



# Fairfax County Internal Audit Office

Department of Tax Administration  
Procurement Card Audit  
Final Report

May 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 Department of Tax Administration (DTA) appeared to be in compliance with internal controls outlined in the County Procedural Memorandum (PM) 12-02. The following weaknesses were noted:

- The revised procedures that DTA was currently operating under had not been approved by DPSM.
- Anticipated credits were not being posted to the expense log.

## 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 October 2004 through October 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 generally accepted 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 Internal Control Procedures

DTA was following revised internal control procedures that were never approved by the Department of Purchasing and Supply Management (DPSM). Failure to submit revisions of departmental procurement card procedures to DPSM for approval increases the risk that procedures contain steps that are not in compliance to County policy.

**Recommendation:** DTA should ensure that the procedures are compliant with PM 12-02 and submit the revised procedures to DPSM for approval.

**Management Response:** DTA's "Internal Procedures for use of the County Procurement Card" were submitted to the Department of Purchasing and Supply Management for review/approval. Changes as requested by DPSM are incorporated into the revised "Internal Procedures" dated 4/17/06. DTA has adjusted "internal procedures" to address noted inconsistencies with Procedural Memorandum 12-02 and the revised procedures will be returned to DPSM for sign off. Revisions were completed April 17, 2006, with approval of revisions on April 20, 2006.

### 2. Control Over Credits

Anticipated credits were not being recorded on the transaction log. Per PM 12-02, all transactions, including credits, should be recorded on the log. Failure to record anticipated credits to the expense log increases the risk that unprocessed credits will not be discovered.

**Recommendation:** DTA should record all credit transactions on the transaction log.

**Management Response:** As of March 30, 2006, DTA is recording credit transactions on the Internal Transaction Log.