

Lancaster County P-Card Program Audit Report

For the period of January 1, 2022, through March 31, 2022



Lisa Colón
Lancaster County Controller

**Lancaster County P-Card Program Audit
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For the period January 1, 2022, through March 31, 2022**

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Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Lisa K. Colón

February 3, 2023

Linda Schreiner
Director of Purchasing
150 North Queen Street, Suite 712
Lancaster, PA 17603

Dear Linda Schreiner:

Attached is the audit report of the County of Lancaster Purchasing Card ("P-Card") program audit, as prepared by the Lancaster County Controller's Office. A engagement letter (**Exhibit A** of audit report) was sent to you on June 13, 2022, initiating the audit. The audit was performed to assess the control environment surrounding the purchases to determine if purchases are being coded correctly in PeopleSoft and to obtain a reasonable understanding that purchases are not fraudulent, improper, or abusive. We also wanted to provide assurance that all purchases of assets were properly recorded. Our examination procedures were performed on transactions in the period of January 1, 2022, through March 31, 2022.

Please note, it is the responsibility of the Director of the Purchasing Department, as the program administrator, to ensure compliance with any and all applicable County policies in place. We do not express an opinion or provide any assurance on the information examined because of the limited procedures executed do not provide us with sufficient evidence to express an opinion. Based on the audit procedures performed and the audit evidence obtained from your office, deficiencies were identified during the audited period, listed in the *Audit Findings & Observations* and *Audit Summary of Facts* sections of the audit report.

The Controller's Office acknowledges the cooperation and commitment of the Purchasing Department in assisting with this audit. Your help was instrumental to the performance and completion of this audit.

This report is intended for the information and use of the Lancaster County Purchasing Department, the individual cardholders, and the Lancaster County Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties without consent. However, public policy dictates that this report is a matter of public record and its distribution is not limited.

Sincerely,

Lisa K Colón
Lancaster County Controller
jdg

Cc: Lancaster County Board of Commissioners



**Lancaster County P-Card Program
Relevant Audit Notes
For the period January 1, 2022, through March 31, 2022**

Note A – Background

The Purchasing Department is responsible to administer the County of Lancaster P-card program. Purchasing cards or PNC credit cards (“P-card(s)”), offer an added benefit to County of Lancaster employees by eliminating delays associated with requiring many small check requests to vendors and/or purchase orders. However, a P-card program with a lack in policy, structure and adherence to such policy(s) increases the risk of fraud and/or abuse.

The P-card program is through PNC Bank and cardholders have the ability to view transactions and add fund codes to the transactions. After the cardholder reviews his/her transactions and adds fund codes, the Purchasing Department will receive the report and back-up for a review of the information. This information is subsequently sent to the Controller’s Office and reviewed by a Controller’s Office employee who processes the transactions in PeopleSoft, the County’s financial management software.

As of June 2022, at the inception of the audit, there was 46 active cardholders; one account is associated and specifically used for the County’s phone bill, and another account is specifically a summary account under name of “County of Lancaster”. P-card holders are required to follow not only the Purchasing Card Program policies, but also all relevant County of Lancaster policies and procedures.

Below is a list of all the County departments that had issued P-cards during the scope of the audit.

	Department	P-Card Status	P-Card Type	Assigned P-Cards
1.	Office of Aging	Active	Individual	1
2.	Parks & Recreation	Active	Individual	1
3.	Prison	Active	Individual	2
4.	Purchasing	Active	Individual	9
5.	Youth Intervention	Active	Individual	1
6.	District Attorney	Active	Individual	5
7.	Courts	Active	Individual	1
8.	Children & Youth	Active	Individual	1
9.	Commissioner	Active	Individual	2
10.	Public Safety Training Center Foundation	Active	Individual	1
11.	Behavioral Health	Active	Individual	1
12.	Human Resource	Active	Individual	2
13.	Sheriff	Active	Individual	4
14.	Communication	Active	Individual	4
15.	Veteran Affairs	Active	Individual	1
16.	Information Technology	Active	Individual	3
17.	Solicitor	Active	Individual	1
18.	Facilities	Active	Individual	2
19.	Emergency Management	Active	Individual	1

Lancaster County P-Card Program
Relevant Audit Notes (*continued*)
For the period January 1, 2022, through March 31, 2022

Note B – P-CARD BENEFITS

There are many benefits to the County for having a P-card program. As mentioned in **Note A**, P-cards eliminate delays associated with requiring many small check requests to vendors and/or purchase orders. P-cards benefit the employees by saving the individual from having to personally bear costs and expenses incurred while traveling for business. A P-card can also reduce internal administrative costs and expedite payments to vendors by streamlining and simplifying the payment process.

The presence of having P-cards gives visibility into the records of expenditures incurred by County departments and offices. Such records allow insight to expenditures and opportunities to negotiate better rates with vendors, create accurate budgets, and track excessive spending.

