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Agreed-Upon Procedures  
Report

**PROCUREMENT  
CARD PROGRAM**

As of August 31, 2020

**Office of the Controller  
County of Northampton  
Pennsylvania**



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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  
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by the Purchasing Manager, for the Procurement Card (P-Card) Program for the eight months ending 8/31/2020. Procurement management is responsible for the P-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 that appropriate documentation is uploaded into Works for each purchase made. Supervisors that are designated authorized signers for vendor invoices must approve the transactions in Works before the County can make a payment to Bank of America.

**Procedures and Findings**

1. **Procedure:** For the period under review, report the total number of approved transactions that do not currently have an uploaded receipt in the Works system. Provide a list to the Procurement Division.

**Findings:** Transactions in Works were obtained for the period 1/1/2020 to 8/31/2020. There were a total of 3,935 transactions, of which three transactions were missing the uploaded receipts, although management approval was noted. Procurement was given the list of these transactions. The Purchasing Manager explained that two of these were for transactions that receipts would not normally be available. These were identified as follows: 1) a fraudulent transaction in which the County received the proper credit (the card was deactivated and a new card issued) and 2) an international tariff on a previous transaction (the original purchase transaction had the proper uploaded documentation). The third transaction was for a purchase made due to COVID-19 in which the receipt was not uploaded in Works before manager approval.

2. **Procedure:** Create a data file in Works for all transactions between 1/1/2020 to 8/31/2020 and export to an Excel file. Compare the exported file to the total population in Works to ensure the validity of this Excel data file that will be used for further analysis. Report the total number of transactions for the period to Procurement.
  - a. Using techniques available in ACL data analytic software, attempt to identify statistical anomalies in the data file. Investigate the reason for the anomalies and report whether evidence was found that these were caused by an intentional attempt to circumvent the Procurement policies and procedures.
  - b. Provide a list to the Procurement Division of these statistical anomalies.

**Findings:** A data file was created from transactions in Works for the period stated. This data file was verified to the total population in Works and was deemed to be complete. The total number of transactions in Works for the period from 1/1/2020 to 8/31/2020 amounted to 3,935 of which 3,733 were purchase transactions. The balance of the transactions were payments to Bank of America and credit transactions.

Using ACL data analytic software, we used a technique known as Benford's Law to investigate transactions. This involves analyzing either the first digit or the first two digits of each transaction and plotting the results on a trend line. Studies have shown that if the data is truly random, the digits 1 – 9 should roughly fall along a predictable occurrence curve. When data is plotted against the expected curve, major fluctuations could indicate that the data was not truly random and could be an indicator of possible fraud or an intentional attempt to circumvent County policies such as purchase thresholds.

We performed a test of the leading first digit for transaction amounts; no significant anomalies were found as this digit followed the expected trend line. We then expanded our testing to analyze the leading two digits for transaction amounts. There were unexpected fluctuations in the results for several combinations of numbers. The individual transactions that made up the population for these number combinations were obtained and exported to Excel files. These lists were given to the Purchasing Manager. It was determined that there was no indication of intentional attempts to circumvent the Procurement policies and procedures.

3. **Procedure:** Using ACL data analytic software, compare Human Resource (HR) files of terminated employees to the current cardholder list. Report names found for terminated employees with active p-cards to Procurement and HR.

Using ACL data analytic software, compare the termination date of p-card holders in the HR file to the list of transactions for the period in the Works data file under review to determine if charges were made with terminated employee p-cards after their termination date.

**Findings:** There were no terminated employees on Procurement's active cardholder list. There were also no transactions found for cardholders with purchase dates after their termination date.

4. **Procedure:** Inquire as to the Procurement cut-off date for 2019. Create a data file from the Works system for transactions between the cut-off date and 12/31/2019 to identify purchase transactions that were made after the cut-off date. Select a sample of 10 transactions and inspect the uploaded receipts to determine if proper approval was received to make the purchase after the cut-off.

**Findings:** The purchase cut-off date for 2019 was 11/15/2019. A data file was created for transactions in Works between 11/15/2019 and 12/31/2019. There were a total of 481 transactions after the cut-off date. This data file was uploaded to ACL data analytic software and the cost centers for 24/7 operations were removed since they had blanket approval to make necessary purchases after the cut-off date. The total number of transactions after the cut-off date was reduced to 287 for all other cost centers. Uploaded documentation for the 10 transactions tested was obtained from Works. Only one of the 10 transactions tested had the appropriate approval uploaded to Works with the transaction receipt.

5. **Procedure:** Inspect the created data file for 1/1/2020 to 8/31/2020 for fixed asset purchases by performing the following:
- Obtain a list of the fixed asset thresholds for the various cost centers from Fiscal Affairs.
  - From the data file created and uploaded to ACL, run queries to determine if purchases were made for items that exceeded the asset thresholds.
  - Select a sample of 10 transactions that resulted from the queries. From the uploaded receipts, determine if the purchase is a fixed asset. If so, inquire of Fiscal Affairs to determine if the information is included in the fixed asset list.
  - Provide the complete list to the Procurement Division.

