



DEPARTMENT OF MANAGEMENT AND FINANCE

INTERNAL AUDIT

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Internal Audit Purchase Card Monitoring Program

December 2023

Background

Arlington County established a PCard program over twenty years ago to provide an efficient, cost-effective method of purchasing and payment to vendors. A PCard is a form of a charge card that allows goods and services to be procured without using a traditional purchasing process. They are typically issued to employees who make low dollar, high volume transactions. The use of PCards is not intended to avoid or bypass appropriate procurement or payment policies.

PCard holders receive training provided by the Department of Management and Finance (“DMF”) as well as have access to Purchase Card Program Manual (“PCard Manual”), which provides guidance to employees on the use of PCards. The PCard Program as a whole is monitored by DMF and the Purchasing Card Program Administrator (“PCPA”).

Objective and Scope

The County’s Purchase Card (PCARD) Program was initially part of the 2016-2018 annual Internal Audit Work Plans to perform cycle audits of each department. Over this time, Internal Audit and, RSM US LLP, concluded that the results of the audits continued to improve over the three years and that internal audit resources should be focused on other areas which have greater risks. RSM recommended PCARD Cycle Audits be excluded from the Internal Audit Work Plan and be replaced with monitoring procedures to evaluate compliance with County PCARD policies and procedures that is not just focused on a particular department, but rather takes a broader look at the program. DMF Internal Audit started its monitoring program in FY 2019 and has performed detailed reviews for selected months since then with a plan to conduct one review each quarter depending on available resources.

The primary objectives of the PCARD monitoring procedures are:

- Identify any misuse, misappropriation, or potential fraud.
- Determine opportunities to improve the effectiveness of the County PCard Program.
- Obtain insight into the overall use of the County PCARD Program based on testing transactional data.

- Test controls currently in place over the PCARD process.

Overall Summary/Highlights – December 2023

As a result of the objectives identified above, **Internal Audit found internal controls were generally operating as intended with minimal exceptions.** However, during our review, we did discover the following issues and/or made the following observations:

- In December 2022, DMF issued a County-wide policy establishing guidelines for the proper expenditure and necessary support for meals procured under PCARDs. To test compliance with this policy, we selected 57 high-dollar transactions to determine if appropriate pre-approval was obtained and documented. Our review disclosed a significant improvement in compliance with the County-wide meal policy. This review showed 57 of the 60 transactions (95%) reviewed had meals pre-approved per the County policy. In comparison to prior PCARD reviews, we recognize that Departments took effective action to improve compliance with the required reconciliation/approval process strengthening PCARD internal controls.
- We noted one instance where the County PCARD was used for personal expenses. The case was caught and reported by the employee during the PCARD reconciliation process, and the employee reimbursed the County. The employee has been counseled.
- IA identified two IT related transactions that were not coordinated with the Department of Technology Services (DTS) as required by PCARD policy. We notified the Departments, and they have since coordinated with DTS.
- Out of the approximately 80 purchase transactions reviewed, we identified four transactions where the receipts for the purchase were not contained in the backup support in PRISM. We notified the Departments to remind them of the requirement and they uploaded the proper receipts supporting the payment.
- Out of the approximately 1,640 purchase transactions, we identified three transactions where there were missing justifications contained in PRISM. We notified the Departments and reminded them of the requirements.
- Out of the 25 sales tax transactions reviewed, we identified five cases where taxes were paid on expenses. For three of the cases, the respective department had pursued a reimbursement for the tax charge and was appropriately credited. For one of the cases, we contacted the Department, and they stated it was an error and are pursuing reimbursement. For another case, we contacted the Department, and they stated that it was an error. The Department sought reimbursement but was unsuccessful. They have been advised going forward to ensure no sales tax is paid in the future.
- We found five cases where travel insurance, which is a non-allowable travel expense per the Travel policy was purchased. We reached out to the Departments, and they have reminded their staff of the Travel policy requirements.

- We found once case where there was a gift card purchased by a department outside of DHS and JDR. Per the P-Card policy, any gift card purchased outside of DHS and JDR requires a pre-authorization from DMF prior to purchase. There was no pre-authorization from DMF prior to purchase. We reached out to the Department, and they have reminded the staff of the P-Card policy gift card requirements.