



Fairfax County Internal Audit Office

Office of the County Attorney
Procurement Card Audit
Final Report

November 2007

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Executive Summary

Our review of the Office of the County Attorney (OCA) procurement cards revealed that the internal controls in the areas of weekly transaction reviews, clearing account reclassifications, transaction logs and FAMIS reconciliations 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. However, we noted the following exceptions where controls needed to be strengthened:

- Receipts were not on file for 20% of the transactions reviewed and were not found to be adequate for 32% of the transactions.
- Reconciliations of procurement card transactions to receipts and transaction logs were not being performed in a timely manner.

Scope and Objectives

This audit was performed as part of our fiscal year 2008 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of July 2006 through June 2007, 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 13 out of 25 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. While in five of those instances there was no evidence of any receipt documentation, six were related to seminars/conferences and only the outgoing faxed registration forms or order summaries were on file, and the remaining two were for publication renewals and only the renewal notices were on file. There was no evidence from the vendors confirming the amounts paid.

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: OCA should ensure that sufficient receipt documentation, as specified by PM 12-02, is maintained in file for all procurement card transactions. For transactions related to seminars/conferences and publication renewals, confirmations from vendors should be obtained for amounts paid.

Management Response: Receipts will be obtained during initial point of purchase. Original receipts will be maintained with the Monthly Reconciliation Report for all procurement card transactions. Verification that a receipt is attached to each transaction has been added to the monthly reconciliation. The department has indicated that they will implement corrective actions immediately.

2. Reconcilements

While there was evidence to indicate that the Weekly Transaction Reports were being reviewed for inconsistencies on a weekly basis, the monthly reconciliations from the receipts and transaction log to the bank statement were not being performed in a timely manner. For example, we noted that the transactions for the month of September 2006 had a reconciliation date of March 2007. Procedural Memorandum 12-02 requires that all agencies reconcile receipts and charge slips to the weekly transaction report or to the monthly bank statement in a timely manner. Untimely reconciliations may lead to erroneous or fraudulent transactions being undetected for a long time.

Recommendation: Reconciliation of receipts and transaction logs with the bank statement should be performed on a monthly basis as required by PM 12-02.

Management Response: Monthly reconciliations will be conducted within 30 days from the last day of the month. The department has indicated that they will implement corrective actions immediately.

3. Employee Acknowledgement Disclosure (EAD) Forms

During our transaction testing, we noted one instance where the employee who used the procurement card did not have a signed Employee Acknowledgement Disclosure Form on file. Additionally, the EAD form for another employee was not signed by the program manager. PM 12-02 requires that all first-time card users sign and date an Employee Acknowledgement Disclosure Form. The form acknowledges the employees' 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: OCA should ensure that each employee using a procurement card sign and date an Employee Acknowledgement Disclosure Form, with the forms retained as required by PM 12-02. The forms should also be signed by the program manager.

Management Response: The program manager will ensure the Employee Acknowledgment Disclosure Form is completed in its entirety for each user. The department has indicated that they will implement corrective actions immediately.