Howard County, Maryland

Office of the County Auditor

PDQ-Card Program
Follow-Up
Audit Report

December 5, 2025

Contents

THE HOWARD COUNTY GOVERNMENT
Office of the County Auditor

MEMORANDUM

December 05, 2025

Memo To: The Honorable Members of the County Council
            The Honorable Dr. Calvin Ball, County Executive

From: *Chris Ashman*
            Chris Ashman, CPA, CIA
            County Auditor

Subject: PDQ Card Program Follow-Up Audit

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, the Office of the County Auditor conducted a follow-up audit of the PDQ Card Program. Please find enclosed the audit report which contains the findings and recommendations, and outlines the scope, approach, and methodology we applied in conducting the audit.

Our findings have been reviewed with the Chief Administrative Officer, and we have included the Administration's responses. We wish to express our gratitude to the management and staff of the Office of Purchasing for the cooperation and assistance extended to us during the course of the engagement.

CC: Council Administrator
Brandee Ganz, Chief Administrative Officer, County Administration
Dean Hof, Administrator, Office of Purchasing
Patrick Pope, Assistant Chief Administrative Officer, County Administration
Gary Kuc, County Solicitor, Office of Law

II.   Background

The Purchasing (PDQ) Card Program was established in 1997 to provide County departments with flexibility in making small purchases and to reduce paperwork and processing time for such transactions. Howard County's current provider is J.P. Morgan. Approximately 650 County employees are PDQ cardholders and spend over $2 million each month on these accounts. Rebate awards are received annually and deposited into the General Fund. The PDQ Program objectives are to decrease processing time and costs for small purchases of less than $10,000 and obtain supplies and services faster.

Each PDQ card purchase costs the County about $5, while a purchase order or check costs about $65 when staff time and other expenses are factored in. The County also receives an annual rebate from the issuing bank based on the amount spent.

The PDQ Card program is intended to benefit suppliers as well, with the objective of making payments in around 3 business days, instead of the 30 days required by the County's check issuing process. This is to eliminate or reduce post-sale invoicing or collection activities. Since County employees can make small purchases directly, there is no need for business owners to submit paperwork to be established as vendors in the financial management system. Department heads or their designees are required to determine those individuals who will be issued PDQ cards and to establish the monthly credit limit for each cardholder.

III.   Executive Summary

We conducted an audit of the Office of Purchasing's PDQ Card Program as a follow-up to the findings and recommendations included in the April 2016 report of the PDQ Card Program to evaluate the internal controls. In performing the audit, we gained an understanding of the workflow and processes related to PDQ card authorization, transaction execution, and recording. We interviewed Management personnel and staff, examined key supporting documentation, and executed walkthroughs of selected processes. We also carried out testing procedures that provided insight into the adequacy of the internal controls design and the operating effectiveness of those internal controls.

Our walkthrough and testing procedures yielded the overarching assessment that while management had made some improvement in their internal control procedures and

practices, they did not implement fully the recommendations provided from the prior audit of this area. The testing procedures we conducted disclosed the following findings below which are consistent with the prior audit findings.

a) Transactions were not always supported with a receipt, an itemized receipt or a Missing Receipt Form, resulting in $7,228.30 owed to the County for unsupported transactions.
b) PDQ cardholders split purchases to avoid transaction spending limits.
c) Purchasing did not enforce the practice of seeking reimbursement of Maryland Sales Tax in instances where cardholders erroneously paid sales tax above the $2 threshold, resulting in $205.95 in un-recovered funds due to the County.
d) Transactions approved after the established deadline were not reviewed for completeness and noted "reviewed" in SAP.
e) Cards recommended for closure by Purchasing due to limited or no use by the cardholder remained open without justification of remaining open being provided by the Departmental Director.
f) Agency Program Coordinators (APC) and Approving Officials (AOs) were not provided the guidance and training to effectively perform their role-specific Reconciliation and Approver responsibilities.
g) Purchasing did not instruct the AOs to verify that cardholders used contract pricing before approving a transaction.
h) Single Transaction Limits (STL) were not consistent with the limits outlined in the PDQ User Manual.
i) The duties over new PDQ cards are not segregated to prevent the possibility of misappropriations of the cards.

