



# Fairfax County Internal Audit Office

## **DPWES Wastewater Management Program**

- *Wastewater Collection Division*
- *Wastewater Treatment Division*
- *Wastewater Planning and Monitoring Division*

## **Business Process Audits**

### **Final Report**

**June 2012**

*"promoting efficient & effective local government"*

# Executive Summary

We performed a business process audit for each of the following areas within the DPWES Wastewater Management Program: Wastewater Collection Division, Wastewater Treatment Division and Wastewater Planning and Monitoring Division. We reviewed processes for the procurement cards, office supplies purchases, small purchase orders (SO), purchase orders (PO), blanket purchase orders (BP) and reconciliation. There was one (1) reportable finding noted during our audit that applied across all divisions. The monthly spending limits for some of their procurement cards were set higher than the actual usage. This finding was resolved during the audit by reducing the limits for the cards deemed too high. We commend DPWES Wastewater Management Program on having adequate controls over procurement cards, purchase order (PO), small purchase order (SO), and reconciliation areas.

## Scope and Objectives

These audits were performed as part of our fiscal year 2012 Annual Audit Plan and were conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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 populations included transactions from procurement cards, office supplies, small purchase orders, purchase orders and blanket purchase orders that occurred during the period of September 1, 2010, through October 31, 2011. For that period, the departments' purchases were as follows:

- *Wastewater Collection* had \$199,108 for procurement cards, \$27,284 for office supplies, \$296,128 for small purchase orders, and \$3,831,027 for purchase orders and \$199,113 for blanket purchase orders.
- *Wastewater Planning & Monitoring Division* had \$137,691 for procurement cards, \$18,995 for office supplies, \$129,648 for small purchase orders, \$19,693 for purchase orders and \$3,113 for blanket purchase orders.
- *Wastewater Treatment Division* had \$565,915 for procurement cards, \$17,541 for office supplies, \$776,428 for small purchase orders, \$2,586,839 for purchase orders and \$50,966 for blanket purchase orders.

Our audit objectives were to determine if the departments were in compliance with the county policy and had adequate controls for processing procurement card, purchase order, small purchase order, blanket purchase order and office supply transactions. We also reviewed the departments' compliance with the county's requirements for monthly reconciliations.

# Methodology

Audit methodology included a review of the departments' procedures with limited analysis of internal controls that were implemented. Our audit approach included an examination of expenditures, records and statements; interviews of 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 audits did not examine the system controls over purchasing, financial, and payroll applications. Our transaction testing did rely on testing performed by our external auditor for these systems.

## Finding, Recommendation, and Management Response

### Card Limits

An analysis performed on card limitation controls for the DPWES Wastewater Management Program cards for the period September 2010 through October 2011 revealed that the monthly spending limits were set higher than the actual usage for four (4) of the eleven (11) agency cards.

The county has limited dispute rights for fraudulent charges on work group cards and agencies are liable for fraudulent charges until such cards are reported to the bank as lost or stolen. Setting the procurement card limits higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

**Recommendation:** We recommend the DPWES Wastewater Management Program review procurement card usage and determine appropriate limits for each procurement card. The limits for each card should then be set accordingly, based on actual usage and needs.

Internal audit verified that this recommendation was completed. No follow-up is required.