



ARLINGTON
VIRGINIA

Internal Audit Report – Purchasing Card Cycle Audit

Department of Libraries

Report Date: May 25, 2017

TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	
Background	2
Objective and Scope	2
Overall Summary / Highlights	2
Observations	3
Background, Objectives and Approach	
Background	10
Objectives and Approach	14
Process Maps	16
Appendix A – Rating Definitions	18



TRANSMITTAL LETTER

May 25, 2017

Ms. Diane Kresh
Director, Department of Libraries

Ms. Maria Meredith
Deputy Director, Department of Management and Finance

Arlington County, Virginia
2100 Clarendon Blvd
Arlington, VA 22201

Pursuant to the contract and related statement of work for Arlington County, Virginia (“the County”), we hereby present the Purchasing Card (“PCard”) Cycle Audit: Department of Libraries (“Libraries”). Our report is organized in the following sections:

Executive Summary	This section includes a background summary of the function, the objectives and approach, and a detailed description of the observations noted during this cycle audit. Identified with each observation is the recommended action(s), and management’s corrective action plan, including the responsible party and estimated completion date.
Background	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
Objectives and Approach	The cycle audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Process Maps	This section illustrates process maps, which identifies data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on pages 14 and 15 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the County. This cycle audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting RSM US LLP in connection with this Purchasing Card Cycle Audit.

Respectfully Submitted,

RSM US LLP

RSM US LLP

EXECUTIVE SUMMARY

Background

Arlington County established a Purchase Card (“PCard”) program over twenty years ago to provide a more efficient method of purchasing and payment. 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 the PCard 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 *Appendix G Purchase Card Program Manual* (“PCard Manual”), revised November 2015, which provides guidance to employees on the use of PCards. The PCard program as a whole is monitored by DMF and an assigned senior accountant who is currently the Purchasing Card Program Administrator (“PCPA”). The Deputy Director of DMF also provides assistance when it is needed.

The Department of Libraries supports all County libraries and utilizes the PCard program for a wide variety of departmental needs including office supplies, program support, conference registration and various operational materials.

Objective and Scope

The primary objective of this cycle audit was to assess whether the system of internal controls over the PCard process is adequate and appropriate for promoting and encouraging the achievement of management’s objectives for an effective process. This involved the evaluation of the appropriateness of PCard purchases and the adequacy of program administration and oversight, including controls, to safeguard the County from errors, fraud, waste, and abuse.

The scope of this cycle audit encompassed a sample of 30 PCard transactions chosen from the entire population of 454 PCard transactions in Libraries during Calendar Year 2016 (“CY 2016”) (January 1, 2016 – December, 31 2016). As of December 31, 2016, there were four (4) PCard Card Holders within Libraries.

To ensure governance and monitoring of the County’s PCard program, the County has issued *Appendix G Purchase Card Program Manual*, revised November 2015.

Fieldwork was performed March 2017 through May 2017

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and / or compliance, as well as public perception or ‘brand’ risk.

Number of Observations by Risk Rating

(See Appendix A for definitions)

	High	Moderate	Low
PCard Cycle Audit - Libraries	-	1	5

We would like to thank all Arlington County team members who assisted us throughout this review.

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	1. Monthly Reconciliation		
	<p><i>Appendix G – Section V of the Purchase Card Program Manual states:</i> <i>“Supervisor must review and approve / reject Monthly Reconciliations in advance of the 20th of each month”.</i></p> <p>The PCard Manual further states: <i>“Card Managers must review, certify and reconcile statements in Internet Expense Reports no later than the 20th of the month”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> • 2 out of 18 expense reports included in our sample of 30 transactions, were approved 2 to 5 days after the stipulated deadline of the 20th of the month. <p>Reconciliations offer checks and balances, and are a mean to detect errors, including potential misappropriation of funds. Untimely performance of a review of reconciliations to supporting documentation may cause delays in the identification of potential errors and / or irregularities, including discrepancy follow-up and resolution.</p>	<p>We recommend that re-emphasis be provided to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee) of the monthly reconciliation process, required documentation, and review and timely approval.</p> <p>The re-emphasis can be accomplished by distributing the results of this cycle audit to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee). Documented confirmation of the review of the cycle audit report should be retained.</p>	<p>Response: Cardholders, Cardmanager and Supervisors will be reminded to ensure that expense reports are approved before the 20th of the month and will email reminders for cardholders and managers to approve expense report submissions in PRISM.</p> <p>Responsible Party: Deputy Director, Libraries</p> <p>Target Date: Effective immediately (June 9th, 2017)</p>