Note C – OVERVIEW OF PURCHASING CARD PROGRAM

Per the Purchasing Card Program Policy, the County will implement a Purchasing Card Program with the overall goal being to improve efficiency and deliver savings to the County by authorizing designated County employees to make purchases within limits, allowing them to acquire approved commodities and services directly from County vendors, without undue delay. Use of the card is meant to augment established procurement procedures and to simplify and streamline acquisition and payment in order to lower overall transaction costs. The program is not intended to circumvent bid requirements, County policies, or prudent business practices.

The period of review is January 1, 2022, through March 31, 2022, which covers the first three months of the fiscal year 2022. The performance audit was performed in accordance with applicable *Government Auditing Standards*, issued by the Comptroller of the United States.

Note D – OBJECTIVES OF AUDIT

The overall objectives of the audit were to determine:

- If the current control environment is effective
- If transactions are properly coded
- If P-card transactions were legitimate business expenses and appropriate and sufficient back-up was provided
- If assets are properly recorded
- Adherence to all County policies and procedures; including those set forth by the Purchasing Department
- Any indication of error, fraud, abuse, or improper use of P-cards

Lancaster County P-Card Program
Relevant Audit Notes (*continued*)
For the period January 1, 2022, through March 31, 2022

Note E – SCOPE AND PROCEDURES OF AUDIT

The period of review is January 1, 2022, through March 31, 2022.

The Controller’s Office obtained a full understanding of the controls emplaced, their functions, control operators and the level of segregation surrounding the P-card program.

A selection of expenditure samples from the PNC detail report were obtained to test the adherence to County and Purchasing Department policies and procedures. A selection of 30 P-card transactions were selected to minimize sampling risk to the lowest level and ensure each item of the population had a fair and equal chance of selection. The selected items were compiled from at least one expense from each cardholder and expenses ranging from \$0.99 to \$8,080.00.

All transactions above \$1,000.00 were selected for asset testing. A total of 46 transactions were identified of at least \$1,000.00 or more.

Additionally, the Controller’s Office tested controls emplaced over the issuance of P-cards to employees; testing to ensure cardholders were not being reimbursed for P-card expenses; and a monthly analytical test to identify any inconsistencies or anomalies in spending activities.

Note F – OBSERVATIONS, FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

The Controller reported certain observations and findings along with recommendations of improvement as a result of the examination performed over the P-Card program. The Director of Purchasing provided responses to these observations, findings, and recommendations. The sections detailing both follow this note.

Lancaster County P-Card Program
Audit Findings & Observations
For the period January 1, 2022, through March 31, 2022

This section of the report presents the findings and observations that resulted from our audit procedures. According to the *Governmental Auditing Standards*, the development of the criteria, condition, cause and effect of the findings are relevant and necessary to achieve the audit objective(s). A finding may be a result of an underlying control deficiency, whether evaluated on an individual basis or in the aggregate. As such, to determine their impact to the audit objective, the magnitude of impact, likelihood of occurrence and the nature of the deficiency should be carefully considered, if a deficiency exists. Following the findings and observations, we provide recommendations to correct the described occurrences.

Finding #1: Incorrect Expense Coding

Background:

All cardholders must code their expenditures to the appropriate expense account and subclass, depending on the nature and reason of the transaction. At the end of each month, all cardholders must have completed their expense coding and submit the appropriate back up documentation of their transactions for review by the Purchasing Department.

Description:

While performing the Detail Test, the Controller's Office identified five expense transactions that were coded incorrectly. Sample #39 was an expense for transporting an inmate and was coded to the subclass #22030 Inmate General Welfare Fund. The correct subclass coding should have been #31019, Inmate Transportation. Sample #69 was an expense for professional servicing from a technician for sending in a laptop for support. This expense was coded to account #7227, Other Operating Supplies. The correct coding should have been account #7318, Other Professional Services. Sample #142 was an expense related to travel conducted for County business and was coded to the account #7334, Rent. The correct coding should have been to account #7323, Travel. Sample #433 was an expense for travel for an employee to attend a conference without receiving a certification and was coded to the account #7323, Travel. The correct coding should have been to account #7344, Travel-Other, used for conference travel, when not receiving a certification. Sample #506 was an expense for floor mats and was coded to the account #7215 Office Supplies. The correct coding should have been account #7228, Other Equipment and Furnishings.

While performing the Asset Test, the Controller's identified four expense transactions that were coded incorrectly. Sample #3 was an expense for a 3-day training and was coded to account #7336, Software Renewals/Building, Bridge and Equipment Repair. The correct coding should have been to account #7328, Staff Development. Sample #12 was purchase for armory storage, backsplash and an LED light kit for armory cabinets coded to account #7228, Other Equipment & Furnishings. However, this account is to be used for equipment and furnishings below \$250. The purchase of all the items should have been grouped together and coded to the account #7531 Furniture and Fixtures, because of their combined costs totaling over \$1,000.00. Sample #29 was an office

Lancaster County P-Card Program
Audit Findings & Observations (*continued*)
For the period January 1, 2022, through March 31, 2022

Finding #1: Incorrect Expense Coding (*continued*)

supply expense for the County supply warehouse and coded to account #7215, Office Supplies. However, all supplies purchased for the supply warehouse are to be coded to account #6589, Office Supply Inventory, and credited as an expense to the department that creates a requisition for the supplies. The Controller's Office obtained and reviewed the Order Summary and identified the purchase was directly made towards the supply warehouse. Sample #31 was a purchase for supplies which included delineator post, gaffers' tape, flagging tape and black poly sheeting; all coded to the account #6518, Local Fines- Senior Games. The correct coding should have been account #7227, Other Operating Supplies, or Account #7215, Office Supplies, based on the usage of the supplies.

