Fairfax County Internal Audit Office

Department of Public Works and Environmental Services – Solid Waste Disposal & Resource Recovery Division
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) – Solid Waste Disposal & Resource Recovery Division (SWD) 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:

- Procurement card limits were not in line with card usage for some of the cards.
- There were eleven instances where the business purpose for the transaction was not documented at the time of reconciliation to determine if they had been verified for appropriateness.
- There was evidence that reconciliations had been done, but there was no evidence to indicate who performed procurement card reconciliations and when they were being performed for three of twenty weeks reviewed.
- One procurement card was not assigned to a custodian.

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 January 1, 2007, through December 31, 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. **Supporting Documentation for Purchases**

   Of the 75 procurement card transactions reviewed, 11 transactions used for p-card reconciliations had receipts, but they did not document the business purpose for the purchase at the time of reconciliation to determine if they had been verified for appropriateness. These instances had a higher risk for personal use and consisted of purchases such as food, car wash services, cell phone equipment, and hotel room charges. A description of the business purpose for all purchases was subsequently provided by SWD during the audit.

   Lack of a documented business purpose for transactions at the time of reconciliation increases the risk that inappropriate charges to the procurement card will not be detected.

   Recommendation: We recommend that SWD document and maintain the approval and business purpose justification of restaurant, hotel room, and food purchases at the time of reconciliation.

   Management Response: The agency procurement card manager has revised, obtained DPSM approval, and distributed the agency p-card internal control procedures which mandate business purpose justification/documentation and filing of same at the time of reconciliation.

2. **Card Limitation Controls**

   An analysis performed on card limitation controls for Solid Waste Disposal & Resource Recovery Division procurement cards for the period January 1, 2007, to December 31, 2007, revealed that the monthly spending limits were set higher than the actual usage for p-cards (DSW DRR1), with a monthly credit limit of $5,000 and highest monthly spending of $893.80, and LANDFILL 3 with a monthly credit limit of $10,000 and highest monthly spending of $5,850.73.

   Setting the procurement card limitations higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: We recommend that SWD review their procurement card usage in order to determine the appropriate limits that are more in line with card usage and adjust the limits accordingly

Management Response: The agency will contact DPSM and reduce the monthly credit limits on p-cards DSWDRR1 and LANDFILL3. The anticipated completion date is June 20, 2008.

3. **Procurement Card Reconciliation**

While there was evidence to indicate that procurement card reconciliations were being performed, there was no evidence to indicate who performed procurement card reconciliations and when they were being performed for three of twenty weeks reviewed.

Failure to document the date reconciliation is performed and the name of the reconciler decreases the accountability for processing the reconciliation in a complete and timely manner, by someone independent of card purchases.

Recommendation: We recommend once the procurement card reconciliation is completed, the preparer should sign and date the report.

Management Response: The agency has informed all accounting section personnel to take note of the date of reconciliation/signature on each p-card report. The agency will add review of the date of reconciliation/signature to the p-card review checklist protocol. The anticipated completion date is June 20, 2008.

4. **Unassigned Procurement Card**

One of Solid Waste Disposal & Resource Recovery Division's nine procurement cards (DSW DRR3) was unassigned. The previous custodian left the agency, and a new custodian was not identified for the card. It was kept in a locked safe in the department and had not been used by the department during the selected period for audit, January 1, 2007, to December 31, 2007.

Per PM 12-02, each procurement card should have a custodian take responsibility for the physical security of the card, monitor card activity, and ensure that supporting documentation is retained for each purchase. Failure to identify a custodian for a card increases the risk of unauthorized or inappropriate procurement card spending.

Recommendation: We recommend that SWD either identify a custodian for the card, or cancel the card if it is not needed.

Management Response: The agency has assigned the p-card to the engineer III, who is in charge of DSWDRR's code enforcement and safety matters.