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	2. Supporting Documentation		
	<p><i>Appendix G – Section II of the Purchase Card Program Manual states:</i></p> <p><i>“It is mandatory that Card Holders obtain and retain all itemized invoices / receipts, packing slips, and charge tickets. Charge tickets that do not have an itemized list / description of purchases are not acceptable as receipts and must be supplemented with an itemized invoice or cash register receipt. Itemized receipts must be legible as they must be scanned into Internet Expense Reports in PRISM. Additional documents to be scanned include any back up documentation, emails and approvals, including pre-approval for all overnight travel. Once the receipts have been scanned into Internet Expense Reports and have been checked to ensure that receipts are legible they may be destroyed. Failure to provide proper documentation will result in revocation of your card (see Section IX on Disciplinary Action)”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> 4 of the 30 transactions included in our sample did not appropriately have an itemized receipt uploaded to PRISM. 3 of the 4 missing receipts were located during follow-up and tested appropriately. <p>Without proper supporting documentation, a reviewer will have difficulty determining expense justification and context, possibly leading to prohibited, erroneous, or fraudulent charges.</p>	<p>We recommend that re-emphasis be provided to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee) of the supporting documentation required to substantiate purchases.</p> <p>The re-emphasis can be accomplished by distributing the results of this cycle audit to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee). Documented confirmation of the review of the cycle audit report should be retained.</p>	<p>Response: Cardholders will be reminded to ensure they provide itemized receipts for their purchases and that they are uploaded appropriately. When appropriate, a handwritten note will be included on an invoice to indicate the invoice applies across transactions.</p> <p>Responsible Party: Deputy Director, Libraries</p> <p>Target Date: Effective immediately (June 9, 2017)</p>

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Moderate	3. Restricted Purchase		
	<p><i>Appendix G – Section II of Purchase Card Program Manual states:</i> <i>“The following transactions are specifically prohibited unless an exception is granted by the Purchase Card Administrator, Comptroller, DMF Director or Deputy DMF Director in writing:... Purchases of services over \$500, including maintenance agreements”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> • 2 of 30 transactions tested were for service costs exceeding the \$500 threshold. The 2 purchases amount to a total of \$1,760.30 and were for rental truck service costs. Appropriate approval was not granted by a PCard program designee. <p>Failure to identify restricted purchases could lead to misuse of PCards.</p>	<p>We recommend that re-emphasis be provided to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee) of the restricted PCard related purchases.</p> <p>The re-emphasis can be accomplished by distributing the results of this cycle audit to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee). Documented confirmation of the review of the cycle audit report should be retained.</p>	<p>Response: The library's delivery truck is integral to daily operations of the library and is in use all day, 6 days a week to move holds around the system for library patrons. If the library truck breaks down, staff immediately rent a substitute truck to minimize public service impact on patrons. In the future, if an operationally time sensitive transaction for services of more than \$500 needs to be made, library staff will immediately email the County's Purchase Card Administrator or the Purchasing Agent to provide notification of the emergency need.</p> <p>Responsible Party: Deputy Director, Libraries, Card Manager</p> <p>Target Date: Effective immediately (June 9, 2017)</p>

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	4. Documentation Required for Meals		
	<p><i>Appendix G – Section II of the Purchase Card Program Manual states:</i> <i>“For all meal purchases a “purpose statement” and list of attendees must be attached to the receipt or written on the receipt. If this is for a sizeable group (i.e. more than five – an even similar to the Marine Corps Marathon for police) – then a description of the event and estimate of number of people fed should be included”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> • 1 of 30 transactions tested were for meal related (excluding grocery) purchases. The one meal related purchase did not include a purpose statement nor a list of attendees attached to or written on the receipt as required by the PCard Manual. Per inquiry, Card Managers and Card Holders were unaware of this requirement. <p>Without the purpose and number of attendees for meal expenses recorded, a reviewer may not easily verify that the expense is reasonable and related to department operations.</p>	<p>We recommend re-emphasis of required documentation for meal expenditures should be communicated to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee).</p> <p>The re-emphasis can be accomplished by distributing the results of this cycle audit to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee). Documented confirmation of the review of the cycle audit report should be retained.</p> <p>If it is determined that this requirement is unnecessary, Appendix G of the Purchasing Card Manual should be updated to omit the requirement.</p>	<p>Response: Only one cardholder purchases food and she has already been reminded to include a handwritten note on all future meal-related invoices indicating the purpose of the purchase and approximate number of attendees.</p> <p>Responsible Party: Deputy Director, Libraries</p> <p>Target Date: Effective immediately (June 9, 2017)</p>