Finding #2: Missing Approval for P-Card Purchases of \$1,000.00 or More

Background:

After the previous audit findings on the P-Card program, the prior Purchasing Director updated P-card policy, requiring approval from the Purchasing Director or his/her designee prior to any purchases made with a P-card of \$1,000.00 or more. The updated policy was written as a memo and sent to all cardholders, via email on November 12, 2019 ("11-12-19 Memo"). Discussion with Linda Schreiner, the current Director of the Purchasing Department, indicated that this policy is still in effect and the only exception that does not require approval is the Comcast bills by the Courts to avoid payment delays.

Description:

The Controller's Office identified 46 purchases within the first quarter of 2022, that had a total expenditure of \$1,000.00 or more. The 46 expenditures of \$1,000.00 or more came from 13 different P-card holders, of which five cardholders belong to the Purchasing department. Only 22 of the 46 total expenditures were made from Purchasing Department cardholders, whom are designees of the Purchasing Director, which require no approval for purchases of \$1,000.00 or more. The remaining 24 expenditures belong to eight cardholders, within the District Attorney's Office, Human Resource Office, Sheriff's Office, Court's Office, and the Facilities Management Department. Of the 24 expenditures, one expense was fraudulent, the cardholder completed a PNC Inquiry Form, see Exhibit C, to inform the bank of the fraudulent charge, the Controller's Office verified the cardholder was credited the following billing statement, three expenditures were from Comcast billed to the Courts, which do not require an approval as the bills are time-sensitive, and two expenses came from the Human Resource Office. The Human Resource Office confirmed that both expenditures were reimbursable by Blue Cross and therefore did not request approval. The Purchasing Department reached out to the Human Resource Office mid-year in 2022, past the scope of the audit period, to instruct their office that approval is still required for any purchases made above \$1,000.00.

Lancaster County P-Card Program
Audit Findings & Observations (*continued*)
For the period January 1, 2022, through March 31, 2022

Finding #2: Missing Approval for P-Card Purchases of \$1,000.00 or More (*continued*)

The Controller's Office obtained the monthly supporting documentation for the remaining 18 expenditures, and no indication or signs of an approval or communication between the cardholder and the Purchasing department was made prior to the purchase.

Finding #3: Cardholders Not Notified of the 11-12-2019 Memo

Background:

After the previous audit findings on the P-Card program, the prior Purchasing Director updated P-card policy, requiring approval from the Purchasing Director or his/her designee prior to any purchases made with a P-card of \$1,000.00 or more. The updated policy was written as a memo and sent to all cardholders, via email on 11-12-19 Memo. Discussion with Linda Schreiner, the current Director of the Purchasing Department, indicated that this policy is still in effect and the only exception that does not require approval is the Comcast bills by the Courts to avoid payment delays.

Description:

When performing the Cardholder Compliance Test, a survey was conducted to confirm cardholders were provided the policy at the inception of obtaining a P-card. Of the 45 individual P-card accounts, the Controller's Office identified six current cardholders who did not receive the 11-12-19 Memo, regarding updated policies, and were not aware of this policy prior to January 1, 2022. This indicated that upon becoming cardholders, employees were not provided all policies and updates to the P-card program.

Finding #4: Missing and Incomplete Cardholder Compliance Agreements

Background:

When a County employee becomes a PNC cardholder, a Cardholder Agreement must be signed and completed. The agreement serves as the cardholders' acknowledgement to the financial obligation and responsibility to the County and agreement to follow established procedures and policies. Three variations of the Cardholder Agreements were identified; one variation of the agreement requires a signature and date from the cardholder, their department head or deputy, and the program administrator, a second variation of the agreement requires a signature and date from the cardholder and program administrator, and the third variation of the agreement does not require a date but requires a signature from the cardholder, their department head or deputy and the program administrator.

Lancaster County P-Card Program
Audit Findings & Observations (*continued*)
For the period January 1, 2022, through March 31, 2022

Finding #4: Missing and Incomplete Cardholder Compliance Agreements (*continued*)

Description:

The Controller's Office requested cardholder agreements for all current cardholders. The Controller's Office notes that there were four different variations of the cardholder agreement. From the 45 individual P-card accounts, seven cardholder agreements were missing.

The Controller's Office identified 21 cardholder agreements with missing signatures from either the department heads or their deputy, six cardholder agreements were missing signatures from the Program Administrator, and three cardholder agreements were missing the dates that they were signed.

