



Fairfax County Internal Audit Office

**Human Rights Commission
Procurement Card Audit
Final Report**

December 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 Human Rights Commission appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02 with the exception of the following:

- There was no evidence that either the PVS report or monthly bank statement was being reconciled to original receipts or charge slips.
- An Employee Acknowledgement Disclosure Form was not on file for a primary card user.
- A split purchase was made during the review period.

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 February, 2004, through February, 2005, 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 Form

The director, who uses the procurement card frequently, did not have an Employee Acknowledgement Disclosure Form on file. The program manager inadvertently overlooked obtaining a disclosure form from the department director. Although we did not find any improper purchases or missing receipts, this may lead to improper use of the card and/or inadequate records being maintained.

Procedural Memorandum No. 12-02 indicates 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 forth consequences for misuse. The department program manager shall maintain the signed forms. By not reading and signing the Employee Acknowledgement Disclosure Form the director may not be aware of specific County policies to adhere to regarding proper use (as indicated on the disclosure form).

Recommendation: As prescribed in PM 12-02, all users of the procurement card should read and sign the Employee Acknowledgement Disclosure Form to familiarize themselves with County restrictions regarding card use.

This finding has now been corrected. Upon notification of the exception, the program manager immediately obtained the signed disclosure form from the director and provided a copy to Internal Audit. No further management response is deemed necessary.

2. Reconciliation of PVS Reports or Monthly Bank Statements

Neither the weekly PVS reports nor the monthly bank statements were being initialed and dated upon reconciliation to evidence that the PVS reports were being reconciled to receipts in a timely manner. Without this documentation, as required by PM 12-02 it's possible that the reconciliation function is overlooked and improper charges that are prohibited by County policy get paid. According to the program manager, a monthly procurement card package was being submitted to the director for approval which included the transfer voucher, invoices, and a copy of the PVS report. The director would then review and approve each transaction by signing or initialing the transfer voucher.

Recommendation: As prescribed by PM 12-02, the Human Rights Commission should revise its operating practices and require that the weekly PVS report be

initialed and dated upon completion of the reconciliation. This will provide evidence that the reconciliation function is being performed on a timely basis and inaccurate or improper charges are not being paid.

Management Response: A copy of all weekly transaction statements are given to the director for signature in the form of a package that consist of the original receipt, transfer voucher and the weekly PVS report. The director signs the transfer voucher verifying and authorizing all transactions. The agency has already started to keep a separate copy of all weekly PVS reports in a binder and having the director sign and date them.

3. Split Purchases

The Human Rights Commission made a split purchase on June 16, 2004, for registration fees paid to Ramada Inns for a conference. One transaction was for the limit of \$2,500 and the other for \$51.31. The total of the two transactions exceed the card transaction limit of \$2,500.

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 Human Rights Commission should utilize proper purchasing methods in accordance with County policy. In addition, exceptions to policy should be clearly documented. Lastly, procurement card usage should be reviewed to determine if monetary limits should be modified.

Management Response: The agency had several employees at a conference at one time. Because the agency did not have enough procurement cards for every employee to do individual transactions, the program manager had a group account setup which required a split purchase being done in order to pay the bill. The agency has established a purchase order for the next year's conference in order to pay for hotel and registration fees.