



**BALTIMORE CITY
DEPARTMENT OF FINANCE -
BUREAU OF PROCUREMENT**

**SMALL PURCHASES PROCUREMENT CARD
PROGRAM AUDIT**

For the Year Ended December 31, 2017

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CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



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Honorable Joan M. Pratt, Comptroller
and Other Members of the
Board of Estimates
City of Baltimore, Maryland

We conducted a Non-Traditional Engagement audit of the Small Purchases Procurement Card Program for the calendar year ended December 31, 2017. Our audit focused on the usage of procurement cards by employees of various City of Baltimore (the City) agencies and their compliance with Baltimore City's Administrative Manual (AM) section 309-1.

As a result of our audit, we determined that Agency compliance with the AM related to the procurement card program was inconsistent. Agencies did not meet compliance related to submission time requirements for information related to monthly card usage, maintenance of supporting documentation for card charges and charges for sales tax or other unallowable items. In addition, purchases for one Agency are being questioned for personal items purchased with the card.

We noted certain areas where the effectiveness of the control procedures could be improved, and we recommend:

- Agencies comply with the AM's timing requirement that copies of the monthly card statements, activity logs, and journal entry requests be submitted to the Bureau of Accounting and Payroll Services (BAPS) and to the Bureau of Procurement within 15 workdays from receipt of the card statement.
- Agencies ensure that cardholders obtain receipts for every card transaction they make. The agencies should keep receipts with the corresponding activity log and monthly statement and maintain them for three years from the date of purchase.
- Agencies should review the transactions to ensure that sales tax is not paid as part of the transaction and that charges are in compliance with allowable usage of the card in accordance with the AM. Agencies should seek reimbursement from cardholders for unallowable purchases.

- Agencies should ensure that card purchases are not for personal use. The procurement card is designed to provide a convenient method for authorized cardholders to make inexpensive purchases necessary for City operations. Cardholders may not charge personal purchases to the cards.



Audrey Askew, CPA
City Auditor

Baltimore, Maryland
August 30, 2018

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Background Information
For the Year Ended December 31, 2017

The City of Baltimore has established a Small Purchases Procurement Card Program (SPPCP) for use by authorized Baltimore City government employees. Baltimore City Administrative Manual Section 309-1 addresses the policies and procedures for this program. This policy establishes standards for issuance and use of the Small Purchases Procurement Card (SPPC) under the program administered by the Bureau of Procurement (BoP). The program is designed to save the City time and money by allowing authorized purchasers a convenient alternative to an Expenditure Authorization (EA) to make inexpensive day-to-day purchases necessary for City operations.

City agencies can apply to BoP to have one or more of their employees become authorized cardholders. Prior to obtaining a procurement card, the employees must attend a training class on the use and responsibilities related to becoming a cardholder. Additionally, the cardholder must sign the Cardholder Agreement and the Authorization for Wage Reduction. Once approved, the cardholder will receive the card with the employee's name embossed on it and showing the City of Baltimore's tax-exempt number.

Once the card is activated, there are certain procedures the Agency/cardholder must perform to comply with the AM. An activity log must be maintained by the cardholder to record all purchases. Information including the date, amount, nature of each transaction and the City account number to charge each purchase should be documented in the activity log. Each cardholder will receive monthly card statements from the card provider reporting the activity charged to the card. Additionally, a journal entry allocating the monthly charged costs to the appropriate Agency account numbers must be prepared by the cardholder (or in some cases by an Agency Administrator designated to oversee and coordinate the procurement card process).

At the end of each monthly billing cycle, copies of the monthly card statement, activity log (without receipts) and journal entry request must be forwarded to the Bureau of Accounting and Payroll Services (for processing) and the Bureau of Procurement (for oversight) within 15 workdays from the receipt of the card statement. Records related to these transactions, including the receipts, must be maintained for three years from the date of purchase by the Agency administrator. Failure to abide by the Administrative Manual policies and procedures for the Procurement Card Program can result in cancellation of the card for that cardholder and disciplinary action.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Audit Scope, Objectives, and Methodology
For the Year Ended December 31, 2017

We conducted a Non-Traditional audit engagement of the Small Purchases Procurement Card Program for the year ended December 31, 2017. We conducted our audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require 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.

The objectives of our audit were to determine whether controls were in place to ensure that procurement card transactions were initiated, supported, recorded and maintained in accordance with the City's Administrative Manual.

To accomplish our objectives, we reviewed procurement card transactions and supporting documentation from a sample of cardholders in various City agencies. We conducted inquiries of key individuals at BoP and cardholder agencies. To perform our tests of compliance with the procurement card policies and procedures, we obtained from BoP a population of cardholders along with their agencies from which to select a sample.

We were provided a listing of 172 cardholders from BoP that included the City Agency and card expenditure limit for each cardholder. We selected 54 cardholders to test from 17 different City agencies. The number of cardholders in an Agency determined the selection process.

The Findings and Recommendations section of this report, which follows, details the results of our audit. The findings are reported by Agency. The following items highlight the main findings:

- 1) Failure by agencies to submit the required information to BAPS and BoP timely;
- 2) Charging the procurement cards for unallowable costs such as sales tax, recurring monthly charges and items with no receipts; and
- 3) Card transactions for personal use, particularly for one cardholder.

**Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017**

Mayor's Office

Finding #1 - Questionable Purchases

Condition:

The Department of Audits tested the months of October, November and December 2017 P-card statements within the Mayor's Office and identified questionable credit card procurement transactions totaling \$5,274.00. Of the total, items most questionable are listed below.

During our audit, we noted \$1,321.00 was spent on furniture and other household items to assist a homeless individual. DOA has informed the Office that furniture purchases for personal reasons are unallowable, as these types of purchases on a P-card are City property and cannot be used as personal property or gifts.

The October statement identified \$513.00 in purchases on the Squeegee Core at an Orioles game for food and other personal items. DOA communicated that these purchases were excessive and some were unallowable.

Our audit also disclosed restaurant lunch purchases amounting to \$338.00, many of which had no receipts and none of the purchases had supporting documentation noting business purpose.

Additionally, we saw no evidence to support that procurement card transactions were adequately reviewed and approved by appropriate Agency personnel prior to submission to the Bureau of Procurement to ensure that these transactions were allowable and business related.

Finally, the Office incurred and paid \$29.00 in sales tax on purchases during the month of October.