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	5. Documentation Required for PCard Issuance and Monitoring		
	<p><i>Appendix G – Section VII of the Purchase Card Program Manual states:</i> <i>“Only Active, permanent County employees (contractors, or temporary employees will not be issued a Purchase Card) who can justify the need for a purchase card may be a Card Holder. A Card Manager may request cards for Card Holders in their area of responsibility by completing the Purchase Card Holder Justification Form (Attachment 3). The Form, once signed by the Department Director and completely filled out, should be scanned and emailed to the PCA”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> • 3 Card Holders were involved in our sample of 30 Library transactions. 1 Card Holder did not have a completed Purchase Card Holder Justification Form on file. <p>Absence of the proper and required forms increases the risk that Card Holders do not understand the Purchasing Card policies and restrictions, which could result in improper use of the PCard.</p>	<p>We recommend that, as part of the PCard inventory completed annually by the DMF PCard Administrator, all required PCard documentation's existence should be verified on OnBase. If any documentation is missing, the DMF PCard Administrator should notify the department immediately for completion of the applicable form and submittal back to the DMF PCard Administrator.</p>	<p>Response: The missing Card Holder forms have been completed by the appropriate individuals and uploaded. On an annual basis a review will be performed by DMF to verify that PCard Administration forms are stored appropriately in the electronic records management system.</p> <p>Responsible Party: PCard Program Administrator</p> <p>Target Date: June 30, 2017 (or 30 days after distribution of the final report - whichever is later).</p>

EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	<p>6. Sales Tax Paid on Transactions</p>		
	<p><i>Appendix G – Section II of the Purchase Card Program Manual states,</i> <i>“There should be no charges for Virginia sales tax on the purchase of goods made with the Purchase Card. The tax exempt number is printed on each Purchase Card”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> • 3 of 30 transactions tested included sales tax. 2 of these purchases were made online, which the County Policy does not provide specific guidance towards. <p>Although the dollar amount of the sales tax paid was minimal, \$42.69, it is a violation of the PCard Manual and State Statute.</p> <p>Without proper guidance regarding online transactions, Card Managers and / or Supervisors may not know whether or not this tax is proper when performing their monthly review and approval.</p>	<p>We recommend that re-emphasis be provided to those responsible for utilizing purchasing cards and reviewing expense reports (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee) that there should be no charges for sales tax for goods in Virginia, as the County is tax exempt and the tax exempt number is printed on the PCards for reference. Violations of this kind should be identified as part of the Card Manager / Supervisor review.</p> <p>The re-emphasis can be accomplished by distributing the results of this cycle audit to those involved with the PCard program (Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee). Documented confirmation of the review of the cycle audit report should be retained.</p> <p>Additionally, the PCard Manual should be revised to provide explicit guidance on sales tax for online purchases. Guidance should be communicated to Card Holders, Card Managers, designated Approvers, and Department Directors or his / her designee.</p>	<p>Response: Cardholders will be reminded that sales tax is not paid for the purchase of goods in Virginia.</p> <p>Responsible Party: Deputy Director, Libraries</p> <p>Target Date: Effective immediately (June 9, 2017)</p>

IMPROVEMENT OPPORTUNITY

<u>Improvement Opportunity</u>	<u>Recommendation</u>
Supporting Documentation Uploaded to PRISM – County-Level	
<p><i>Appendix G – Section II of the Purchase Card Program Manual states: “It is mandatory that Card Holders obtain and retain all itemized invoices / receipts, packing slips, and charge tickets. Charge tickets that do not have an itemized list / description of purchases are not acceptable as receipts and must be supplemented with an itemized invoice or cash register receipt. Itemized receipts must be legible as they must be scanned into Internet Expense Reports in PRISM. Additional documents to be scanned include any back up documentation, emails and approvals, including pre-approval for all overnight travel. Once the receipts have been scanned into Internet Expense Reports and have been checked to ensure that receipts are legible they may be destroyed. Failure to provide proper documentation will result in revocation of your card (see Section IX on Disciplinary Action)”.</i></p> <p>The JPMorgan Chase Bank, N.A. (“JPMorgan”) monthly activity statement received by card holders is utilized to perform the month end reconciliation and was identified as “back up documentation” uploaded to PRISM by some departments sampled. The PCard Manual does not clearly state whether or not the JPMorgan statement must be uploaded to PRISM. Based on discussions with DMF, the statement is not required to be uploaded to PRISM.</p>	<p>We recommend that the PCard Manual be revised to clearly define the documentation that is required to be uploaded to PRISM. This should include language which states that the JP Morgan statement is not required to be uploaded to PRISM.</p>

