



# Fairfax County Internal Audit Office

Department of Transportation  
Procurement Card Audit  
Final Report

October 2008

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# Executive Summary

Our review of the Department of Transportation procurement cards revealed that the internal controls in the areas of clearing account reclassifications, transaction logs and FAMIS reconciliations were adequate. Internal control procedures were well documented, proper 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:

- DPSM's approval of the agency's internal control procedures was pending the revisions requested by DPSM in September 2005.
- Procurement card limits were not in line with card usage.
- There were two instances where the Employee Acknowledgment Disclosure form was not on file.
- Receipts and/or vendor confirmation were not on file for four out of 25 transactions reviewed. The transactions were related to registrations for training, Celebrate Fairfax, and the Herndon Festival Business Expo, with only the outgoing faxed registration forms on file.
- There were eight instances where the weekly transaction report was not reviewed on a timely basis.

## 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 May 1, 2007, through April 30, 2008, 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. Agency Internal Control Procedures (ICP)

While the Department of Transportation had developed written internal control procedures (revised in August 2003), the procedures had not been approved by the Department of Purchasing and Supply Management. The draft procedures had been submitted to DPSM by the department, and DPSM had responded in September 2005 with changes that needed to be made before final approval was given; however, DOT had not submitted a revised draft to DPSM.

Failure to obtain approval for updated departmental internal control procedures increases the risk that operating procurement card procedures might not be in compliance with county policy and weakens controls over p-card purchases.

**Recommendation:** We recommend that DOT obtain DPSM approval for its internal control procedures.

During the course of the audit, Internal Audit verified that the ICP was submitted to and approved by DPSM. No management response is necessary for this item.

### 2. Card Limitation Controls

An analysis performed on card limitation controls for Department of Transportation procurement cards for the period May 1, 2007, to April 30, 2008, revealed that the monthly spending limits were set significantly higher than the actual usage for all six cards. For example, the highest monthly spending totals for the DIRECTOR TRAVEL, TRAVEL PURCHASE 3 and TRAVEL PURCHASE 4 cards were \$188.16, \$1,400 and \$2,100 respectively, while each card's monthly credit limit was \$10,000.

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 DOT 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:** DOT administrative staff reviewed the current procurement card usage looking at the purchasing trends, dollar thresholds, and daily/monthly transaction limits. Based on this review we have sent forward a request to DPSM to make the following changes:

- change the director's procurement card to thirty transactions per month
- lowered the monthly dollar limit to \$5,000 for all six cards

The anticipated completion date is September 30, 2008.

### 3. **Employee Acknowledgment Disclosure Form**

During our transaction testing, we noted two instances where the employee who used the procurement card did not have a signed Employee Acknowledgment Disclosure Form on file. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse and is a requirement of PM 12-02. Failure of card users to complete them increases the risk of card misuse.

**Recommendation:** DOT should ensure that each employee using a procurement card sign and date an Employee Acknowledgment Disclosure Form, with the forms retained as required by PM 12-02. The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

During the course of the audit, the forms were completed by DOT. No management response is necessary for this finding.

### 4. **Receipt Documentation**

We noted 4 out of 25 transactions where there was not an original vendor receipt on file to support procurement card transactions. The transactions were related to registrations for training, Celebrate Fairfax (two transactions), and the Herndon Festival Business Expo, with only the outgoing fax registration forms on file. There was no evidence from the vendors confirming the amounts paid.

Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

**Recommendation:** DOT should ensure that sufficient receipt documentation, as specified by PM 12-02, is maintained on file for all procurement card transactions. Proper documentation could include correspondence from the vendor confirming registration.

**Management Response:** DOT reviewed these transactions and determined that for future purchases where receipts are not readily provided by the vendor, the card custodian or card user will follow up with the vendor and request an e-mail or fax confirmation, specifically reflecting "paid or balance due \$0." The program manager will ensure in their weekly review that there are viable receipts and if necessary, work with the card custodian to obtain appropriate documentation. With following up

on card transactions weekly, it is anticipated to resolve this issue. This item has been implemented.

#### 5. **Weekly Transaction Report Review**

In six out of 20 weeks reviewed, we noted the weekly review of procurement card transaction report was not performed in a timely manner. Additionally, in two incidents, the weekly reports were being reviewed two days prior to the ending period. This was due to the program manager being on leave the following week, with no back-up established to perform the review. Shortly after this incident, a back-up program manager was designated.

Failure to review the weekly transaction reports on time increases the risk that inappropriate purchases will not be identified in a timely manner. Prompt review is vital to detection of erroneous or fraudulent charges.

**Recommendation:** We recommend that DOT perform weekly reviews of procurement card transaction reports which contain all items posted to the bank for the prior week.

**Management Response:** DOT has assigned a backup for the program manager, the card custodian, during times they are on leave. We have updated the Internal Control Procedures to reflect this change in our weekly review process. This change will ensure that the weekly review of procurement card transaction reports for the previous weeks' postings will occur more timely.