will be addressed through training and streamlined processes. In addition, the department concurs that paymentnet system has some limitations, but we maintain a tracker of start and end date changes hence the risk noted of inconsistencies in monitoring and delay is circumvented.

The second finding for the annual review verification was through April 19th, 2024, and the list was verified through that end date, albeit signed later. Regarding reconciliation, the Department and County finance policy allow cardholders/approvers 15 days to correct remedy any issues, then a warning follows, and suspension if warranted.

The department concurs with finding 3 and will implement the corrective action proposed, however, we want to note that the accounting codes used were verified to be reasonable and appropriate for the transactions reviewed.

We would like to thank the office of internal audit for the opportunity to formally provide a response.

cc: Parinaz Barr, Fiscal Team Manager, OCOO
Eki Oyegun-Ighile, Compliance Team Manager, OCOO



DEPARTMENT OF FINANCE


Marc Elrich
County Executive

Michael J. Coveyou
Director

MEMORANDUM

August 15, 2025

TO: Bill Broglie, Internal Audit Manager
Office of the County Executive

FROM: Michael J. Coveyou, Director 
Department of Finance

SUBJECT: Formal Comments on Draft Report: Purchasing Card and Employee Expense Targeted
Internal Control Review – Department of Health and Human Services

Thank you for the opportunity to respond to recommendations to the Department of Finance (FIN) contained in the above-referenced draft internal audit report. Relevant recommendations, and FIN comments, are provided below:

Recommendation 3.2:

SC&H was advised by County Finance that they are in the process of developing an employee expense-related training course for County employees to offer increased assurance that all employee expense-related operations are effectively performed, completely and accurately supported, and in compliance with County policies and procedures. The training course will be delivered through the County's online learning platform on a biannual basis, with attendance tracked through the system for monitoring and compliance purposes. The training course will cover, but not be limited to, the following:

1. AP 1-2
2. AP 1-5
3. County PCard Policy (only employee expense-related sections)
4. County Accounts Payable Policy (only employee expense-related sections)

Finance Response:

Finance concurs with this recommendation and agrees that an employee expense-related training course is needed. The training course is currently being developed to include information from Administrative Procedures 1-2 and 1-5. In addition, the course will also include other relevant information from the County P-Card Policy and Accounts Payable Policy. The training course will be open to any County employee that is reimbursed for expenses related to conducting business for the County. The training will be issued through the County Online Learning Management System. This system will allow for attendance data to be captured and enable ease of registration. Finance will offer these courses on a biannual basis and will notify lexpense processors and approvers of the course availability via email and AP Forum communications. The estimated delivery date is November 2025.

Office of the Director

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