BACKGROUND, OBJECTIVES AND APPROACH

Background

Overview

Arlington County established a PCard program over twenty years ago to provide a more efficient method of purchasing and payment. 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 the PCard is not intended to avoid or bypass appropriate procurement or payment policies. Since 2009, PCards are issued through JPMorgan.

The County currently has three employees, a Senior Accountant, Assistant Purchasing Agent, and Deputy Director of Management and Finance, with administrator access to add or delete Card Holders as well as modify (change transaction limits, suspend, etc.) their cards. A Senior Accountant within the Department of Management and Finance is the current PCPA. No employee is allowed to enter into an agreement with any provider or apply for a credit card or purchase card on behalf of the County with any vendor independent of this program.

PRISM and OnBase are two separate systems utilized for the monitoring and recordkeeping of PCard transactions. PRISM is an Oracle ERP and the County's financial system. OnBase is the County's document retention database. OnBase stores all of the County's PCard documentation and integrates with PRISM only for the receipts. Documentation stored includes receipts, transaction statements, transaction logs (where utilized), inventories, card holder setup and maintenance approval forms etc. PRISM is the system of record for expense reports, so users (including card holders) can log in, identify an expense report, and see all the corresponding supporting information. Card Holders use PRISM for their monthly expense report reconciliation, so they can validate that all their support matches the transactions recorded in PRISM. Additionally, when a user wants to see the support for an expense report, they can click a button in PRISM and OnBase will open with the corresponding support for that expense report.

We segregated the purchasing card management process into the following areas:

Card Holder Setup and Maintenance

The purchasing card issuance and maintenance function is the responsibility of the Department of Management and Finance and the Department where the Card Holder is assigned. The Department Directors or his / her designee determine the need for a purchase card, and complete and approve the *Purchase Card Holder Justification Form*. The justification form indicates the types of purchases to be made in comparison to the Merchant Category Code ("MCC") Groups, dollar limits requested (monthly spending limit and a single transaction spending limit), and the specific duties of the Card Holder. The signed forms and other necessary documents are provided to the Card Manager who in turn submits it to the PCPA. Upon receiving the request, the PCPA reviews the form to ensure that the form is properly filled out and that the appropriate authorization is given. Additionally, the PCPA reviews the justification and then makes the final determination whether to issue a card to the requesting employee. The PCPA may also make adjustments to the MCC and requested credit limits. If documentation is deemed reasonable and complete the PCPA will then process the request for a card by submitting the request to JPMorgan for fulfillment and files the original form in OnBase. Card Holder account changes are also initiated from the related Department through DMF using the *Request Change to Current Purchase Card Limits – Amended Purchase Card Holder Justification Form*. PCard issuance is completed centrally by DMF and notification is provided to the Card Manager for pickup. The Card Manager is then responsible for ensuring the Card Holder signs the *Purchase Card Card Holder Agreement* as an act of receipt and that the signed agreement is returned to PCPA in a reasonable and timely fashion. Those forms are kept on file in DMF and as of 2012, they are maintained in OnBase.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Card Holder Setup and Maintenance (continued)

When an employee is transferred to another division or department, the Card Holder is required to complete a new *Purchase Card Card Holder Justification Form*, following the same process described above. However, when an employee is terminated, the PCard is collected and destroyed by the designated Card Manager and notification is provided to the PCPA to request the card be closed in JPMorgan's system of record. The loss or theft of a PCard requires the Card Holder to immediately notify JPMorgan (by telephone), the Card Manager and the PCPA.