Criteria:

Per AM-309-1: Card holders are accountable for every Small Purchases Procurement Card purchase, and each month must justify each purchase as being both necessary to City operations and in accordance with the Administrative Manual policy. The card holder agrees to strive to obtain the best value for the City and agrees not to make excessive or unnecessary purchases with the card. The card holder may not charge personal purchases, even with the intention of reimbursing the City.

Per AM-303-2: The City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase. Reimbursement will not be made for sales taxes paid. Also per AM-309-1, it is the Card Holder's responsibility to communicate to the merchant that purchases are tax exempt.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #1 - Questionable Purchases (Continued)

Cause:

The Mayor's Office does not have a design or controls in place to review and approve monthly transactions charged to credit card statements. The P-card is handled/used by multiple persons within the Office.

Effect:

Fraudulent and/or unauthorized procurement card charges have a negative impact on the spending authority of the procurement card program and are reportable offenses. The City may be exposed to reputation risk; items could be purchased for personal use, lost or stolen, and not detected by management.

Recommendation:

We recommend that procurement card transactions be reviewed and approved by management or authorized personnel to ensure accuracy and appropriateness of the transactions. We further recommend the unallowable purchases be returned or refunded to the City.

Auditee's Response:

1. The City's procurement card was used to purchase a piece of furniture and several household items for part of a relocation project for a homeless person. The items were provided in return for services performed by the homeless person over a period of 4-5 months. The cost of \$1,320.00 was placed on the card.
2. The City's procurement card was used to purchase meals for working lunches within the Office of the Mayor. Normally the lunches would take place in restaurants with less privacy and greater expense. The \$338.00 provided for a series of meals over several months of strategy development.
3. The City's procurement card was used to take 12 city youth on a field trip to an Orioles game. The card was used within the park for food and other items. The trip cost \$513.00 (\$42 per youth).

A. Corrective Action Implemented

Corrective measures have been put into place to ensure accuracy in recording all transactions to include the use of the Mayor's Office Use of Procurement Card Request Form which **MUST** be approved prior to signed authorization. **NO** verbal authorizations will be accepted. A workshop entitled "Procurement/City Buy and Graphic/Printing Process" was held on Thursday, June 21, 2018 at 2 p.m. Erin Sher from Procurement was the workshop facilitator, followed by Renee Newton and Titus Spratley, from the Mayor's Office. This training resulted from a need to re-establish guidelines for purchasing within reasonable timelines to avoid last minute request and a need to use the P-Card when other options are available. Staff were reminded that receipts from **ALL** transactions **MUST** be submitted to the fiscal administrator.

**Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017**

Finding #2 - Credit Line Limit Improperly Increased

Condition:

The Bureau of Procurement granted a request from the cardholder to increase the credit line limit from \$15,000 to \$40,000 without written documentation or approval. In addition, charges did not meet the nature of emergency purchases.

Criteria:

Per AM-309-1: to meet emergency requirements as defined in the City Charter, the City's Procurement Agent, at the direction of the Director of Finance, may remove restrictions on card use and increase dollar limits to the extent necessary to cope with the emergency; however, the card holder must still record and report each purchase as required elsewhere in this policy.

Cause:

The Bureau of Procurement and the Mayor's Office did not adhere to the policy as identified in the Administrative Manual.

Effect:

Cards with increased credit limits could result in greater spending risk.

Recommendation:

We recommend the Bureau of Procurement establish a process to periodically review procurement card holders with increased credit limits to ensure the limits are still appropriate and necessary.

Auditee's Response:

The cardholder did not request an increase in the procurement card. The purchasing agent made the decision to increase the credit limit.

Finding #3 - Lack of Receipts for Purchases/Reconciliation Issues

Condition:

During our audit, we noted supporting documentation, such as receipts for transactions, was not maintained and submitted by the cardholder or was not adequate to support the business related purpose for credit card purchases.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #3 - Lack of Receipts for Purchases/Reconciliation Issues (Continued)

Condition (continued):

We also noted that receipts for coat purchases for the homeless were not accurately reconciled to the monthly cardholder statements, but were approved by the coordinator or administrator. This could also be as a result of the time lapse before the account was reconciled. The coats were purchased in October 2017, but the JE was not posted until May 2018. In addition, there is a discrepancy in the amount requested for refund against the purchase amount. The total cost of the coats and cleaning were \$23,961.00 per invoices, but the JE for payment of the purchases was \$20,889.00, noting a difference of \$3,072.00. The DOA was not provided additional information on the discrepancy. The Office is currently reviewing the purchases and payments for these transactions.

Criteria:

In accordance with the Administrative Manual, AM 309-1, cardholders are accountable for every Small Purchases Procurement Card Program purchase and must justify each purchase as being both necessary to City operations and in accordance with the Administrative Manual Policy.

Cause:

Lack of proper oversight of the purchases.

Effect:

Items may be purchased for personal use, lost or stolen, and not detected by management.

Recommendation:

We recommend that the Mayor's Office adhere to the City's Procurement Card Administrative Policy.

Auditee's Response:

At the time of the transactions, the Fall Festival events team was faced with a number of unexpected challenges. For example, several hundred of the coats that were donated had to be cleaned. This resulted in additional cost for the event. The final documentation as well as the reimbursement documents and reconciliation reports were not submitted until well after the event.

The user of the card purchased meals for working lunches within the Office of the Mayor. This was done in order to save the additional expenses that are incurred when eating out. It also allowed the lunch meetings to be more productive because they were private. The \$338.00 provided for a series of meals over several months of strategy development. Several receipts for the lunches was not submitted.

One of the receipts for the homeless projects was lost (\$200.00).

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #4 - No Procurement Card Training

Condition:

During our audit we noted the either the cardholder did not attend a Small Purchase Procurement Card Program training class, as required or no supporting documentation was provided to DOA when requested to verify the cardholder attended a class.

Criteria:

Prior to being issued a procurement card, applicants must attend a Small Purchases Procurement Card Program training class and sign a Cardholder Agreement. The Agreement provides a summary of the responsibilities of the cardholder in the Program.

Cause:

The Mayor's Office did not enforce the AM policy related to the required program training for the cardholders prior to issuance of their card.

Effect:

The Agency is not in compliance with the Administrative Manual policy. Without the training, the card holder may not have a clear definition of roles, documentation required, and the appropriate uses of a procurement card.

Recommendation:

We recommend that the Agency adhere to the City's Procurement Card Administrative Policy including cardholder attendance at the Program's training.

Auditee's Response:

The card holder did attend a Small Purchase Procurement Card Program back in 2016. It was a private class performed at the Purchasing Office by the Procurement Card Administrator.

