Fairfax County Internal Audit Office

Planning Commission Office
Procurement Card Audit
Final Report

December 2008

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Executive Summary

Our review of the Planning Commission Office procurement cards revealed that the internal controls in the areas of clearing account reclassifications, transaction logs and FAMIS reconciliations were adequate. Additionally, 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:

- Receipts and/or vendor confirmation were not on file at the time of reconciliation for four out of 14 transactions reviewed. The transactions were for registration for an APA membership, a law seminar, publishing materials, and hotel room charges.
- The alternate program manager used the card and performed the weekly reconciliation for five of the ten weeks tested with no evidence of independent supervisory review.
- The department had not submitted updates to internal control procedures (ICP) revisions as requested by DPSM in April 2006. The changes were in areas including online procurement card training, credit card limits, card users' and alternate program manager's responsibilities.
- The department did not maintain a sign-in/sign-out log for procurement cards.

Scope and Objectives

This audit was performed as part of our fiscal year 2009 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The audit covered the period of June 1, 2007, through June 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. Receipt Documentation

There was not an original vendor receipt on file at the time of reconciliation to support procurement card transactions for four out of 14 transactions. The transactions were for an APA membership, a law seminar, publishing materials, and hotel room charges. Only the outgoing fax registration forms were on file. There was no evidence from the vendors confirming the amounts. The receipts were subsequently provided by the Planning Commission during the audit.

Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined. Procedural Memorandum 12-02 requires that agencies retain original, itemized vendor receipts, invoices, or credits for each transaction. Receipts should show all details pertinent to the transaction, including date of purchase, vendor name and location, item purchased with corresponding description and prices, and total amount paid. These documents should be associated with the appropriate bank record (monthly statement or weekly transaction report) and retained for review.

Recommendation: The Planning Commission should ensure that sufficient receipt documentation, as specified by PM 12-02, is obtained prior to performing the reconciliation and maintained on file for all procurement card transactions. Proper documentation for registrations should include correspondence from the vendor confirming registration.

Management Response: Vendor receipts and/or confirmation, invoices, and delivery documentation for each procurement card transaction and proper documentation for registrations, which include correspondence from the vendor confirming the registration, will all be retained and filed at the time of reconciliation, in accordance with Procedural Memorandum 12-02 and the agency's updated internal control procedures. This item has been implemented.

2. Review of Purchases Made by Alternate Program Manager

We noted instances where purchases were made by the alternate program manager yet there was no evidence of independent supervisory review. The alternate program manager was responsible for the agency's reconcilement function, yet

during the months of May and September 2007, and February-April 2008, she was also a card user. Procedural Memorandum 12-02 indicates that whenever separation of duties cannot be achieved, there must be a compensating control consisting of a substantive supervisory review of transaction activities. This verification should be evidenced by the reviewer signing and dating documents reviewed.

The ability of staff to review and reconcile their own purchases without any supervisory review increases the risk of that unauthorized or inappropriate procurement card spending will go undetected.

Recommendation: We recommend that when the alternate program manager is required to use a procurement card, a substantive independent supervisory review of the reconciliation be performed and documented.

Management Response: If the alternate program manager uses the agency's procurement card, the program manager will perform the weekly reconciliation for that purchase and sign and date the Payment Net transaction report to indicate the review has been made. The program manager will also initiate a transfer voucher to move the specific charge to the appropriate subobject code and record it in the Procurement Card Activity Log. This procedure has been documented in the agency's updated ICP. The item has been implemented.

3. Agency Internal Control Procedures (ICP)

The Planning Commission's ICP was not approved by DPSM. The draft procedures had been submitted to DPSM, and DPSM had responded in April 2006 with changes that needed to be made before final approval was given. The requested changes were in areas including online training, credit card limits, card user's and alternate program manager's responsibilities. The Planning Commission Office had revised the ICP in August 2008, but it was not submitted to DPSM as of this audit.

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

Recommendation: We recommend that the Planning Commission Office obtain DPSM approval for its internal control procedures as required by PM 12-02.

Management Response: The agency's ICP is in the process of being updated and will be submitted to DPSM for approval. Anticipated completion date is December 2008.

4. Sign-in/Sign-out Log

The Planning Commission did not have a sign-in/sign-out log for their procurement cards. The department had an electronic log to record card transactions which identifies the card users, but the electronic log did not allow for card users'

signatures to acknowledge the receipt and return of the card. Procedural Memorandum 12-02 requires the receipt and return of procurement cards by users to be recorded in a log.

A sign-in and sign-out log helps to monitor usage and possession of card, which helps to prevent unauthorized and improper use of cards and theft.

Recommendation: The Planning Commission should maintain a sign-in and sign-out log for their procurement cards.

Management Response: A Procurement Card Sign In/Sign Out Log has been created and a hard copy is maintained by the card custodian. The log tracks the date the card was issued and returned, the card user's signature, vendor name, item(s) purchased, total amount paid, and correct subobject code. This procedure has been documented in the agency's updated ICP. This item has been implemented.

5. Procurement Card Reconciliation

While there was evidence to indicate that procurement card reconciliation was being performed, there was no evidence to indicate who performed procurement card reconciliation and when it was being performed for one of five 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: At the beginning of each week, the alternate program manager reconciles the Weekly Transaction Report with actual purchases to determine that all charges are valid and signs and dates the report to indicate the review has been made. If no data are found on the Weekly Transaction Report, the alternate program manager prints the available downloads page under the reports section in Payment Net that indicates that no data was found for the particular period and signs and dates this screen print. This procedure has been documented in the agency's updated ICP. This item has been implemented.

6. Employee Acknowledgment Disclosure Form

We noted one instance where the card user did not have a signed Employee Acknowledgement Disclosure Form on file. The form acknowledges the employee's responsibilities regarding card use, sets forth consequences for misuse and is a requirement of PM 12-02. Failure of card users to complete it increases the risk of card misuse.

Recommendation: The Planning Commission should ensure that each employee using a procurement card complete an Employee Acknowledgement Disclosure

Form, with the forms retained as required by PM 12-02. The agency program manager should maintain the signed forms for at least two years following the employee's departure from the agency.

The EAD form for the employee was subsequently completed by Planning Commission and provided to IAO. No management response is needed for this item.

Management Response: No response needed for this item.