Management has acknowledged the findings and has indicated that measures will be implemented to address those findings.

IV. Objective

The objective of our audit is to review the status of the Administration's response to the findings and recommendations included in our prior audit report dated April 2016 and to validate that the recommendations were implemented.

V. Scope, Approach, Methodology

The audit focused on the Administration's responses to the findings and recommendations included in our prior April 2016 audit report of the Office of Purchasing PDQ Card Program and covered the period 1/1/2020 – 12/31/2021. In fulfilling our responsibilities and as part of our overall audit strategy, we performed procedures to:

a) Determine the status of the corrective actions as stated in the Administration's response; and
b) To validate that the corrective actions were implemented.

We conducted this performance audit in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We determined that the nature, timing, and scope of the audit procedures included but were not limited to:

a) Performed substantive and transaction testing, observation, inquiry, and analytical procedures
b) Determined the audit sample size
c) Correlated risk with nature, timing, and extent of testing
d) Designed multipurpose tests with a common sample to test several different controls and specific accounts or transactions

We planned the audit to reduce the audit risk to an acceptably low level. Planning was a continuous process throughout the audit. To address our audit objectives, we collected and reviewed key supporting documents containing suitable criteria and analyzed data relevant to our audit objectives. We also performed the following procedures:

a) Obtained copies of policies, procedures, and other guidance relevant to the department/program activities and conducted reviews to gain an understanding of the processes and key controls as it relates to the audit objective.
b) Reviewed laws, regulations, contracts, and agreements applicable to the operations of the PDQ Card Program to evaluate requirements, performance targets, expectations, and milestones.
c) Assessed the internal controls the department has in place to manage and monitor the program activities. Specifically, we determined whether all five

components of the standards for internal control in the County Government were significant to our audit objective: control environment, risk assessment, control activities, information and communication, and monitoring. We developed our audit plan to assess each of these control areas in determining how effectively the department manages the program oversight.

d) Obtained and analyzed data and reports used by the department to monitor and evaluate the effectiveness of the program oversight activities. We performed population validation procedures to assess the reliability of the data we received. We determined that the data provided was sufficiently reliable for the purposes of our audit.

e) Conducted interviews and walkthroughs with the department leadership and staff connected with the program activities in order to gain an understanding and assess the adequacy of internal controls.

f) Selected samples and performed testing procedures to evaluate the proper design and operating effectiveness of the internal controls over program monitoring and oversight.

Management is responsible for establishing and maintaining effective internal control. Due to inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

VI. Results

Finding 1: (Prior Audit Finding 2) Transactions were not always supported with a receipt, an itemized receipt or a Missing Receipt Form, resulting in $7,228.30 owed to the County for unsupported transactions.

Condition

We conducted a review of selected transactions to evaluate the adequacy of Management's subsequent measures to address the 2016 Audit Report issue of PDQ card transactions approved without requisite supporting documentation.

We reviewed 43 transactions obtained from Purchasing's Monthly Justification Memos (July 2020, March 2021, December 2021 and January 2022). In addition, we reviewed three transactions from the Annual Reviews (November 2018 and March 2019). These

reports identified transactions that did not have the requisite supporting documentation.

Based on our review, although SAP was subsequently updated with the requisite supporting documentation for 12 of the 43 transactions, no supporting documentation was received for the remaining 31 transactions. These 31 unsupported transactions represented a collected balance of $7,228.30. While we confirmed that the Purchase Card Administrator (PCA) contacted the cardholder to request them to submit the requisite support, the 31 transactions did not later have those receipts added nor a Missing Receipt Form added to support the transaction. In addition, supporting documentation was not provided for all three transactions in the November 2018 and March 2019 Annual Reviews.

Criteria

The "Responsibilities of the Cardholder" section of the PDQ Card Manual, last updated in February 2021, requires cardholders to document purchases and make sure that each transaction is supported with documentation that shows the items purchased, when the purchase was made, the cost of each item, and that payment was made. Examples of acceptable documentation included a receipt, an itemized receipt or a Missing Receipt Form.

