



Fairfax County Internal Audit Office

Department of Housing and Community Development
Procurement Card Audit
Final Report

January 2010

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Executive Summary

Our review of the Department of Housing and Community Development (DHCD) procurement cards, which included 37 cards and 2,268 transactions, revealed that internal control procedures were well documented, proper separation of duties were in place, receipt documentation were maintained, 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 were not always recorded on the procurement card transaction log as described in PM 12-02.
- Transactions in eight out of 12 months reviewed were not being reclassified out of the procurement card clearing account in a timely manner.
- Procurement card limits were not in line with card usage.
- An Employee Acknowledge Disclosure (EAD) form was not on file for a card user, and two EAD forms were not signed by the supervisor and/or program manager.

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, 2008, through May 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 and 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 Logs

We noted several transactions tested were not recorded on a procurement card log as described by PM 12-02. However, pre-authorization forms were used in lieu of p-card logs for these transactions. The form contained fields for dates, item descriptions and amounts, and was approved by supervisory signature before the purchase was made. All cards were MAINTENANCE ADMIN cards, and each was assigned to only one user, except for one that had two users.

Procedural Memorandum 12-02 requires agencies to have a system that tracks expenditures as they occur. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user for multiple-user cards.

Recommendation: We recommend DHCD maintain a transaction log in the format described by PM 12-02 to ensure that card use is properly monitored. Furthermore, for the procurement card with multiple users the log should properly reflect all card sign in/out activity for proper tracking and accountability. Any variations from the prescribed log format in PM 12-02 should be approved in writing by DPSM.

Management Response: Transaction logs are now being maintained so that all procurement card transactions are being recorded and monitored on the transactions log.

2. Transaction Clearing Accounts

Transactions in eight out of 12 months reviewed were not being reclassified out of the procurement card clearing account in a timely manner. On average, the reclassifications were performed over three months after the posting date. Per DHCD staff, the program manager was not available for most of the audit period due to illness and subsequent retirement. 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. Additionally, DHCD should appoint and train a back-up program manager to ensure that program card functions are properly performed and control activities are followed when the program manager is unavailable.

Management Response: DHCD assigned the procurement card program responsibility to its newly hired accounts payable manager position in March 2009. The back-up program manager responsibility was also assigned to the procurement and contracts coordinator. In accordance with PM 12-02, all transactions posted in the procurement card clearing account are now being reclassified to the proper expenditure account on a weekly basis.

3. **Employee Acknowledge Disclosure Form**

During our transaction testing, we noted one instance where the employee who used the procurement card did not have a signed EAD form on file. Additionally, two EAD forms were not properly completed for the procurement card users and were not signed by the supervisor and/or program manger.

The EAD 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 the EAD form increases the risk of card misuse.

Recommendation: DHCD should ensure that each employee using a procurement card signs and dates an EAD 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. Additionally, the forms should be completed properly. During the course of the audit, the forms were completed by DHCD.

No management response is necessary for this finding.