



OFFICE OF THE COUNTY EXECUTIVE

Isiah Leggett  
County Executive

Timothy L. Firestine  
Chief Administrative Officer

MEMORANDUM

March 9, 2016

TO: Edward L. Blansitt III, Inspector General

FROM: Timothy L. Firestine, Chief Administrative Officer *Timothy L. Firestine*

SUBJECT: Response to Recommendations from OIG Audit Report on Purchase Card Policies and Procedures of the Montgomery County Government

Attached please find the Executive Branch response to the report on Purchase Card Policies and Procedures of the Montgomery County Government issued by the Office of Inspector General (OIG).

If you have any questions relating to the attached, please contact Joseph F. Beach, Director, Department of Finance, at 240-777-8870, or Karen Q. Hawkins, Chief Operating Officer, Department of Finance, at 240-777-8828.

Attachment

cc: Mollie N. Habermeier, Assistant Inspector General  
Joseph F. Beach, Director of Finance

Attachment

**Executive Branch Response to Recommendations from  
Audit of Purchase Card Policies and Procedures of the Montgomery County Government  
Conducted by the Office of Inspector General (OIG)**

**Dated March 2016**

**Recommendation 1 – Approver Workload:**

The County government should annually review approver workload, and based on that review add approvers and/or redistribute the workload among approvers.

**Executive Branch Response:**

The County concurs with the OIG observation that the number of cards for which an approver is responsible for review must allow the card charges to be thoroughly reviewed on a timely basis. The County also agrees that the appropriateness of a particular approver to cardholder ratio depends on factors such as the volume of card activity and the organizational structure.

As noted in the report, the P-Card program already incorporates an annual review and certification of cardholders by department directors. The P-Card Administrator, during training of department liaisons, reviews the critical role of approvers – the scope and nature of their responsibilities – and the importance of approvers being able to fully execute their P-Card responsibilities. This is also reinforced regularly in conversations with the department liaisons.

The Department of Finance will evaluate the feasibility of providing cardholder activity statistics, by both cardholders and approvers, to department directors annually for their use in determining changes needed to assigned cardholders or approvers. Finance will also plan to work with departments whose approver workload may be excessive, based on factors such as non-timely reviews and non-compliance with program policies.

## **Recommendation 2 – Monitoring and Use of Level 3 Data:**

The County government should implement a program of audits of compliance with purchase card policies and regulations, integrated with regularly scheduled data analysis using Level 3 detailed transaction data. We believe this would be consistent with the spirit of the recommendation of the 2012 internal audit report.

## **Executive Branch Response:**

The County continues to agree with the benefits of more extensive audits, and is strongly committed to performing regular reviews, audits and additional formal monitoring of P-Card transactions.

To help accomplish this goal, the department has taken several actions since the 2012 audit:

- Temporary Resources – Finance was able to reallocate a part-time staff resource for a portion of 2014 and 2015 to perform more extensive reviews and monitoring of P-Card activity, but this reallocation was not sustainable.
- Contract Services – In 2014 and 2015, Finance conducted a proof of concept, and attempted to execute both a bridge contract and a non-competitive procurement for data mining services on our accounts payable and P-Card transactions including Level 3 data, but was unsuccessful in both attempts.
- In-House Reporting Tools – Ultimately, Finance and the Enterprise Resource Planning (ERP) office then began a project to internally develop Business Intelligence (BI) reports that would provide for the types of data analysis described in the OIG's report. The initial reports are being developed based on the P-Card data currently available in the Oracle system. Finance anticipates having initial reporting tools available for use in daily operations, by the beginning of FY17. Finance and ERP then plan on determining if additional fields of data from the P-Card system can be pulled into Oracle for expanded reporting capabilities. This phase will involve additional considerations such as data confidentiality.
- Permanent Resources – During late FY15 and into FY16, Finance has been working on reorganization opportunities designed to enhance the resources available for audits, reviews and compliance monitoring procedures, including those over the P-Card program policies and procedures, and its Level 3 detailed transaction data. Loss of several employees anticipated to staff these programs has impacted the timeframe to implement. We currently anticipate final decisions being reached and implementation to begin by the end of FY16.

Finance expects that full implementation of the last two initiatives described above, already in progress, will provide for a regular program of audits and some expanded data analysis using Level 3 detailed transaction data. To be able to most effectively and efficiently perform the type of regular data analysis recommended, Finance will also reevaluate data analysis tool options available in the industry, and any related procurement and/or budgetary actions required to acquire such tools.

**Recommendation 3 – OIG Analysis of County Data:**

The County should update its purchase card manual related to food expenditures, possibly to consider guidelines for reimbursement of meal purchases at meetings and after work hours, which are in the County's administrative procedures for local and non-local travel.

**Executive Branch Response:**

The County believes the purchase card manual reflects current business practices. The County also concurs that guidance in the manual related to food expenditures could be updated to be clearer.

The original P-Card manual language was drafted specifically taking into account both existing County policy including the Administrative Procedures referred to in the OIG report, and department operational and program requirements. While the Administrative Procedures generally communicate policy from the perspective of what is allowed, the P-Card manual over time was updated to help provide additional clarifying guidance regarding what was not allowed. This balance between the two, and the different perspectives, may have unintentionally resulted in areas that require additional clarification.

The Department of Finance will plan to identify and incorporate any additional clarifying guidance, taking into account existing guidance related to meal reimbursements in the local and non-local travel Administrative Procedures. Finance anticipates performing this work as part of an FY17 review and update of the purchase card manual