Finding #5: Itemized Receipts Were Not Provided

Background:

At the end of each month cardholders are required to submit their P-card expenses along with receipts, approvals, and any type of back-up for their expenses for the Controller's Office review. The review is to ensure expenses are legitimate, reasonable in nature, do not incur sales tax, and ensure the expense is coded to the correct expense account.

Description:

While performing the Asset Test and the P-Card Detail Test, the Controller's Office identified three expenditures, where a detailed receipt was not submitted by the cardholder. As such, it was difficult to decipher what items were purchased and if sales tax was incurred on the purchase.

To complete testing procedures of the P-Card Detail Test, the Controller's Office contacted the vendors to obtain itemized receipts to ensure all testing procedures were being performed. For sample #255, the cardholder provided a payment confirmation email receipt, which did not indicate what expenses were incurred. The Controller's Office contacted the vendor and obtained an itemized receipt. For sample #257, the cardholder provided only a payment receipt, which did not have information on what items were being paid for. The Controller's Office did contact the vendor; however they were unable to provide an itemized receipt.

While performing the Asset Test, the Controller's Office identified Sample #35, where the cardholder provided only a payment receipt for an expenditure of \$1,315.00, which included limited information such as the vendor's name, the payment received, invoice #, and cardholder and card information. The Controller's Office obtained the itemized invoice directly from the vendor to confirm that no sales tax was incurred.

Lancaster County P-Card Program
Audit Findings & Observations (*continued*)
For the period January 1, 2022, through March 31, 2022

Observation #1: PNC Credit Card Statement Records Indicated Sales Tax was Imposed

Background:

For the scope of the audit, the Controller’s Office obtained P-card credit card statements and itemized receipts to verify sales tax was not imposed, as the County is exempt from sales tax.

Description:

Upon review of the credit card statements during the P-Card Detail Test, the Controller’s Office identified discrepancies between the credit card statement records and itemized receipts in regard to sales tax. For three of the sampled transactions, PNC reported that sales tax was assessed, despite the itemized receipt not recording sales tax being incurred. Sales tax reported on the bank statement is information that is provided directly from the vendor to PNC. Further, no changes can be made to the information that is provided by the vendor once a transaction is completed.

For Sample #255, the itemized invoice was directly obtained from the vendor for storage rent of \$156.00 and a \$10.00 late fee was assessed. No sales tax was incurred for the storage rent, according to the itemized receipt, however, the credit card statement indicated a sales tax was assessed in the amount of \$9.40, which does not align with the Pennsylvania sales tax rate of 6.0%, or \$9.36 ($\$156.00 * 6.0\%$).

Sample #333 were software renewals totaling \$2,248.64 and no sales tax was imposed, per the itemized receipt. However, credit card statements indicated sales tax of \$0.05 for this transaction. The amount of sales tax PNC reports as being assessed does not align with the Pennsylvania sales tax rate of 6.0%, or \$134.92 ($\$2,248.64 * 6.0\%$).

Sample #372 were purchases of houseplants, totaling \$53.46, and the itemized receipt for the expenditure indicated that the house plants and supplies were all *tax-exempt*. However, the credit card statement indicated that sales tax of \$3.14 was assessed. The amount of sales tax PNC reports as being assessed does not align with the Pennsylvania sales tax rate of 6.0%, or \$3.21 ($\$53.46 * 6.0\%$). The Controller’s Office identified other expenditures, not part of our tested samples, that incurred sales tax, per PNC credit card statements. Thus, the Controller's Office has determined that there appears to be an error within the PNC reporting of sales taxes on the statements issued to the County and we are working with them to address this situation.

Observation #2: Inconsistent PNC Records Show Inactive Cardholders as “Active”

Background:

Account 10 is a spreadsheet provided by PNC to identify all active PNC accounts and Account 14 is another spreadsheet provided by PNC to identify all inactive or closed PNC accounts. These tables are all considered independent audit evidence obtained from a credible third-party source

Lancaster County P-Card Program
Audit Findings & Observations (*continued*)
For the period January 1, 2022, through March 31, 2022

Observation #2: Inconsistent PNC Records Show Inactive Cardholders as “Active”
(continued)

and is considered sufficient, appropriate, and reliable. The Controller’s Office is able to access and pull these records directly from the PNC portal.

Description:

On October 4, 2022, PNC provided the Purchasing Department a full list of active cardholders. However, one cardholder was identified as “active” although no longer employed with the County since 2020. As of October 24, 2022, an Account 14 report was obtained from the PNC portal and identified this employee was not on the list of inactive cardholders. The Controller’s Office also obtained an Account 10 report on October 24, 2022 and identified that a current and active cardholder from the District Attorney’s Office was not included in the list of active cardholders. During the performance of the audit, the Purchasing Department has notified PNC of this issue and it is currently being addressed by PNC to ensure accurate results of active and non-active cardholders.