Finding #5 - Journal Entries Not Timely Submitted

Condition:

The November 2017 monthly statement, journal entry, and activity log, were not forwarded to the Bureau of Procurement in a timely manner. The journal entry was submitted on January 23, 2018.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #5 - Journal Entries Not Timely Submitted (Continued)

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 workdays from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

The Mayor's Office does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that the activity log, monthly purchasing card statement, and journal entry be forwarded to the appropriate departments within 15 workdays of the receipt of the monthly purchasing card statements.

Auditee's Response:

The delay in submission of the monthly statements resulted from the transition from CityDynamics change in software and new processes for reporting. The administrator had to learn the new system and this resulted in a delay in the transmittal.

**Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017**

Bureau of Procurement

Finding #6 - Non-Allowable Charge

Condition:

Department of Audits tested two months of P-card activity, March and November 2017. We noted that the City was not reimbursed sales tax, which are unallowable charges, totaling \$187.83 from Baltimore Sun Media Group.

Criteria:

Per AM-303-2: The City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase. Reimbursement will not be made for sales taxes paid. Also per AM-309-1, it is the Card Holder's responsibility to communicate to the merchant that purchases are tax exempt.

Cause:

The cardholder acquired non-allowable sales tax charges and the Agency administrator failed to collect the reimbursement of sale taxes from the cardholder.

Effect:

Unauthorized procurement card charges have a negative impact on the spending authority of the procurement card program

Recommendation:

We recommend that the Agency cardholders ensure that charges be in accordance with the Administrative Manual. We further recommend the questionable charges be refunded to the City.

Auditee's Response:

We do not concur with this finding. The sales tax mentioned above was not paid to the Baltimore Sun Media Group. While the P-Card statements tested by the auditor do show a sales tax for this particular vendor only, it was in fact not paid. We believe there is a bill reporting error either with our P-Card vendor PNC or the Baltimore Sun Media Group. We are working with these parties to correct the statement.

Finding #7 - Journal Entries Not Timely Submitted

Condition:

The cardholder monthly statement, journal entry, and activity log, were not forwarded to the Bureau of Accounting and Payroll Services in a timely manner. Documents for statement months March and November 2017 were each submitted late by four to five months.

**Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017**

Finding #7 - Journal Entries Not Timely Submitted (Continued)

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

The Bureau of Procurement does not have a design or adequate controls in place to ensure that the monthly statements, journal entries, and activity logs are submitted in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected in the correct cost centers in a timely manner.

Recommendation:

We recommend that the Agency follow the guidelines of the Administrative Manual.

Auditee's Response:

We concur with this finding. The delay was due to personnel changes, an office relocation in October 2017, and flooding in our new office space shortly after the move. The staffing issue and the effects of the move have subsided. We are now current with our submissions and intend to remain so.

Finding #8 – Inaccurate Accounting for Procurement Card Program Users

Condition:

The Bureau of Procurement provided the Department of Audits with an inaccurate 2017 card holders' population listing (i.e. card holders were retired from previous year(s), not listed or terminated).

Criteria:

Per AM-309-1: the Bureau of Purchase is responsible for maintaining a log of all Small Purchases Procurement Card Program users.

Cause:

The Bureau of Procurement does not have a design or adequate controls in place to capture and confirm all City's Agency card holders.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
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Finding #8 – Inaccurate Accounting for Procurement Card Program Users (Continued)

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. The City may be exposed to gross financial risk and liability from the misuse of the Small Purchase Credit Card Program.

Recommendation:

We recommend that the Bureau of Procurement follow the guidelines set forth by the Administrative Manual. In addition, we recommend the Agency update user information in real time to prevent errors in P-card usage.

Auditee's Response:

We concur with this finding. The current P-Card holder tracking system is a manual labor intensive process. We agree that a small group listed on the P-Card population report included inactive (retired, terminated) card holders or omitted certain active holders. Since this finding we have updated the list and it is now accurate.

**Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017**

Department of Recreation and Parks

Finding #9 - Journal Entries Not Timely Submitted

Condition:

The Department of Audits randomly selected two months to test for 14 cardholders. We noted that many of the cardholders' monthly statements, journal entry, and activity logs were not forwarded to the Bureau of Procurement in a timely manner. Submitted documents for 22 statements were late ranging from 2-6 months after receipt of the monthly statement.

Criteria:

Per AM 309-1: copies of the purchasing card statements, activity log (without receipts) and journal entry request must be forward both to the Bureau of Accounting and Payroll Service (for processing) and to the Small Purchases Procurement Card (PPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the individual Statement. (The originals and receipts remain with the Agency Administrator).

Cause:

The Agency does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with the Small Purchase Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that copies of the activity logs, monthly card statements, and journal entries be forwarded to the Bureau of Procurement within 15 business days of the receipt of the monthly card statements.

Auditee's Response:

The Recreation and Parks Department accepts the audit finding that some reconciled credit card reports were submitted to the City's Procurement Office 2-6 months after the statement date. The Agency also accepts the recommendation provided.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Auditee's Response (continued):

There were three main reasons that accounted for this finding. The first two reasons were, ironically, supposed to improve the reporting system overtime. First, the Activity Log was redesigned to help card users report their expenses easier. It is electronic with automatic calculations and with the required space to record budget account numbers. It took card users some time to competently use the log and in the meantime delay the time to submit their reports to the Fiscal Services Division. Second, a new Accountant II was recently hired in the Fiscal Services Division to prepare the reports and enter the journal entries in CIT DYNAMICS. It took the Accountant some time to get familiar with the reporting system, the process budget accounts and the sixty card users statements, many of which are consistent submitted late. Third, the frequent absence of budget account numbers in CITYDYNAMICS. This situation requires BCRP to submit a request to the Bureau of Accounting and Payroll System (BAPS) or the Grants Management Office (GMO) to set up the account or to activate the account. It usually takes a few days and in some cases weeks to have the budget account set up in CITYDYNAMICS. The long waiting period for the budget accounts to be setup can delay the reports for a month or two.

There are several measures in place to improve on the finding. First, a new reporting policy will be established to have the activity log and statement submitted to the Fiscal Services Division no later than seven days after the date of the statement. A special report developed in Excel will allow for the recording and distribution of statement date and the tracking and monitoring of the dates the reports were submitted to the Fiscal Services Division. The report will be sent to the Director for review. Cards will be suspended or permanently denied for card users whose reports are consistently not submitted within the seven-day period. Second, as expected, the newly designed form has been in place for several months and card users have improved on their competency and overall use of the activity log. We are observing the evidence where the card holders are submitting their reports more accurately and earlier.

