



OFFICE OF THE INSPECTOR GENERAL

ANNUAL PURCHASE CARD PROGRAM REVIEW PROCUREMENT OFFICE



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OIG PROJECT NUMBER 24-PCR-01

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THRU: DANA E. WHITING, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT
OFFICE OF THE INSPECTOR GENERAL

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FROM: DAISY QIAN, AUDITOR
OFFICE OF THE INSPECTOR GENERAL

DS

DATE: MAY 16, 2024

SUBJECT: ANNUAL PURCHASE CARD PROGRAM REVIEW

We have completed our annual review of WSSC's purchase card program. The detailed report is attached for your review. The OIG conducted the review in accordance with the Association of Inspectors General's Principles and Standards for Offices of Inspector General, *Quality Standards for Inspections, Evaluations, and Reviews*. We have already discussed with management issues of concern and their action plans are included in this report.

We appreciate the assistance provided by management and other personnel. We hope the information and recommendations presented in our report are helpful.

Attachment

cc: Chief of Staff (N. Hickson)
Deputy General Manager External Affairs, (C. Bickham)
Performance and Accountability Director, (R. Maloney)
Chief Procurement Officer, (C. Poole-Williams)
Chief Financial Officer, (M. Musara)
Operations and Administration Division Manager, (K. Harley)
P-Card Specialist, (B. Haggins)

ANNUAL PURCHASE CARD COMPLIANCE REVIEW

MAY 16, 2024

PAGE 3

BACKGROUND

In accordance with the Washington Suburban Sanitary Commission's (WSSC) Office of the Inspector General's (OIG) Fiscal Year 2024 Risk-Based Work Plan and the authority granted pursuant to Public Utilities Article ("PUA"), § 17-605 (a)(6) of the Annotated Code of Maryland, the OIG conducted an annual review of WSSC's purchase card transactions from September 1 through November 30, 2023 (three-month period ended November 2023). The OIG conducted the review in accordance with the Association of Inspectors General's Principles and Standards for Offices of Inspector General, *Quality Standards for Inspections, Evaluations, and Reviews* (May 2014).

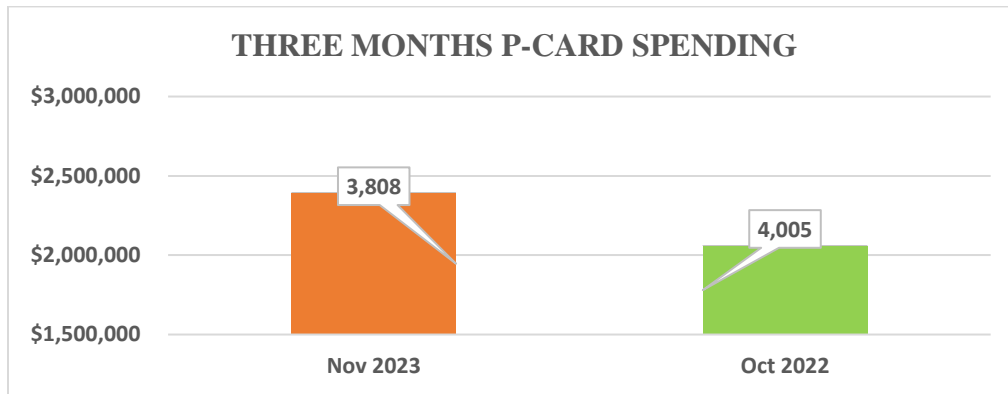
Purchase card transactions are governed by the WSSC Water's Commercial Purchase Card Program (P-Card Program), set forth in Chapter 6.15 of the WSSC Code of Regulations (Code) and specifically outlined in Chapter 6.20 of WSSC Water's Manual of Standard Procedures (Manual). The P-Card Program is not intended to circumvent WSSC's purchasing rules and procedures but is designed to streamline the procurement process by permitting the acquisition of certain goods and services in an efficient and timely manner. All transactions must comply with WSSC's regulations, policies, procedures, and guidelines governing expenditures and purchases.¹ To manage the use of WSSC's P-Card, both the Code and the Manual are used in conjunction with the supplemental WSSC Purchase Card Program Manual (P-Card Program Manual).² The Procurement Office's Operations & Administration Division (Procurement Office) oversees the P-Card Program, and the day-to-day management responsibilities are assigned to the P-Card Specialist.

As shown in the chart below, there were 3,808 transactions totaling \$2,392,726 from September 1 through November 30, 2023. This represents a decrease of 197 (4.92%) fewer transactions compared to the previous period of August 1 through October 31, 2022. However, despite the lower number of transactions, there was an increase of \$333,185 (16.18%) in terms of the total amount spent when compared to the previous period. The previous period had 4,005 transactions totaling \$2,059,541.

