


**ANNE ARUNDEL COUNTY**  
**Annapolis, Maryland**  
**Auditor's Office**

**INTER-OFFICE CORRESPONDENCE**

To: Members of the County Council  
Mr. John Hammond, Acting County Executive  
Mr. Fred Schram, Central Services Officer

From: Teresa Sutherland, County Auditor 

Date: February 13, 2013

Subject: Executive Summary - Performance Audit of the County's Procurement Card Program

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We conducted a performance audit of the County's procurement card program managed by the Office of Central Services (Central Services). In accordance with Section 311 of the County Charter, I am calling to your attention and taking exception to the improper procedures and irregularities noted in the attached report.

We conducted our audit in accordance with generally accepted government auditing standards prescribed by the Comptroller General of the United States. The objectives of our audit were to determine whether:

- Central Services had adequate internal controls over the issuance and use of procurement cards to prevent and detect fraudulent, improper, and abusive purchases.
- procurement card transactions were:
  - properly documented, approved, and for a legitimate purpose;
  - made in accordance with County laws and procurement card policies and procedures; and
  - properly recorded in the general ledger by fund and business unit.
- the County maximized rebates under the terms of its contract with U.S. Bank.

We determined that Central Services does not have adequate internal controls over the issuance and use of procurement cards to detect fraudulent, improper, and abusive purchases. We also determined that procurement card transactions were not properly documented and approved in accordance with County laws and procurement card policies and procedures, but transactions were properly recorded in the general ledger by fund and business unit. We were unable to determine whether the County maximized rebates under the terms of its contract with U.S. Bank because Central Services did not retain sufficient documentation to allow us to make a determination.

Our findings and recommendations and management's responses are detailed in the attached report. Please call if you have any questions.



**ANNE ARUNDEL COUNTY  
OFFICE OF THE COUNTY AUDITOR**

February 13, 2013

The Honorable Members of the County Council  
Mr. John Hammond, Acting County Executive  
Mr. Fred Schram, Central Services Officer  
Anne Arundel County  
44 Calvert Street  
Annapolis, Maryland 21401

Dear Members, Mr. Hammond, and Mr. Schram:

In accordance with Section 311 of the County Charter, I am calling to your attention and taking exception to the improper procedures and irregularities noted in this report.

We conducted a performance audit of the County's procurement card program managed by the Office of Central Services (Central Services). We conducted our audit in accordance with generally accepted governmental auditing standards prescribed by the Comptroller General of the United States. Those standards require us to 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 we obtained provides a reasonable basis for our findings and conclusions based on our objectives.

The objectives of the audit were to determine whether:

- the Office of Central Services had adequate internal controls over the issuance and use of procurement cards to prevent and detect fraudulent, improper and abusive purchases.
- procurement card transactions were
  - properly documented, approved, and for a legitimate purpose;
  - made in accordance with County laws and procurement card policies and procedures; and
  - properly recorded in the general ledger by fund and business unit.
- the County maximized rebates under the terms of its contract with U.S. Bank.

To accomplish our objectives, we:

- met with the County Procurement Card Administrator to document the procedures, policies and internal controls over the procurement card program;
- tested compliance with established procedures, policies, and internal controls; and
- reviewed available accounting records, contractor reports, and other applicable documents.

Our findings and recommendations address controls in place and transactions that occurred from November 2009 - September 2011.

This report is intended solely for the use of the County Council and the management of Anne Arundel County. However, this report is a public document that may be obtained from the Office of the County Auditor.

## BACKGROUND

The County contracts with U.S. Bank to provide procurement card services, and the Office of Central Services, Purchasing Division ("Purchasing") administers the County's program. Purchasing develops the policies and procedures governing the use of procurement cards and monitors procurement card transactions.

Purchasing's policies require department heads to designate Approving Officials and Agency Program Coordinators. Approving Officials review cardholder transactions to ensure the cardholder complies with the County's procurement laws, policies, and procedures. Agency Program Coordinators serve as liaisons between the departments and Purchasing.