There is also evidence that the Accountant is able to process the reports and the accompanying journals faster because he has become familiar with process and the various reporting systems. This will improve the submission time for the reports. Third, the number of staff working on credit card has been doubled with the hiring of a new Office Support Specialist III who is also training as an accountant. One of her main functions, is to process credit card reports for submission on time. She currently being trained and has been contributing to the improved submission time. Fourth, the absence of budget account numbers is an ongoing issue and difficult to resolve from our end. However, BCRP is having continuous dialogue with BAPS and the GMO and the Department of Finance about the situation.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #10 - Lack of Receipts

Condition:

During our audit, we noted that two cardholders' files did not have receipts to support the business related purpose for credit card purchases to Best Buy and Comcast; however, the related monthly card statements and activity logs were approved by the Agency coordinator/administrator.

Criteria:

Per Administrative Manual, AM 309-1: cardholders are accountable for every Small Purchases Procurement Card Program purchase and must justify each purchase as being necessary to the City's operations. Maintenance of the receipts and records is required for three years from the date of purchase by the Agency.

Cause:

The Agency did not maintain the receipts for these two cardholders, as required.

Effect:

Items may be purchased for personal use, lost or stolen, and not be detected by management.

Recommendation:

We recommend that the Agency adhere to the City's Procurement Card Administrative Policy.

Auditee's Response:

The Recreation and Parks Department accepts the credit card audit finding that the activity log was approved even though a credit card receipt was absent. The Agency also accepts the recommendation provided.

There are occasions where the card holder, in order to have the report submitted on-time, presented the report while locating the receipt. During this time, the activity log is approved because there were other documents, such as the Purchase Request and the credit card statement that could validate the purchase as legitimate for a specific program. The credit card statement recorded the item purchased and therefore it was possible for the card holder supervisor to validate the purchase as not being personal but for recreation program activities. The activity log was also approved so that the full report was reconciled, journal entry entered and report submitted on time to Procurement. The violation would have been greater if the report was not submitted on time to Procurement.

The Agency recognizes that the presentation of the receipt as a supporting document to validate a purchase is very important item in the reporting process. Therefore, all card holders are constantly reminded that his or her report is in complete without the receipt. Further, where the receipts are missing and card holders are unable to validate the purchase, card holders will be and are often asked to repay the charges incurred on the card. All card holders are aware of this policy.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
Findings and Recommendations
For the Year Ended December 31, 2017

Finding #11 - Non-Allowable Charges

Condition:

During our audit of 14 cardholders tested for two months in 2017, we identified the following improper transactions recorded in their monthly card statements: (1) Sales tax payments totaling \$411.75; (2) Non-allowable recurring automatic monthly payments totaling \$21.98 for Amazon; and (3) Payments that were not supported by receipts totaling \$122.27.

Criteria:

(1) Regarding sales tax, AM 309-1 states that the City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase; (2) Regarding recurring automatic payments, AM 309-1 states that such payments are prohibited; and (3) Regarding payments not supported by receipts, AM-309-1 requires that all purchases be supported by receipts.

Cause:

The cardholders incurred transactions that included sales taxes, recurring charges, and charges not supported by receipts.

Effect:

The above noted costs, totaling \$556.00, are unallowable. Accordingly, we are questioning these costs.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether this amount should be repaid to the City.

Auditee's Response:

The Recreation and Parks Department accepts the credit card audit finding that sales taxes were assigned to a purchase, recurring charges were made on the card and relevant receipts were not present to support a purchase. The Agency also accepts the recommendation provided.

The Agency has a Tax Exempt Certificate and has made it available to all credit cardholders. The certificate forms a part of the education process for new cardholders. However, there are occasions when the credit card users made a purchase without the tax exempt certificate. Sometimes the card user will make the purchase and hope to return to the vendor with the certificate to get the tax credit. If the purchase is made without the certificate, taxes are applied to the purchase and the Agency pays more for the item.

Baltimore City Department of Finance - Bureau of Procurement
Small Purchases Procurement Card Program Audit
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Finding #11 - Non-Allowable Charges (Continued)

Auditee's Response (continued):

Cardholders are often reminded not to pay taxes on any purchase. Recreation and Parks Department has a policy in place where card users or program managers are required to reimburse the Agency for taxes paid on the purchase made with a credit card. It is a policy that is often enforced.

The monthly payments to Amazon was for Amazon Prime, a service contracted by the Special Events Division to receive timely movies for the Rhythm and Reels Program in the Park and other special events items. The cost of the service was \$10.99 per month. The service is discontinued. There are discussions with Procurement about Amazon Prime for BCRP. No card holder will be allowed to establish multiple payments without authorization from Procurement.

As indicated, there are occasions where the card holder has difficulties retrieving valid receipts or sometimes the receipts are lost. Where a card holder is unable to validate a purchase through the presentation of a receipt, he or she is asked to repay the charges incurred on the card. All card holders are aware of the policy.

Finding #12 - Missing File

Condition:

The Agency could not locate a purchasing card file. The auditors were unable to perform testing for this cardholder.

Criteria:

Per Administrative Manual 309-1: each agency's designated agency administrator must keep a consolidated file of all purchase logs and related receipts for each purchase made by every agency cardholder. The agency administrator must keep these records for at least three years from the time of the purchase made by employees.

Cause:

The Agency failed to maintain files for three years, as required.

Effect:

Since records are missing, improper and/or unallowable usage of the card would be difficult to determine.

Recommendation:

We recommend that the Agency adhere to the City's Procurement Card Administrative Policy regarding record retention.

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Finding #12 - Missing File (Continued)

Auditee's Response:

The Recreation and Parks Department accepts the finding of the credit card audit that a credit card file was missing. The Agency also accepts the recommendation.

Under the current standard operating policy, a file is open for each credit card user. The files are stored in a file cabinet where card holders have free access. The rationale under the current filing system, is to hold card holders accountable for his or her file and the documents contained. Card holders are expected to retrieve their files for review and add documents. They are also expected to return their files to the cabinet when their activities are completed. However, there are occasions where the credit card user may obtain a file for a review and may forget to return it to the cabinet. Or approved documents are removed. Losing a complete file is an unusual occurrence.

