



# Fairfax County Internal Audit Office

**Department of Public Works and Environmental Services  
Capital Facilities Construction Management Division  
Procurement Card Audit**

**Final Report**

**November 2005**

*"promoting efficient & effective local government"*

# Executive Summary

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the Department of Public Works and Environmental Services (DPWES) Capital Facilities Management Division appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02 with the following exceptions:

- The procurement card log was not an accurate reflection of all transactions and controls over items logged were not adequate to ensure proper follow-up of outstanding items.
- Employee Acknowledgement Forms were not properly approved.
- Timely reclassification of the transactions to the correct expenditure category was not performed.

## 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 July 2004 through May 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 that 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. Procurement Card Logs

There was no process to document the approval of transactions posted to the procurement card log or to document its reconciliation to the monthly bank statement. Additionally, there were several instances where credits for purchases made were not properly posted to the log. These conditions led to instances of duplicate charges and unclaimed refunds.

PM 12-02 indicates that a system that tracks all transactions must be in place. In addition, reconciliation of the log is an important control procedure that should be performed.

**Recommendation:** DPWES Capital Facilities Management Division should maintain a log to accurately reflect all procurement card transactions. The printed log should be reconciled monthly with any outstanding items researched and resolved in a timely manner. This process should be evidenced with the initials of the reconciler/reviewer and dated. The signed hard copies should be maintained as part of the reconciliation package.

**Management Response:** Capital Facilities procurement card procedures will be updated. This update will require all transactions, specifically including credits due to be recorded on the log; reflect responsibilities of the procurement card program manager to acknowledge approval of each purchase in a new column added to the log; and reflect responsibilities of procurement card reconciler to print a hard copy of the procurement card log once the reconciliation is completed and to sign and date the copy for audit records. The program manager is responsible for notifying all personnel of these changes. All changes and updates should be completed by October 31, 2005.

## 2. Controls over Authorizing Card Users

In eleven of seventeen instances, Employee Acknowledgement Forms were not properly approved by the employee's supervisor. The forms were only approved by the program manager. In one instance the program manager was authorizing his own use of the card.

PM 12-02 requires all card users to complete an Employee Acknowledgement Form. The form approved by DPWSM requires an approval signature by the user's supervisor and the program manager.

**Recommendation:** Employee Acknowledgement Forms should be properly completed and approved for all card users.

**Management Response:** All Employee Acknowledgement Forms with the incorrect format have been identified and are now in the process of being reissued with the proper signature blocks for the user, the user's supervisor, and the program manager. All forms should be updated by September 30, 2005.

### 3. Timely Reclassification of Procurement Card Clearing Account

Transfers to reclassify transactions from the procurement card clearing account were not made on a timely base. Only two transfers took place during FY 2005.

PM 12-02 requires that transactions be reclassified to their correct account at least on a monthly basis.

**Recommendation:** Reclassifications should be performed at least on a monthly basis in compliance with County procurement card policies.

**Management Response:** Capital Facilities is in the process of changing the reconciliation of purchases from the monthly bank statement as a primary document to reconcile purchases to the weekly Pathway Net reports as the primary document to reconcile purchases. This change should be completed by November 31, 2005. In addition, wording will be added to Capital Facilities procurement card procedures to reflect this change and establish a date of 30 days from the week ending of the weekly report as the absolute deadline for the reclassification of the clearing account expenses. This update should be completed by October 31, 2005.

### 4. Controls over Purchases Made by the Program Manager

Purchases made by the program manager did not have evidence of supervisory review and approval.

Per PM12-02 and departmental procurement card policies, if the program manager must make purchases the division director will review and sign the monthly reconciliation for that particular month.

**Recommendation:** The division director should review and sign the monthly reconciliation when purchases are made by the program manager.

**Management Response:** Wording specifically directing the program manager to acquire written approval from his/her supervisor for all procurement card purchases made directly by the program manager will be added to the procurement card procedures. The program manager is responsible for assuring this is completed for all transactions as specified above. The procedures update should be completed by October 31, 2005.