Observation #3: Inconsistent Controls over Gift Card Purchases and Inventory

Background:

Various County departments and offices purchase gift cards with P-cards. Gift cards have different purposes and uses, depending on the department or office making the purchase such as employee awards for performance, the purchase of iCloud subscriptions for detectives, and clients of various human service-related departments.

Description:

Although the purchase and use of the gift cards was not in question, the Purchasing Department confirmed that their office does not keep track of the inventory of purchased gift cards. The Controller’s Office contacted each individual office that purchases gift cards and identified there is not a consistent tracking system or plan in place to safeguard the gift card purchases made via P-card.

Lancaster County P-Card Program
Audit Responses
For the period January 1, 2022, through March 31, 2022

Based on the Audit Findings & Observations section of this report, the Controller's Office provides an opportunity for management to respond to audit findings and/or observations. This section represents the responses from the Purchasing Department to the findings, as deemed necessary, identified in the previous section. This audit report was made available to the Purchasing Department on January 3, 2023.

A. *In response to Finding #1: Incorrect Expense Coding*

Purchasing does not currently audit accounting codes for any purchases being made. It is the individual departments' responsibility to provide the correct accounting codes to be utilized. In the case of p-cards, Purchasing has no means to verify accounting codes or available funds in said accounts. The audit process, specifically of p-card transactions, we believe would need to occur within the Controller's Office.

Controller's Office Response:

The Controller's Office reaffirms the finding and acknowledges accounting codes and their general description, if made available to P-cardholders, may vary between departments. In the following section we provide a recommendation to address Finding #1 identified in this audit report.

B. *In response to Finding #2: Missing Approval for P-Card Purchases of \$1,000.00 or More*

Purchasing acknowledges this finding. Since this concern was brought to our attention, a mass email was sent to all p-card holders on June 22, 2022, as a reminder of the 11-12-19 Memo. Beginning in September, a reminder has been part of the monthly PNC statement review email. When individual issues are determined, a follow-up email reminder is sent. Beginning in January 2023, a document checklist has been added to the cardholder agreement form to ensure the 11-12-19 Memo is provided to the cardholder. This procedure will continue until an updated policy and procedure document is adopted.

Controller's Office Response:

The Controller's Office reaffirms the finding and acknowledges that all P-cardholders were reminded of approval for purchases of \$1,000.00 or more, was made after the scope of the audit period. In the following section we provide a recommendation to address Finding #2 identified in this audit report.

Lancaster County P-Card Program
Audit Responses (*continued*)
For the period January 1, 2022, through March 31, 2022

C. *In response to Finding #3: Cardholders Not Notified of the 11-12-2019 Memo*

Purchasing acknowledges this finding. Since this concern was brought to our attention, a mass email was sent to all p-card holders on June 22, 2022, as a reminder of the 11-12-19 Memo. In an effort to address this finding, beginning in January 2023, a document checklist has been added to the cardholder agreement form to ensure this memo is provided to the cardholder.

Controller's Office Response:

The Controller's Office reaffirms the finding and confirms a mass email was sent to all P-cardholders, was made after the scope of the audit period. In the following section we provide a recommendation to address Finding #4 identified in this audit report.

D. *In response to Finding #4: Missing and Incomplete Cardholder Compliance Agreements*

Purchasing acknowledges this finding. Cardholder Agreement form was recreated from previously utilized form when the new Director assumed the position in 2021. There is no specific background on the original development of this form. Since November 2021, a p-card request form was developed that requires a department head signature as part of the request. The cardholder form was revised in January 2023, to remove the department head signature, as this form is intended to acknowledge receipt of card and communication of its approved use. The p-card request form is where the department head approval is obtained prior to p-card is approved/ordered.

Controller's Office Response:

The Controller's Office reaffirms the finding and notes that the revised January 2023 cardholder form, included the signature removal of the department head. In the following section we provide a recommendation to address Finding #5 identified in this audit report.

E. *In response to Finding #5: Itemized Receipts Were Not Provided*

Purchasing acknowledges this finding. Beginning September 27, 2022, a reminder is part of the monthly PNC statement review email until a formal p-card policy and procedure is implemented. When individual issues are determined, a follow-up email reminder is sent.

Controller's Office Response:

The Controller's Office reaffirms the finding and notes Purchasing has made a proactive step to address this finding. In the following section we provide a recommendation to address Finding #6 identified in this audit report.

**Lancaster County P-Card Program
Audit Recommendations
For the period January 1, 2022, through March 31, 2022**

Based on identified audit findings, observations and management's responses, the Controller's Office provides the following recommendations to correct and improve such described occurrences listed in the preceding section.

Finding #1: Incorrect Expense Coding

Controller's Recommendation

The Controller's Office will provide with a full list of account codes and their descriptions to the Purchasing Department, each current cardholder, their supervisor and their departments head, as a reference to correctly code any expense made with a P-card.

Finding #2: Missing Approval for P-Card Purchases of \$1,000.00 or More

Controller's Recommendation

The Controller's Office recommends the Purchasing Department enforce current policies. The policy should include restrictions imposed on cardholders who are noncompliant with policies and procedures.