To improve on this finding; first, a thorough review of the credit card holders' list and corresponding files have begun. That is, we want to be sure that all card holders have a file and the file can be located. Where there is no file on hand for a card holder, one will be created after an extensive search on the existence and location of the current file. Second, a new filing system will be developed and implemented. Under the new system, the movement of files will be controlled and monitored by the Purchasing Assistants. The credit card files will be locked in a secure file cabinet where card holders must request access to their files through the respective Purchasing Assistant responsible for the location. Each file will contain a monitoring sheet where the card holder will date and sign the file out when requested. The card user will also date and sign the file in when it is returned. The Purchasing Assistants will provide his or her initial next to the cardholder's signature on the monitoring sheet. Third, where a file is missing or not returned the cardholder will be notified and where necessary, severe actions will be taken, including the suspension or permanent denial of the use of the credit card.

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Department of Housing and Community Development

Finding #13 - Journal Entries Not Timely Submitted

Condition:

During our audit of the April 2017 card statement, activity log, and journal entry we noted that these required documents were not forwarded to the Bureau of Procurement in a timely manner. The journal entry was posted in June 2017.

Criteria:

Per AM 309-1: copies of the purchasing card statements, activity lo (without receipts) and journal entry request must be forward both to the Bureau of Accounting and Payroll Service (for processing) and to the Small Purchases Procurement Card (PPC) Coordinator in the Bureau of Procurement(for oversight) within 15 work days from the receipt of the individual Statement. (The originals and receipts remain with the Agency Administrator).

Cause:

The Bureau of Procurement does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with the Small Purchase Procurement Card program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that copies of the activity logs, monthly card statements, and journal entries be forwarded to the Bureau of Procurement within 15 business days of the receipt of the monthly card statements.

Auditee's Response:

The Agency agrees with the audit finding that the April 15, 2017 credit card statement journal entry was not processed within 15 work days from receipt of statement in accordance with policy.

The Agency agrees with the recommendation provided in the audit finding that credit card statement reconciliation journal entry is to be processed within 15 business days of receipt of statement.

The cause of the finding was due to shift in workloads attributable to staffing transition.

The actions the Agency has taken to insure the condition doesn't occur again are as follows:

- Additional staff hired to accommodate workloads.
- Additional training provided to Agency Credit Card Coordinator regarding timely processing.

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Finding #14 - Non-Allowable Charges

Condition:

A cardholder's statement, dated June 2017, improperly included sales tax, totaling \$.60 to the Baltimore Sun.

Criteria:

Per the Baltimore City's Administrative Manual, AM 309-1: the City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase.

Cause:

The Agency did not have proper controls over the Procurement Card as the cardholder incurred a transaction that included sales tax.

Effect:

Sales taxes are an unallowable expense in this procurement card program.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether this amount should be repaid to the City.

Auditee's Response:

The Agency agrees with the audit finding that the June 15, 2017 credit card statement improperly included sales tax of \$.60 to the Baltimore Sun. The Agency agrees with the recommendation that the cardholders ensure that card transactions be in compliance with the Administrative Manual. The cause of the finding was due to oversight by employee. The actions the Agency has taken to insure the condition doesn't occur again are as follows: Agency Credit Card Coordinator closely monitors credit card statements and assists agency staff with obtaining credits needed if sales tax is charged in error.

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Department of Human Resources

Finding #15 - Journal Entries Not Timely Submitted

Condition:

Our audit disclosed that a cardholder's May 2017 monthly statements, activity logs, and journal entries was not forwarded to the Bureau of Procurement in a timely manner. The journal entry was processed in July 2017.

Criteria:

Per AM 309-1: copies of the purchasing card statements, activity lo (without receipts) and journal entry request must be forward both to the Bureau of Accounting and Payroll Service (for processing) and to the Small Purchases Procurement Card (PPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the individual Statement. (The originals and receipts remain with the Agency Administrator). In accordance with the Baltimore City Administrative Manual 301-9, copies of the monthly card statements, activity logs, and journal entries should be submitted to the Bureau of Procurement within 15 business days from the receipt of the card statement.

Cause:

The Agency does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with the Small Purchase Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that copies of activity logs, monthly bank statements, and journal entries be forwarded to the Bureau of Procurement within 15 business days of the receipt of the monthly statements.

Auditee's Response:

The Department of Human Resources Accounting Assistant has primary responsibility for managing the preparation and approval of purchase card reconciliations and journal entries. Using calendar reminders, receipts are gathered, reconciliations are prepared and submitted for review and approval within the allotted timeframe. Similarly, the May 15, 2017 statement was reconciled within the prescribed time frame, however, multiple and competing business priorities delayed the review and approval of the identified reconciled statement. The priorities which had

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Finding #15 - Journal Entries Not Timely Submitted (Continued)

Auditee's Response (continued):

significant City-wide impact, included several all-day Medical and Prescription Drug RFP evaluation committee meetings; critical Work Baltimore 2017 planning meetings; and the planning and execution of the June 1, 2017 DHR Symposium. Once the statement was approved by the Agency head, the Accounting Assistant completed the journal entry.

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Department of Planning

Finding #16 - Non-Allowable Charges

Condition:

During our audit, we noted that the cardholder's March 2017 statement, improperly included sales tax, totaling \$41.08, to Amazon.com.

Criteria:

Per the Baltimore City's Administrative Manual, AM 309-1: the City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase.

Cause:

The Agency did not have proper controls over the Procurement Card as the cardholder incurred a transaction that included sales tax.

Effect:

Sales taxes are an unallowable expense in this procurement card program.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether this amount should be repaid to the City.

Auditee's Response:

Per the Audits findings summary of the purchasing card for the Department of Planning I have investigated the March 15, 2017 statement which improperly included sales tax of \$41.08, to Amazon.com. I have reached out to Amazon.com to obtain a credit for the improper sales tax charge. However, they informed me that they are unable to process the refund because the charge is older than a year old and Amazon cannot issue the refund as that physical tax year is closed.

After reviewing the statement, activity log and transaction receipt, I discovered that this error was an oversight on my part, as I was not aware that taxes can be reported on the purchasing card statement even if they were not recorded on the receipt. As a result I have adjusted my review procedures to assure that both the purchasing card statement and all receipts are reviewed with more precision each month to confirm that no taxes were charge.

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Department of Transportation

Finding #17 - Non-Allowable Charges

Condition:

For our review of one of the cardholders we tested during 2017, we noted that a cash advance transaction was charged to the card. The Agency provided receipts for the expenditure of the cash that was \$30.00 short of the total advance.

Criteria:

Per the Baltimore City Administrative Manual 301-9: All receipts and any other pertinent information relative to the transaction must be attached to the Activity Log and forwarded to the Agency Administrator who will keep it for a period of three years from the date of purchase.