The County has expanded its use of procurement cards to reduce the number of checks the Office of Finance has to process, provide quicker payment to vendors, and allow employees more flexibility in performing their duties. While the use of procurement cards creates efficiencies, their use is inherently risky and requires effective oversight and monitoring to prevent and detect potentially fraudulent, inappropriate, or abusive purchases.

The following statistics demonstrate the County's expanded use of procurement cards:

- In June 2005, the County had 684 accounts with a combined monthly credit limit of \$3.5 million. In September 2011, the County had 679 accounts, but the combined monthly credit limit was \$8 million, a 128% increase from 2005.
- Average monthly purchases of \$2.3 million in the first three months of fiscal year 2012 were 35% greater than the average monthly purchases in fiscal year 2010 of \$1.7 million.
- In 2004, the standard single transaction amount was \$500, and the standard monthly credit limit was \$5,000. Now limits well in excess of those amounts are common. As of September 30, 2011, the single transaction limits and monthly credit limits were as follows:

Single Transaction Limit	# of Cardholders	Monthly Credit Limit	# of Cardholders
\$50-\$1,000	351	\$500-\$5,000	382
\$1,001-\$2,500	168	\$5,001-\$25,000	235
\$2,501-\$5,000	139	\$25,001-\$50,000	50
>\$5,000	21	>\$50,000	12
Totals	679		679

## FINDINGS AND RECOMMENDATIONS

**Objective 1:** To determine whether the Office of Central Services had adequate internal controls over the issuance and use of procurement cards to prevent and detect fraudulent, improper, and abusive purchases.

We commend Purchasing for the qualifications of the staff and for its monitoring activities, including the Procurement Card Administrator ("PCA") regular reviews of cardholder activity. The PCA is a Certified Purchasing Card Professional, a certification that requires work experience and completion of a certifying exam. In addition to setting up new cards and changing the profiles on existing cardholders, the PCA trains new cardholders and reviews monthly activity, asking the departments about any unusual or questionable transactions. Nevertheless,

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we believe management's internal controls over the issuance and use of procurement cards are inadequate to prevent and detect fraudulent, improper, and abusive purchases, and that opportunities exist for Purchasing to enhance its oversight.

#### **Cardholder audits**

The PCA periodically reviews departments' purchases, including the details of selected cardholders' logs. However, Purchasing does not maintain a database of the reviews conducted, and the PCA maintains documentation only of the resulting report, not the procedures performed or findings noted.

#### ***Recommendations***

We recommend that the PCA use a checklist or narrative to document the procedures performed and the results. We also recommend that Purchasing maintain a database of their reviews, including a history of the cardholders whose activities were reviewed and the results.

#### ***Management's Response***

*Purchasing has created and utilizes an audit checklist. A sample of the checklist was provided to the auditors.*

*Purchasing maintains an electronic spreadsheet of all audits conducted within each fiscal year. The spreadsheet includes a list of the cardholder's account, which were audited, the date the audit was conducted, and the accounts audited in the previous fiscal year. All audits are followed up with a formal memorandum detailing the finding results, which is provided, to the Agency Program Coordinator as well as the respective department head. This documentation is also maintained in an electronic file.*

*Purchasing will also include in its current database a field to note exceptions taken during an audit. This data would be used for comparison in subsequent reviews to track reoccurring policy non-compliance as well as implementation of corrective practices. In addition, Purchasing will conduct random spot check audits above and beyond the scheduled scope of an agency's records.*

*Purchasing will continue to maintain records for those cardholders that inadvertently use their County issued procurement card for personal use. Purchasing will identify if the occurrence was acknowledged by the cardholder or if the transaction was identified by the Approving Official or the Procurement Card Administrator.*

#### **Training**

##### **Cardholders**

The PCA conducts training for all new cardholders in the County's procurement laws, policies, and procedures; however, the PCA does not always maintain records of which cardholders participated in training. Our test of 30 cardholders disclosed that Purchasing did not maintain documentation to substantiate that 24 of the 30 cardholders were trained. Further, we noted that Purchasing distributed procurement cards to cardholders prior to their training. Purchasing has advised us that they will document the cardholders' training in their records, and they told us that they have subsequently implemented policies to require cardholders to attend training prior to receiving their procurement cards.

