



# Fairfax County Internal Audit Office

Department of Finance  
Procurement Card Audit  
Final Report

August 2010

*"promoting efficient & effective local government"*

# Executive Summary

We reviewed the Department of Finance procurement card program, which consisted of five cards at the time of our review. The audit population included 129 transactions with a total value of \$9,193.41 that occurred during the period of March 1, 2009, through February 28, 2010.

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the Department of Finance 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:

- All five procurement cards' credit limits were set higher than actual use.
- Gift cards distribution was not documented.

## 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period of March 1, 2009, through February 28, 2010, 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

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 manuals and procedures. We evaluated the processes for compliance with county PM 12-02 *Use of the County Procurement Card*. 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. Card Limits

An analysis performed on card limitation controls for the Department of Finance's cards for the period March 1, 2009, through February 28, 2010, revealed that the monthly spending limits were set higher than the actual usage for all five cards. One of the five cards had a monthly credit limit of \$10,000 and the highest monthly spending during our audit period was less than \$1,000.

The county has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

**Recommendation:** We recommend the Department of Finance review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

**Management Response:** The action has been completed. We lowered credit limits of four procurement cards to \$1,000 and kept one card with a \$10,000 limit to be used for emergency procurement requirements.

## 2. Gift Cards

We reviewed 40 sample transactions and noted that three transactions were Safeway gift cards purchased for the Department of Finance's peer rewards for a total amount of \$225. The Department of Finance did not have a list of recipients, nor have the written acknowledgement of receipt on file by the recipients for the gift cards.

Maintaining adequate written documentation which evidences the business purpose and the recipients of gift cards strengthens internal controls over their proper use and decreases the risk of bad publicity for the county.

**Recommendation:** We recommend the Department of Finance maintain adequate documentation on file to substantiate the issuance of gift cards, including the evidence of receipt by the recipients.

**Management Response:** The supervisor presenting the peer award will sign a certification affirming that the gift card was presented and received. This will be kept on file for future reference.