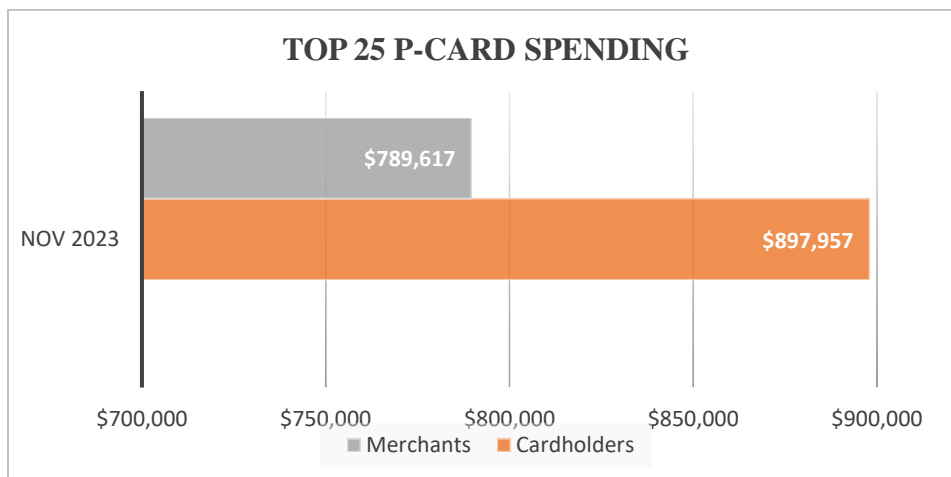
¹ See WSSC Manual, § 6.20.050 (a).

² See WSSC 6.15.090 (b)(6)(stating that subject to the approval of the General Manager/Chief Executive Officer the Chief Procurement Officer shall establish written procedures for the execution of contracts for the procurement of goods and supplies, services . . . such procedures shall include policies, instructions, and/or guidelines); see also WSSC Manual, § 6.20.030 (b) (advising that the P-Card Program Manual should supplement the P-Card standard procedure); see also WSSC Procurement Department's Forms and Documents, P-Card Manual (July 1, 2023).

ANNUAL PURCHASE CARD COMPLIANCE REVIEW
MAY 16, 2024
PAGE 4



The top 25 cardholders accounted for 881 transactions, or 23% of the total transactions, and \$897,957, or 38% of the total P-Card dollars spent from September 1 through November 30, 2023. Active cardholders purchased items from various merchants, and the top 25 merchants accounted for \$789,617, or 33% of the total dollars spent by cardholders. The number of cardholder transactions totaled 1,134 or 30% of the total number of P-Card transactions among the top 25 merchants. The following chart illustrates the top 25 cardholders' transactions.



OBJECTIVE

The objective of this review is to determine compliance with WSSC's P-Card policies as outlined in its regulations, standards, and procedures. The OIG also developed review procedures and tests to identify instances of fraud, waste, and abuse.

SCOPE AND METHODOLOGY

The review's scope included P-Card transactions from September 1 through November 30, 2023.

ANNUAL PURCHASE CARD COMPLIANCE REVIEW

MAY 16, 2024

PAGE 5

To achieve the review's objective, the OIG performed several tasks, including the following:

- Reviewed relevant regulations, policies and procedures, card user guidelines, and internal documentation to determine applicable criteria for the review;
- Interviewed personnel from the Procurement Office to obtain information and an understanding of associated processes;
- Reviewed transactions that exceeded the assigned credit limits to verify whether the higher limit requests were prepared, reviewed, and approved before the purchase;
- Performed tests to ascertain if cardholders followed the P-Card split transaction policy;
- Performed testing procedures to determine whether any vendors had the same addresses as employees;
- Conducted tests to verify compliance with the P-Card policy that restricts the use of cards by terminated employees;
- Extracted a random sample of forty (40) P-Card transactions from the population (3,808) using data analysis software to verify proof of purchase, determine whether capital movable assets were correctly classified, and examine whether tax was exempted when applicable;
- Identified new P-Card users and reviewed whether they met the eligibility requirements; and
- Reviewed training reports to determine if the P-Card users received mandatory annual training on policies and procedures.

The *Quality Standards for Inspections, Evaluations, and Reviews* require the OIG to adequately plan the review and obtain sufficient, competent, and relevant evidence to afford a reasonable basis for inspection, evaluation, and review of findings and conclusions. Accordingly, the evidence obtained provides a reasonable basis for our findings and conclusions based on the scope and objectives.

