



DEPARTMENT OF  
MANAGEMENT AND FINANCE  
INTERNAL AUDIT

2100 Clarendon Boulevard,  
Suite 501 Arlington, VA 22201  
[www.arlingtonva.us](http://www.arlingtonva.us)

**Internal Audit Purchase Card Monitoring Program  
May 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 – May 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 from the Departments on the reason for paying sales tax. Most stated that it was an oversight, while others stated that the vendor refused to provide them a refund. We worked with the DMF Systems 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 73 transactions for a total sales tax amount of \$1,984 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.
- We continued to find inconsistencies in the documentation and occurrence of food-related purchases across all Departments. Some of the inconsistencies found related to food purchased for employee appreciation events, internal meetings and other Department-specific events. The PCARD Policy was not clear as to the allowability of such discretionary expenses. Specifically, PCARD Policy listed, "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 May 2021, we identified several purchases related to providing sustenance for employees working the operations supporting COVID vaccination clinics. We found all the costs to be reasonable based on the amount of personnel involved. Since this review, we have instituted a Countywide meals policy.
- IA reviewed a sample of nineteen overnight lodging transactions in search of proper preapproval as required by Policy. Two of the nineteen transactions exceeded the appropriate GSA rate.

To prevent this, IA previously recommended DMF Travel Policy require a standardized travel form. This form 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 should be 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.