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### *Recommendations*

We recommend that Purchasing continue their efforts to ensure that they train all cardholders adequately and that they maintain documentation of the training. If management implements a database to document the PCA's reviews of cardholders' activities, the database could also be used to document the cardholders' training.

### *Management's Response*

*As of February 2012, Purchasing used the receipt of a Delegation of Authority form at the time of training as documentation that a new cardholder received training and Purchasing requires all new cardholders to attend training prior to receiving a new procurement card. The Delegation of Authority form now includes a date field that the cardholder fills in and submits to the Procurement Card Administrator after training is complete. A sample of the form was provided to the auditors.*

*In addition to the Delegation of Authority form, Purchasing also maintains a spreadsheet, which includes new accounts established and the date when the cardholder attended training.*

### Approving Officials

Approving Officials are the first line of defense in detecting misuse of procurement cards. They review the monthly logs prepared by the cardholders to ensure the cardholders' purchases (1) comply with the County's purchasing laws and policies, (2) are supported by detailed receipts, and (3) reconcile to the bank's statements. The Approving Officials sign the logs to document their approval and forward the logs to the Office of Finance. The approving official retains copies of the logs, the original receipts, and the bank statements.

We noted that Purchasing does not train the Approving Officials, and the Approving Officials' levels of review vary greatly. For example, we found one certifies the accuracy of the logs without receiving the supporting documents, and another relies on the agency program coordinator to ensure the logs are reconciled to the bank statements. Further, some Approving Officials have an inordinate number of logs to review (one is responsible for reviewing 50 logs monthly), making it difficult to ensure the reviews are thorough.

### *Recommendations*

We recommend that Purchasing develop a comprehensive training program for Approving Officials that includes the Approving Officials' responsibilities, procurement law requirements, County policies and procedures, and "red flags" to consider that may indicate fraud, abuse, or noncompliance, such as split purchases, inadequate documentation, and the use of certain vendors that could indicate personal use, e.g., PayPal and Amazon. Further, we recommend that Purchasing develop guidelines to determine the appropriate number of cardholders that the approving official is responsible for and the appropriate relationship between the approving official and the cardholder. The approving official should have sufficient knowledge of the cardholders' job activities and sufficient time to review the cardholders' logs to ensure that the purchases are appropriate and properly documented.

### *Management's Response*

*Purchasing agrees with the recommendation and has developed a comprehensive Approving Official training program. Assignment of Approving Officials is at the sole discretion of the department head. However, Purchasing will recommend that management consider the number of cardholders and their spending activity when determining the appropriate number of accounts assigned to each Approving Official.*

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*Purchasing will continue to provide departments a list of cardholders and assigned Approving Officials for review and revision annually.*

### **Release of Blocked Merchant Category Codes and Changes in Single Transaction Limits and Monthly Credit Limits**

The County restricts employees from purchasing goods and services from certain vendors using merchant category codes that define vendors by broad categories, such as airlines, car rental agencies, and hotels. Theoretically, a cardholder could not purchase airline tickets if the County instructed U.S. Bank to block the merchant category code for airlines.

Purchasing has established a standard account profile that blocks certain merchant category codes. Purchasing's policies require the PCA, the Approving Official, the Agency Program Coordinator, and the cardholder to sign a Cardholder Information Form when a card is first issued, when a merchant category code is unblocked, and when the cardholder's single transaction or monthly credit limits are changed. Our test of 30 cardholders disclosed that management complied fully with this policy. Department head approval of these changes is no longer required.

#### ***Recommendations***

While our test work showed management complied with its policy, we believe the County's expanded use of procurement cards and significant increases to the single transaction and monthly credit limits since 2005 warrant additional oversight. Accordingly, we recommend that department heads give written approval for transaction limits greater than \$5,000 and monthly credit limits greater than \$25,000.

