



ARLINGTON  
VIRGINIA

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# Internal Audit Report – Purchasing Card Cycle Audit

## Court & Judicial Services: Juvenile & Domestic Relations Court

Report Date: May 26, 2017

## TABLE OF CONTENTS

<b>Transmittal Letter</b> .....	1
<b>Executive Summary</b>	
Background .....	2
Objective and Scope .....	2
Overall Summary / Highlights .....	2
Observations .....	3
<b>Improvement Opportunity</b> .....	6
<b>Background, Objectives and Approach</b>	
Background .....	8
Objectives and Approach .....	12
<b>Process Maps</b> .....	14
<b>Appendix A – Rating Definitions</b> .....	16

## TRANSMITTAL LETTER

May 26, 2017

Mr. Earl Conklin  
Director, Court Services

Ms. Maria Meredith  
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Pursuant to the contract and related statement of work for Arlington County, Virginia (“the County”), we hereby present the Purchasing Card (“PCard”) Cycle Audit: Juvenile & Domestic Relations (“JDR”) Court. Our report is organized in the following sections:

<b>Executive Summary</b>	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.
<b>Background</b>	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
<b>Objectives and Approach</b>	The cycle audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
<b>Process Maps</b>	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 12 and 13 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 20 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 Juvenile & Domestic Relations Court primarily supports the Argus House which is a County funded residence for at-risk youth males ages 13 to 18. JDR Court utilizes the PCard program for a wide variety of departmental needs including office supplies, groceries for the Argus House, resident incentives, and other program support.

### 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 45 PCard transactions chosen from the entire population of 1,105 PCard transactions in the Juvenile & Domestic Relations Court during Calendar Year 2016 (“CY 2016”) (January 1, 2016 – December, 31 2016). As of December 31, 2016, there were 10 PCard Card Holders within JDR Court.

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 – JDR Court	-	1	3

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>
<b>Moderate</b>	<b>1. Monthly Reconciliation</b>		
	<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 20<sup>th</sup> 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 20<sup>th</sup> of the month”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> <li>• 15 out of 31 expense reports included in our sample of 45 transactions were approved 2 to 102 days after the stipulated deadline of the 20<sup>th</sup> of the month.</li> <li>• Card Managers whom are also Card Holders do not receive both levels of review as required by the PCard Manual. When a Card Manager’s expense report is submitted, it is sent directly to a Supervisor for approval. An additional review by a Card Manager is not performed following Supervisory approval. During our testing period, the Card Manager incurred \$1,681 in PCard transactions.</li> </ul> <p>Reconciliations offer checks and balances, and are a means 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>Without two levels of review, a prohibited, erroneous, or fraudulent transaction is more likely to go unidentified.</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>Expense reports submitted by Card Managers who are also Card Holders should be routed to another Card Manager for an additional level of review, as required by County Purchasing Policy.</p>	<p><b>Response:</b></p> <p>A. Departmental training will be held for all Card Holders, Card Managers, Designated Approvers, and the Department Director.</p> <ol style="list-style-type: none"> <li>Review of PCard Audit Results</li> <li>Monthly Reconciliation Process</li> <li>Required Documentation</li> <li>Due Date for Reconciliation Process is 20<sup>th</sup> of the month</li> <li>Need for Timely approval</li> </ol> <p>B. QA - Completion of PCard reconciliations and reviews in a timely manner will be included as a performance measure in performance plans for all card managers and reviewers.</p> <p>C. One card manager in the department is also a card holder. A request has been submitted to DTS and the PCard Administrator seeking a change in the hierarchy so future Expense Reports for this Card Manager are routed to another Card Manager for review. Once this change occurs, all expense reports will have the required two levels of review.</p> <p>D. The Deputy Director will follow-up by the 20<sup>th</sup> of each month to ensure that reconciliations are complete.</p> <p><b>Responsible Party:</b> Deputy Director, JDR</p> <p><b>Target Date:</b> 6/30/17</p>

## EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
<b>Low</b>	<b>2. Documentation Required for Meals</b>		
	<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"> <li>6 of the 45 transactions selected for testing were for meal related purchases (excluding grocery). None of the 6 meal related purchases included 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.</li> </ul> <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><b>Response:</b></p> <p>A. Departmental training will be held for all Card Holders, Card Managers, Designated Approvers, and the Department Director.</p> <ol style="list-style-type: none"> <li>Review of PCard Audit Results</li> <li>Documentation Required for Meal Expenditures</li> </ol> <p>B. QA - When reviewing transactions, the Card Manager and Designated Approvers will review all meal receipts to ensure a purpose statement and list of attendees is written on the receipt or attached.</p> <p><b>Responsible Party:</b> Card Managers, Designated Approvers (Group Home Manager &amp; Deputy Director)</p> <p><b>Target Date:</b> 6/30/17</p>

## EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
Low	<b>3. Documentation Required for PCard Issuance and Monitoring</b>		
	<p><i>Appendix G – Section VII of the Purchase Card Program Manual states:</i>  <i>“Upon termination / transfer of a Card Manager, Directors shall appoint a new Purchase Card Manager and complete Attachment 1, Card Manager Appointment Form, and provide the original to the PCA as soon as possible”.</i></p> <p>We noted the following:</p> <ul style="list-style-type: none"> <li>2 Card Managers were involved in the 45 samples selected for testing. 1 of the 2 Card Manager did not have a completed Card Manager Appointment Form on file.</li> </ul> <p>Absence of the proper and required forms increases the risk that Card Managers do not understand their roles and responsibilities, which could result in ineffective review of transactions and inconsistent application of County policies and procedures.</p>	<p>We recommend that, as part of the PCard inventory completed annually by the PCard Administrator, all required PCard documentation's existence should be verified on OnBase. If any documentation is missing, the PCard Administrator should notify the department immediately for completion of the applicable form and submittal back to the PCard Administrator.</p>	<p><b>Response:</b> The Card Manager, who did not have a Card Manager Authorization Form on file, has completed a new form and submitted it to the PCard Administrator. This particular Card Manager has been a card manager for many years, and the paper copy may not have been converted to the electronic system we are now using to track Pcard Document.</p> <p><b>Responsible Party:</b> Deputy Director, JDR</p> <p><b>Target Date:</b> Effective immediately (6/9/17)</p>

## EXECUTIVE SUMMARY (CONTINUED)

<u>Risk Rating</u>	<u>Observation</u>	<u>Recommendation</u>	<u>Management's Action Plan</u>
<b>Low</b>	<b>4. Sales Tax Paid on Transactions</b>		
	<p><i>Appendix G – Section II of the Purchase Card 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"> <li>• 2 of 45 transactions tested included sales tax. One of these purchases was made online, which the County Policy does not provide specific guidance towards.</li> </ul> <p>Although the dollar amount of the sales tax paid was minimal, \$7.96, 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><b>Response:</b></p> <p>A. Departmental training will be held for all Card Holders, Card Managers, Designated Approvers, and the Department Director.</p> <ol style="list-style-type: none"> <li>Re-emphasis that sales tax should not be paid for the purchases of goods in Virginia</li> <li>Review Card Manager Role in identifying and documenting violations when reviewing reconciliations</li> <li>Review of PCard Audit findings and document</li> <li>Document confirmation of training in email to PCard Manager</li> </ol> <p>B. If sales tax cannot be avoided in a transaction, the Card Holder will provide a written explanation to the Card Manager along with the receipt. The explanation should be uploaded into prism with the receipt containing sales tax.</p> <p>C. QA - When reviewing transactions, the Card Manager and Designated Approvers will review all receipts to ensure sales tax was not paid, or that an explanation of the reason for sales tax has been uploaded with the receipt.</p> <p><b>Responsible Party:</b> Deputy Director, JDR</p> <p><b>Target Date:</b> 6/30/17</p>

## IMPROVEMENT OPPORTUNITY

<u>Improvement Opportunity</u>	<u>Recommendation</u>
<b>Supporting Documentation Uploaded to PRISM – County-Level</b>	
<p><i>Appendix G – Section II of the Purchase Card Program Manual states:</i>  <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>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 JPMorgan 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 department, or another Card Manager's area of responsibility, 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 provides all receipts for the month to the Card Manager who 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**