Cause

The PCA conducted a monthly or annual review to spot check for potential missing receipts. However, this review was done after the purchase had been processed and approved. We reviewed the reconciliation workflow process and confirmed that PDQ transactions cannot be saved in SAP without attachments. However, SAP cannot differentiate which attachments were receipts/Missing Receipt Form or not.

Effect

Failure to validate transactions with itemized receipts/Missing Receipt Forms to support user transactions and County disbursements may result in erroneous and inappropriately authorized cardholder spending.

Recommendation

Management should ensure that all PDQ card transactions have the required documentation prior to entry into SAP. We recommend that APCs perform their responsibilities in reconciling the transactions to the requisite documentation prior to

submittance to the AOs for approval. Purchasing should also consider updating the approver responsibilities to include confirmation that each transaction is properly supported. Furthermore, Purchasing should implement infraction procedures that hold APCs/ AOs accountable for their performance.

Administration's Response

The Administration concurs with this finding. Purchasing will continue to remind all users that every transaction must be supported with an appropriate receipt.

Finding 2: (Prior Audit Finding 5) PDQ cardholders split purchases to avoid transaction spending limits.

Condition

The controls associated with splitting PDQ card purchases/transactions remained inadequate based on our review of 20 transactions that were identified by the PCA in the Monthly Justification Memos (July 2020, March 2021, December 2021 and January 2022) and Annual Review Memos (November 2018 and March 2019) as split purchases.

During our review, we found that 18 of the 20 instances where the PCA communicated to the cardholder that the transactions identified was a potential split purchase. However, no documented support was provided to validate that the transactions were not a split purchase.

Criteria

The Purchase Card User Manual revised in 2021 specified that "*the total amount of any purchase, including authorized tax or shipping and handling, must be within your single transaction limit (STL) and monthly limit. Cardholders may not split a large purchase to circumvent authorized spending limits, even if the vendor offers to do so. This includes:*

    a) *Splitting a large purchase into two smaller transactions on your card*
    b) *Splitting the total cost between two different PDQ cards*
    c) *Purposely placing two orders for smaller amounts over two days, or asking the vendor to charge the purchase in smaller portions over multiple days*

If your potential purchase is higher than your STL, contact your APC, who can advise you on the best way to complete your purchase. Paying multiple invoices to a contract vendor on the same day, for example, two separate class registrations for two employees, or three work orders at different sites, does not constitute a split".

Cause

Existing controls in place did not ensure that Cardholder transactions were validated/reviewed to identify potential split purchases. Reviews for potential split purchases occurred after the transactions were approved and the billing cycle ended. Cardholders were not required to attend PQD training that covers the prohibiting of split purchases.

Effect

The practice of splitting purchases may circumvent established controls which increases the potential risk for misappropriation and loss to the County.

Recommendation

We confirmed that Purchasing did update the Purchase Card User Manual revised in 2021. Purchasing should continue to complete reviews for split transactions frequently to ensure cardholders are not exceeding their limits. We recommend that AOs review transactions to identify, flag, and follow-up with the cardholder of potential split purchases. In addition, the AO should obtain written support to validate whether the transaction was a split purchase. In addition, the AO should be required to include a visible note in SAP to support the outcome of their review of the potential split purchase transaction.

We also recommend that in the instance of repeat offenders of split purchases, purchasing consider freezing the cardholder's ability to make purchases and require them to re-attend the user training and provide written certification that they attended the training and understand their responsibility before resuming the privilege to make purchases.

Administration's Response

The Administration concurs with this finding. Procurement will continue reviewing transactions on a monthly and annual basis to identify split purchases. We will continue to use our best judgement in determining whether a particular instance is a violation and encourage cardholders to reach out to the PCA for approval should they have any questions on how to proceed with a particular transaction.

Finding 3 (Prior Audit Finding 6) Purchasing did not enforce the practice of seeking reimbursement of Maryland Sales Tax in instances where cardholders erroneously

paid sales tax above the $2 threshold, resulting in $205.95 in un-recovered funds due to the County.

