



June 8, 2018

## THIRD QUARTER P-CARD COMPLIANCE REVIEW

Project# March 31, 2018

### A Report to:

**Commissioners:**

Chair, Thomasina V. Rogers  
Vice Chair, T. Eloise Foster  
Fausto R. Bayonet  
Omar M. Boulware  
Howard A. Denis  
Chris Lawson

**General Manager/CEO:**

Carla A. Reid

**Corporate Secretary:**

Sheila Finlayson



**Washington Suburban  
Sanitary Commission**

### Internal Audit Office

14501 Sweitzer Lane  
Laurel, MD 20707  
(301) 206-8300

# WASHINGTON SUBURBAN SANITARY COMMISSION

## Interoffice Memorandum

**TO:** DAVID MALONE, CHIEF PROCUREMENT OFFICER  
PROCUREMENT DEPARTMENT

**THRU:** MAXENE BARDWELL, DIRECTOR, INTERNAL AUDIT  
INTERNAL AUDIT OFFICE *MB*

**FROM:** JAMES A. WALL, JR., SENIOR INTERNAL AUDITOR  
INTERNAL AUDIT OFFICE *JAW*

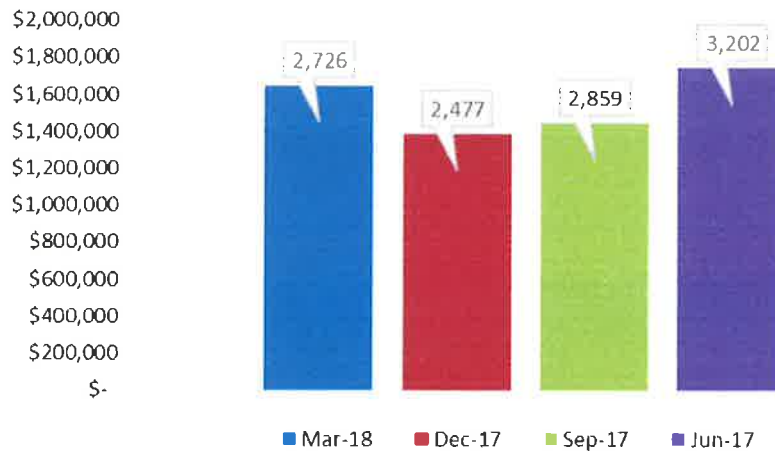
**DATE:** JUNE 8, 2018

**SUBJECT:** PURCHASE CARD PROGRAM COMPLIANCE REVIEW FOR THE THIRD  
QUARTER ENDED MARCH 31, 2018

### SCOPE AND OBJECTIVE

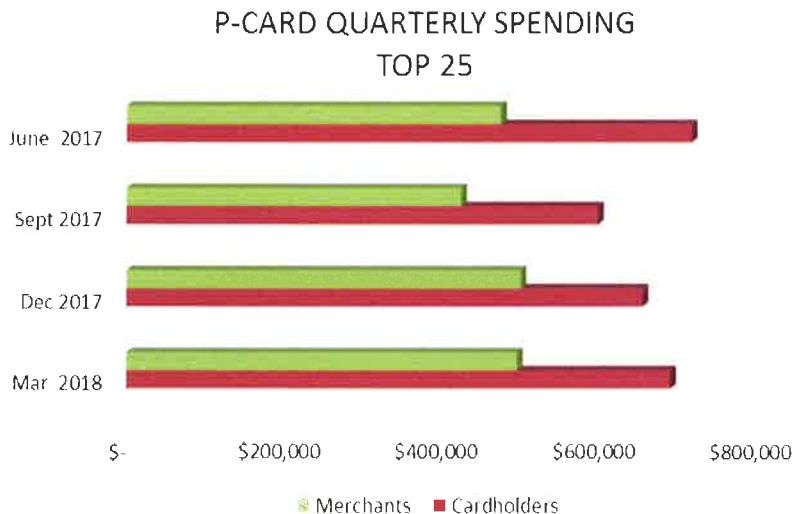
As a part of our continuous auditing process, we examined Purchase Card (P-Card) transactions for the third quarter ended March 31, 2018 for compliance with the Washington Suburban Sanitary Commission (WSSC) P-Card Policy. For the quarter ended March 2018, WSSC experienced a slight increase in P-Card transactions. There were 2,726 transactions totaling \$1,649,693 compared to 2,477 transactions in December 2017 totaling \$1,387,025. Compared to the same quarter last year of March 2017, the total number of P-Card transactions was 2,905 and the total dollar value of those transactions was \$1,698,971. This represents a slight decrease of 179 in transactions and \$49,278 in quarterly spending.

QUARTERLY P-CARD SPENDING



DAVID MALONE, CHIEF PROCUREMENT OFFICER  
PROCUREMENT DEPARTMENT  
PURCHASE CARD PROGRAM COMPLIANCE REVIEW  
FOR THE THIRD QUARTER ENDED MARCH 31, 2018  
JUNE 8, 2018  
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The top 25 cardholders accounted for 765 transactions or 28% of the total transactions, and \$691,164 or 42% of the total P-Card dollars spent during the quarter ended March 2018. Active cardholders purchased items from various merchants and the top 25 merchants accounted for \$496,410 or 30% of the total dollars spent by cardholders. Accordingly, among these 25 merchants, the number of cardholder transactions totaled 374 or 14% of the total number of P-Card transactions.