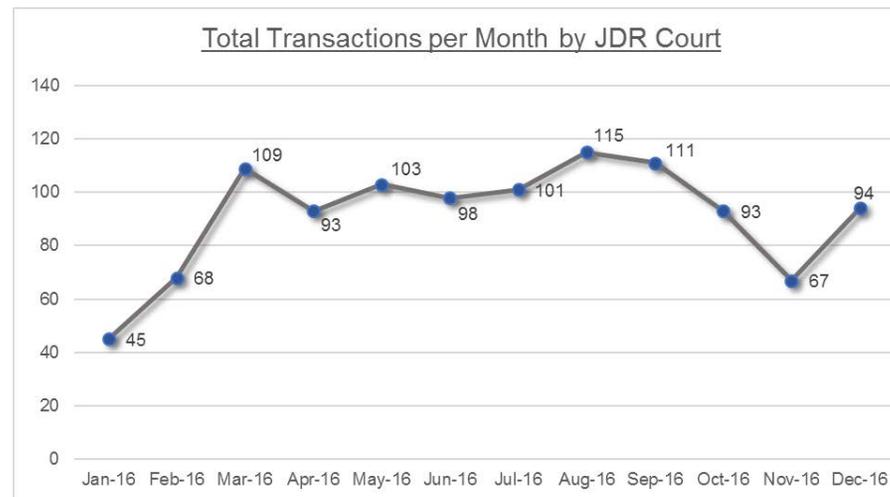
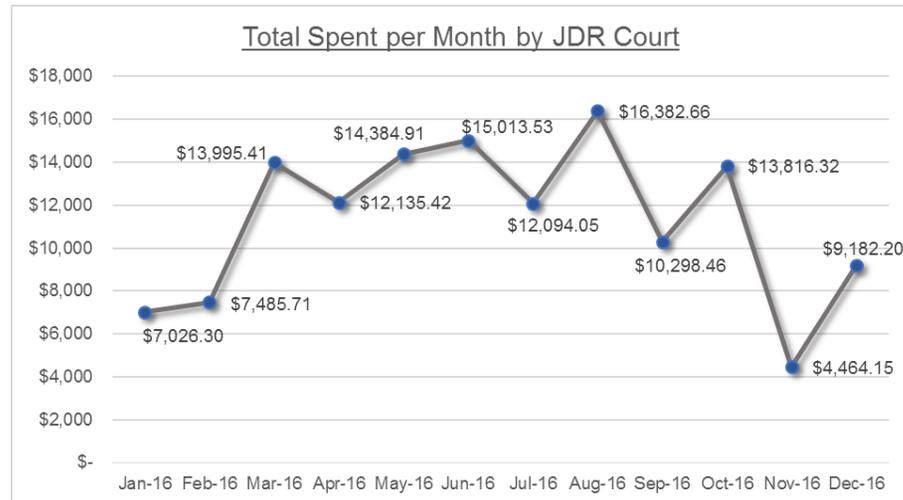
It is the responsibility of the Supervisor and Card Manager to review each purchasing card expenditure to ensure the goods or services were for official use and were necessary in accordance with applicable County policies, laws and regulations. Currently, all Department Directors or his / her designee 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 10 Card Holders within the Juvenile & Domestic Relations Court and 2 Card Managers that oversee all Card Holders for the department. JDR Court spent a total \$138,030 in PCard transactions during CY 2016 and averaged \$125 per transaction. The most common reason for PCard use was to purchase food and grocery supplies for the Argus House amounting to 396 out of the 1,105 transactions for a total of \$52,415. Monthly activity for JDR Court was as follows:



## BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

### Background (continued)

**Statistical Information (continued)**

JDR Court utilizes PCards for a variety of different types of purchases. In total, there were 253 different merchants that provided goods or services to the department. The top 10 merchants based on total amount spent during CY 2016 is depicted below:

JDR Court PCard Transactions by Merchant		
Merchant Name	# of Transactions	Amount Spent
SCHENCK FOODS CO INC	131	\$ 36,087.95
OFFICEMAX	152	\$ 21,667.42
SAFeway STORE00010488	210	\$ 6,786.46
DC CENTRAL KITCHEN INC	10	\$ 5,808.55
IN *1 STEP DETECT ASSO	7	\$ 4,626.00
SYSCO FOOD SERVICES OF	8	\$ 4,209.18
AIR NOVATIONS LLC	7	\$ 2,677.49
AMAZON MKTPLACE PMTS	46	\$ 2,414.82
NCS PEARSON	6	\$ 2,184.95
TARGET	11	\$ 2,091.51

## 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 45 PCard transactions chosen from the entire population of 1,105 PCard transactions in the JDR Court during the Calendar Year 2016 (January 1, 2016 – December 31, 2016). As of December 31, 2016, there were 10 PCard Card Holders within JDR Court.

