



Fairfax County Public Schools Internal Audit Office

**Thomas Jefferson High School for Science & Technology
Procurement (Credit) Card Audit**

October 2007

"promoting an efficient & effective school division"

Executive Summary

Our review of Thomas Jefferson High School for Science & Technology's procurement (credit) cards revealed that internal controls appeared adequate. In general, expenditures appeared reasonable, properly approved, and supported by appropriate documentation. In addition, the procurement (credit) cards appear to be in compliance with Regulation 5350.2 Finance Office Procurement (credit) Card Management for Appropriate Funds (effective 06-16-03). Areas where controls could be strengthened are:

- Procurement (credit) card transactions should be consistently documented on a procurement card log
- Employee acknowledgement disclosure forms should be on file for all card users
- Procurement (credit) cards should be utilized for their intended purpose

Background

The purpose of the Fairfax County Public Schools' (FCPS) procurement (credit) card program is to provide an efficient, reliable method of procurement to acquire needed goods and services in a timely and efficient manner. While the use of a procurement card can simplify and expedite procurement, its use requires strict adherence to internal control procedures and a commitment to accompanying accounting procedures. In most cases, card use reduces staff procurement efforts and shortens delivery time; however, it increases the need for financial tracking and control efforts.

The Office of Finance, Accounting Section, is responsible for administering the procurement card program. These responsibilities include approval of card application, assisting departments with dispute resolution, monitoring monthly reconciliations, and reviewing and remitting payment for the consolidated bill. Procedures governing the use of procurement cards are provided by the card service vendor in conjunction with FCPS Regulation 5350.2.

Scope and Objectives

This audit was performed as part of the fiscal year 2007 Annual Audit Plan. The audit covered the period from July 1, 2006 through March 31, 2007 and was conducted in accordance with generally accepted governmental auditing standards. Our audit objectives were to determine that:

- Procurement cards were being used in accordance with regulation 5350.2
- Adequate control procedures have been implemented and are being followed
- Monthly reconciliations are being performed and submitted in accordance with regulations

For the period under review, Thomas Jefferson High School for Science & Technology managed 10 credit cards that were used for 635 appropriated fund expenditures. A total of 110 transactions were reviewed during the audit. The sample included 52 randomly selected and 58 judgmentally selected transactions which represented 32% of the total card expenditures.

Methodology

Audit methodology included a review and analysis of internal control procedures, over card expenditures and related documentation. Our audit approach included an examination of expenditures, records maintained in the department, monthly reconciliations, interviews with appropriate employees, and a review of applicable regulations and procedures. We evaluated the processes for compliance with FCPS Regulation 5350.2. Information was extracted from PathwayNet for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

The FCPS Office of Internal Audit is free from organizational impairments to independence in our reporting as defined by generally accepted government auditing standards. We are organizationally part of the Office of the Superintendent and report directly to the Audit Committee. Organizationally, we are outside the staff or line management function of the units that we audit. We report the results of our audits to the management of the department under review, the appropriate leadership team member, the Superintendent, and the Audit Committee, and reports are available to the public.

Findings, Recommendations, and Management Response

1. Procurement card log not consistently maintained

While purchases were being tracked using both a purchase order log and a credit card log, 21 of the 110 transactions reviewed were not logged. Regulation 5350.2 indicates the program manager shall maintain a procurement card log that records each procurement card purchase.

Recommendation: Thomas Jefferson High School for Science & Technology should record all transactions; both debit and credit, on the log, as they occur, to accurately reflect card transactions and provide up-to-date information on funds expended. In accordance with Regulation 5350.2, the log should indicate the date card was issued, vendor, item(s) purchased, amount, card user, signature of user, date card returned and the date posted. If, however, a Purchase Order (PO) log is modified to include the required procurement (credit) card log information then it may be used as an alternative, and will thus serve as a monitoring tool for both PO and credit card purchases.

Management Response: As of August 24, 2007, we are keeping a log on the computer for all phone orders, also a separate log for checking the credit card out of the building.

2. Employee Acknowledgement Disclosure Forms not on file for all card users.

Employee Acknowledgement Disclosure forms were not maintained for 16 card users. In accordance with Regulation 5350.2, each employee must read and sign the procurement card employee acknowledgement disclosure form before using the procurement card for the first time.

Recommendation: All card users should read and sign the employee acknowledgement form and forms should be maintained by the finance technician.

Management Response: As of August 24, 2007, we have set up a binder to keep this form in one place and we will go over the procedures with the entire faculty on checking out the credit card.

3. Missing receipts

Supporting documentation for 5 of 110 transactions tested was not on file. The transactions represented various vendors for purchases of books, equipment, and supplies. Regulation 5350.2 indicated that original charge tickets, receipts, invoices, and other supporting documentation shall be maintained in a file at the school or office for six fiscal years.

Recommendation: Thomas Jefferson High School for Science & Technology should maintain receipts, invoices, and online documentation to support all purchases.

Note: During the course of the audit the current finance technician took steps necessary to obtain supporting documentation therefore management's response was not requested for this issue and further follow up is not deemed necessary.

Management Response: Issue was appropriately addressed prior to the conclusion of the audit thus a response was not required.

4. The equipment and textbook credit cards were used for non-equipment and non-textbook purchases.

The equipment credit card was used to purchase instructional supplies, textbooks, and food for 35 of 110 transactions reviewed. In addition the textbook credit card was used to purchase instructional supplies for 7 of the 110 transactions. According to the FCPS Department of Financial Services, credit cards should be utilized for the purpose for which they were issued. For example, textbook (TB) credit cards should be used to purchase items in print that remain the property of the school system after use. Textbooks, magazines, instructional software, sheet music, music books, and instructional charts would be appropriate purchases for the textbook credit card.

Recommendation: Thomas Jefferson High School for Science and Technology should use their assigned cards for the purposes for which they were granted to ensure the integrity of the accounts where the purchases are recorded.

Note: The school received notice of this in April 2007 from Financial Services and there were no additional transactions of this nature. As the issue has been appropriately addressed and verified by audit, a management response was not required.

Management Response: Issue was appropriately addressed prior to the conclusion of the audit thus a response was not required.