



Fairfax County Internal Audit Office

Department of Public Works and Environmental Services
Capital Facilities Planning & Design Division
Procurement Card Audit Report

September 2005

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Executive Summary

Our review of procurement cards revealed that internal controls were adequate. The Department of Public Works and Environmental Services Capital Facilities Planning & Design Division had sufficient separation of duties and appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02 except for the following:

- The procurement card log was not an accurate reflection of all transactions.
- Timely reclassification of the transactions to the correct expenditure category was not performed.
- There was no evidence to indicate who was reconciling transactions or when the reconciliations were being 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 April 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. Expenditure Log

The expenditure log was not an accurate reflection of the division's spending. Nineteen (19) of the twenty-five (25) (76%) transactions reviewed, were not listed on the expenditure log.

PM 12-02 indicates that a system that tracks expenditures must be in place. Agencies may use an appropriate manual or computer log. Entries must be contemporaneous to give up-to-date information on funds expended.

Recommendation: The DPWES Capital Facilities Planning & Design should maintain a log to accurately reflect all procurement card transactions.

Management Response: The Planning and Design Division (PDD) staff have met and discussed the issue and a log that accurately reflects procurement card transactions to date is currently being used and PDD is in compliance with PM 12-02 as of August 22, 2005, and a comprehensive effort to continue same is underway. Additionally, Capital Facilities will restructure the entire procurement card program in FY 2006 due to the consolidation of four agency budgets to one agency budget for Capital Facilities. This restructure should be completed by December 31, 2005.

2. Timely Reclassification of Procurement Card Clearing Accounts

Transfers to reclassify transactions from the procurement card clearing accounts (subobject 3375, 5009, and 5022) were not made on a timely basis. Only one transfer took place during the audit period.

PM 12-02 requires that transactions be reclassified to their correct account at least once a month.

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

Management Response: The Planning and Design Division (PDD) staff have met and discussed the issue and reclassifications are to date being performed monthly and PDD is in compliance with PM 12-02 as of August 22, 2005, and a comprehensive effort to continue same is underway. Additionally, Capital Facilities will restructure the entire procurement card program in FY 2006 due to the consolidation of four agency budgets to one agency budget for Capital Facilities. This restructure should be completed by December 31, 2005.

3. Reconciliation of Receipts/Invoices to Monthly Bank Statements

While there was evidence to indicate that reconciliations were being performed, there was no evidence to indicate who performed procurement card reconciliations and when they were being performed.

PM 12-02 requires that all agencies reconcile receipt/charge slips to the weekly transaction report or to the monthly statement in a timely manner. In either case, the program manager must initial and date these documents. In addition, the office's internal control procedures require that this reconciliation be performed. Failure to document when the reconciliation is performed and the name of the reconciler decreases the accountability for processing the reconciliation in a complete and timely manner.

Recommendation: Once the procurement card's monthly reconciliation is completed the preparer should initial and date the report. Additionally, the weekly transaction reports should be reviewed on a regular basis. This review should also be evidenced by initials and a date.

Management Response: The Planning and Design Division (PDD) staff have met and discussed the issue and the monthly reconciliation to date is initialed by the preparer and weekly transaction reports are reviewed, dated and initialed. PDD is in compliance with PM 12-02 as of August 22, 2005, and a comprehensive effort to continue same is underway. Additionally, Capital Facilities will restructure the entire procurement card program in FY 2006 due to the consolidation of four agency budgets to one agency budget for Capital Facilities. This restructure should be completed by December 31, 2005.