Monthly Reconciliation

The Card Holder or designated Department Representative / Card Manager is required to track all purchases by following a reconciliation process utilizing the Internet Expense Reports function within the PRISM system. Individual Card Holder merchant transactions are electronically uploaded and transmitted by JPMorgan to the County's PRISM system. The Card Holder manually fills out a transaction log and provides the log along with all receipts for the month to the Card Manager. The Card Manager uploads all supporting documentation into the PRISM system and completes the reconciliation of merchant statements and receipts. The expense report is submitted and is sent to the Card Holder for approval. Once the Card Holder approves the report and reconciliation, the Card Holder's Supervisor is required to provide their approval. The review process verifies that expense reports have proper documentation and purchases are in compliance with County requirements. Evidence of review and approval is identified through sign-off in PRISM.

General Monitoring of Program

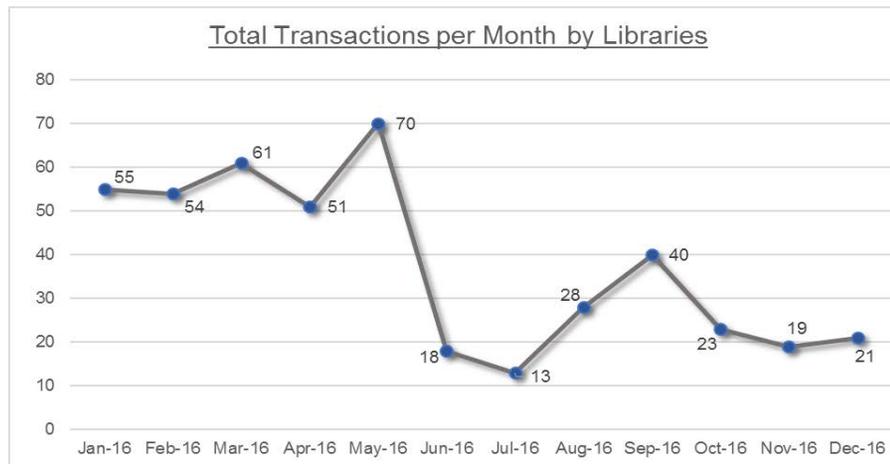
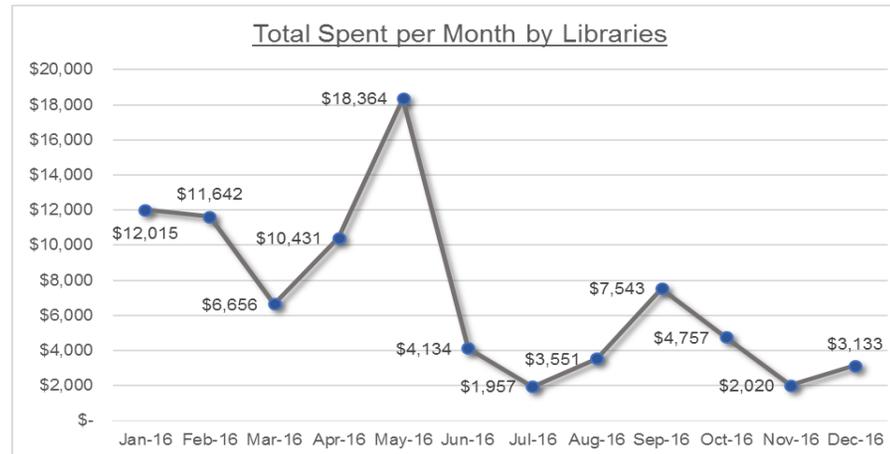
It is the responsibility of the Supervisor and Card Manager to review each purchasing card expenditure to ensure the goods or services were for official use and were necessary in accordance with applicable County policies, laws and regulations. Currently, all Department Directors or his / her designee receive a transaction report of PCard purchases on a monthly basis for review. DMF considers the approving official's electronic signature in PRISM as proper approval of expenditures. On a weekly basis, the PCPA generates a *Weekly Transaction Report* which lists transactions by department, Card Holder, merchant / vendor, amount and date. For monitoring and awareness purposes, this Report is submitted to DMF staff for review of potentially inappropriate charges that would require follow-up and resolution. Furthermore, periodically, the PCPA sends out a file listing each Card Holder's, monthly and daily dollar limits, limits on number of transactions in a month and in any day, and merchant code categories to the Department Directors or his / her designee. The Department Directors or his / her designee are responsible for the review of the list to determine whether the Card Holders are still active employees and still need PCards, as well as identify any need for a different transaction limit and to verify the merchant code categories are appropriate. If any changes are necessary, notification is provided to the PCPA. To ensure governance and monitoring of the PCard program, the County has issued *Appendix G Purchase Card Program Manual*. It should be noted that in November 2015, the County issued a revised *Appendix G Purchase Card Program Manual*.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Statistical Information

