



Fairfax County Internal Audit Office

**Department of Management and Budget
Procurement Card Audit
Final Report**

November 2009

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Executive Summary

Our review of the Department of Management and Budget (DMB) procurement cards, whose population included three cards and annual activity of 34 transactions, revealed that the internal controls in the areas of weekly transaction reviews, transaction logs and FAMIS reconciliations were adequate. Internal control procedures were well documented, there was adequate separation of duties 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:

- Transactions in two out of eight months reviewed were not reclassified out of the procurement card clearing account in a timely manner. The reclassifications were performed over five months after the posting date.
- Procurement card limits were not in line with card usage. The actual spending for two out of three cards was significantly lower than the limits set for these cards by the department.

Scope and Objectives

This audit was performed as part of our fiscal year 2010 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. The procurement cards covered by this audit related to the Department of Management and Budget. The audit covered the period of August 1, 2008, through July 31, 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

1. Transaction Clearing Accounts

Transactions in two out of eight months reviewed were not being reclassified out of the procurement card clearing account in a timely manner. The reclassifications were performed over five months after the posting date. Procedural Memorandum 12-02 requires that whenever a card billing is posted to a clearing account all charges should be moved to the appropriate expenditure account at least monthly.

Failure to properly classify procurement card expenses in a timely manner misstates departmental financial reports, increasing the risk of management making decisions based on inaccurate financial information.

Recommendation: Transactions posted to a procurement card clearing account should be reclassified to the proper expenditure account on at least a monthly basis in accordance with PM 12-02.

Management Response: Weekly reconciliation of the procurement card clearing account has been performed since the beginning of FY 2010 and will continue to be performed going forward.

2. Credit Card Limitation Controls

An analysis performed on card limitation controls for the period August 1, 2008, to July 31, 2009, revealed that the monthly spending limits for two of the three cards were significantly higher than the actual usage. The highest monthly spending for cards DEPT OF MGT & BDGT 1 and 3 was \$398 and \$1,008 respectively, while each card's monthly credit limit was \$6,000 and \$5,000.

According to PM 12-02, card limitations should be based on anticipated use, total number of cards, budget constraints and any other relevant factors. It is important that card limits be set as close as possible to anticipated use. Failing to properly set procurement card limitations increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: DMB should review their procurement card usage to determine the appropriate limits that should be set and adjust them accordingly. The procurement card credit limit for cards DEPT OF MGT & BDGT 1 and 3 was lowered from \$6,000 and \$5,000 to \$1,000 during the audit.

No management response is necessary for this item.