Finding #3: Cardholders Not Notified of the 11-12-2019 Memo

Controller's Recommendation

The Controller's Office recommends the Purchasing Department create a "package" with all the necessary resources a cardholder will need, such as a chart of accounts, the 11-12-19 Memo, updated policies, PNC Dispute form, PNC contact numbers, guide on how to make split transactions, and an FAQ- compiled of common questions that most cardholders may have.

Finding #4: Missing and Incomplete Cardholder Compliance Agreements

Controller's Recommendation

The Controller's Office recommends the Purchasing Department appropriately maintain records and documentation of all agreements. To ensure acknowledgement to the financial obligation and responsibility to the County and agree to follow established procedures and policies, the Controller's Office encourages the Purchasing Department obtain signatures from the department head or their deputy for the 21 agreements missing their signatures, have the program administrator sign the six agreements that were also missing their signatures, and have the cardholders that had a missing agreement in the Purchasing Department's records to re-sign a compliance agreement.

Finding #5: Itemized Receipts Were Not Provided

Controller's Recommendation

The Controller's Office recommends that the Purchasing Department, the supervisors and/or the

**Lancaster County P-Card Program
Audit Recommendations (*continued*)
For the period January 1, 2022, through March 31, 2022**

Finding #5: Itemized Receipts Were Not Provided (*continued*)

department head notify the cardholder when a receipt for a P-card purchase is missing. The updated policies should also include restrictions imposed on cardholders who are noncompliant with policies and procedures.

Lancaster County P-Card Program
Audit Summary of Facts
For the period January 1, 2022, through March 31, 2022

We have performed procedures to assist in evaluating an effective control environment, proper coding of expense accounts, legitimate business transactions, properly recorded assets, adherence to policies and procedures and identify any occurrences or indications of error, fraud or abuse of the P-card program, implemented by the Purchasing Department. The procedures of this performance audit were conducted for the period January 1, 2022, through March 31, 2022.

Reportable conditions involved issues coming to our attention relating to significant deficiencies or non-compliance that could adversely affect the P-card program records. These conditions could adversely affect their ability to record and report financial data consistent with standards described by the Director of the Purchasing Department. While conducting our audit, we noted findings, observations, and / or issues of non-compliance which are described in the Audit Findings and Observations Section.

We sampled P-card transactions incurred during Q1 2022, reviewed all transactions of \$1,000.00 or more made during Q1 2022, and controls emplaced over the issuance of P-cards to employees. Furthermore, additional testing was performed to ensure cardholders were not being reimbursed for P-card expenses and a monthly analytical test was conducted to identify any inconsistencies or anomalies in spending activities, between departments and employees.

Most of the information needed to perform testing for Q1 2022, was already provided to us by the cardholder for the Controller's Office monthly review. Additional documentation, such as cardholder agreements were obtained from Linda Schreiner, Director of Purchasing, and testing for double reimbursement for P-card expenses was obtained from PeopleSoft Financials. For all further inquiry of any transaction, the Controller's Office contacted P-card holders via email.

Procedures in evaluating internal controls included obtaining an understanding of the P-card program (which includes the nature, objectives, applicable policies and procedures), identifying significant dollar amount transactions, and assessing areas with higher risk of error (i.e., coding expense accounts, classification of purchased assets, etc.) and fraud (i.e., cardholders reimbursed for P-card expenditures, personal cardholder expenses, etc.).

The inherent limitations of any internal control structure and environment may cause errors, irregularities, or inconsistencies to occur and/or not be detected. Our testing would not necessarily disclose all matters of the internal control structure that might be reportable conditions. Included in our audit, we have reported at least one finding that involves a deficiency in the internal control structure of the Lancaster County P-card program.

A deficiency in internal control exists, when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely manner. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a

Lancaster County P-Card Program
Audit Summary of Facts (*continued*)
For the period January 1, 2022, through March 31, 2022

material misstatement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The deficiencies, as described under Findings #1 through #6, are a result of weak controls and/or lack of controls for purposes of the P-card program.

The Controller's Office identified that a lack of controls exists, resulting in Finding #1. On two different tests performed, the Controller's identified a total of nine incorrect expense coding, during the span of the first three months of 2022. All cardholder expense coding should be subject to a level of review by their direct supervisor. This review will allow the cardholder to make changes to any miscoding of expenses prior to submission to the Controller's Office.

The control in place of requiring an approval prior to a purchase of \$1,000.00 (or more) using a P-card, is working ineffectively, resulting in Finding #2 and Finding #3. During the first quarter of 2022, a total of 46 transactions were made above the \$1,000.00 threshold without any approval or authorization prior to the payment using a P-card; with the exception of Comcast payments and reimbursable Human Resource expenses. Although an approval is required per the 11-12-19 Memo (Exhibit B), the Purchasing Department does not enforce or discipline non-compliance to the P-card program policy. Additionally, having firsthand knowledge of all significant purchases plays a large role in the process of asset classification. The Purchasing Department will be able to determine if a purchase is an asset and can guide the cardholder towards the correct asset account, before the purchase is made. Corrective actions towards implementing effective controls, will result in correcting Finding #2 and Finding #3.

