



Fairfax County Internal Audit Office

Office of Public Affairs
Business Process Audit
Final Report

May 2012

Executive Summary

We performed a business process audit of the procurement cards, office supplies purchases, small purchase orders (SO) and reconciliation areas within the Office of Public Affairs (OPA). There were three (3) reportable findings noted during our audit.

Our review revealed that, in general, the Office of Public Affairs appeared to be in compliance with internal controls outlined in the county policies. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- Four out of twenty-five sample transactions did not have an original vendor receipt, invoice, or credit slip on file to support procurement card transactions. In addition, there was no evidence of sufficient alternate receipt documentation.
- The department's written reconciliation plan was not properly distributed and easily accessible to staff.
- The monthly FAMIS reconciliation preparer was also recording transactions in FAMIS, necessitating a supervisory review of the monthly reconciliation. No reconciler or reviewer signatures were documented on the monthly FAMIS reconciliation. Additionally, for two of the ten procurement card reconciliations we reviewed, there was a card user who also performed reconciliations with no evidence of a secondary review.

Scope and Objectives

This audit was performed as part of our fiscal year 2012 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 audit population included transactions from procurement cards, office supplies, and small purchase orders that occurred during the period of November 1, 2010, through October 31, 2011. For that period, the department's purchases were \$11,994 for procurement cards, \$6,745 for office supplies, and \$15,303 for small purchase orders. Our audit objectives were to determine if the department was in compliance with the county policy and had adequate controls for processing procurement card, purchase order, small purchase order and office supply transactions. We also reviewed the department's compliance with the county's requirements for monthly reconciliations.

Methodology

Audit methodology included a review of the department's procedures, procurement card expenditures, purchase expenditures and related accounting records of the department.

Our audit approach included an examination of expenditures, records and statements; interviews with appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from various systems for sampling and verification to source documentation during the audit. Our audit did not examine the system controls over purchasing and financial applications. We have relied on testwork performed by our external auditors for the system controls.

Findings, Recommendations, and Management Response

1. Receipt Documentation

We noted four instances where there was no original vendor receipt, invoice, or credit slip on file to support the procurement card transactions. In addition, there was no evidence of sufficient alternate receipt documentation as required by PM 12-02.

Procedural Memorandum 12-02 requires that agencies maintain all original receipts, invoices or credits for each transaction. Receipts should show all details pertinent to the transaction. If for any reason an original or alternate receipt is unavailable, a photocopied receipt or a memorandum providing the purchase details and the reason why a receipt is not available must be included with the monthly statement of weekly transaction report and be signed by the program manager. Without procurement card receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

Recommendation: We recommend the Office of Public Affairs ensure that sufficient receipt documentation, as specified by PM 12-02, be maintained on file for all procurement card transactions.

Management Response: OPA will ensure that all receipts with sufficient documentation will be maintained on file for all procurement card transactions, as specified by Procedural Memorandum 12-02. This requirement will be reviewed with all members of the agency's Financial Team.

2. Reconciliation Procedures

The Office of Public Affairs does have a reconciliation plan and has taken steps in the past to update the document as needed. However, the document was not accessible to staff members involved in the reconciliation and purchasing processes. When a copy of the departmental reconciliation plan was requested, the Office of Public Affairs was not able to produce the document until the end of the audit. All Office of Public Affairs staff involved in the reconciliation and purchasing processes should have access to and knowledge of the department's written reconciliation plan to ensure compliance with county reconciliation policies and procedures and make employee turnover transitions smoother.

Recommendation: We recommend that the Office of Public Affairs ensure accessibility to and proper distribution of the written reconciliation plan. We are aware that the Office of Public Affairs is in the process of updating this document to comply with the county's revised reconciliation policy (ATB 020) which includes FOCUS related procedures.

Management Response: OPA will update our reconciliation plan to comply with FOCUS related procedures and obtain DOF approval. OPA will ensure the plan is distributed and readily accessible to our agency financial team.

3. Reconciliation Controls

a. FAMIS Reconciliation Controls

Based on our discussions, an employee was posting payments in FAMIS and performing monthly reconciliations of those payments while another employee reviewed these reconciliations. However, the IAO was unable to verify who was preparing and reviewing the completed FAMIS reconciliations, as there were no signatures documented on them. The county's Reconciliation of Financial Transactions Policy (ATB 10020) stated that, "an employee who is directly responsible for recording receipts or invoices for payment in FAMIS should not also perform the reconciliation of the same financial transaction posted to FAMIS. If separation of duties cannot be achieved in the performance of the reconciliation, then a supervisor should perform a detailed review of the transaction activity. The supervisor must sign and date the document reviewed." This requirement has not changed in the newly revised Reconciliation of Financial Transactions Policy (ATB 020).

Failure to document the name of the reconciler and reviewer decreases the accountability for processing the reconciliation in a complete and timely manner and prevents the assurance that proper controls are in place.

Recommendation: We recommend the reconciler sign and date the report once the reconciliation is complete. If optimal separation of duties cannot be achieved, we recommend the supervisory review be documented with a signature and date on the report once the review is complete.

Management Response: OPA will ensure the reconciler and any supervisory reviewer will sign and date the report once the reconciliation is complete per the newly revised Reconciliation of Financial Transactions Policy (ATB 020).

b. Procurement Card Reconciliation Controls

For two of the ten procurement card reconciliations we reviewed, there was a card user who also performed reconciliations with no evidence of a secondary review. Procedural Memorandum 12-02 discourages card use by the reconciler; however, if

the reconciler uses the card, the reconciliation must be reviewed, signed and dated by another staff member.

Improper controls over the procurement card reconciliation process decreases the accountability that the process was performed in a complete and timely manner and increases the risk of errors, omissions or inappropriate activity.

Recommendation: We recommend the procurement card reconciliations be prepared by a staff member who is not a card user. If an optimal separation of duties cannot be achieved, we recommend the procurement card reconciliations be reviewed, signed and dated by another staff member.

Management Response: OPA will ensure the procurement card reconciliations will be prepared by a staff member who is not a card user. If separation of duties cannot be achieved, reconciliations will be reviewed, signed and dated by a supervisory reviewer.