There are a total of 3 Card Holders within the Department of Libraries and 1 Card Manager that oversees all Card Holders for the department. Libraries utilized PCards for a total of \$86,254 during CY 2016 and averaged \$190 per transaction. The most common reason for PCard use was to purchase operational items regarding program support and office supplies amounting to 258 out of the 454 transactions for a total of \$49,258. Monthly activity for Libraries was as follows:



BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Statistical Information – continued

Libraries utilizes PCards for a variety of different types of purchases. In total, there were 134 different merchants that provided goods or services to the department. The top 10 merchants utilized based on total amount spent during CY 2016 is depicted below:

Libraries PCard Transactions by Merchant		
Merchant Name	# of Transactions	Amount Spent
OFFICEMAX	66	\$ 21,864.00
PES*STORE.APPLE.COM/C	1	\$ 7,788.00
DEMCO INC	8	\$ 5,233.68
AMAZON MKTPLACE PMTS	52	\$ 5,069.10
AMAZON.COM	24	\$ 3,431.08
INFORMATION TODAY	6	\$ 2,552.00
PENSKE TRK LSG 086010	4	\$ 2,426.54
DLX*PS PRINT	1	\$ 1,605.49
PAYPAL *ATLEE INC	1	\$ 1,495.00

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach

Objectives

The primary objective of this cycle audit was to assess whether the system of internal controls over the PCard process is adequate and appropriate for promoting and encouraging the achievement of management's objectives for an effective process. This involved the evaluation of the appropriateness of PCard purchases and the adequacy of program administration and oversight, including internal controls to safeguard the County from fraud, waste, and abuse.

The scope of this cycle audit encompassed a sample of 30 PCard transactions chosen from the entire population of 454 PCard transactions in the Department of Libraries during the Calendar Year 2016 (January 1, 2016 – December 31, 2016). As of December 31, 2016, there were 4 PCard Card Holders within Libraries.

Approach

Our audit approach consisted of the following phases:

Understanding and Documentation of the Process

During the first phase, we performed the following:

- Conducted an entrance conference with the Deputy Director of Libraries and representatives from DMF (including the Purchasing Card Administrator) to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements;
- Obtained copies of financial information and other documents deemed necessary;
- Reviewed the applicable State and County policies related to this internal audit;
- Conducted interviews with responsible personnel within the Department to obtain an understanding of the unique aspects of each in order to perform the walkthroughs and our testing; and
- Developed process maps, which are included in this report.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The process and control evaluation phase of this engagement consisted of an evaluation of the design and testing of operating effectiveness. We performed walkthroughs and detailed testing of transactions for a sample of 30 PCard transactions from the entire population of 454 PCard transactions during Calendar Year 2016 (January 1, 2016 – December 31, 2016). The sample selection was random from the use of the information technology tool IDEA™, and then supplemented to include highlighted transactions from the results of the Computer Assisted Audit Tools analysis. Specific procedures performed included:

- Performed testing of a sample of PCard transactions for proper justification, approval, and documentation of receipt by the responsible persons, including verification of the following:
 - Employee conducting the purchase is an active employee;
 - Transactions were not split to avoid single transaction limit;
 - Purchases were not backordered or for prohibited / restricted items;
 - Purchases were not greater than the assigned credit limit;

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach (continued)

Approach (continued)

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness (continued)