The Controller's Office identified no controls in place when it comes to the review and safeguarding of cardholder agreements, resulting in Finding #4. The Controller's Office identified seven missing cardholder agreements, six of which were signed prior to Linda Schreiner taking the position as Director of Purchasing. Additionally, 20 cardholder agreements had missing signatures from either the department head or their deputy, six cardholder agreements were missing the Program Administrator signature, and three cardholder agreements were missing the dates that they were signed. This resulted from a lack of review of agreements and appropriate safeguarding of imperative information to the P-card program and their participants. It is also noted that cardholders who are also department heads signed both "cardholder" and "head of the department/deputy" sections. Although not against policy or detrimental to the results of the audit, the Controller's Office recommends the signature section for "department head or deputy" should be signed by their deputy, as a means to incorporate accountability by the cardholder, no matter the position or role to their department/office.

The Controller's Office also identified no controls in place when it came to providing new

Lancaster County P-Card Program
Audit Summary of Facts (*continued*)
For the period January 1, 2022, through March 31, 2022

cardholders of previously enforced policies or memos, resulting in Finding #5. When cardholders were asked if the 11-12-19 Memo was provided to them which had updated policies within, seven of the 45 surveyed cardholders confirmed that they did not receive the memo prior to January 1, 2022. Further investigation, indicated the seven cardholders who did not obtain receipt of the memo, became cardholders after November 2019. This indicated that upon becoming cardholders, no controls exist to provide employees all policies and updates to the P-card program.

The Controller's Office identified a deficiency resulting in Finding #6, cardholders submitting non-itemized receipts for purchases using a P-Card. Cardholders are instructed to keep itemized receipts for all P-Card purchases for the monthly review. However, during the testing of Assets and the P-Card Detail, the Controller's Office identified three expenses, with a total sum of \$1,521.00, where the cardholder provided insufficient supporting documentation. The receipts provided for review were payment receipts, which did not indicate the item(s) purchased, the cost of the item(s), and whether sales tax was assessed. Sales tax was a significant testing attribute to the audit, as the County is categorized as a 501(c)(3) entity and is exempt from sales tax purchases.

In future audits, we will continue to re-evaluate the internal control to ensure that policies and procedures do not become inadequate or ineffective because of changes in conditions or design.

We conducted our audit to obtain a reasonable understanding about whether the accounts tested are free of material misstatement. We did not express an opinion or provide any assurance on the information examined because the limited procedures executed do not allow us sufficient evidence to express an opinion.

**Lancaster County P-Card Program
Controller's Office Summary
For the period January 1, 2022, through March 31, 2022**

The Controller reported certain observations and findings along with recommendations for improvement as a result of the examination performed over P-card transactions for the period of January 1, 2022, through March 31, 2022. We met with the P-card Program Administrator to discuss specific findings and responses after the draft audit was released. This discussion provided productive conversation and feedback and we are hopeful that the changes implemented to the P-card program will provide a better use of County resources and better controls for the P-card program. We also hope that the changes implemented to the P-card program will allow the program to become more efficient and effective. The Controller's Office appreciates the willingness that the Program Administrator has shown in introducing some changes to the program. We will monitor our findings and recommendations in future audits to assure the recommendations are being properly adhered to.



**Lancaster County P-Card Program
Exhibit A - Audit Engagement Letter
For the period January 1, 2022, through March 31, 2022**

Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Lisa K. Colón

June 13, 2022

Ms. Linda Schreiner
Director of Purchasing
150 N. Queen Street, Suite 712
Lancaster, PA 17603

Dear Ms. Schreiner:

Please be advised that, as part of the routine audits performed by the Lancaster County Controller's Office, we will be examining the activity and operations surrounding the County of Lancaster P-card program. The audit examination will cover the period of January 1, 2022, through March 31, 2022. We will be conducting this audit to assess the control environment surrounding the purchases, that purchases are being coded correctly to PeopleSoft, and to obtain a reasonable understanding that purchases are not fraudulent, improper, or abusive. Additionally, we wish to provide assurance that all purchases of assets on P-cards are properly recorded and/or tagged by the Lancaster County Controller's Office and/or the County of Lancaster's IT Department.

You, or designated member(s) of your staff, should expect the following from us:

- An interview and Internal Control Questionnaire to gather a better understanding of the mission, activities, and operations of the P-cards;
- A flowchart of P-card transactions (from request to payment);
- A request for a listing of cardholders and credit limits for the audit period, including any new cardholders added and cardholders removed during that period.
- Copy of all policies, procedures, and instructions as they relate to the P-card program.

Since we have the monthly reports, statements, and listing of transactions in our office, we can begin working and will be in contact with further questions and/or requests. If you have any questions, please contact Juan Garcia, Accounting/Auditing Assistant Manager, who will be overseeing the audit process. We appreciate the anticipated cooperation from you and your staff.

