Fairfax County Internal Audit Office

Department of Public Works and Environmental Services – Capital Facilities
Procurement Card Audit
Final Report

June 2008

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Executive Summary

Our review of the Department of Public Works and Environmental Services (DPWES) – Capital Facilities 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. The agency made improvements from the last PAC Review in areas of documentation, reconciliation, Employee Acknowledge Forms and prevention of split purchase transactions. However, we noted the following:

- One of the agency's cards didn't have a sign-in and sign-out log for card users
- Procurement card limits were not in line with card usage for one of the cards

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 October 2006 through September 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. Sign-In and Sign-Out Log

An inspection of the agency procurement card logs revealed that the agency had sign-in and sign-out logs for all of its cards except the SURVY card. Procedural Memorandum 12-02 requires the receipt and return of procurement cards to be recorded in logs. The agency had an electronic log for the SURVY card used to record card transactions and card users, but electronic log didn't allow for card user signatures to acknowledge the receipt and return of the card.

A sign-in and sign-out log helps to monitor the usage and physical possession of a card. If the custody and usage of a card is not closely monitored, the risks of unauthorized and improper transactions increase.

Recommendation: DPWES Capital Facilities should maintain a sign-in and sign-out log for the SURVY card.

Management Response: Capital Facilities has now established a procurement card log for the SURVY Card.

2. Card Limitation Controls

An analysis performed on card limitation controls for the four procurement cards for the period October 1, 2006, to September 30, 2007 revealed that the monthly spending limits and the daily and monthly authorization limits were set higher than the actual usage for card #7905. Card #7905's average actual monthly spending and highest spending in one month was 3.27% and 22%, respectively, of the set limit.

According to PM 12-02, card limitations should be based on anticipated use, total number of cards, budget constraints and any other relevant factors. It is important that card limits be set as close as possible to anticipated use. Failing to properly set procurement card limitations increases the county's exposure to liability in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: DPWES Capital Facilities should review their procurement card usage to determine appropriate limits that are more in line with card usage and adjust the limits accordingly.

Management Response: Capital Facilities has lowered the travel p-card limit to $1,800 and the monthly authorization limit to 10. In addition, we lowered the SURVY card to $7,000 and the monthly authorization limit to 20, and lowered the PDD card to $7,000 and the monthly authorization limit to 25.