#### ***Management's Response***

*Prior to the establishment of an account with a single transactions limit (STL) greater than \$5,000, the PCA receives the Purchasing Agent's approval. All account holders with a single transaction exceeding \$5,000 must attend a mandatory training; all cardholders currently with a STL greater than \$5,000 have attended the required training.*

*Purchasing agrees with this recommendation and will now require department heads to provide written approval for an account with a single transaction limit greater than \$5,000 and monthly credit limit over \$25,000.*

### **Financial Exposure**

Purchasing reviews cardholders' credit limits and related activity annually, and they often suggest that the departments consider reducing the credit limits. However, the departments are sometimes reluctant to reduce the credit limits, and Purchasing does not require them to do so.

The County's total cumulative monthly credit limit of \$8 million is more than three times average monthly purchases of \$2.3 million. To determine whether the monthly credit limits were excessive, we analyzed the activity of 20 cardholders whose monthly credit limits ranged from \$30,000 to \$300,000. Ten had limits less than \$50,000, and ten had limits greater than \$60,000.

Our analysis disclosed that management has established credit limits well beyond the needs of the cardholders.

- In fiscal year 2011, average monthly purchases were 10% - 41% of the monthly credit limits.

- For July to September 2011, average monthly purchases were .05% - 78% of the monthly credit limits.
- For calendar year 2011:
  - monthly purchases were less than 50% of the monthly credit limits for eight cardholders.
  - monthly purchases were less than 75% of the monthly credit limits for five cardholders.
  - monthly purchases were 75% or more of the monthly credit limits for seven cardholders, but five of the seven exceeded the 75% threshold in only one month.

#### ***Recommendations***

We recommend that Purchasing review the cardholders' monthly credit limits to ensure the limits are commensurate with the cardholders' level of activity. The departments should not be permitted to increase the County's risk of loss by retaining excessive limits.

#### ***Management's Response***

*Annually, Purchasing provides each division/department a list of its cardholders' single transaction, monthly credit limit, average monthly credit usage rate, open merchant category codes, and Approving Official list for review and update. Purchasing requests the division/department to review and revise its cardholders' profiles, as it deems appropriate. In addition, Purchasing will identify those cardholders that consistently under utilize their account's limits, and offer an appropriate limit level recommendation.*

*Cardholders' credit limits are determined by the individual division/department at the time that an account is established based on the anticipated spend of the account holder. Account limits are set at the sole discretion of the department head or his/her designee, or the Approving Official. The cardholder's background and knowledge dictates the designated level.*

*The County has not experienced any losses as a result of the program's current credit limit levels. US Bank's Security & Fraud Division also monitors abnormal and suspicious activity; therefore, we assess this to be a minimal risk to the County. There is always risk but with our oversight, Policy & Procedure, and diligence our risk is minimized.*

**Objective 2:** To determine whether procurement card transactions were (1) properly documented, approved, and for a legitimate purpose; (2) made in accordance with County laws and procurement card policies and procedures; and (3) properly recorded in the general ledger by fund and business unit.

#### **Procurement Card Logs**

Cardholders are required to complete monthly logs and attach detailed receipts identifying the goods or services purchased, and Approving Officials are required to review the logs and the transactions for propriety, including compliance with the County's purchasing laws and procurement card policies.

We tested 149 cardholder logs at eight locations for the period of June 2011 through September 2011. Our test included more than 5,000 transactions totaling \$3.8 million. We determined that all transactions were recorded properly in the general ledger, and most were documented properly, approved, for legitimate purposes, and made in accordance with County laws and procurement card policies. However, we identified a number of exceptions that were not resolved by the Approving Officials during their reviews.

