



Internal Audit Purchase Card Monitoring Program January 2021

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 Program (PCARD) 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.

The primary objective 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 – January 2021

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:

- We found an increased number of exceptions related to obtaining DTS approval for IT related products - hardware and software. The Purchase Card Manual prohibits the purchase card being used for, “Technology related expenses to include, but not limited to, desktop computers, laptop computers, monitors, printers, scanners, all software, ipads, tablets, cell phones, smart phones, desk

phones, wireless devices and any device that attaches to the County’s wireless or wired network.” “Exceptions can be made with written approval from DTS which should be attached to the pcard reconciliation.” In our review, we found cases that were not approved by DTS and cases where the Departments stated that they were approved by DTS, but the approval was not documented or maintained. We reviewed the purchases with DTS and reminded Departments of the requirement to have this documented approval as part of the PCARD reconciliation.

Inconsistencies in the documentation and occurrence of food-related purchases continued to be identified across all Departments. Some of the inconsistencies found related to food purchased for employee holiday events and other Department-specific events. The PCARD Policy was not clear as to the allowability of such discretionary expenses. Specifically, PCARD Policy lists, “any purchase associated with non-County sponsored events” as a restricted event. What criteria is needed to qualify as a “County-sponsored” event? Are Holiday parties and other discretionary events considered sponsored? What level in the Department needs to approve an event to be considered “sponsored”? Clarifying this Policy will help the enforceability of this clause and ensure reimbursements are consistent across all Departments. For January 2021, we identified several purchases related to providing sustenance for employees working the operations supporting the Presidential Inauguration and COVID vaccination clinics. We found all the costs to be reasonable based on the amount of personnel involved. Since this review, the County has instituted a Countywide meals policy.