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**INDEPENDENT INTERNAL AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
Kathryn Anderson, Purchasing Manager
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Purchasing Manager, on the Procurement Card Program (P-Card Program). Procurement Division's management is responsible for the Procurement Card Program. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The WORKS Platform through the Bank of America Merrill Lynch handles the administrative duties associated with the VISA P-Card Program. Cardholders are responsible for ensuring documentation is uploaded into WORKS for each purchase made. To perform procedures detailed below, an Excel data file was created by exporting transactions from WORKS within the fifteen-month period 4/1/2017 to 6/30/2018. The total number of transactions was obtained from WORKS and compared to the total transactions in the data file to ensure completeness of the data file used for testing. The total number of transactions available for sample selection amounted to 6,257.

Specific fields within the WORKS inquiry screen and the data file were used to test compliance with specific purchasing policies where applicable. The merchant category code (MCC) listing was also utilized to select a population of specific types of transactions for testing. Samples were selected at random based on auditor's judgment. In addition to specific testing done through WORKS' inquiry screens, a sample of 125 transactions was selected to test for compliance with procedures below. Specific WORKS fields used to select samples included the uploaded receipt filter, and the Excel data file fields for manager signoff, purchase date, and the item tax. MCCs used to select specific samples included airline tickets, lodging, and dining/food/restaurants.

The selection of 125 transactions is comprised of the following sample sizes:

- Weekend purchases 10
- Airline tickets 5
- Lodging 10
- Sales Tax 10
- Food/dining/restaurants 15
- General transactions 75

Transactions selected were tested using procedures listed below for:

- Uploading of adequate supporting documentation into WORKS.
- Electronic signature of an authorized supervisor in WORKS.
- Purchases from an approved vendor.
- Split purchases.
- Propriety of purchases based on:
 - Compliance with specific County policy for the type of purchase.
 - Compliance with cardholder transaction limits.
 - Exemption from sales tax.
 - Use of a correct Org and expenditure account.
 - Accuracy of invoice calculation and agreement to total amount of transaction.

Procedures and Findings

1. **Procedure:** Determine if p-card transactions have appropriate documentation, are properly approved, and comply with the purchasing cut-off date for 2017.

Findings: The WORKS inquiry screen indicated that there were nine charge transactions that did not have supporting documentation uploaded in WORKS. The detailed testing showed an additional 20 transactions for which the uploaded documentation was not complete, appropriate or adequate.

Of the 125 transactions selected for testing, there were 20 that were approved by a proxy authorized signer that was not on the Fiscal Affairs authorized signer list. Of these 20 transactions, the appropriate authorized signatures were present on the uploaded documents in 11 instances. The authorized signatures were missing on the remaining nine instances of uploaded documents.

While working with the WORKS system, it was observed that the Manager Signoff field had entries of "auto-signoff" which is an automatic, system-generated approval instead of an actual authorized supervisor approval in WORKS. This was due to improper set up of eight cardholders, and involved 102 transactions. Procurement staff detected the error and corrected it prior to the start of this engagement. It was also observed that the Manager Signoff field was blank for 19 transactions.

Transactions were filtered for purchase dates subsequent to the end-of-year purchasing cut-off date of 11/17/2017. There were a total of 242 transactions occurring after this date. A sample of ten transactions was selected at random for testing. Six of these 10 transactions were approved but did not have the approval uploaded with the receipts. One transaction did not have the Director of Fiscal Affairs approval as required. One transaction was approved in

WORKS by a proxy authorized signer; but this individual was not on the Fiscal Affairs authorized signer list. There was an authorized signature on the uploaded documentation.

2. **Procedure:** Determine if p-card transactions are in compliance with purchasing policies with respect to, but not limited to split purchases, high-dollar purchases, sales tax, gift cards, weekend purchases, etc.

Findings: Based on the sample selection of 125 transactions and the compliance areas to be tested per details listed above, the following was detected:

- See Procedure 1 for details on findings for uploaded documentation and proper approval.
- For transactions that had adequate uploaded documentation, it was determined that:
 - Two of the transactions were not made from an approved vendor.
 - Four transactions included a charge for sales tax.
 - Purchases appeared proper for the Org and expenditure account.
- Amounts charged were within the cardholder's transaction limits.
- One uploaded invoice detail did not agree to the total of the charge transaction.

There were a total of eight gift card transactions within the population of transactions tested. One lacked proper approval. Seven had proper approval but the approval was not uploaded into WORKS. None of these gift cards were for the benefit of County employees.

There were a total of 438 transactions occurring on weekend days. Ten transactions were selected for testing. All transactions tested have valid reasons for the purchase being made on the weekend. It was discovered that one of these transactions was inappropriate, however, as the p-card was used to pay a \$25 baggage fee of a spouse of an employee while traveling together. The County was not reimbursed by this employee who is no longer employed at the County.

Within the testing period, there were 19 transactions involving air travel. Five transactions were selected for testing. One of these was an inappropriate charge involving air travel of a spouse of an employee while traveling together. This charge was detected by Fiscal Affairs and the employee reimbursed the County for the air fare of the spouse. This transaction is related to the transaction detailed above for weekend purchases. It was noted that County policies and procedures do not address travel when the spouse accompanies an employee. None of the uploaded receipts in WORKS for the transactions tested indicated that first class tickets were purchased. Based on documentation uploaded in WORKS, it could not be determined if tickets were purchased at the lowest air fare possible.

3. **Procedure:** Determine if employee meal purchases via p-card transactions are within the County's reimbursement levels, that alcohol was not reimbursed, and that the transactions meet the work-home location guidelines per County policy.

Findings: MCCs were used to arrive at transactions that could be meal related for testing purposes. This yielded 889 transactions. From this group, 15 transactions were selected for testing. Of these 15 transactions, one was a gift card purchase and one was for a non-food item. Three transactions for meals while traveling exceeded the Human Resources policies and procedures meal allowances.

Of all transactions tested, there were a total of seven that were for meals purchased that did not involve any travel. These types of meal purchases are not covered in County policies and procedures.

For meal purchases tested that had adequate documentation uploaded into WORKS, there were no charges for alcohol. Four transactions involving meal purchases lacked adequate documentation to determine if alcohol was included.

4. **Procedure:** Determine if hotel stays are in compliance with County policy and, if possible, whether government rates were obtained.

Findings: The MCCs were used to select transactions for hotel stays. This yielded 473 transactions from which 10 transactions were selected for testing. Based on the documentation uploaded into WORKS, it could not be determined if government rates were charged for any of the hotel stays since the type of room rate was not listed on the documentation and discounts, if any, were not included in the details. Of the transactions tested, lodging was for travel that exceeded 50 miles and no other charges were listed on uploaded documentation.

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Procurement Card Program. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Richard J. Szulborski
County Controller



Kathleen A. Kuzma, MBA, CPA, CGMA
Lead Auditor

July 25, 2019

cc: Stephen Barron, Director of Fiscal Affairs
Elizabeth Kelly, Director of Human Resources