Cause:

The Agency did not have adequate controls over the cash advance process. There are no adequate reviews of the fees and charges to ensure that transactions are supported by receipts.

Effect:

The above noted costs, totaling \$30.00, are in question.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether these amounts should be repaid to the City.

Auditee's Response:

I'm writing in response to Finding DT-1, for an unallowable \$30.00 charge due to an unsupported receipt and unauthorized fee charges.

Background

The charge was made by the Chief of the Towing Division who is an authorized P-card user and uses the P-card for cash advances to purchase money orders. The money orders are used to purchase vehicle owner information from out of state motor vehicle offices because most out of state motor vehicle offices will only accept a check or a money order to purchase reports that provide driver information. The driver information is required to notify the owner to retrieve their vehicle within a certain time frame or the vehicle would be auctioned.

Explanation

The money order receipt for \$30.00 was inadvertently misplaced; therefore, the Chief of Towing replaced the \$30.00 in cash and forwarded it to the Fiscal Section for deposit in a DOT general fund account.

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Finding #17 - Non-Allowable Charges (Continued)

Auditee's Response (continued):

Moving Forward

The Towing Division will continue to research establishments that allows for the purchase of money orders using the Department's credit card without a finance charge and research best practices used by other jurisdictions.

If you have any further questions please feel free to contact me at 401-396-6802.

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Department of General Services

Finding #18 - Journal Entries Not Timely Submitted

Condition:

Our audit disclosed a cardholder's monthly statements, activity logs, and journal entries, for the months of January and September 2017, were not forwarded to the Bureau of Procurement in a timely manner, ranging from 3 to 6 months late.

Criteria:

Per AM 309-1: copies of the purchasing card statements, activity log (without receipts) and journal entry request must be forward both to the Bureau of Accounting and Payroll Service (for processing) and to the Small Purchases Procurement Card (PPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the individual Statement. (The originals and receipts remain with the Agency Administrator).

Cause:

The Bureau of Procurement does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with the Small Purchase Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that copies of the activity logs, monthly card statements, and journal entries be forwarded to the Bureau of Procurement within 15 business days of the receipt of the monthly card statements.

Auditee's Response:

The Department agrees with the recommendation and points out that in some instances verifying the validity of charges in the statement and activity logs could take longer than usual. The Department's current P-Card usage policy requires adequate controls and verification of charges by supervisors. Both in Facilities and Fleet Division, the verification process could yield a longer than expected turnaround time due to higher volume of activity. Therefore, DGS is requesting the timeline should be extended to 20 business days to ensure compliance with its internal policies.

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Finding #19 - Non-Allowable Charges

Condition:

During our audit, we reviewed two monthly statements for one cardholder during calendar year 2017 and identified a recurring automatic monthly payment, in the amount of \$10.99, to Amazon Prime Membership AMZN.Com.

Criteria:

The Baltimore City's Administrative Manual, AM 309-1 states that recurring automatic payments are prohibited.

Cause:

The cardholder was charging a recurring monthly transaction and the agency lacked controls over monitoring automatic payments.

Effect:

Recurring charges are prohibited. Accordingly, we are questioning these costs.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether the recurring automatic monthly payment should be repaid to the City.

Auditee's Response:

DGS recognizes and concurs with the findings and recommendations. DGS has taken steps to make sure to avoid signing up for recurring automatic payments. DGS agrees to further investigate before a determination can be made regarding the reimbursement of monthly charges to the City.

**Baltimore City Department of Finance - Bureau of Procurement
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Health Department

Finding #20 - Journal Entries Not Timely Submitted

Condition:

Our audit disclosed that the February and April 2017 monthly card statements, activity logs, and journal entries, were not forwarded to the Bureau of Procurement in a timely manner, ranging from 2- 4 months late.

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 workdays from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

The Department does not have a design or adequate controls in place to ensure that the monthly statements, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Department is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that the activity log, monthly purchasing card statement, and journal entry be forwarded to the appropriate departments within 15 workdays of the receipt of the monthly purchasing card statements.

Auditee's Response:

Baltimore City Health Department (BCHD) agrees with the finding but has implemented changes to ensure future compliance with the policy.

Due to the heavy workload and lack of staffing, timely processing has not been possible. BCHD recognizes the importance of proper review of documents, verification of transactions, assurance of correct budget numbers, and the appropriate routing of the documents in accordance with AM-309-1 to complete the journal entry process in a timely manner.

To rectify this, the workload has been reassigned to another fiscal staff person. Checks and balances, such as an updated policy governing the credit card usage, appropriate documentation to support the purchases made, and logs regarding usage and a return policy, have been put into place to assure the timely submission of the journal entries for processing.

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Finding #21 - Non-Allowable Charges

Condition:

During our audit we noted a cardholder's June 2017 statement improperly included \$21.52 in sales tax to Walmart.

Criteria:

Per the Baltimore City's Administrative Manual, AM 309-1: the City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase.

Cause:

The cardholder incurred a transaction that included sales taxes because there were no controls to monitor unallowable charges.

Effect:

Sales taxes are an unallowable expense in this procurement card program.

Recommendation:

We recommend that cardholders ensure that card transactions be in accordance with the Administrative Manual. We also recommend that determination be made whether this amount should be repaid to the City.

Auditee's Response:

BCHD agrees with the finding and has implemented corrective action to ensure future compliance with the P-Card policy.

The office within BCHD responsible for this finding was given clear directions with respect to all purchases and will be held responsible for future sales tax.

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State Attorney's Office

Finding #22 - Non-Allowable Charges

Condition:

For the statement months of January, April and May 2017, our test identified sales tax totaling \$4.68 from Rite Aid Pharmacy, Home Depot, ADT Protect Your Home and The Daily Record Company which was not reimbursed to the City. The States Attorney's Office are making purchases for goods and services that incurred non allowable sales tax charges.

Criteria:

Per AM-303-2: The City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase. Reimbursement will not be made for sales taxes paid. Also per AM-309-1, it is the Card Holder's responsibility to communicate to the merchant that purchases are tax exempt. Cause: The cardholder acquired sales tax charges not allowed by the City and the Agency administrator failed to collect the reimbursement of sales taxes from the cardholder.

Effect:

Unauthorized procurement card charges have a negative impact on the spending authority of the procurement card program.

Recommendation:

We recommend that the Agency cardholders ensure that charges be in accordance with the Administrative Manual. We further recommend the questionable charges be refunded to the City.