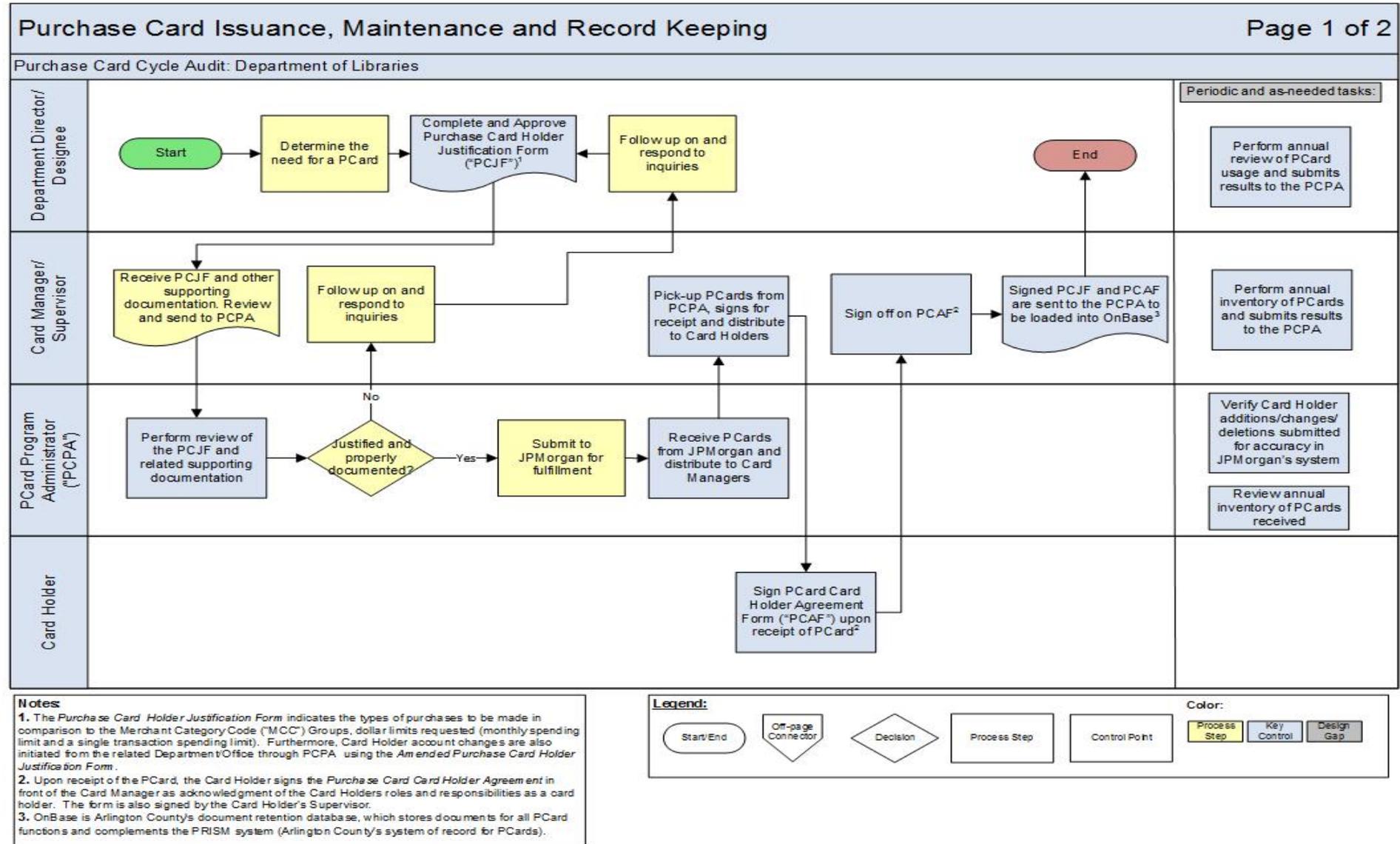
- Timeliness and approval of the Internet Expense Reports;
- Purchase is in line with the assigned merchant category code(s);
- Purchase is appropriate for department / division;
- Virginia sales and use tax was not paid;
- Purchase complies with County policy;
- Department / division follow-up and resolution for transactions violating County policy, and
- Purchase complies with Virginia Public Procurement Act – Title 2.2, Chapter 43 of the Code of Virginia or “Virginia Public Procurement Act.”
- Reviewed forms utilized;
- Performed testing of a sample of monthly reconciliations for proper completion, documentation of expenditures, and approval;
- Performed the following Computer Assisted Audit Tools on the entire population of PCard transactions:
 - Card Holder activity;
 - Duplicate or split transactions;
 - Round numbers;
 - Transactions made on holidays and weekends;
 - Restricted purchase by use of keywords; and
 - Purchase of services greater than \$500.
- Reviewed management review / monitoring process for Card Holders with no activity; and
- Analyzed segregation of duties within the departments / divisions over the PCard process.

