



# Fairfax County Public Schools Internal Audit Office

**Carson Middle School  
Procurement Card Audit  
March 2009**

*"promoting an efficient & effective school division"*

## **Executive Summary**

Our review of procurement cards assigned to Carson Middle School revealed that internal controls appeared adequate. In general, expenditures appeared reasonable, properly approved, and supported by appropriate documentation. In addition, the procurement cards appeared to be in compliance with Regulation 5350.2 Finance Office Procurement Card Management for Appropriated Funds (effective 06-16-03). Areas where controls could be strengthened are:

- Transactions should be recorded on a procurement card log with all required information and the log should be included in the reconciliation process
- Card transactions should be documented with approved purchase order forms
- Purchase orders should be completed with all required information, sequentially numbered, and have one vendor per form
- Reconciliations should be dated by the program manager to indicate timely approval

All issues have been addressed and corrected by area management prior to the release of this report.

## **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, Accounts Payable 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 2009 Annual Audit Plan. The audit covered the period from October 31, 2007 through November 1, 2008 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, Carson Middle School managed 12 credit cards that were used for 299 appropriated fund expenditures. A total of 179 transactions were reviewed during the period. The sample included 176 randomly selected and 3 judgmentally selected transactions which represented 60% 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

Of the 179 transactions reviewed, 133 were not properly logged. For those transactions that were listed on the log, all required information was completed. Of the 133, 74 were "After School" program transactions and 45 were "vocation" transactions. In accordance with Regulation 5350.2, the program manager shall maintain a procurement credit card log that records each procurement credit card purchase. Information should include date, vendor, items purchased, amount, card user, signature of user, and date card returned.

**Recommendation:** Carson Middle School should record all transactions; both debit and credit, on the procurement card log, as they occur, to accurately reflect card transactions. 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, the purchase order (PO) log is modified to include the required procurement card log information, then it may be used as an alternative, and will thus serve as a monitoring tool for both PO and procurement card purchases.

Note: Carson Middle School has implemented the use of a properly completed log. 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.

### 2. Purchase orders forms were not properly completed

For 89 of the 179 transactions reviewed purchase orders were not properly completed. All information was not listed, the forms were not sequentially numbered, and/or the approved standard purchase order forms were not used. Transactions for the "After School" program were documented on an in-house created form which did not contain all information required by

the standard form issued by the Department of Finance. 78 of the 89 were "After School" program transactions.

**Recommendation:** A properly completed standard purchase order form should be on file for all card transactions in accordance with the Guidelines for Purchase Orders issued by Financial Services.

Note: Carson Middle School has implemented the approved standard purchase order form for all transactions, including the After School program. Internal Audit reviewed and verified proper completion of the approved form. As the issue has been appropriately addressed by management, a response was not required.

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

### 3. Monthly reconciliations were not dated to evidence timely review and approval

While the reconciliations were being completed and properly signed by the program manager, they were not dated to evidence timely review and approval.

**Recommendation:** All reconciliations should be signed and dated to evidence timely review and approval.

**Note:** Carson Middle School has begun signing and dating reconciliations. 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.

### 4. Receipts were not itemized

An itemized receipt was not on file to provide details of the purchase for 10 of the 179 transactions reviewed. Receipts should be itemized to detail purchases made with a procurement card to insure purchases are legitimate for school use.

**Recommendation:** All procurement card purchases should include an itemized receipt to accurately detail the purchase.

Note: Carson Middle School has taken appropriate actions to ensure itemized receipts are provided for all transactions. 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.