CONCLUSION

Overall, the review disclosed that WSSC's P-Card program was primarily compliant with policies as outlined in its regulations, standards, and procedures. The OIG did not detect any instances of fraud, waste, or abuse during the review period. Nevertheless, annual P-Card training and exam performance were not conducted during this review period.

Additionally, the OIG has communicated a less significant internal control deficiency (low-rated issue) associated with this engagement to appropriate WSSC management in a separate OIG Memorandum.

The OIG would like to commend the P-Card Specialist for her continuous support and prompt responsiveness throughout the review. Her diligent monitoring activities and prompt

ANNUAL PURCHASE CARD COMPLIANCE REVIEW**MAY 16, 2024****PAGE 6**

assistance have significantly contributed to the process. Notably, there have been significant improvements in the monitoring activities since the last review.

FINDINGS, MANAGEMENT RESPONSES, AND ACTION PLANS**Finding 1: Mandatory annual training was not provided****Risk Rating: MEDIUM**

According to the WSSC Manual, § 6.20.100, all cardholders and approvers shall participate in mandatory P-Card Training outlined in the P-Card Program Manual. Additionally, § 9 (B) of the P-Card Program Manual states, "the purpose of the mandatory annual training is to assess the cardholder's comprehension of the P-Card Program Policy. Eighty percent (80%) of the questions [on the web-based P-Card Policy exam] must be answered correctly to receive or continue use of the P-Card."³

The OIG found that the mandatory annual training was not completed by all cardholders and approvers. The OIG reviewed the P-Card training reports to determine if cardholders received annual P-Card training. Out of the total four hundred thirty-three (433) active cardholders, twenty-seven (27) were new cardholders, exempt from annual training and only obligated to undergo initial training and passage of the exam. The remaining four hundred six (406) cardholders were not provided the mandatory annual training.

According to Procurement Management, the oversight and gap in annual exam requirements occurred due to the Procurement Office's primary focus on enhancing monitoring activities and ensuring adherence to the approval process of the P-Card transactions. This shift in focus unintentionally diverted attention from the annual exam requirement. However, the P-Card Specialist conducted onsite training for cardholders to enforce P-Card compliance at various depots. Additionally, the P-Card Specialist offered splash or awareness training to cover specific topics for P-Card transactions, including authorized types of purchases, fraud tips for holidays, and reconciliation tips. Both onsite and splash training do not require written tests with passing grades.

The lack of annual training and exam performance results impedes the assessment of user comprehension, resulting in weakened compliance knowledge and importance. Without annual reinforcement, there is a risk of diminished adherence to policies and procedures, potentially leading to the misuse of P-Cards.

Recommendation 1: Offer the mandatory annual training

The OIG recommends that the Procurement Department conduct the annual mandatory training for all active cardholders and approvers, emphasize the importance of continuous training, retain training records with passing grades, and review and update training materials annually to ensure compliance with the Manual. The OIG also recommends that WSSC management address any concerns or questions regarding training, with the P-Card Specialist as

³ See WSSC P-Card Program Manual Version 2, § 9.0 (B).

ANNUAL PURCHASE CARD COMPLIANCE REVIEW

MAY 16, 2024

PAGE 7

the primary point of contact. Implementing annual training ensures and fosters a culture of ongoing compliance and accountability among cardholders and approvers within the Commission.

Management Response and Action Plan (including anticipated due dates)

The Procurement Office agrees with Finding 1. As stated in the finding, there was a shifted focus to providing additional training tools and resources to cardholders and approvers to educate and reinforce proper P-Card procedures. While these training initiatives and resources were valuable and well-intentioned, the Procurement Office acknowledges that they did not constitute an exam.

To address this finding and prevent future occurrences, the Procurement Office is taking the following actions by July 31, 2024:

1. We will digitize a new P-Card training module to make it more engaging, user-friendly, and accessible to all cardholders and approvers. This effort is intended to ensure that the training is completed consistently and efficiently.
2. The P-Card Specialist will develop a comprehensive plan and timeline for administering the annual training and testing, ensuring that all active cardholders and approvers complete the requirement within the specified timeframe. This plan will incorporate the valuable elements of the site visits, emails, and Splash training initiatives while prioritizing compliance with the testing requirement.
3. We will maintain accurate training completion records and test results to demonstrate compliance with the P-Card Program Policy and facilitate future audits.

We are committed to maintaining a robust and compliant P-Card program and strive for continuous improvement.