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- We noted 201 transactions totaling \$214,000 (5.6% of the total amount tested) for which the cardholders did not provide detailed receipts. Often the cardholders had only a credit card receipt showing the dollar amount, not a detailed vendor receipt showing what was purchased.
- We noted 44 of the 149 logs were signed by someone other than a designated Approving Official. We were advised that in many instances the changes were due to reorganizations within the departments. However, this information was not communicated to Purchasing in a timely manner.
- We noted three logs were approved by the cardholder affixing the stamped signature of the approving official. The cardholder advised us that the approving official subsequently reviewed the log, but the department had no documentation to support this assertion.
- We noted two departments used procurement cards to purchase gift and or phone cards.
  - One used a gift card to pay a contractor in violation of County policy.
  - The other established a process to distribute, track, and account for the gift cards used for various camps and childcare activities. However, the department's records showed some used cards as being unused, and the department did not have adequate documentation to track the use of the phone cards purchased.
- We noted 39 transactions totaling \$161,000 that appear to be transactions the buyers split into smaller dollar amounts either to stay within their single transaction limits or to avoid the County Code requirement to obtain three quotes for procurements greater than \$5,000 when practical (sic). For 35 of the 39 transactions, department personnel either did not agree that the purchases were split or contended there were extenuating circumstances. However, the departments could not show us that the Approving Officials questioned and determined the transactions were not split transactions or were made under extenuating circumstances before they approved the cardholders' logs.
- We noted three small procurements totaling \$33,671 for which the buyers did not obtain three quotes or document why it was not practical to do so, as required by the County Code.

In addition to the County Code requirement to obtain three quotes for procurements greater than \$5,000 when practical (sic), the Code also requires Purchasing to determine the best method of procurement for all goods and services expected to cost more than \$25,000. The Code requires Purchasing to award those contracts by competitive bid, unless the County awards the contract by competitive sealed proposal or is a sole source, emergency, expedited, or professional services contract.

Our review of transactions revealed that employees routinely make purchases from vendors that individually cost less than \$5,000, but cumulatively exceed \$25,000. In our review, we noted that the Approving Officials did not question whether the cardholders should have attempted to obtain three quotes because the individual procurements cumulatively exceeded \$5,000 or whether Purchasing should have awarded a contract by competitive bid for cumulative purchases that exceeded \$25,000. For example, in a three-month period, one employee purchased \$47,100, \$23,350, \$19,075, and \$14,800 from four vendors, respectively. A second employee in the same department purchased \$29,850 from another vendor in the same three-month period. The cumulative purchases by this department for these five vendors ranged from \$36,000 to \$57,000 during the three-month period, and in calendar year 2011, the procurement card purchases for these same five vendors ranged from \$64,000 to \$169,000, all purchased without quotes or competitive bids.

#### *Recommendations*

We recommend that Purchasing provide training to cardholders and Approving Officials to ensure they understand the requirements of the County Code and the Purchasing Manual, including the laws and regulations governing quotes for small procurements and for purchases expected to exceed \$25,000. We also recommend that Approving Officials document why it was not necessary for the buyer to attempt to get three quotes for individual



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transactions that cumulatively exceed \$5,000 or why the County Code provisions regarding procurements in excess of \$25,000 would not apply to individual purchases that exceed \$25,000 cumulatively. Finally, we recommend that Purchasing review the cumulative amounts purchased from individual vendors by multiple buyers to determine whether the County should purchase those goods or services via contracts awarded under the County Code provisions governing contracts expected to exceed \$25,000.

#### *Management's Response*

*Purchasing agrees with this recommendation and has included County Code and Purchasing Manual procurement requirements in the Approving Official training. Purchasing works with each department to put in place blankets and agreements to address the high use vendors not currently on contract. Buyers meet with their assigned departments and work diligently to establish contracts to cover their service/commodity needs whenever possible.*

*The following is a sample of the contracts that were executed since the audit period as a direct result of high use vendors specifically in the Department of Public Works, Bureau for Utilities and Bureau of Highways and the Office of Central Services, Fleet Administration:*

*Strawbridge Contractors, Blanket #4180-OB, stone & soil  
Contech Construction Products, Blanket #3886-OB, pipe & pipe products  
House of Balance, Blanket #4151-OB, pump and motor repairs  
Kelly's Tree Service, Blanket #4124-OB, landscaping and tree removal  
Ellicott & Fratz, Blanket #4136-OB, Moorebark repairs  
Sherwood Logan, Sole Source, Flyght pumps  
Freemire & Associates, Sole Source, Environment One grinder pumps  
Atlantic Emergency Solutions, Sole Source, Pierce goods  
Fesco Emergency Sales, Sole Sources, Horton goods*

