



Internal Audit Purchase Card Monitoring Program October 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 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 – October 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 discover the following issues and/or made the following observations:

- As the County continues to operate amid the COVID-19 Pandemic, Departments’ spending habits continue to focus on PPE and various related supplies. The purchases of PPE from Amazon, Office Depot, and other Vendors has decreased since March, but continues to be significant for the Emergency Operation Center. PSCM Card Holders requested and were granted various credit or

transaction limit increases to accommodate increased spending. IA confirmed with the County's Purchase Card Administrator that all increases were authorized. Additionally, there were emergency purchases due to COVID-19. We coordinated with DMF to ensure these emergency purchases were supported and approved. We found no major exceptions related to emergency purchases.

- Our review disclosed significant delays in certain Departments preparing the PCARD reconciliations and documented approvals with corresponding receipts. The Purchase Card Program Manual states to "Reconcile monthly purchases in PRISM Internet Expense Reports ... no later than the 20th of the month." Based on our sample of expense reports, we found 5 out of the 15 expense reports (33%) sampled were not approved by November 20. We expanded our review and found an additional 6 expense reports not approved by the 20th. We then performed a more detailed analysis and found an additional twenty-five transactions that were not reconciled/approved by the due date per policy. The Departments stated the general root cause was staffing issues and obtaining the necessary support. We discussed the issue with the PCARD Administrator, and she reminds all employees of the monthly deadline each month. We will discuss other possible actions with DMF staff in attempt to mitigate these late reconciliations/approvals.
- We also found a number of issues 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.
- IA reviewed a sample of eleven overnight lodging transactions in search of proper preapproval as required by Policy. Three of the eleven transactions exceeded the appropriate GSA rate.

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 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.