Fairfax County Internal Audit Office

ELECTORAL BOARD AND GENERAL REGISTRAR PROCUREMENT CARD AUDIT

June 2005

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Executive Summary

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were documented, a well designed separation of duties was in place, and the Electoral Board and General Registrar appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02 with the exception of the following:

- Employee Acknowledgement Disclosure Forms were not on file for all card users and forms on file were not properly dated.
- A split purchase was made during the review period but not properly documented.

Scope and Objectives

This audit was performed as part of our fiscal year 2005 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of January 2004 through December 16, 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 these procedures were being followed by cardholders.

4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

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. This did not result in a scope limitation of the audit.

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

1. Employee Acknowledgement Disclosure Forms

Employee Acknowledgement Disclosure Forms for ten of twenty-five transactions reviewed were not on file for all card users and forms on file were not properly dated.

Procedural Memorandum No. 12- 02 and the Electoral Board and General Registrar procedures indicate that all first-time card users must sign and date an Employee Acknowledgement Disclosure Form. The form acknowledges the employee's responsibilities regarding card use and sets for consequences for misuse. The agency program manager shall maintain the signed forms.

Recommendation: The Electoral Board and General Registrar should have all employees using the procurement card sign and date the Employee Acknowledgement Disclosure Form. The program manager should maintain signed forms.

Management Response: Employee Acknowledgement Disclosure Forms have been signed and dated and have been placed in our files for all employees who use procurement cards.

2. Split Purchases

The Electoral Board and General Registrar made a split purchase on June 16, 2004, for the purchases of shirts from Logo Motions Inc. Both transactions were for the same amount of $854.00 totaling $1,708.00. The two purchases exceeded the card single transaction limit of $1,000.

According to a memorandum issued on December 9, 2003, by the Department of Purchasing and Supply Management to all agency heads, split purchases are prohibited. The memorandum provides a definition of a split purchase as "one in which the original purchase requirements for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time. In most cases, a split purchase is created to circumvent applicable dollar thresholds associated with the appropriate purchasing technique (e.g., procurement card, small purchase order, informal solicitation, etc.). Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases."

Recommendation: The Electoral Board and General Registrar should utilize proper purchasing methods in accordance with County policy. In addition, when exceptions to policy are made they should be clearly documented and approved. Lastly, procurement card usage should be reviewed to determine if monetary limits should be modified.

Management Response: This agency will request that the limit for procurement card purchases be increased to $2,000. Any exceptions will be clearly documented in the agency file.