



Internal Audit Purchase Card Monitoring Program July 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 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 – July 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:

- During this review, we noted several sales tax payments as part of the total credit card charge. We inquired of the Departments on the reason for paying sales tax. Most stated that it was an oversight. We worked with the DMF System Analyst, and he developed a new PCARD reconciliation report

that identified the estimated amount of sales tax for each transaction. There was sales tax identified for 97 transactions for a total sales tax amount of \$813.45 related to goods. We found that the taxes paid field is not accurate with a very high error rate. The Comptroller coordinated with JP Morgan and they reviewed the issue and found that it is based on the merchant's recordation of sales tax into the system whether it is paid or not. There is no consistency and since it does not impact the total paid amounts, JP Morgan will not pursue it any further since the merchants' practices vary greatly. We determined that we can no longer utilize this field due to the high error rate.

- During this review, we noted several instances where there were no Card Supervisor approvals and only the Card Manager approved the transaction. According to the PCARD policy, the Card Supervisor and either the Card Manager or Card Holder needs to approve the transaction. Based on the HR hierarchy that is linked to PRISM, certain Card Managers are being assigned dual roles (Card Manager/Card Supervisor) in the workflow in PRISM to approve P-Cards. DMF is in the process of performing a review of all individuals that are assigned dual roles as Card Manager/Card Supervisor and will assess this going forward.