



Fairfax County Internal Audit Office

**General District Court
Procurement Card Audit
Final Report**

June 2006

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Executive Summary

Our review of procurement cards indicated that internal controls need to be strengthened. Internal controls were weak with a significant concentration of duties resting in one position. Incompatible duties should be separated or compensating controls should be strengthened by a documented and substantive review and approval process. Further, weekly reconciliations need to be signed and dated, and Employee Acknowledgement Disclosure forms should be dated.

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 General District Court (GDC):

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

1. Segregation of Duties

We noted a high concentration of duties in the program manager (PM) position. The program manager is the card custodian, occasionally uses the card and performs the reconciliation of the transaction report with receipts. PM 12-02 indicates that the same position cannot be card custodian and perform the reconciliation function. Further, it states that if the department cannot reasonably separate these two duties, there must be a compensating control of a “substantive supervisory review” of the transaction activities, evidenced by an approval signature and date.

GDC staff explained that because the office is small it is necessary for the program manager to be card custodian, use the card occasionally for routine card purchases and also be responsible for reconciling the weekly transaction report and monthly bank statement. Controls are weak or non-existent when there is a lack of segregation of duties between the card custodian, card user, and the person who performs the reconciliation function. Potentially, procurement cards can be misused. The Clerk to the Court reviewed monthly bank statements for propriety as a compensating control. However, the documents were not signed and dated to support this review.

Recommendation: We recommend the GDC segregate the duties of card custodian, user, and the reconciliation function to three different positions if possible. If the department cannot separate the card custodian and reconciliation functions, then it should establish a compensating control of a “substantive supervisory review” of the transaction activities, evidenced by an approval signature and date.

Management Response: Custodianship of all three cards has been assigned to the deputy clerk. Reconciliation is prepared by the supervising deputy of bookkeeping. These individuals are not card users.

2. Controls over Weekly Reconciliations

We noted during testwork that the completed reconciliations for the Weekly Transaction Reports were not signed and dated by the reconciler (PM) or approver (Clerk to the Court). PM 12-02 requires that the reconciler both sign and date the transaction reports when reconciled. Failure to document who performed the reconciliation, who approved the reconciliation and the date when each was performed, weakens the accountability, segregation of duties and timeliness controls. This increases the risk of card misuse.

Recommendation: The reconciler and the reviewer should both sign and date the Weekly Transaction Reports on a consistent basis to comply with PM 12-02.

Management Response: The reconciliation is prepared, signed and dated by the supervising deputy of bookkeeping. The reconciliation is reviewed, approved, and signed by the budget analyst.

3. Employee Acknowledgement Disclosure Forms

We noted during transactional testwork that Employee Acknowledgement Disclosure (EAD) forms were not dated when signed. PM 12-02 requires all users of the procurement card to sign and date EAD forms prior to card use. The program manager was not aware that the EAD forms had to be both signed and dated. GDC will implement changes immediately to require that future EADs be signed and dated by card users before using the procurement card. Provided forms are not dated, there is no evidence the card user read the forms and became aware of card restrictions and consequences for improper card use prior to card transactions. Failure to both sign and date the EAD forms increases the risk of employee misuse of procurement cards and negates the deterrent factor of communicating the card user responsibilities in advance.

Recommendation: Consistent with PM 12-02 all procurement card users should sign and date EADs before card use.

Management Response: EAD forms have been revised and now include the date of signature.