**Findings:** ACL data analytic software was used to merge the listing of fixed asset thresholds with the data file from Works. From this merged file, a listing was produced for all transactions that exceeded the fixed asset threshold for each cost center. There were 116 transactions with amounts exceeding thresholds. This complete list of transactions was given to the Procurement Division. A randomizer selection tool was used to select a sample of 10 transactions to test from this list. None of the 10 transactions selected for testing were for items that are considered fixed assets.

6. **Procedure:** Using ACL data analytic software, and specific test criteria created for each type of transaction, analyze the created data file for 1/1/2020 to 8/31/2020 for the following:
- High dollar purchases over \$5,000 to determine, from uploaded receipts, if the proper quotes were obtained.
  - Split purchases to determine from uploaded receipts if transactions were structured to circumvent the Procurement policies and procedures transaction limits.
  - Purchases made on the weekend for divisions that are not 24/7 operations to determine if transactions were appropriate for the cardholder with respect to their normal working hours.
  - Select a sample of 10% of total transactions or 10 transactions from each group, whichever is greater.

Report to Procurement any adverse issues related to this analysis. Provide a copy of the complete lists of transactions for the above to the Procurement Division.

**Findings:** For high dollar purchases, the data file was filtered for only those transactions that exceeded the \$5,000 threshold requiring three written quotes. There were a total of eight transactions that met that criteria. This list was forwarded to the Purchasing Manager who provided explanations. Since all of these were related to the Declaration of Disaster Emergency, the requirement for three written quotes was waived per Council's resolutions.

For split purchase transactions, the data file was sorted by cardholder, vendor and purchase date. Transactions were analyzed by looking for cardholders that made purchases with the same vendor on the same or subsequent days. This was done manually by scanning the data file taking into account the single transaction limits for each cardholder. Uploaded documents were obtained from Works. There were eight transactions identified as possible split purchases. Of these eight, two were actual split transactions but were due to COVID-19 to acquire the needed personal protective equipment for the County during the Declaration of Disaster Emergency. The list of tested transactions and the complete, sorted data file were forwarded to Procurement.

The day of the week was added to the data file to compile a listing of transactions that occurred with a purchase date on a Saturday or Sunday. Since 24/7 operations are authorized to make purchases on the weekends, these cost centers were removed using ACL data analytic software. This resulted in a data file of weekend purchases of 175 transactions. A random sample of 10% or 10 transactions, whichever is greater, was selected for testing yielding 18 transactions. Uploaded documents were obtained from Works. It was discovered during testing that the purchase date was the date the p-card was charged. Of these 18 transactions, 17 had an actual order date between Monday and Friday. For the final transaction, no order date was documented on the uploaded receipt but the purchase was job-related. The complete list of transactions was provided to Procurement.

7. **Procedure:** Using ACL data analytic software, select a random sample of 50 transactions for testing from the created data file for 1/1/2020 to 8/31/2020 and analyze the transactions selected to determine if purchases adhere to the following Procurement policies and procedures:
- a. Appropriate documentation was uploaded into Works.
  - b. Purchase is for job-related goods and services.
  - c. No sales tax was paid.
  - d. Posting in Works was to an appropriate Org (cost center) and expenditure account.
  - e. Transaction has proper approval by an authorized signer.
  - f. All travel expenditures are in compliance with the current Travel, Meal, and Mileage Reimbursement Policy as stated in the Employees Policies Manual.
  - g. Gift card purchases have the proper approval.

**Findings:** Appropriate documentation was uploaded to Works for 49 of the 50 transactions. The documentation for the final transaction was obtained by our office during testing, but can no longer be uploaded to Works.

Based on the documentation uploaded in Works, 49 of 50 transactions appear to be job-related goods and services. There was one item totaling \$133.90 for a food purchase that is not covered in the HR Employee Policies Manual. This transaction was not a meal

reimbursement. The business purpose was not documented on the uploaded receipt so it could not be determined if it was job-related. We did note that the transaction was approved by a supervisor.

Sales tax was charged and paid in five of the 50 transactions tested. Sales tax for three of these five were each below \$0.50. The other two items had sales tax of \$9.00 and \$7.38 (8% Phila. tax rate). It could not be determined if a refund of sales tax was attempted as per policy.

All transactions appear to be posted in Works to an appropriate cost center based on the uploaded documentation. However, one of the 50 transactions (the food purchase listed above) was posted in Works to an unrelated expenditure line item, Office Supplies and Forms.

Proper approval was present for 49 of 50 transactions tested. One transaction was approved by an individual who was authorized to sign for the division but was not on the Fiscal Affairs list of authorized signers for that particular cost center.

There were no travel related or meal reimbursement transactions in the sample selected for testing. There were two transactions for in-house food purchases. It was noted that there is no HR policy for in-house food purchases.

There were no transactions for gift card purchases in the sample selected for testing.

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 P-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.



Tony E. Bassil  
County of Northampton Controller  
Easton, Pennsylvania



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

November 5, 2020

cc: Stephen J. Barron, Director of Fiscal Affairs  
Kathryn Anderson, Purchasing Manager