



Fairfax County Internal Audit Office

**Department of Community and Recreation Services
Procurement Card Audit
Final Report**

March 2007

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Executive Summary

Our review of the Department of Community and Recreation Services' procurement cards for the period January 2006 through December 2006 revealed that internal controls procedures were well documented, a well-designed separation of duties was in place, and the department appeared to be in compliance with Procedural Memorandum (PM) 12-02 with the exception of the following:

- There were eleven instances where split transactions were processed for amounts greater than individual card limits.
- Employee Acknowledgement Disclosure Forms, documenting awareness of procurement card purchasing responsibilities, were not on file for eight employees.

Scope and Objectives

This audit was performed as part of our fiscal year 2007 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period from January 1, 2006, through December 31, 2006. Our audit objectives were to determine whether 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

Our 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 policies and procedures. We evaluated the processes for compliance with the county's PM 12-02. 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. Split Purchases

There were eleven instances noted where split purchases were made in excess of the department's card limit for individual procurement cards. Split transactions occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time.

Procedural Memorandum 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: The Department of Community and Recreation Services (DCRS) should utilize proper purchasing methods in accordance with county policy. When exceptions to policy are made they should be clearly documented and approved. Lastly, procurement card usage should be reviewed to determine if monetary limits need to be modified.

Management Response: DCRS will continue to educate staff on the proper procurement card procedures prior to use of the procurement card. If a split purchase is found during the reconciliation process, the cardholder will be re-educated on the procurement card policy and a written reprimand will be issued. For a second violation, the cardholder will lose his/her card privileges for a period of time. If there is a third violation, the cardholder will lose procurement card privileges indefinitely. If there is an emergency in which a split purchase might be necessary, the Department of Purchasing and Supply Management will be consulted and, if approved, the written approval will be attached to the actual log and receipt. The anticipated completion date is April 1, 2007.

2. Employee Acknowledgement Disclosure Forms

Employee Acknowledgement Disclosure Forms were not on file for all procurement card users. During our transaction testing, we noted eight instances where the employee who used the purchasing card did not have a signed disclosure form.

Procedural Memorandum 12-02 requires that all first-time card users sign and date an Employee Acknowledgement Disclosure Form. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse.

The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

Recommendation: The Department of Community and Recreation Services should

ensure that each employee using a procurement card sign and date an Employee Acknowledgement Disclosure Form, with the forms retained in file as required by PM 12-02.

Management Response: A monthly sample audit will be performed by the administrative assistant to determine that the selected card users have a disclosure form on file. A record will be kept on file of the monthly sample audit. The cardholders will be responsible for having a disclosure form on file for themselves and for any user they have distributed their card to. Written reprimands will be issued to cardholders for missing disclosure forms. If a cardholder has more than one violation, that cardholder will not be able to distribute his/her card to other users. Additionally, staff members will be reminded via e-mail to complete the Employee Acknowledgement Disclosure Form if they were missed during the new employee orientation. The anticipated completion date is April 1, 2007.