



Fairfax County Internal Audit Office

Fairfax County Public Library
Procurement Card Audit
Final Report

May 2007

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Executive Summary

Our review of the Fairfax County Public Library's procurement cards revealed that overall the internal controls were adequate. Internal control procedures were well documented, a well-designed separation of duties was in place, and the department appeared to be in compliance with internal controls outlined in the county Procedural Memorandum (PM) 12-02 with the exception of the following:

- Seven instances were noted where there was no receipt documentation in files to support the propriety of transactions.
- Physical controls over the access to three procurement cards were weak.
- The procurement card log did not identify the card user for each transaction.

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 of January 2006 through December 2006, 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 PaymentNet 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. Receipt Documentation

We noted seven instances where there was not an original vendor receipt, invoice, or credit slip in file to support procurement card transactions. In addition, there was no evidence of sufficient alternate receipt documentation as required by PM 12-02.

Procedural Memorandum 12-02 requires that agencies maintain all original receipts, invoices, or credits for each transaction. Receipts should show all details pertinent to the transaction. If for any reason an original or alternate receipt is unavailable, a photocopied receipt or a memorandum providing the purchase details and the reason why a receipt is not available must be included with the monthly statement or weekly transaction report and be signed by the program manager. Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

Recommendation: The Fairfax County Public Library should ensure that sufficient receipt documentation, as specified by PM 12-02, is maintained in file for all procurement card transactions.

Management Response: The Fairfax County Public Library will ensure that adequate receipt documentation is received and maintained. Procurement team members working in conjunction with the program manager will immediately begin a concerted effort to ensure required documentation is in place. The following actions will be taken immediately:

- Refresher training will be provided to procurement staff to review all required paperwork.
- When items are ordered via the internet or via fax, confirmation will be requested. If none is received the alternative documentation outlined in PM12-02 will be created.
- During the weekly cost redistributions, paperwork will be audited by the program manager to ensure documentation is complete and accurate. If the package is incomplete, it will be returned to the appropriate procurement team member for action.

We have verified the implementation of the items in the response and no further follow-up will be necessary.

2. Controls over Procurement Card Access

We noted access weaknesses for the three cards kept in Suite 324. Although the cards were kept in a locked cabinet situated in a locked room, the key to the room was held by the program manager and by all Financial Management Office (FMO) staff (of about ten persons), since the room was also used to store lunches by the FMO staff. The key to the room was also held by one staff member other than the FMO for access to camera equipment situated in the same room. Furthermore, the

key to the locked cabinet was kept in an open key chest in the corner of this room at all times along with several other keys.

According to the PM 12-02, "Except for cards in personal possession, cards should be kept in a locked location while not in use. Access to the location should be limited to those individuals who require access to the card." Any person who has access to the room could access the cards since the key to the file cabinet is kept loose at all times in the same room. This exposes the cards to unauthorized persons and could result in theft of cards or unauthorized purchases.

Recommendation: Fairfax County Public Library staff should enforce stricter access controls over the procurement cards. The key to the procurement card cabinet should be kept by the card custodians and access to the key should be minimized to provide greater security for the cards.

Management Response: The card custodians have been provided keys to the locked cabinet where the card is housed. Additionally, four back-up custodians have been given a key to the cabinet. No other keys are available to anyone entering the locked room. The departmental ICP has been updated to include these new back-up custodians and includes procedures for notifying the primary custodians when the card is checked out.

We have verified the implementation of the items in the response and no further follow-up will be necessary.

3. Expenditure Log

The procurement card log did not list the card user for each transaction, only the card requestor.

Procedural Memorandum 12-02 indicates that entries posted to a procurement card log should identify the applicable card user. Failure to identify user of procurement cards impairs the management's ability to hold a particular person accountable in instances of fraud or misuse.

Recommendation: Fairfax County Public Library staff should maintain a transaction log which accurately identifies the card user as well as the card requestor, to ensure that card use is properly monitored.

Management Response: The Fairfax County Public Library procurement card log has been updated with an additional column to identify not only the requestor, but also the user.

We have verified the implementation of the item in the response and no further follow-up will be necessary.