#### **Monthly Payment Procedures**

The Office of Finance pays U.S. Bank monthly based on the summary statement it receives of all cardholder purchases. Purchasing's procurement card policies require the approving official to forward the cardholder's approved log to the Office of Finance (Finance) by the 15<sup>th</sup> of the month following the end of the billing cycle. If Finance does not receive the approved log by the 15<sup>th</sup> of the month, then Finance is supposed to notify the Agency Program Coordinator. If the approving official does not subsequently submit the approved log to Finance by the end of the month, the PCA is supposed to suspend the cardholder's account, and if the approving official does not submit the approved log to Finance by the end of the next billing cycle, the PCA is supposed to close the account. In practice, the Office of Finance notifies the PCA each month of which cardholders' logs were not submitted by the 15<sup>th</sup> of the month following the end of the billing cycle.

We reviewed the Office of Finance's records and determined that as of February 2012, Approving Officials had not submitted eight monthly logs from May, September, November, and December 2011, but the PCA never suspended or closed the accounts. We then expanded our test work to determine whether failure to suspend or close accounts in accordance with Purchasing's policy was an ongoing problem, and we found that as of November 2012, Approving Officials had not submitted 10 logs for eight cardholders for August 2012 and September 2012, and the PCA never suspended or closed the cardholders' accounts.

*Recommendations*

We recommend that Purchasing adhere to its established policy and suspend and or close cardholder accounts if the Approving Officials to do not submit approved logs to the Office of Finance in a timely manner.

*Management's Response*

*Procurement card spend has dramatically increased since the Purchase Card Policy and Procedure was developed, because it increases the efficiency of County Government. As a direct result, the turn around time for approval of monthly order log and statements, submission of documentation to Finance, and notification of delinquent paperwork has increased. Purchasing and Finance agree that the timeline needs to be addressed and have included such language in the pending modification of the Policy and Procedure Manual.*

*Finance and Purchasing will continue to work together to ensure timely submission of required paperwork.*

**Objective 3: To determine whether the County maximized rebates under the terms of its contract with U.S. Bank.**

The County's contract with U.S. Bank requires the bank to pay rebates to the County based on the County's purchasing activity and payment history. In April 2010, the County received a \$192,612 rebate, and in April 2011, the County received a \$219,190 rebate. Although Purchasing advised us that they review the rebate calculation, Purchasing did not retain documentation sufficient to allow us to determine whether the County maximized the rebate provisions.

Our review of the rebate calculation supplied by U.S. Bank disclosed:

- The total purchases used by U.S. Bank to calculate the rebate amounts did not agree with the cumulative purchase amounts on the monthly U.S. Bank statements. Purchasing advised us that the bank uses the calendar month in its rebate calculations, not the cycle dates used in the monthly billings. However, Purchasing did not reconcile the monthly purchases to the billing cycle purchases to ensure the accuracy of the amounts. We compared the sum of the purchases per the monthly bills for the two-year period with the amount reported by the bank to determine the rebate amount and determined the cumulative amount used by the bank was reasonable.
- Another component of the rebate calculation is the average number of days it takes the County to pay the monthly invoice. While U.S. Bank stated the average number of days it used in its rebate calculation, Purchasing had no documentation to show they reviewed the number and determined it was accurate.
- The County's contract with U.S. Bank allows the bank to subtract large transactions from the amounts on which the rebates are calculated. In its April 2011 rebate calculation, the bank deducted \$801,420 of large transactions; however, Purchasing did not know which transactions were included in this amount. In response to our inquiries, Purchasing obtained a detailed listing of the large transactions for the period April 2010 to December 2011, and the individual amounts excluded from the rebate calculation ranged from \$4,194 to \$95,110. However, we were unable to determine whether these deductions were proper because the agreement with the bank does not define the term "large transaction interchange rates," and Purchasing advised us that the amount varies by merchant.

