



DEPARTMENT OF MANAGEMENT AND FINANCE
INTERNAL AUDIT

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Internal Audit Purchase Card Monitoring Program

June 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 – June 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:

- Our review disclosed a significant improvement in the timelines of PCARD reconciliations/approvals from prior months. Our last review showed over 150 transactions that had not been approved by the 20th of the next month. Our June 2023 review showed approximately 10 transactions that were not timely approved. Based on prior months' results, the Departments took effective action to improve compliance with the required reconciliation/approval process strengthening the PCARD internal controls.
- During our review, we noted several purchases for copy paper from Office Depot for some Departments. Although it is not documented, it is the County's preference that the Departments obtain copy paper from the Department of Environmental Services (DES) print shop since it has a contract with B. W. Wilson Paper Company and purchases copy paper at a lower price due to its volume purchasing. We coordinated with DES, Purchasing and the Departments and they all agreed that is the correct course of action. We recommended that DES and Purchasing reinforce this policy with the Departments to which they have through their relationship meetings.
- 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 judgmentally selected 20 high-dollar transactions to determine if Department Director pre-approval was obtained and documented. We found 9 of the 20 transactions (45%) did not have a pre-approval per the County policy. Of the 11 that were pre-approved, we found several where the documentation was not filed in PRISM with the food receipt as required by policy. All Departments were reminded again of the policy requirements and to include this documentation in PRISM during the intra-departmental finance team meeting.
- We did identify a one purchase (out of approximately 1700 purchase transactions) that was split to avoid the cardholder's limit of \$5 thousand per transaction. A purchase for community engagement supplies amounted to \$10,000 and was split between two transactions. The cardholder was counseled that if they need to increase their limit for a transaction, they should contact the County's purchase card administrator and seek a temporary increase. We also noted that some of the items purchased appeared excessive. This issue was discussed with the cognizant Deputy County Manager.

- We noted 4 instances where the County PCARD was used for personal expenses. The cases were caught and reported by the employees or PCARD Manager during the PCARD reconciliation process and the employees reimbursed the County and we are attempting to add the documentation to PRISM. Both employees have 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 50 purchase transactions reviewed, we identified six 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 1700 purchase transactions, we identified seven transactions where there were missing justifications contained in PRISM. We notified the Departments and reminded them of the requirements.
- We found six cases where the required pre-approval for travel was not documented in PRISM at part of the PCARD reconciliation as required by policy. We reached out to each Department and they were able to provide the pre-approvals. The Departments reminded the travelers to ensure pre-approval is obtained and documented.