



Fairfax County Internal Audit Office

**McLean Community Center
Procurement Card Audit
Final Report**

March 2008

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Executive Summary

Our review of the Mclean Community Center (MCC) procurement cards revealed that, Overall, internal control procedures were well documented and in compliance with County Procedure Memorandum (PM) 12-02, internal controls for card security were adequate, and monthly reconciliations of card expenditures to FAMIS were being performed. However, we noted the following that could be strengthened:

- Twenty-five of 50 card transactions tested were not recorded in the card purchase logs.
- While receipts were being reconciled to the bank's Detailed Weekly Transaction Report, the reports were not being reconciled to card transaction logs as required by PM 12-02.
- There was one split purchase transaction.
- Four flower purchases and a fruit basket purchase lacked proper business purposes.

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 September 2006 through August 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

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. Transaction Logs

The procurement card (p-card) transaction log was not a complete reflection of the department's procurement card spending. We noted that 25 of 50 p-card transactions tested were completely omitted from the logs. Procedure Memorandum 12-02 requires contemporaneous entries of p-card transactions in logs that provide up-to-date information identifying the card user and the funds expended.

If p-card transactions are not recorded in p-card logs, it is difficult to properly monitor transactions on a timely basis, increasing the risk that card limits may be exceeded. Additionally, there is no accountability for the physical location of the card without the user signing it in and out. If a complete and current transaction log is not maintained there is an increased risk of unauthorized and improper use of the cards.

Recommendation: MCC should maintain a transaction log which accurately reflects all procurement card activity in a contemporaneous manner, to ensure that card use is properly monitored. All p-card custodians should promptly forward accurate, complete logs and supporting documentation to the program manager on a weekly basis. Failure to turn in accurate logs in a timely manner should be documented and appropriate consequences should be administered, up to removal of cards, for repeat offenders.

Management Response: MCC agrees with the recommendation and the anticipated completion date is April 1, 2008.

2. Reconcilements

There was no evidence to indicate that p-card transaction logs were being reconciled to the Weekly Transaction Reports or Monthly Bank Statements. The Detailed Weekly Transactions Reports were reconciled to receipts, charge slips and invoices on a weekly basis with supporting documentation maintained as a compensating control. However, PM 12-02 requires bank records to be reconciled to p-card transaction logs on a weekly or monthly basis. This reconciliation helps to prevent accounting errors, ensure card users are properly signing in/out the cards, and detect unauthorized and improper transactions.

As a partial compensating control, employees were required to complete Procurement Card Request forms that approved by the executive director or deputy director and the employee's supervisor for all purchases. The forms were then being reconciled to the Detailed Weekly Transaction Reports on a weekly basis. This, however, did not maintain proper controls over transaction credits.

Recommendation: P-card logs should be reconciled to the Weekly Transaction Reports on a weekly basis, the same time period used by MCC for reconciliation of p-card documentation to Weekly Transaction Reports. This step should be included in MCC's internal control procedures.

Management Response: MCC agrees with the recommendation and the anticipated completion date is April 1, 2008.

3. Split Purchases

There was one instance noted where a split purchase was made in excess of the department's card limit for individual procurement cards. The purchase was for signs made to advertise community center events that totaled \$1,250 which was split into 2 payments of \$625 each. 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 MCC should utilize proper purchasing methods in accordance with county policy. When exceptions to policy are made they should be clearly documented and approved by DPSM. Lastly, procurement card usage should be reviewed to determine if monetary limits need to be modified.

Management Response: MCC agrees with the recommendation and procedures have been put into place.

4. Business Use of Funds

Inspection of invoices for four flower purchases and a fruit basket purchase revealed that flowers and a fruit basket were sent to employees for funerals. All of the transactions were approved by the agency's management. These purchases do not appear to be proper business use of taxpayer funds. Allowing purchases that do not appear to have a proper business use increases the risk of inappropriate card charges and possible negative publicity for the county.

Recommendation: MCC should use cards only for purchases considered to be proper business transactions and should ensure that written documentation is on file to support the business nature of the purchase.

Management Response: MCC agrees with the recommendation and procedures have been put into place.