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### *Recommendations*

We recommend that Purchasing document its efforts to verify the accuracy of the bank's calculation of the rebate amount. Purchasing should (1) reconcile the annual purchases used in the rebate calculation to the cumulative purchases per the monthly bills, (2) verify the average number of days it took to pay monthly invoices through County records, and (3) verify the accuracy of the large transactions U.S. Bank deducted from the County's total purchases in determining the rebate amount.

### *Management's Response*

*Purchasing agrees with this recommendation and will develop procedures to verify US Banks calculations.*

### **Other Issues**

#### **Designation of Approving Officials and Agency Program Coordinators**

Purchasing's policies require the department head to designate Approving Officials and Agency Program Coordinators. However, the department head's designation does not have to be in writing, and neither Purchasing nor the Office of Finance had a current, accurate list of those the department heads had designated as Approving Officials. Without a current, accurate list, management has no assurance an appropriately trained and authorized approving official reviewed and approved the cardholders' transactions.

### *Recommendation*

We recommend that Purchasing require the department heads to designate approving officials and Agency Program Coordinators in writing. Purchasing should provide the list and any subsequent changes to the Office of Finance. Finance should ensure all logs are approved by a designated Approving Official and report any noncompliance to the PCA.

### *Management's Response*

*Purchasing agrees with this recommendation and all department heads have recently approved current Approving Officials. The update list has been provided to Finance.*

*Purchasing will continue to work with each department to maintain an up-to-date Approving Official list and provide a copy to Finance by the 15<sup>th</sup> of each month.*

#### **Procurement Card Use by Library and State Employees**

County policy states that only County employees may hold County procurement cards. However, we determined that the County has issued procurement cards to 17 State employees in the Health Department and to 13 employees of the Public Library of Annapolis and Anne Arundel County, a legal entity separate from the County.

### *Recommendations*

If the County wishes to continue to permit individuals who are not County employees to use County procurement cards, we recommend that the County execute agreements with the State and the Library Board of Trustees protecting the County from losses incurred by their use and setting forth the terms and conditions for their participation. Absent such agreements, the County should terminate the participation of these entities' employees.

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*Management's Response*

*Purchasing agrees with this recommendation and will pursue executing an agreement of mutual understanding with the State and Library regarding requirements and responsibilities of the County Procurement Card Program.*

**Report on Controls at a Service Organization**

As a service organization, U.S. Bank routinely obtains a Report on Controls at a Service Organization to provide assurance on their internal controls over the transactions they process. However, we noted that Purchasing does not routinely obtain this report.

*Recommendations*

We recommend that Purchasing obtain the Report on Controls at a Service Organization from U.S. Bank on an annual basis and review the report to determine whether there are any control deficiencies within the organization that would affect the County's ability to rely on the services obtained from the bank.

*Management's Response*

*Purchasing has obtained US Bank's most current Service Organization Controls Report. Purchasing has reviewed the report and has sought the guidance of the Comptroller's Office to assist in the determination of any deficiencies identified that would impact the County's program and/or service.*

\*\*\*\*\*

We thank the Office of Central Services, particularly Ms. Peterson-Helmecki, and the departments' Agency Program Coordinators for their cooperation and assistance during our fieldwork. Please call if you have any questions regarding our findings and recommendations.

Sincerely,  


Teresa Sutherland, CPA  
County Auditor



OFFICE OF CENTRAL SERVICES  
Annapolis, Maryland  
*ADMINISTRATION*

INTER-OFFICE CORRESPONDENCE

TO: Teresa Sutherland, County Auditor  
FROM: Fred Schram, Central Services Officer  
DATE: February 11, 2013  
SUBJECT: Procurement Card Program Audit

*FS.*

The Procurement Card Program is a crucial procurement tool. It provides immediate purchasing authority for low dollar orders, which allows cardholders the ability to procure goods and services required to accomplish their daily job requirements and responsibilities. Migrating small purchases to procurement cards is critical to maintaining Countywide procurement needs while undergoing mandated staff reduction.

We appreciate the Auditor's Office review of the Procurement Card Program. We firmly believe the recommendations strengthen our program and provide the departmental agencies with the tools necessary to operate effectively and efficiently.

cc: William Schull

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