Fairfax County Internal Audit Office

Reston Community Center
Procurement Card Audit
Final Report

October 2009

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Executive Summary

Our review of the Reston Community Center (RCC) 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 exception where controls needed to be strengthened:

- There were four instances where split transactions were processed for amounts greater than individual card limits.

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 March 1, 2008, through February 28, 2009, 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.

Findings, Recommendations, and Management Response

Split Purchases

We found four instances of split purchases where multiple transactions occurred on the same day on the same card with the same vendor whose total exceeded the card single transaction limit. These instances consisted of transactions on the RCC ADMIN1 and DEPARTMENT cards. For example, one instance consisted of five separate charges for discounted tickets to Kings Dominion charged to the credit card on the same day.

Split transactions occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time. Procedural Memorandum 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Purchases which are divided for other purposes such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: RCC should utilize proper purchasing methods in accordance with the county policy. When exceptions to policy are made they should be clearly documented and approved. Further, procurement card usage should be reviewed to determine if monetary limits should be modified. Lastly, users of the cards should be reminded of the policy related to split purchases and continued non-compliance of the policy could result in the loss of card user privileges.

Management Response: RCC will review the FY 2010 program planning, determine appropriate card limits, whether or not a special use card would be appropriate, and assure that internal agency guidelines are updated to assure the best and proper use of the agency procurement cards. If card usage and/or limits should be changed in our opinion, we will forward an appropriate request for those changes. The anticipated completion date is December 1, 2009.