



Fairfax County Internal Audit Office

**Police Department
Procurement Card Audit
Final Report**

April 2009

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Executive Summary

Our review of the Police Department procurement cards revealed that card reconciliations were performed timely and accurately; proper documentation was kept on file to substantiate card expenditures, there was adequate separation of duties in place; and an accurate and timely log of card transactions was maintained. However, we noted the following exceptions where controls needed to be strengthened:

- Procurement card limits were not in line with card usage and the internal card list used to track card population and limits was not reconciled to PaymentNet list for accuracy and completeness.
- The agency's internal control procedures had not been approved by Department of Purchasing and Supply Management (DPSM), and was pending the revisions requested by DPSM in July 2005.

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 June 1, 2007, through May 31, 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. Card Limits

An analysis performed on card limitation controls for 11 procurement cards for the period June 1, 2007, to May 31, 2008, revealed that the monthly spending limits and the daily and monthly authorization limits were set significantly higher than the actual usage for all of the cards tested. For example, the average actual monthly spending and highest spending in one month for card # 6633 was 1% and 6%, respectively, of the set limit and for card # 7530, average monthly spending and highest spending in one month represented 1% and 5%, respectively of the limits. Eight of the cards tested were also cited in an October 2005 PAC Review as needing review of usage and business needs.

We also found that card credit limits for five cards on the PaymentNet list and the agency's internal card list did not agree. For example, one card showed a credit limit of \$25,000 on agency list and \$50,000 on PaymentNet report, and another card showed \$5,000 on agency list and 25,000 on PaymentNet report.

According to PM 12-02, card limitations should be based on anticipated use, total number of cards, budget constraints and any other relevant factors. Also, PM 12-02 requires all requests for card changes to be sent from the program manager to the Department of Purchasing and Supply Management (DPSM) administrator by e-mail. It is important that card limits be set as close as possible to anticipated use. Failing to properly set procurement card limitations or properly document the purpose and approval of card limit changes increases the county's exposure to liability in the event the card is lost, stolen or improperly used by a county employee. A periodic review and comparison of internal card lists to PaymentNet reports helps to ensure all cards are accounted for and card limits and other card information are accurate and complete for both the agency list and PaymentNet report.

Recommendation: The Police Department should review their procurement card usage to determine appropriate limits that are more in line with card usage and adjust the limits accordingly. Documentation authorizing card limit changes should be kept on file. The internal and PaymentNet procurement card lists should be periodically reviewed and compared for accuracy, consistency and completeness of card information, and reasons for differences should be documented.

Management Response: The procurement card program manager will review active card usage within the agency. Procurement cards with no activity for a year will be closed. Procurement cards will not be automatically issued to personnel promoted to the rank of 1st Lieutenant. Requests to obtain p-cards must be submitted to Financial Resource Division with justification of needs for procurement cards. Additional supporting documentation will be maintained for p-card limit changes. The procurement card program manager is now periodically reviewing and comparing the internal and PaymentNet card lists for accuracy and consistency and documenting the reasons for differences.

2. Employee Acknowledgement Disclosure Forms

During our transaction testing, we noted one instance where the employee who used the procurement card did not have a signed Employee Acknowledgement Disclosure (EAD) form on file and another instance where the EAD form was not signed by a card user's supervisor.

Procedural Memorandum 12-02 requires that all first-time card users sign and date an Employee Acknowledgement Disclosure Form, and the form to be signed by card user's supervisor. The EAD form acknowledges the employee's responsibilities regarding card use and sets forth consequences for misuse. The agency program manager is to maintain the signed forms for at least two years following the employee's departure from the agency.

Recommendation: Each employee using a procurement card should sign and date an EAD form before using the card for the first time and the form should also be signed by the employee's supervisor, as required by PM 12-02.

Management Response: Additional instruction will be provided to all procurement card holders pertaining to procurement card regulations for submittal of authorization forms (EAD) and tests. All signatures must be handwritten (no stamp/printed names).

3. Internal Control Procedures

While the Police Department had developed written internal control procedures, the procedures had not been approved by DPSM. The draft procedures had been submitted to DPSM in 2005. These procedures were reviewed in July 2005 and returned to the Police Department because substantive changes were needed before approval could be given. The document was not changed and returned to DPSM for approval. This condition was also mentioned in the last PAC review in October 2005.

As a supplement to Procedural Memorandum 12-02, all agencies are required to establish procurement card internal control procedures that govern card security and use specific to their operations. These procedures must be submitted to the DPSM program administrator for approval. PM 12-02 further states that the agency ICP should be revised periodically to reflect any program changes. These changes are to be submitted to DPSM for approval as well.

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.

Recommendation: The Police Department should update and revise its Internal Control Procedures consistent with PM12-02 and submit them to DPSM for approval.

Management Response: A new department procurement manual was revised for submittal to DPSM.