Sincerely,

Lisa K. Colón
Lancaster County Controller

cc: Lawrence George, Chief Clerk





**Lancaster County P-Card Program
Exhibit B - November 12, 2019 Memo
For the period January 1, 2022, through March 31, 2022**

Purchasing Department

November 12, 2019

150 North Queen Street
Suite #712

Lancaster, PA 17603-3562

Phone: 717-299-8258

Fax: 717-390-7739

E-mail: hklinger@co.lancaster.pa.us

www.co.lancaster.pa.us

Attention: County Pcard Holders
From: Harry Klinger, Director of Purchasing

County Commissioners

Joshua G. Parsons, Chairman
Dennis P. Stuckey, Vice Chairman
Craig E. Lehman

Director

Harry Klinger

You are receiving this memo because you have been authorized to make business purchases on a county issued PNC pcard. Please review this memo immediately.

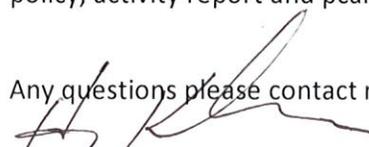
After an audit by the Purchasing Director and Controller's office auditing team some further restrictions on the use of the pcard will need to be put in place. In some cases the county is being charged tax, insufficient paperwork is being forwarded especially specific to travel and incorrect account codes are being used. Therefore, the following will go into effect today November 12, 2019.

1. Non purchasing staff may no longer make purchases through Amazon or Amazon Prime. All Amazon purchases must run through the purchasing buying team that coordinates with your department. The purchasing team is using an Amazon Business account for these purchases.
2. Any single purchase over \$1000.00 must have prior approval from the Director of Purchasing or his designee.
3. Only the use of websites with an URL address of https (secure) should be used. If you have a question please contact the Purchasing Director.
4. Under no circumstance should sales tax be charged on the order. If tax is being charged do not place the order but ask the vendor whether they will use the County EIN to void the tax. Contact Purchasing for a copy of the tax form.
5. Credit limits and single transaction limits are currently being reviewed by the Purchasing Director and may be changed for 2020 and beyond.

Violations of the above can result in a suspension of the pcard or termination of the pcard at the discretion of the Purchasing Director.

Before year end the Purchasing Director will forward to each cardholder an updated pcard policy, activity report and pcard sign off form which will need to be signed yearly.

Any questions please contact me.


Harry Klinger, Director of Purchasing
Program Administrator PNC Pcards



**Lancaster County P-Card Program
Exhibit C - PNC Billing Inquiry Form
For the period January 1, 2022, through March 31, 2022**



Billing Inquiry Form

If you believe an item on your statement is in error, complete and sign this form. We must hear from you no later than 60 days after we send you the first bill on which the error or problem occurred. **Please be as complete as possible when explaining your inquiry and remember to include relevant documents. Insufficient documentation may delay the resolution of your inquiry.** Also, please be sure to make a good faith effort to resolve with the merchant prior to filing a dispute.

Primary Cardholder Name (Please Print) _____

Daytime Phone () _____

Card No. _____

Transaction Date _____

Post Date _____

Amount in question \$ _____

Merchant Name _____

**Please send completed form via mail,
fax or email:
PNC
P.O. Box 2859
Kalamazoo, MI 49003-2859
or
Fax: 269-973-1688
E-mail: billinginquiries@pnc.com**

Primary Cardholder Signature _____ Date _____

Check the ONE box below that best fits your situation and supply the requested items or information.

- ___ 1. A credit for \$ _____ was not applied to my card number. (Attach credit slip.)
- ___ 2. The amount charged to my card number is incorrect. The correct amount is \$ _____ (Attach copy of the sales slip that shows the correct amount.)
- ___ 3. I certify that the charge listed above was not made by me or any person authorized by me. Nor were the goods or services for this charge received by me or anyone authorized by me. The Card (circle one) is/is not in my possession. (Attach detailed letter outlining your attempts to resolve with merchant.)
- ___ 4. Although I did participate in a transaction with the merchant, I was billed for additional transactions, which I did not authorize. The valid charge was billed to my card number on _____ (date). (Attach copy of the authorized sales slip.)
- ___ 5. I have not received the merchandise that was to have been shipped to me. Expected date of delivery was _____ (date). I contacted the merchant on _____ (date) and the merchant's response was _____.
- ___ 6. I have (circle one) returned/cancelled merchandise on _____ (date) because _____ Please provide proof of return/cancellation. If this is a hotel cancellation, please provide cancellation number.
- ___ 7. Merchandise that was shipped, arrived, damaged and/or defective on _____ (date). I returned it on _____ (date). Please provide merchant response.
- ___ 8. My card was used to secure this purchase, however, payment was made by cash, check, or other credit card. Please provide a legible copy of front and back of cancelled check, cash receipt, or card statement showing the transaction.

I have reviewed the above information for Bank action.

X _____ Date _____
Program Administrator

Daytime Phone () _____