Condition

The Monthly Justification Memos (July 2020, March 2021, December 2021, January 2022) identified transactions for which the sales taxes were erroneously paid. The PCA communicated these errors to the cardholder.

In our evaluation of the controls, we identified 24 transactions with sales taxes of $2 or more. Of these transactions, Purchasing communicated nine of the transactions to the cardholders. In six out of the nine instances, the sales tax was reimbursed to the County. The remaining transactions not reimbursed totaled $205.95 in un-recovered sales tax due to the County. Although Purchasing was required to send reminders to cardholders in instances in which the sales taxes were less than $2, Purchasing confirmed that they did not perform this action.

Criteria

Per the P-Card Users Guide, Howard County is exempt from paying Maryland sales tax, and the exemption number is printed on the cardholders PDQ card.

Purchasing's response to the 2016 prior audit was that "*In cases where a cardholder is charged $2 or more in Maryland sales tax, the cardholder will be told that they must seek reimbursement from the vendor....Maryland sales tax charges under $2 will be spot-checked, with the PCA emailing cardholders to remind them of the requirement, although reimbursement will not be required.*"

Cause

The February 2021 Purchasing Users Manual was not formalized to reflect a sales tax threshold. Purchasing advised they did not and do not intend to publicize a sales threshold to users in order to prevent users from not checking for sales tax or not requesting that the sales tax be removed. Purchasing did not enforce reimbursement of sales tax from vendors within three months of being notified.

Approvers were not reviewing itemized receipts to ensure that sales tax payment were not made and, if made, requested reimbursement.

Effect

The County pays Maryland sales tax in error.

Management should evaluate the cost-benefit of implementing the practice of seeking reimbursement of Maryland sales tax of $2 or more. Should Purchasing justify the benefit in seeking reimbursement of the sales taxes, we recommend that Purchasing formalize in writing the procedures to mirror the internal practice of collecting the Maryland sales tax. In addition, Purchasing should update the 2017 Drafted Approver's Manual outlining their roles for Maryland sales tax.

Purchasing should consider requiring cardholders and approvers to attend role-specific training annually which covers the County's exemption of Maryland Sales Tax. The Administration should consider the approval of the 2017 Drafted Approver Manual.

Administration's Response

The Administration concurs with this finding. The Office of Procurement intends to formalize the value threshold to $5 or more. In cases where a cardholder is charged $5 or more in Maryland sales tax, the cardholder will be told that they must seek reimbursement from the vendor. The transaction must be cleared within three months of the original charge. Maryland sales tax charges under $5 will be spot-checked, with the PCA emailing cardholders to remind them of the requirement, although reimbursement will not be required.

Finding 4: (Prior Audit Finding 7) Transactions approved after the established deadline were not reviewed for completeness and noted "reviewed" in SAP.

Condition

Upon our review of transactions that were approved by AOs after Purchasing's deadline, we determined that for 7 of the 29 transactions reviewed, AOs did not include a note in SAP to certify their review and approval of the transaction.

During Purchasing's review, as indicated in their Monthly Justification Memos for the months of July 2020; December 2021; March 2021; January 2022; July 2022; and August 2022, the issues related to these seven transactions included:

a) Missing Receipt/ Itemized Receipt Missing Receipt Form
b) No business reason provided
c) No receipt confirming reimbursement to the County

Per the P-Card User Manual, two days before the reconciliation deadline, Finance and the PCA contact the APCs about any unreconciled or unapproved charges to check for issues and offer assistance. After the close of reconciliation, any charges still unreconciled and/or unapproved by the department will be brought to the AO's attention for late review and approval.

