

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 17, 2021

MEMORANDUM

To: Dr. Eugenia (Jeanie) S. Dawson
Chief of Finance and Operations

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit 

Subject: Request for JP Morgan Purchase Card Audit at Department of Transportation

On September 17, 2021, the Internal Audit Unit (IAU) was contacted by the business service analyst in the Procurement Unit. The Procurement Unit indicated that they had concerns about the high card limits of a particular cardholder. They also had concerns about the amount of furniture and equipment being purchased on this employee's two JP Morgan purchase cards (card). The Internal Audit Unit and the team leader of the Procurement Unit brought these concerns to your office and the decision was made to suspend the cardholder's cards until there was further investigation. At that point, the director of the Department of Materials Management, Mrs. Rachel C. Dubois, Office of the Chief of Finance and Operations, officially requested an audit be conducted to review these purchases. On September 23, 2021, Mrs. Dubois requested the IAU to evaluate compliance with policies, regulations, and procedures for purchase card usage at the Department of Transportation. The Montgomery County Public Schools (MCPS) Purchasing Card Program streamlines the process for making low-dollar purchases that are necessary for MCPS operations. It is the preferred method of procurement for all small purchases that are not on a bid list and cost \$100 or less. Each card is attached to a specific account and all charges will flow to that cost center. Each purchasing card is assigned a pre-established transaction limit and monthly limit. Use of the purchasing card does not relieve the cardholder from complying with all MCPS regulations, the procedures in the *MCPS Procurement Manual*, or the *MCPS Financial Manual*.

On October 21, 2021, the Internal Audit Unit (IAU) visited the Department of Transportation to begin the field work on the audit of the card usage. We found one cardholder had a \$200,000 transaction and monthly limit. We also found that large amounts of furniture and equipment were being purchased on a cardholder's card. MCPS has established procedures for purchases of furniture and equipment. These types of purchases must go through the Procurement Unit and be on a purchase order. The purchase of furniture and equipment is prohibited on the card. The cardholder had been notified in March 2021 that the purchase of furniture and equipment were prohibited on the card. We found that furniture and equipment continued to be purchased on the card up until August 2021.

The approval process steps for the purchase cards is that at the beginning of each month, approving officials review the Transaction Pending Review/Approval report on the PaymentNet website to determine if all cardholders have reviewed their monthly transactions. The approver must verify each cardholder has submitted their monthly report for approval, with receipts attached, within five (5) working days from the end of the reporting period. They will then review all cardholder's transactions on the PaymentNet website and compare transaction details to receipts. The approver must verify cardholders have included all required information in the Transaction Notes box. Once the approver has completed the above steps for each cardholder, they will check the approved box and save. Reconciliation of cardholder's monthly report must be completed within 10 calendar days of receipt. All documentation must be retained for five (5) fiscal years, for future reference and audit. We found these essential internal controls were not being done for most cardholders. We noted most cardholders did not provide the approver the statement of account landscape, with receipts attached. One cardholder printed out two years' worth of reports the day before we started our audit. We found that not all receipts were attached to these reports to show what was actually purchased. We also noted that cardholders were using cards attached to various budgeted accounts incorrectly. It is recommended that you follow the guidelines outlined in the procurement manual for approval of all transactions.

In the review of purchase card transactions, we found that gift cards, and various other items that appear to be personal in nature, had been purchased using budgeted funds attached to two different cards. We also noted that this cardholder had a large number of items shipped to the employee's home address instead of to an MCPS office. Three gift cards were purchased, and according to the cardholder, one gift card was lost before the card could be used. There were no receipts to verify purchases made on any of these cards. We recommend that the cardholder be required to repay MCPS for the gift cards. We strongly recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

MJB:lsh

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