



Fairfax County Internal Audit Office

OFFICE OF PARTNERSHIPS
PROCUREMENT CARD AUDIT

SEPTEMBER 2004

"promoting efficient & effective local government"

Executive Summary

Our review of procurement cards revealed that overall internal controls were not adequate. Weaknesses were noted in the oversight of the program, implementation of effective control procedures, and compliance with County Procedural Memorandum (PM) 12-02, as follows:

A noted breakdown of communication between department personnel and the temporary Program Manager, in the Office of the County Executive, resulted in transaction reconcilements, supervisory reviews, and account clearing transfers not being performed.

During the course of our audit the Office of Partnerships hired a new Fiscal Administrator, who was assigned Program Manager duties. We performed a subsequent review and found that procurement card reconciliations and account clearing transfers for May 2004 were performed and documented properly.

Scope and Objectives

This audit was performed as part of our Fiscal Year 2004 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of November 1, 2003, through March 31, 2004, and our audit objectives were to determine if the department:

1. had developed written internal procedures in accordance with PM 12-02.
2. followed the County rules and procedures for the use of procurement cards.
3. had adequate internal control procedures in place and that these procedures were being followed by cardholders.

Methodology

Audit methodology included a review and analysis of internal control procedures, procurement card expenditures and related accounting records of the department. Our audit approach included: an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with County PM 12-02 *Use of the County Procurement Card*. Information was extracted from the Procurement Card Management System for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls.

The Fairfax County Internal Audit Office is free from organizational impairments to independence in our reporting as defined by Government Auditing Standards. We report directly and are accountable to the County Executive. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the County Executive and the Board of Supervisors, and reports are available to the public.

Findings, Recommendations, and Management Response

PROGRAM MANAGEMENT

The Office of Partnerships was assigned a temporary Program Manager outside of the department until a new Fiscal Administrator was hired. There was a breakdown of communication between departmental personnel and the temporary Program Manager, in the Office of the County Executive, regarding the flow of reports and supporting documentation. The card custodian who was performing reconciliations did not forward the reconciliations and supporting documentation to the Program Manager, resulting in the following control weaknesses:

- Supervisory review of procurement card transactions was not taking place.
- Reconciliations of the PVS transactions report were not being performed.
- Procurement card transactions were not reconciled to FAMIS.
- Charges were not being transferred out of the 3375 clearing account to the appropriate fund, index and subobject codes.

Recommendation: Procurement card reconciliations should be fully documented and subject to an independent supervisory review. All reconciliations should be initialed and dated by both the individual performing the settlement and by the reviewer, evidencing timely completion of assigned duties. After completion of the monthly reconciliation of amounts posted on FAMIS to bank records, charges should be distributed from the clearing account to the appropriate fund, index, and subobject codes.

During our review a new Fiscal Administrator was hired and assigned the duties of the Program Manager. Subsequently, Internal Audit reviewed the May 2004 procurement card reconciliations and supporting documentation. Procurement card reconciliations were performed in a timely manner and were properly initialed and dated. Transfers from the 3375 clearing account were made to the correct index and subobject codes. Therefore, no additional follow-up will be required.

Management Response: The Office of Partnerships was without a Financial Administrator for a total of one year and 2 months. The directive not to fill this position over an extended period greatly exacerbated the overall ability to assure compliance associated with procurement card reconciliations and supporting PVS and FAMIS transactions. Following the directive to have the (Fiscal Administrator/Program Manager) position remain vacant...non-compliance findings in internal controls to include PVS transactions and reconciliation in FAMIS ensued.

While we value the assistance received in the interim from the County Executive Office, the drawback to this decision was that the Office of Partnerships exercised no supervision over the Program Manager in charge of PVS and FAMIS...and there was no indication that there was a communications problem. Additionally, the location of records separate from the positioning of the Program Manager presented additional challenges.

OOP received authorization to hire a Program Manager/Fiscal Administrator in May 2004 and anticipates continued compliance with County policies and procedures.