In the auditees response to Prior Audit Finding #7, they noted "*In conjunction with the Department of Finance, the PCA has instituted a new procedure to ensure that any unapproved document is reviewed and approved by the proper supervisor after the monthly deadline. After the month is closed, the PCA will contact the Approver directly and request that they review the document and its attachments in SAP and certify their review and approval by adding an SAP note to the document. This note will be viewable by anyone checking the document later, through the Notes and Attachments button.*"

Cause

Purchasing, along with the Department of Finance, established step-by-step procedures that were only shared with an AO in instances when the approval deadline was missed. These steps were not formally documented in any policies or procedures and were only communicated after an instance occurs. According to Purchasing, they prefer not to publicize these procedures as it may be seen as an option to approve transactions after the specified approval deadlines. There was no APC /AO Manual to provide guidance on APC/AO reconciliation and approver roles and responsibilities.

Effect

Not sharing the procedures associated with approving transactions after the deadline may result in issues relating to:

a) Unsubstantiated transactions
b) Unauthorized cardholder transactions
c) Duplicate or erroneous transactions

These issues create a risk of loss to the County.

Without an approved APC/AO Manual and training, APCs and AOs are unable to certify that they read and understood their roles and responsibilities. A lack of this understanding increases the likelihood that transactions will not receive proper review prior to approval.

Recommendation

We recommend pertinent training be developed and facilitated annually for all APCs/AOs. Additionally, Purchasing should track and maintain documentation of annual attendance at the training. We also recommend Purchasing update the 2017 Drafted Approvers Manual to include specified directives for transactions approved after the established deadline.

Following the development of the APC/AO Manual and facilitation of training, Purchasing should implement infraction procedures that hold APCs/AOs accountable for their performance. Purchasing should consider developing an "At-A-Glance" sheet for AOs that outlines the steps to review transactions inclusive of where and how to document things in SAP whenever applicable. Purchasing should also explore options with the SAP team regarding the ability to generate automated notifications to AOs when transactions are approved after the established deadlines.

Administration's Response

The P-card reconciliation deadline is independent from the Department of Finance's monthly closeout deadline and is often scheduled a business day or two prior to Finance's deadline. Documents reviewed by the regular approver between the P-card reconciliation deadline and Finance's monthly closeout deadline do not require additional approvals/notes in SAP as the regularly established approval procedures have been followed. If the Department of Finance is required to approve a document to meet their monthly closeout deadline, the Departmental approver would be required to review P-card transactions and make a note in SAP. The PCA will update the drafted Approver's Manual and re-request approval for distribution.

Finding 5: (Prior Audit Finding 8) Cards recommended for closure by Purchasing due to limited or no use by the cardholder remained open without justification to remain open being provided by the departmental director.

Condition

In our review of the Annual Compliance Memos, the PCA recommended to the respective department directors 76 PDQ cards for closure due to limited use or lack of usage. However, only 24 of the 76 PDQ card accounts were closed. For 36 of the remaining 52 cards, justifications by the respective departments to keep the PDQ cards open was not provided.

Additionally, we observed one instance in which Purchasing recommended a card closure. However, the department declined the recommendation and offered an alternative card to close. This offer was accepted by Purchasing as an alternative card closure in-leu of the initial one recommended for closure.

Criteria

The P-Card User Manual includes guidelines/conditions for closing a PDQ card account. The PCA reviews card usage periodically to identify accounts eligible for closure. The PCA provides a recommendation for closure when a card spending frequency is less than 5 times and the number of transactions are fewer than 25 or less than $100. However, Purchasing works with the departments to make the final decision. Purchasing obtains from the departments, written justifications for the cards to remain open.

Cause

Purchasing did not follow through on closing the PDQ cards when written justification for a card to remain open was not obtained.

Effect

The County may incur unnecessary costs, such as annual fees and other administrative fees, to maintain PDQ cards for which a business decision does not exist. There is an increased opportunity for theft or fraud when a minimally used card left open is not monitored regularly.

The issue triggering the recommendation for card closure is not addressed when the card remains open, even if another card is closed in-lieu of the initial card recommended for closure.

Recommendation

We recommend that Purchasing include in the P-Card User Manual, the criteria used to determine the cards recommended for closure to provide transparency when cards are closed for which justification was not provided by the department directors.

In addition, Purchasing should establish a deadline by which the respective department director should submit their written justification for a card to remain open.

