Fairfax County Internal Audit Office

Department of Purchasing and Supply Management
Contract Management Audit
Final Report

August 2011

"promoting efficient & effective local government"

Introduction

The Purchasing and Supply Management Department (DPSM) serves to support the county in the procuring of goods, professional/non-professional and consultant services. The department also administers the Technical Review program so that agencies with technical, functional or program responsibilities can review all purchases that fall under their purview or may impact their area of responsibility.

The contract division of DPSM is currently comprised of three active teams of contract administrators assigned to directly support the procurement needs of the county government. This division issues formal and informal solicitation, oversees the selection process, assists in negotiations and awards the ensuing contracts for a variety of contracts including maintenance, one time, requirements, cooperative, sole source, emergency, and blanket contracts. The total number of active contracts for the review period, March 1, 2009, through April 30, 2011, was approximately 890 of which, 83 were new contracts.

Executive Summary

We found that internal controls were in place and appeared to be adequate and effective to ensure contract management processes and standards are fully established and in compliance with county purchasing policies and procedures. Formal documentation was complete and protected from unauthorized access. However, there were two areas in which controls could be strengthened as follows:

- DPSM did not have written procedures for contract renewal and expired contract close-out processes.
- Two temporary employees who no longer worked for the department had read-only access to the application system that stores contract documentation.

We would like to commend the DPSM staff for their support and invaluable time spent conducting walk-throughs, meetings, and providing assistance to ensure a thorough understanding of the steps and functions involved in each procurement process reviewed by Internal Audit.

Scope and Objectives

This audit was performed as part of our fiscal year 2011 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The

scope of the audit encompassed a review of the management practices, system of internal controls, policies, and procedures pertaining to the contract administration and procurement practices and their compliance with established polices and procedures for the period from March 1, 2009, through April 30, 2010, and our audit objectives were to determine that:

- Internal controls were adequate and effective to ensure contract management processes and standards were fully established
- Contract administration processes were in compliance with county purchasing policies and standards
- Formal documentation was complete and protected from unauthorized access
- Contract performance was monitored, and contract changes were restricted to authorized personnel
- Management periodically reviewed the contract management process
- Adequate controls existed over access to the purchasing application systems, and data/information was protected

Methodology

Our audit approach included reviewing related policies, procedures, guidelines and processes, conducting individual interviews with the staff, reviewing procurement and contracting documentation including files, reports, segregation of duties, bidding and selection criteria, contracting application systems users' lists, and payment reporting entries into the Intranet version of the County and Schools Procurement System (iCASPS).

We selected 30 contracts (requirements, cooperative, maintenance) and reviewed the bidding, selection, and approval processes. Also, we selected ten sole source contracts to determine whether these contracts were valid, properly authorized, and approved. Additionally, test work was performed in the areas of expired and closed-out contracts, advertising processes, debarred and prohibited contractors, LaserFiche Web Access, Intranet Quorum (IQ), and CASPS application controls.

Our audit did not examine the system controls over purchasing and financial applications. Our transaction testing did rely on those controls; therefore, this was a scope limitation. The potential impact of this circumstance on our findings was that some portion of transaction data may have been erroneous.

Findings, Recommendations, and Management Response

1. Internal Policies and Procedures

While DPSM implemented specific procedures for contract renewal and closing out expired contracts, they were not documented. Lack of documentation for

department specific procedures increases the potential for inconsistent work processes causing errors, omissions, and control weaknesses. For example, of the six contract renewals tested, one was not processed in a timely manner increasing the risk of inability to renew stated contract services and prices, delays in service, and customer dissatisfaction.

Recommendation: We recommend DPSM document their current procedures for contract renewal and expired contracts close-out processes. These procedures should include, but not be limited to, processes for: reviewing the list of expiring contracts; providing written notice to the end-using departments to determine whether they wish to renew or terminate the contract; notifying the vendor of the decision; verifying the final payments have been made to the vendor; and updating the status of the contract in the appropriate application system, as well as the staff position title responsible for performing the duties. Management should involve staff in this process to ensure accuracy, operational efficiency, and effectiveness.

Management Response: DPSM will develop written procedures for contract renewal and close-out for expired contracts. The anticipated completion date is November 1, 2011.

2. Access Control

We noted one exempt limited term employee who was on annual break, and an intern who no longer worked for DPSM still had read-only access to the LaserFiche Web Access database. LaserFiche is the application that stores contract documentation. However, their access was disabled during the audit. Additionally, of the 95 users, 48 had never logged into the system as of this audit. Finally, we did not see evidence of routine reviews of the LaserFiche Web Access users' list.

Moreover, a CASPS user whose position title was "Material Management Driver" had a profile which allowed for department processing of procurement and accounts payable documents. According to DPSM staff, the user who currently works in the warehouse at one point needed this access to perform administrative duties; however, the access was no longer needed.

Section 2.1 – Account Management/Access Control Policies of the county's IT Security Policy (PM 70-05.1) states that, "The owner of information assets shall implement procedures and safeguards to ensure that access to Fairfax County Government information is made available only to those who have the right to such access. The concept of "Least Privilege," i.e., providing only those privileges necessary to perform one's job function, will be used to insure the security of networks, computers, and Fairfax Government data." Failure to remove a transferred and/or terminated employee's access to contract documentation increases the risk of unauthorized access to the system and its

sensitive information in addition to loss of data.

Recommendation: We recommend DPSM review and document user's access to the application systems that store contract information on a regular basis, and send out notices to the appropriate supervisors to confirm the user status. Inactive users should be removed from the list or their access should be disabled. Additionally, DPSM should update the New Employee and Exiting Employee Program Procedural Memorandum, No. 12-111, to include procedures to remove access privileges from all contract-related application systems when an employee leaves the department, or modify access levels if an employee's job description changes requiring different access to the application systems. These procedures should also assign responsibility for removing information systems access, and ensure accountability for timely performance. The department should periodically review system records to ensure access was removed promptly.

Management Response: DPSM will update IPM 12-111 to include removing access privileges from contract-related application systems when an employee leaves DPSM or modify access levels if an employee's job description changes requiring different access to the application systems. The updated procedure will assign responsibility for removing information systems access and assign accountability for these actions. This action is tasked to the human resources coordinator. The anticipated completion date is November 1, 2011.

DPSM will use e-mail notification from the IT service desk users whose RACF IDs have been changed as a trigger to modify Laserfiche access, if applicable. Implementation of the process will start by November 1, 2011.

DPSM conducts a full review of CASPS user access annually in January. The review will be expanded to include a review of Laserfiche and DPSM IQ users to validate their system access requirements. The anticipated completion date is February 28, 2012.