Performance Audit

Management and Use of the County's Procurement Card

Durham County Internal Audit Department

June 2009

EXECUTIVE SUMMARY

June 19, 2009

Durham County
Internal Audit Department
(919) 560-0042

Performance Audit:

Management and Use of the County's Procurement Card

Why We Did This Audit

The Audit Oversight Committee approved this audit in the fiscal year 2009 audit plan to ensure that procurement card controls are effective. Management raised concerns as a result of procurement card irregularities in a neighboring county. Durham County's procurement card program began in 1999 and was audited that year but has not been audited since while the program has grown significantly. The Committee authorized this audit because of the increased financial risks resulting from the program's growth and the lack of a recent independent audit.

What Is Recommended

The recommendations identify improvements for management to increase internal controls for county-issued procurement cards. During the audit, the County implemented procedures to address risks related to insufficient documentation and one user reimbursed the county for expenditures that were not clearly related to County business.

We recommend that the Department of Finance and County Management:

- Require card holders to use the monthly log sheet to fully explain the business purpose of the expenditure and attach any additional supporting documentation as needed.
- Provide guidance that clearly communicates the types of card expenditures that are inappropriate.
- Make greater use of data mining techniques to identify card use trends.
- Re-establish a control to ensure that card accounts are canceled when the employee retires or terminates employment in order to ensure that only authorized employees have access to cards.

For more information regarding this report, please contract Richard Edwards at 919.560.0042 or rcedwards@durhamcountync.gov.

What we found

The financial exposure to the account has grown to about $944.4K, a 15.7 percent increase over 2007 expenditures that amounted to about $816.6K. The average purchase amount for transactions reviewed during the audit was $148.77. While audit results did not reveal instances of fraud or intentional abuse, areas were identified in which management controls could be strengthened and potentially facilitate savings.

Specifically, I found:

- Purchase documentation was not always sufficient to determine the business purpose of expenditures.
- Business purposes of some well documented expenditure were unclear.
- Several best practices were not included in the program. The excluded best practices are:
    - Clearly delineating unallowable and non-reimbursable items,
    - Conducting reviews on a regular basis to ensure internal control mechanisms are adequate,
    - Establishing a control to ensure that card accounts are canceled when the employee retires or leaves the agency, and
    - Data mining techniques.

Management has indicated a willingness to implement the recommendations and made several program improvements during the audit. Management has also indicated commitment to include established best practices in its regular management control regiment.