

DEPARTMENT OF MANAGEMENT AND FINANCE INTERNAL AUDIT
2100 Clarendon Boulevard, Suite 501 Arlington, VA 22201

Internal Audit Purchase Card Monitoring Program

December 2024

Executive Summary

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.

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Overall Summary/Highlights – December 2024

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:

- This December 2024 review was the first review performed where transactions were processed using the County's new PRISM+ financial system. Our review disclosed significant improvements in 2 key control areas. First, since the PCARD transaction approval process is hard coded in PRISM+ to supervisor and applicable PCARD manager, we found no issues with any of the approvals for the PCARD transactions we tested. Second, since the new system requires documenting the justification when the PCARD reconciliation is performed, we found no issues with missing justifications. These were 2 systemic findings that Internal Audit had reported in the past.
- There were DHS purchases that exceeded the \$10,000 PCARD limit however, they were for emergency lodging for homeless families and credit limit increases were approved by the County's Purchasing Card Administrator after a thorough review on the need. However, DHS was advised that due to the increase in the amount spent, they should pursue a different procurement method. Effective January 2025, DHS entered into an executed agreement with Comfort Inn and payment of these services are now through Purchase Orders and invoices.

It was noted that for July to December 2024, DHS spent approximately \$500,000 for hotel expenses for the homeless. DHS states the costs were high due to the anticipated closure of one of the Doorways homes closing in 2024 resulting in more families needing housing. The County will be providing additional interim housing for these clients through its work with non-profits.

Internal Audit found that the County paid the maximum GSA rate for all rooms rented throughout the entire period. Additionally, even though each invoice states that "With this rate you are able to earn valuable Choice Privileges points!" for free rooms in the future, DHS states that they did not pursue obtaining points to use for future stays. The DHS executed agreement states,

"The Establishment agrees to extend its standard room rates, or lower rates if available, to the County. Standard rates may be no higher than the US General Services Administration maximum lodging rates effective at the time of the stay." Internal Audit did not find any cases of rates lower than the GSA rates and recommended to DHS Finance that due to the level of the County's business with Comfort Inn, they should pursue a discounted rate and not default to the GSA rate, especially during slow seasons. Additionally, due to the business volume, Internal Audit also recommended DHS develop a process for accruing points for free stays as Arlington County should be treated like Comfort Inn's other customers that accrue points for free stays.

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- This review noted three instances where the County PCARD was used for personal expenses. The cases were caught and reported by the employees, and either the County credit card was credited or the employee reimbursed the County. All cases were for amounts \$20 or less.
- This review disclosed charges for EZPASS replenishments. During the review, Internal Audit inquired on the controls in place to monitor the EZPASS usage. Based on our inquiries, we noted areas of risk and incidents of personal use. Internal Audit discussed the necessity to strengthen the controls over the EZPASS usage through a better review process of charges. The applicable Departments have issued reminders to their staff on the prohibition for personal use. The employee has reimbursed the County for the personal use.
- Out of approximately 100 purchase transactions reviewed, Internal Audit identified six transactions where the itemized receipts for the purchases were not contained in the backup support in PRISM. We notified the Departments and they uploaded the proper receipts supporting the payment.
- Out of approximately 40 meal purchases reviewed, Internal Audit found 4 cases where meal purchases were not pre-approved. The Departments have reminded their staff to ensure the required pre-approval for meals expense is obtained.
- The review disclosed several PSCM meals purchases where the pre-approval was not signed by the Department Director. The County's meal policy does not allow Department Directors to delegate this responsibility except for DES, DHS and DPR. PSCM stated that they will be coordinating with the Comptroller to develop more specific guidelines for their meals and approval authorities.
- During the testing for compliance with the County's meals policy, Internal Audit tested to ensure there were no County funds spent on Holiday parties as the policy prohibits this type of spending. We did identify several End of Year celebrations that were held in December. A question exists as to whether these events meet the intent of the policy. We recommended that Comptroller assess whether they need to amend the policy to clarify the County's intent.
- Internal Audit found several cases where the pre-approval for travel expenses and meal expenses were not documented in the files. Although in the majority of the cases the approval was obtained, it was not included in the documentation supporting the expense in PRISM+. Internal Audit requested that the County's PCard Administrator remind all PCARD holders to include the applicable pre-approvals for travel and meals expenses in the PRISM+ documentation.