



Fairfax County Internal Audit Office

**Department of Public Works and Environmental Services
Wastewater Collection Division
Procurement Card Audit
Final Report**

April 2006

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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 DPWES Wastewater Collection Division (WCD) appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02. One key control area that could be strengthened was the alignment of card limitation controls with card activity.

Scope and Objectives

This audit was performed as part of our Fiscal Year 2006 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of January 2005 through December 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. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

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

Card Limitation Controls

The monthly credit limit and authorization limit on the procurement cards were \$25,000 and one hundred transactions respectively. These limits appeared to be high for the amount of activity the cards had in calendar year 2005.

Card Name	Monthly Average Dollars	Monthly Average Count	Highest Total Dollars in 1 Month	Highest Total # of Transactions in One Month
Administrative	\$3,769	11	\$6,991	16
Operational	\$5,771	13	\$9,290	18

This was also an outstanding finding from the March 4, 2003, Procurement Assistance and Compliance Program (PAC) review. Per PM 12-02, card limitations should be based on usage. The project manager was waiting to see how the use of the procurement card for purchases usually done through blanket purchase orders (as requested by the Department of Purchasing and Supply Management) affected the card activity before making changes to the card limitations. Per our discussions, she now has enough data to be able to lower these limitations. Failing to properly set procurement card limitations increases the risk of card abuse.

Recommendation: WCD should review the activity of their procurement cards and lower the monthly credit limit and authorization limit by an appropriate amount.

Management Response: Wastewater Collection Division has changed the monthly credit and authorization limit for the procurement cards. One card limit was lowered to \$10,000 per month and another lowered to \$15,000 per month. For both cards, authorization transactions will be limited to thirty per month.