#### **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 Director of Court Services 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 45 PCard transactions from the entire population of 1,105 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)

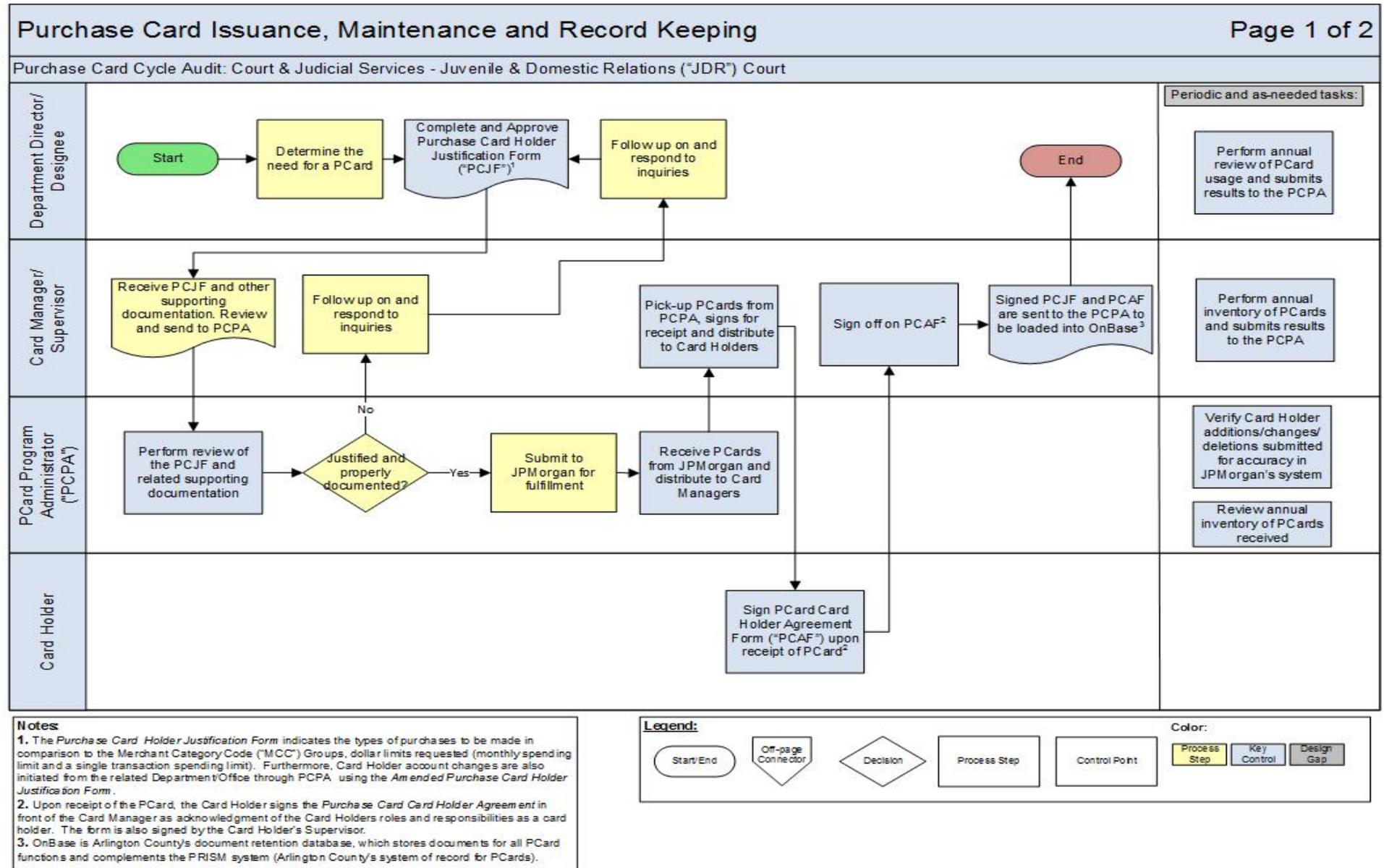
- Timeliness and approval of the Internet Expense Reports;
- Purchase is in line with the assigned merchant category code(s);
- Purchase is appropriate for department / division;
- Virginia sales and use tax was not paid;
- Purchase complies with County policy;
- Department / division follow-up and resolution 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;
- Reviewed management review / monitoring process for Card Holders with no activity;
- 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.
- Analyzed segregation of duties within the selected departments/divisions over the PCard process.

