

Internal Audit Purchase Card Monitoring Program March 2020

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 – March 2020

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 disclose the following issues and/or made the following observations:

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- The County shifted its operations amid the COVID-19 Pandemic and the Departments’ spending habits significantly changed. As such, many Card Holders requested and were granted various credit and/or transaction limit increases to accommodate increased spending. IA confirmed all

increases were authorized. Additionally, there were emergency purchases due to COVID-19. IA coordinated with the Purchasing Agent to ensure these emergency purchases were supported and approved and found one exception where the emergency procurement of \$6.5K was not approved by Purchasing to be exempt from competition. We discussed this issue with the DHS representative and they agreed to remind the DHS cardholders of the procurement requirements.

Additionally, logistical issues arose with the submission of physical receipts as a result of the County's transition to a remote work environment. Specifically, temporary exceptions were granted to employees who no longer had access to physical receipts due to the work from home order – with the idea that these receipts would be submitted after work returns to County Offices. As it became apparent the County wasn't returning to normal operations, in August, cardholders were asked to upload receipts within 30 days. All receipts have now been uploaded into PRISM.

- 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 trainings and other Department-specific events. The COVID-19 Pandemic further contributed to the magnitude of these inconsistencies as multiple Departments purchased meals for employees working additional hours during the crisis. Since this review, the County has instituted a Countywide meals policy.
- IA continued to identify overnight lodging being charged by employees (prior to COVID-19) over applicable GSA rates. Although the majority contained documented approvals for the trip, we noted that many approval documents do not indicate the applicable GSA rate or the amount that the request is over GSA.

To prevent this, IA recommended DMF Travel Policy require a standardized over-night lodging form. This form has since been developed and was made available for County-wide use in December 2020. The form requires travelers to explicitly list the purpose, location, hotel, number of nights, GSA rate, per diem rates, airfare, and all other incidental charges. Approvals are documented directly on the form. In doing so, all approvers will be aware of how much a request exceeds GSA and make travelers and supervisors more informed of their spending.

- IA selected a sample of Amazon transactions to understand the different types of items being purchased from Amazon and whether any items were available for a better price from Office Depot, the County's contracted vendor for office supplies. IA found several transactions where the price was cheaper at Amazon than Office Depot and some Amazon transactions where the price was marginally better at Office Depot. These issues were raised with the Purchasing Agent and she agreed to issue a reminder e-mail to the departmental representatives that Office Depot should be used to the extent possible since we currently have a contract with them. If they find that Amazon offers a lower price for the same item, they should contact Purchasing since Office Depot has agreed to price match a competitor's prices.
- For other minor PCARD violations found (e.g., furniture purchase; retirement celebration expenditures in excess of \$50; payment of an invoice), departments were notified, and corrective actions taken.