Auditee's Response:

This office has received, discussed and are in agreement with the Audit findings presented by Ms. Johnson today. The office will continue to monitor our procurement card usage to ensure adherence to the administrative manual policies.

Finding #23: Journal Entries Not Timely Submitted

Condition:

During of audit of a cardholder's May and July monthly statement, journal entry, and activity log, we noted that these documents were not forwarded to the Bureau of Accounting and Payroll Services in a timely manner. Submitted documents for the statement months were over 1 to 2 months late.

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Finding #23 - Journal Entries Not Timely Submitted (Continued)

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

The States Attorney's Office does not have a design or adequate controls in place to ensure that the monthly statements, journal entry, and activity log are submitted to the Bureau of Accounting and Payroll Services in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Auditee's Response:

This office has received, discussed and are in agreement with the Audit findings presented by Ms. Johnson today. The office will continue to monitor our procurement card usage to ensure adherence to the administrative manual policies.

Finding #24 - Lack of Receipts

Condition:

During our audit, we tested the months of January and May for a cardholder and noted original receipts were not forwarded to the Agency Administrator for filing. We were able to note that the files had copies of receipts.

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

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Finding #24 - Lack of Receipts (Continued)

Cause:

The States Attorney's Office does not have the original supporting documents on file.

Effect:

The agency is not in compliance with the Small Purchase Procurement Card Program policies related to submission requirements for the procurement card information.

Recommendation:

We recommend that the Agency follow the Administrative Manual policies for storing the procurement files.

Auditee's Response:

This office has received, discussed and are in agreement with the Audit findings presented by Ms. Johnson today. The office will continue to monitor our procurement card usage to ensure adherence to the administrative manual policies.

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Police Department

Finding #25 - Journal Entries Not Timely Submitted

Condition:

During our audit, we tested 15 cardholders' monthly statements during calendar year 2017 and determined that 7 monthly statements, activity logs, and journal entries were not forwarded to the Bureau of Procurement in a timely manner, ranging from 2-4 months after receipt of the monthly statement.

Criteria:

Per AM 309-1: copies of the purchasing card statements, activity log (without receipts) and journal entry request must be forward both to the Bureau of Accounting and Payroll Service (for processing) and to the Small Purchases Procurement Card (PPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the individual Statement. (The originals and receipts remain with the Agency Administrator). In accordance with the Baltimore City Administrative Manual 301-9, copies of the monthly card statements, activity logs, and journal entries should be submitted to the Bureau of Procurement within 15 business days from the receipt of the card statement.

Cause:

The Agency does not have a design or adequate controls in place to ensure that the monthly statement, journal entry, and activity log are submitted to the Bureau of Procurement in a timely manner.

Effect:

The Agency is not in compliance with the Small Purchase Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that copies of activity logs, monthly card statements, and journal entries be forwarded to the Bureau of Procurement within 15 business days of the receipt of the monthly card statements.

Auditee's Response:

The Department agrees with the finding. We do get the receipts late (for example, payment to EZ Pass and we do get the statement a month late from EZ Pass). Our mailing address for our credit card statements are centralized and will delay in getting the statements to the respective card holders on various locations. The online statements will ensure the timely submission.

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Finding #26 – Non Allowable Charges

Condition:

During our audit, we reviewed 15 procurement card monthly statements for 10 cardholders during calendar year 2017 and noted payments in the amount of \$297.57 for sales tax were made to various vendors such as Best Buy, Chick-Fil-A, LifeTech, and the Baltimore Helicopter. It is the cardholder's responsibility to communicate to the vendor that the purchase is tax exempt so that sales tax is not charged to the card. Sales tax is an unallowable expense.

Criteria:

Per the Baltimore City's Administrative Manual, AM 309-1: the City is exempt from payment of State of Maryland sales tax. Cardholders which make the purchases must supply the City's tax exempt number to the vendor at the time of purchase. The card shows the City's tax exempt number on its face.

Cause:

The cardholders did not inform the vendors the purchases are tax exempt and therefore sales tax was improperly included in the transactions.

Effect:

The payment of sales tax increases unnecessary expense to the City.

Recommendation:

We recommend that the Agency cardholders ensure that charges be in accordance with the Administrative Manual, including assurance that card transactions do not include sales tax. We also recommend that determination be made whether the amount of \$297.57 be repaid to the City.

Auditee's Response:

The Department agrees with the finding. Some Vendors do not accept the Maryland Tax Exempt certificate. Most of the purchases are made/paid through online and the tax exempt number did not prompt at the time of purchases. We will try to get the tax be reimbursed from the State by submitting the form ST-205.

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Baltimore City Fire Department

Finding #27 - Journal Entries Not Timely Submitted

Condition:

During our audit, we tested August and November monthly statement, journal entry, and activity log for the cardholder and noted these items were not forwarded to the Bureau of Accounting and Payroll Services in a timely manner. These documents were submitted two 2 to 4 months after the required due date.

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

The Baltimore City Fire Department does not have a design or adequate controls in place to ensure that the monthly statements, journal entry, and activity log are submitted to the Bureau of Accounting and Payroll Services in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that the Agency follow the guidelines of the Administrative Manual.

Auditee's Response:

BCFD has reviewed the current findings from the City Department of Audits and concurs with the results. We have reviewed the finding and taken action on the one item tested and corrected the journal entry. We have also reviewed the current process and procedure with the new City accounting system which has better internal control over the review and approval processes for journal entries for the monthly City Credit Card system.

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Finding #28 - Inaccurate Journal Entries

Condition:

During our audit testing, we noted for statement month August 2017, the cardholder incorrectly posted journal entries as credits to budget accounts. The correct posting should have been a debit. The procurement credit cards account was debited. The correct posting should have been a credit. Department of Audits did not note any corrections posted for this entry.

Criteria:

Per AM-309-1: at the end of each monthly billing cycle, the Card Holder will receive and Individual Statement of transactions that were charges to his/her account for the period. It must be checked for accuracy against the Card Holder's Activity Log. If the statement is correct, a Journal Entry request is prepared according to agency procedures, debiting the budget account numbers recorded in the log and crediting object/sub-object 780. The journal entry total and the statement total should match.

Cause:

The Baltimore City Fire Department does not have adequate controls in place to ensure that the journal entries are appropriately posted.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures maybe over and under stated in the cost centers.

Recommendation:

We recommend that BCFD cardholders follow the guidelines of the AM-309-1. We also recommend that the above entry be reverse to represent the true activity.