The Administration concurs with this finding. The introduction of Departmental Cards has significantly decreased the number of inactive and underused individual cards. A review of the necessity of a number of p-cards within departments is currently underway.

Finding 6: (Prior Audit Finding 11) APCs and AOs are not provided the guidance and training to effectively perform their role specific Reconciliation and Approver responsibilities.

Condition

APCs and AOs were not equipped to effectively execute their specific roles. An APC/AO Manual similar to the User's Manual was drafted by the PCA, however, it was not approved. Purchasing personnel confirmed that training and related tests/quizzes have not been developed for the APCs and AOs detailing their role specific responsibilities. Although User Training was offered to the APCs and AOs, it lacked comprehensive overview of their roles. Additionally, Purchasing confirmed that attendance at the User Training by APCs, AOs, and Users were not tracked.

Criteria

As outlined in the P-Card User Manual, the PCA's responsibilities include providing training and refresher training to the APCs/AOs. In response to prior audit Finding #11, Purchasing advised "the PCA will write a new PDQ Approver's Guide, similar to the existing User's Guide. New approvers will be required to certify in writing that they read the Guide and understand their role and responsibilities."

Cause

Not having the 2017 Drafted Approvers Manual approved for distribution by the previous Administration, new AOs were unable to certify that they received and read the manual that provided a detailed understanding of their specific roles and responsibilities.

Training for the APCs and AOs was not developed and implemented. While APCs/AOs had the ability to attend User Training, the material (manual) did not cover training specific to APCs and AOs. Furthermore, Purchasing did not track any attendance to the User Training.

Effect

Having training but not requiring certification of APCs and AOs attendance at the training disallows people to successfully execute their responsibilities. Without an approved APC/AO manual and training, APCs and AOs are unable to certify that they read and understood their roles and responsibilities. A lack of this understanding increases the likelihood that transactions will not receive proper review prior to approval. Consequently, this may result in issues relating to:

   a) Unsubstantiated transactions
   b) Unauthorized cardholder transactions
   c) Duplicate or erroneous transactions

These issues create a risk of loss to the County.

Recommendation

We have reviewed the 2017 Drafted Approvers Manual and determined that it provides useful and in-depth information and tools relative to the approval and reconciliation of PDQ transactions beyond standard procedures covered in the User's Manual. We recommend that Purchasing develop and implement a separate and mandatory APC/AO training specific to their roles and responsibilities and require written certification of attendance to the training and understanding of the approved manual. Additionally, we recommend that Purchasing update and obtain approval of the 2017 Drafted Approvers Manual. The Administration should review the drafted manual in consideration of approval.

Administration's Response

The Administration concurs with this finding. The PCA will update the drafted Approver's Manual and re-request approval for distribution.

Finding 7: (Prior Audit Finding 12) Purchasing did not instruct the AO's to verify that cardholders used contract pricing before approving a transaction.

Condition

There were no procedures in place to provide AOs guidance to validate contract pricing used by the cardholders.

In response to our recommendation for Finding 12 in the 2016 prior audit, Purchasing's update to the PDQ Users Manual in February 2021 included guidance on contract

pricing. Specifically, *"If a contract for an item or service is in place, cardholders are expected to buy from that vendor."* Additionally, the PDQ Card Summary of Revisions 2016 included the following language - *"Cardholders should check to make sure they are receiving accurate contract pricing."* However, both the PDQ User's Manual and the PDQ Card Summary of Revisions 2016 did not include guidance on the AOs' contract pricing responsibilities to validate contract vendor pricing during the approval process.

Criteria

In response to Finding #12 in the 2016 PDQ Audit report, the Administration agreed to include this topic in the "PDQ User's Guide, the forthcoming PDQ Approver's Manual, and other guidance documents". They also indicated that the "Approvers will be asked to validate prices on a random basis during the approval process".

Cause

The 2017 Drafted Approvers Manual was not approved by the Administration at the time of its completion. In addition, the PDQ Card Summary of Revisions 2016 was not updated to reflect the AOs' contract pricing responsibilities.