#### Reporting

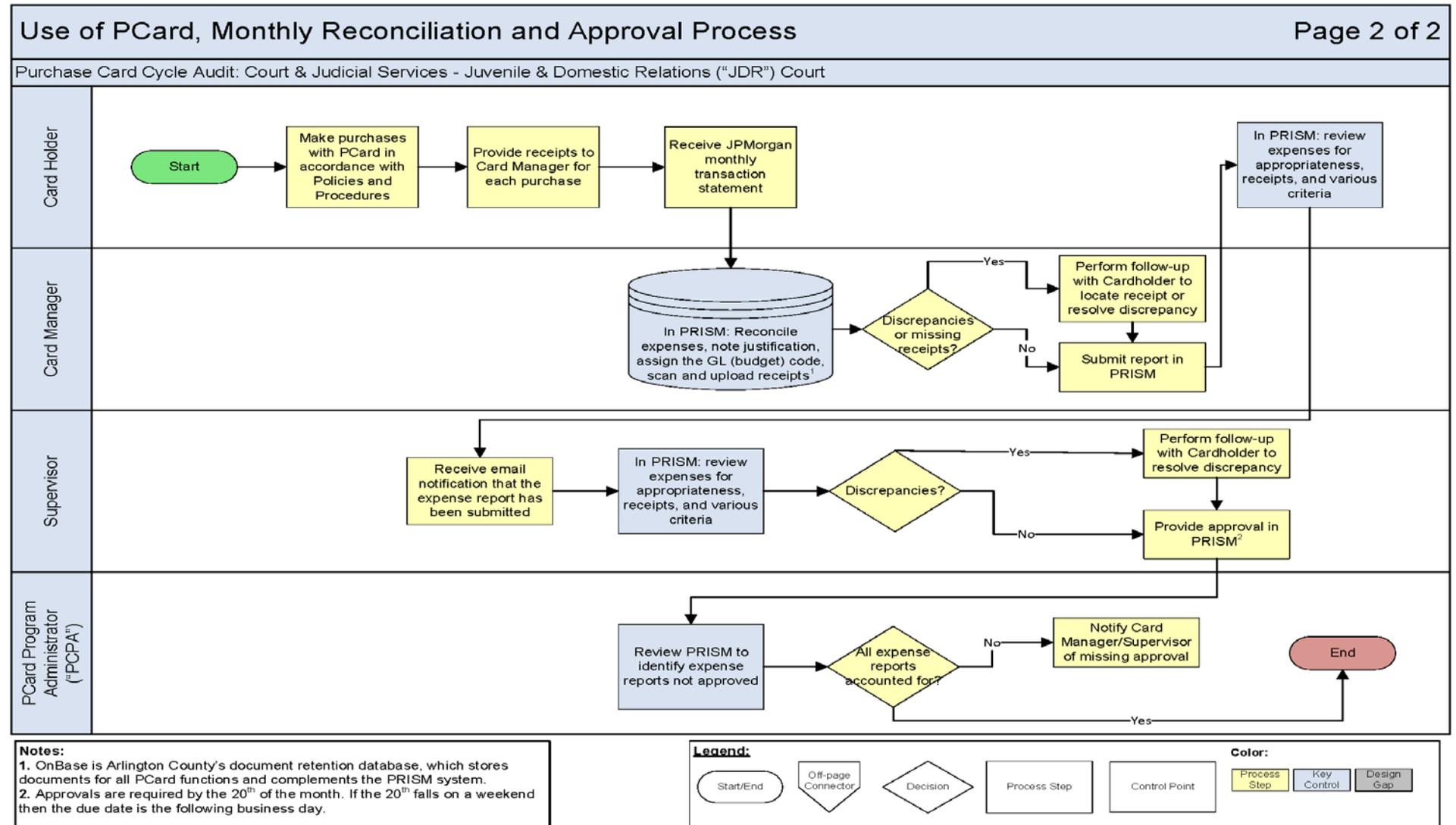
At the conclusion of this audit, we vetted the facts and exceptions noted with JDR Court. The draft report was submitted to JDR Court and DMF for review. An exit meeting was held with JDR Court and DMF to formally review and discuss the draft report and modify accordingly.

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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