Reporting

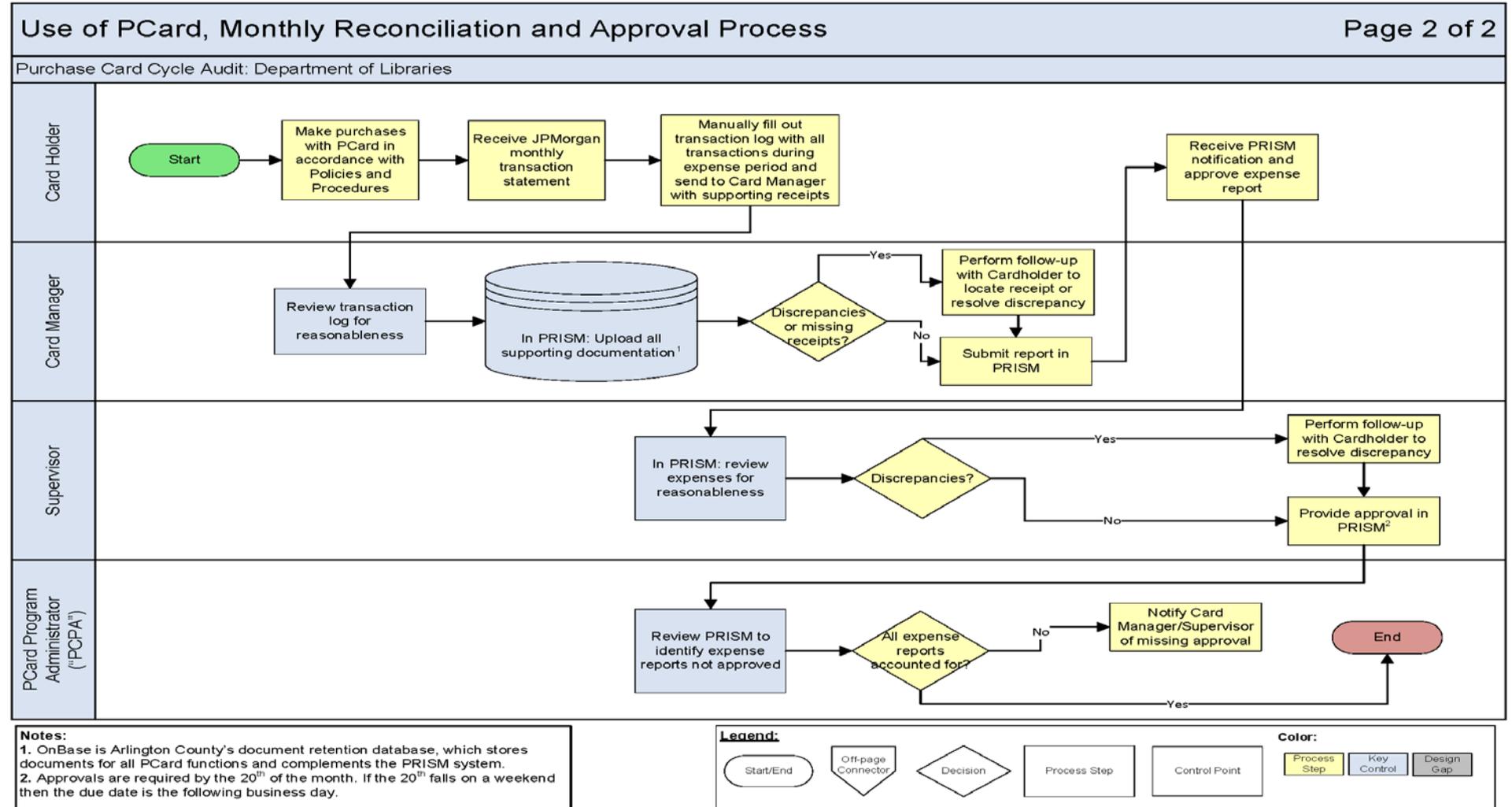
At the conclusion of this audit, we vetted the facts and exceptions noted with Libraries. The draft report was submitted to Libraries and DMF for review. An exit meeting was held with Libraries and DMF to formally review and discuss the draft report and modify accordingly.

Management’s corrective action plan with estimated completion dates has been provided and included in the report. Follow-up procedures will be performed after the completion date noted by Management. Follow-up typically occurs after ample time has passed with the new control / procedure in place (generally six months) to verify and report the implementation status of the recommendations and Management’s action with regard to the previously reported observations. Objectives of the overall follow-up procedures are to determine if open observations from this audit report has been properly remediated. Follow-up is meant to validate, on a sample basis, the effectiveness of the remediated controls of the previously reported open observations.

PROCESS MAP(S):



PROCESS MAP(S) (CONTINUED):



APPENDIX A – RATING DEFINITIONS

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of low importance to business success / achievement of goals and internal control structure.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception / brand, or business operations) to the organization for the topic reviewed and / or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.



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