Effect

There is a risk of increased costs for goods and services when the AO does not validate that the County obtained the contracted prices for their purchases.

Recommendation

The Office of Purchasing should consider updating the 2017 Drafted Approver's Manual and obtain approval from the Administration. The current Administration should consider the approval of the updated and drafted manual presented by Purchasing. This manual would allow for a concentrated version of the PDQ program policies while also highlighting AO only policies. In addition, we recommend that role-specific training be developed for the AOs as well as the APCs as they are the liaison between the cardholder and Purchasing. Purchasing should also retain written acknowledgement of AOs and APCs attendance and understanding of role-specific responsibilities covered at training as well as receipt of the approved manual.

In the interim of the approval of the 2017 Drafted Approver's Manual, Purchasing should issue a memo highlighting this policy to all AOs and APCs. Following the memo, a signed agreement should be returned by each AO and APC acknowledging their receipt and understanding of the policy. Purchasing should also consider requiring AOs to

make a viewable note in SAP during their review of transactions noting they have verified vendor contract pricing for the purchases they are approving.

Administration's Response

The Administration concurs with this finding. The PCA will update the drafted Approver's Manual and re-request approval for distribution.

Finding 8: STL were not consistent with the limits outlined in the PDQ User Manual.

Condition

The cardholder STL for the individual and departmental PDQ cards as reflected in the Account Limit Report were not consistent with the STL per the PDQ User Manual. To illustrate, the cardholders' STL threshold limits as reflected in the PDQ User Manual were set at $1,000, $2,500, $5,000 and $9,999. However, the STL limits for the individual and departmental cards ranged from $50 - $30,000.

Criteria

Per the PDQ User Manual for STL, the maximum a cardholder can spend on one swipe of the card, is set at $1,000, $2,500, $5,000, and $9,999. The $9,999 limit prevents the accidental purchase of assets.

Cause

Management did not provide sufficient oversight to validate that cardholders authorized STLs comply with Purchasing Policy.

Effect

There is an increased risk of cardholders using the PDQ cards in a manner not consistent with the parameters set out in the PDQ User Manual.

Recommendation

We recommend that Purchasing ensures that the cardholder approved STL is consistent with the parameters set out in the PDQ User Manual.

Administration's Response

The Administration concurs with this finding. Procurement is updating the User's Manual which will be published in the upcoming months.

Finding 9: (Prior Audit Finding 10) The duties over new PDQ cards are not segregated to prevent the possibility of misappropriations of the cards.

Condition

Pursuant to the 2016 Audit Report, we conducted follow-up/subsequent testing to determine the adequacy in the segregation of duties over certain PDQ processes. Our discussion with Management, testing, and evaluation of the respective processes, disclosed that controls over the request, opening, and distribution of PDQ cards were still inadequate. Specifically, we noted that the PCA was still responsible for requesting, opening and distributing new PDQ cards. Furthermore, the PCA also maintained a log of the receipt and distribution of these cards.

Criteria

Best practice, and as referenced in the *Greenbook* Section 10.01, recommends segregation of duties where Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

In response to the audit report finding, the Office of Purchasing planned on/indicated that shifting some PDQ card activities from the PCA to an additional resource would facilitate proper segregation of duties.

Cause

Office of Purchasing did not delegate an additional individual to segregate the duties relating to the request, opening, and distribution of the PDQ cards.

Effect

The risk of the PCA misappropriating funds still exists as Management has not yet adopted measures for segregating the PDQ card activities.

Recommendation

Implementing segregation of duties minimizes the risk that no single individual can both perpetuate and conceal mistakes or misconduct that may lead to potential losses to the County.

We recommend Management implement the segregation of the request, opening, and distribution of PDQ cards. Dividing PDQ card activities between multiple employees facilitates early detection of potential errors and fraud.

Administration's Response

The Administration concurs with this finding. Procurement has added an additional staff member to assist with the p-card program.

VII. Conclusion

Based on the results of the procedures performed, we have determined, for the audit periods under review, that the Office of Purchasing has not implemented all of the recommendations from the April 2016 audit report.