We developed our audit procedures and tests to identify instances of fraud, waste, and abuse. The scope for this quarter focused on internal policies and procedures, extended credit limits, and possible charges from terminated employees. Other substantive testing procedures included verifying proof of purchase and determining whether moveable assets were classified properly. We also expanded our audit procedures to include certain Level 3 data, which is analysis of detailed transaction data. We examined the merchant spend analysis, declined transactions, multiple vendors with common addresses, common addresses among WSSC employees and vendors, high dollar volume purchases from obscure vendors, and split transactions. We believe that these limited procedures will provide sufficient evidence to accomplish our overall objective to validate P-Card management controls and identify risk related areas of P-Card Policy non-compliance.

To accomplish these tests, we downloaded quarterly information directly from the TD Bank credit card system and imported the information into our data analysis software. We worked with the Disbursements Division to help research items and other issues related to compliance with the P-Card Policy.

## ***CONCLUSION***

During this quarterly review, we noted some observations, which may circumvent established controls and pose some risk to the P-Card program. We found observations relating to missing receipts and unreconciled statements. We would like to have management's response to the recommendations in the report on or before ***Tuesday, June 12, 2018***. Please forward your response directly to the auditor-in-charge for incorporation and presentation as a single document to the WSSC Audit Committee.

## ***OBSERVATIONS***

### **Observation #1: Missing Receipts**

#### ***Risk Rating: Low***

We noted four (4) instances out of the seventy-eight (78) transactions sampled where cardholders did not attach receipts for expenses incurred on their individual cards. The transactions totaled \$417. The P-Card Policy and Procedures Manual states, in part, that cardholders should "scan and attach all sales receipts and invoices and all other documentation to the monthly expense report as support for each transaction." When a cardholder is missing a receipt, the person is required to complete a "Missing Receipt" form and attach it to the statement. The form was not attached to these statements.

#### **Recommendation #1**

The P-Card Specialist should notify cardholders and approvers that a photocopy of receipts should be maintained and attached to monthly credit card statements. They should also be reminded to use the Missing Receipt form when there is no receipt to attach to the statement. Cardholders who consistently violate this procedure should be notified and reprimanded according to the policy. Without the supporting documents, the Disbursements Division will be unable to verify the purchase and may remit payment for a non-authorized transaction.

#### ***Management Response and Action Plan (including anticipated due dates):***

Procurement Management agrees with this finding. Great improvement has been made in the reconciliation process by the cardholders. Cardholders have improved when it comes to attaching receipts. Additional language has been added to the reminder emails that are sent to the cardholders. The language reminds cardholders to attach their receipts or the missing receipt form if receipts have been lost. The P-Card Administrator will continue to educate and train the cardholders on the process of attaching the Missing Receipt form for lost receipts.

**Observation #2: Credit Card Statements Are Not Reconciled**

***Risk Rating: Low***

We noted one (1) instance out of the seventy-eight (78) sampled where cardholders did not reconcile their credit card statements. The sample total from the unreconciled statements was \$811. The P-Card Policy requires cardholders to reconcile their monthly expenses and match their purchase receipts with the dollar transactions on the credit card statement. Once this procedure is completed, the credit card statement is sent to the approver for validation.

**Recommendation #2**

The P-Card Specialist should consider sending these cardholders and their approvers a notice letter pursuant to the P-Card policies and procedures. If credit card activity is not reconciled, then WSSC may be susceptible to fraudulent or inappropriate purchases not allowed by the policy.

***Management Response and Action Plan (including anticipated due dates):***

Procurement Management agrees with this finding. There are Approvers that do not approve in a timely manner. Emails are sent to the Approvers to remind them to approve the expense reports by the 20th of the month. The P-Card Administrator will send a reminder email on the 10th of the month and again on the 18th of the month to help alleviate this issue. The Team Chief will be cc'd on the email sent on the 18th to reinforce the seriousness of approving the expense reports in a timely manner. Progress in the approval process has been made since the monthly emails have been sent.

**Attachment**

cc: GM/CEO, (C. Reid), w/o attachments  
Deputy General Manager, Administration, (T. Street), w/o attachments  
Chief Financial Officer, (J. Beach), w/o attachments  
Operations & Administration, Acting Division Manager, (T. Gilson), w/attachments  
Disbursements Division Manager, (J.D. Noell), w/o attachments  
Accounts Payable Section Manager (P. Edwards), w/o attachments  
Procurement Card Specialist (T. Roland), w/attachments

**Morris, Lucretia**

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**From:** Bardwell, Maxene  
**Sent:** Thursday, June 07, 2018 8:49 PM  
**To:** #Executive Leadership Team  
**Cc:** #Internal Audit; Dorsey, Angelique P  
**Subject:** Delegation of Authority for Maxene Bardwell, Director of Internal Audit

*I will be out of the office on Friday, June 8, 2018. My Authority is delegated to Dana Whiting, Internal Audit Division Manager.*

*Maxene Bardwell, CPA, CIA, CFE, CISA, CRMA Director of Internal Audit*