Auditee's Response:

BCFD has reviewed the current findings from the City Department of Audits and concurs with the results. We have reviewed the finding and taken action on the one item tested and corrected the journal entry. We have also reviewed the current process and procedure with the new City accounting system which has better internal control over the review and approval processes for journal entries for the monthly City Credit Card system.

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Department of Public Works

Finding #29 - Journal Entries Not Timely Submitted

Condition:

During our audit, we noted the cardholder monthly statement, journal entry, and activity log, were not forwarded to the Bureau of Accounting and Payroll Services in a timely manner. Submitted documents for statement months January, June and September 2017 were late 1 to 2 months.

Criteria:

Per AM-309-1: copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

Department of Public Works does not have a design or adequate controls in place to ensure that the card holder's monthly statements, journal entry, and activity log are submitted to the Bureau of Accounting and Payroll Services in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that the activity log, monthly purchasing card statements, and journal entry be forwarded to the appropriate departments within 15 work days of the receipt of the monthly purchasing card statements.

Auditee's Response:

The Department of Public Works concur with the recommended findings as outlined in the attached Findings Discussion Sheet relative to DPW P-Card process. In response to the findings, DPW has instituted processes and procedures for the timely submission of p-card statements and documents to the appropriate departments for review, centralized the processing of all departmental journal entries for all procurement cards, and are working to ensure monthly statements, JEs and activity logs are submitted to the Bureau of Accounting and Payroll Services within 30 days. We have already submitted the appropriate monthly statement, JEs and activity logs for the periods 1/16/17, 6/15/17, and 9/15/17; therefore there are no journal entries that need to be created.

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Finding #30 - Lack of Proper Oversight Pertaining to Purchases

Condition:

During our audit of the 2017 Procurement Card statements, we noted the Agency Administrator failed to review and sign off on purchase log for statement month January 2017.

Criteria:

Per the Administrative Manual, AM 309-1: on a monthly basis, each Agency Administrator must verify employees' purchases by signing each employee's purchase log and monthly bank statements.

Cause:

The Agency lack proper oversight of purchases.

Effect:

Items may be purchased for personal use, not properly recorded and not detected by management.

Recommendation:

We recommend that the Department of Public Works adhere to the City's procurement card administrative policy.

Auditee's Response:

The Department of Public Works concur with the recommended findings as outlined in the attached Findings Discussion Sheet relative to DPW P-Card process. We concur with your recommendation. We will make every effort to ensure that the Agency Administrator signs off on purchase logs each month. Since we have not had a finding after 1/16/17, it is safe to assume this was clearly an oversight.

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Risk Management

Finding #31 - Non-Allowable Charges

Condition:

For the March 2017 statement, our audit test noted sales tax totaling \$5.39 from Home Depot which was not reimbursed to the City. The Risk Management Agency card holders are making purchases for goods and services that incurred sales tax charges. In addition, there was no receipt on file to support Home Depot charges of \$95.22.

Criteria:

Per AM-303-2: The City is exempt from payment of State of Maryland sales tax. Agencies which make direct purchases must supply the City's tax exempt number to the vendor at the time of purchase. Reimbursement will not be made for sales taxes paid. Also per AM-309-1, it is the Card Holder's responsibility to communicate to the merchant that purchases are tax exempt. Also, per AM-309-1, Card holders are accountable for every Small Purchases Procurement Card purchase, and each month must justify each purchase as being both necessary to City operations and in accordance with the Administrative Manual policy.

Cause:

The cardholder acquired sales tax charges not allowed by the City and the Agency administrator failed to follow controls mandated by the Administrative Manual.

Effect:

Unauthorized procurement card charges have a negative impact on the spending authority of the procurement card program.

Recommendation:

We recommend that the Agency cardholder ensure that charges be in accordance with the Administrative Manual. We further recommend the questionable charges be refunded to the City.

Auditee's Response:

Risk Management agrees with the findings. The Office was undergoing window replacement and we asked a Safety Officer in our Department to go to Home Depot to buy some plastic wrap to protect the Office Materials. The employee was fairly new and didn't know sales tax exempt issue with the City also, the receipt was miss-placed during the office disruption. Risk will attempt to recover the \$5.39 refund, however it may be difficult without a receipt.

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Finding #32 - Journal Entries Not Timely Submitted

Condition:

The cardholder monthly statement, journal entry, and activity log, were not forwarded to the Bureau of Accounting and Payroll Services in a timely manner. Submitted documents for statement months March and October 2017 were between 2 to 7 months late. Additionally, a cardholder's credit card transaction was not included with the March 2017 posting.

Criteria:

Per AM-309-1, copies of the purchasing card statements, activity log (without receipts), and journal entry request must be forwarded both to the Bureau of Accounting and Payroll Services (for processing) and to the Small Purchases Procurement Card (SPPC) Coordinator in the Bureau of Procurement (for oversight) within 15 work days from the receipt of the Individual Statement. (The originals and receipts remain with the Agency Administrator.)

Cause:

Risk Management does not have a design or adequate controls in place to ensure that the card holder's monthly statements, journal entry, and activity log are submitted to the Bureau of Accounting and Payroll Services in a timely manner.

Effect:

The Agency is not in compliance with Small Purchases Procurement Card Program policies. Expenditures are not properly reflected under the correct cost centers in a timely manner.

Recommendation:

We recommend that the Agency follow the guidelines of the Administrative Manual and account for the missing post.

Auditee's Response:

Risk Management agrees with the findings. The missing Home Depot receipt was explained in the response to the first condition. Additionally Risk Management will complete the monthly cardholder statement, journal entry and entry log monthly.

Finding #35 - Lack of Receipts

Condition:

The Department of Audits tested statement month March 2017 and noted an original receipt was not submitted by the cardholder. Additionally, receipts were not properly reconciled to the monthly cardholder statement or activity log.

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Finding #33 - Lack of Receipts (Continued)

Criteria:

Per Administrative Manual, AM 309-1: cardholders are accountable for every Small Purchases Procurement Card Program purchase and must justify each purchase as being both necessary to City operations and in accordance with the Administrative Manual Policy.

Cause:

The Agency lack proper oversight over purchases incurred with the Procurement Card.

Effect:

Items may be purchased for personal use, lost or stolen, and not detected by management.

Recommendation:

We recommend that Risk Management adhere to the City's Procurement Card Administrative Manual policy.

Auditee's Response:

Risk Management agrees with the findings. The missing Home Depot receipt was explained in the response to the first condition. Going forward, Risk Management will make sure that all receipts were are properly reconciled to the monthly cardholder statement or activity log.