Fairfax County
Internal Audit Office

Office of Elections
Business Process Audit
Final Report

November 2012

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Executive Summary

We performed a business process audit of the procurement cards, office supplies purchases, small purchase orders (SOs), purchase orders (POs) and reconciliation areas within the Office of Elections. Our audit found deficiencies existed in the purchasing and reconciliation processes. The noted exceptions where compliance and controls need to be strengthened, including three items previously noted in the DPSM's PAC Review, are indicated below:

- An adequate separation of duties in the procurement card purchasing process was not maintained. One staff member was the procurement card program manager, a card custodian, made purchases with the card and reconciled the purchases to monthly card statements.

- While the monthly card statements were signed by the reconciler, they were not dated to certify the timeliness of the reconciliation of monthly transactions to the card statements. Additionally, the weekly reviews of procurement card transactions were not initialed and dated. **Deficiencies in the reconciliation of procurement card transactions were noted in the 2009 PAC Review.**

- The Office of Elections was unable to provide any evidence that procurement card purchases, office supply purchases, purchase orders or small purchase orders were reconciled to FAMIS between September 1, 2010, and October 31, 2011**. Deficiencies in the FAMIS reconciliation process were noted in the 2009 PAC Review**.

- Procurement card security was weak. Each of the three cards had a different custodian but all three of the agency procurement cards were locked in the same cabinet, allowing card custodians access to all three agency cards.

- One of the three agency procurement cards monthly spending limit was set higher than actual card usage. **The 2009 PAC review recommended that one of the agency cards be closed due to low usage. This recommendation was not followed.**

- We noted that the procurement card user listed on the transaction log was not accurate in four of the 25 transactions tested.

- We reviewed 25 procurement card transactions and 15 office supply transactions and noted that receipt documentation was missing in two instances.

We did note that the office was in compliance with county policy in regard to their timely processing of procurement card transfer vouchers.

Due to the nature of the findings involving oversight of the p-card program and the noted pattern of non-compliance, if these items are not resolved in a timely manner, we recommend that the Department of Purchasing and Supply Management consider revoking

the office's procurement cards until sufficient controls and compliance can be set up and assured.

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. Our audit objectives were to review the Office of Elections compliance with county policies for purchasing processes and reconciliation.

The audit population included transactions from procurement cards, office supplies, small purchase orders and purchase orders that occurred during the period of September 1, 2010, through October 31, 2011. For the period, the department's purchases were $35,738 in procurement cards, $19,956 for office supplies, $64,133 in small purchase orders and $363,319 in purchase orders.

Methodology

Audit methodology included a review of the department's 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 audit did not examine the system controls over purchasing, financial, and payroll applications. Our transaction testing did rely on the testwork performed by the county's external auditors for the system controls.

Findings, Recommendations, and Management Response

1. Procurement Card

A. Separation of Duties

An adequate separation of duties in the procurement card purchasing process was not maintained. The personnel/finance administrator was the procurement card program manager, a card custodian, a card user and the reconciler. The weekly review and monthly reconciliation to the bank statement, performed by the personnel/finance administrator, were not reviewed, signed and dated by a

supervisor. The election manager signed off on each procurement card transfer voucher. However, this was not an adequate compensating control because the election manager was also a card custodian, a card user and approver of purchase requests.

Procedural Memorandum (PM) 12-02 indicates that the card custodian function and the reconciliation function should not be performed by the same individual. Further, it states that if the department cannot reasonably separate these two duties, there must be a compensating control consisting of a substantive supervisory review of transaction activities. This verification should be evidenced by the reviewer signing and dating documents reviewed.

Controls are weak or non-existent when there is a lack of separation of duties between the card custodian, card user, and the person who performs the reconcilement function. This could lead to unauthorized or inappropriate procurement card spending going undetected.

Recommendation: We recommend that the roles of card custodian and card user be independent of the reconciler role. In instances where the reconciler is required to use the card, an independent backup should perform the monthly reconciliation as a compensating control.

Management Response: Elections' procurement card reconciliations will be prepared by a permanent or seasonal staff member who is not a card user. If, on occasion, separation of duties cannot be achieved, reconciliations will be reviewed, signed and dated by the deputy registrar or elections manager as supervisory reviewer. The anticipated completion date is November 30, 2012.

B. Reconciliation

While there was evidence that the Office of Elections was performing weekly reviews of procurement card transactions and the transactions were being reconciled to the monthly bank statement, there was no evidence to document when these reviews were being performed. Additionally, the weekly reviews were not signed or initialed to document who performed the review. Deficiencies in the reconciliation of procurement card transactions were noted in the 2009 PAC Review.

Procedural Memorandum 12-02 requires that all agencies reconcile receipts and charge slips to the weekly transaction report or to the monthly bank statement in a timely manner. Once completed, the reconciler is required to sign and date the weekly review and reconciliation.

Failure to document the date a weekly review and monthly reconciliation is performed and the identity of the reconciler decreases the accountability for processing the reconciliation in a complete and timely manner, by someone independent of card purchases.

Recommendation: After completing the weekly review, the reviewer should sign and date the payment net report. Additionally, the reconcilement of transactions to the monthly card statement should be signed and dated by the reconciler. The reviewer/reconciler role should be independent of the card custodian and card user roles.

Management Response: Reviews and reconciliation will be documented as required by PM12-02. The anticipated completion date is November 30, 2012.

2. Monthly Reconciliation

The Office of Elections developed a reconciliation plan that was approved by the Department of Finance but there was no evidence to show compliance with the plan. The Office of Elections was unable to provide any documentation that procurement card purchases, office supply purchases, purchase orders or small purchase orders were reconciled to FAMIS from September 2010, through October 2011. Deficiencies in the FAMIS reconciliation process were noted in the 2009 PAC Review.

To ensure the integrity of financial transactions posted to the county's financial system, Accounting Technical Bulletin 020 requires that monthly reconciliations be performed in accordance with a department reconciliation plan, approved by the Department of Finance.

Lack of a documented reconciliation decreases the accountability that the process is being performed in a complete and timely manner with an adequate separation of duties. In addition, errors and omissions could go undetected.

Recommendation: The Office of Elections should perform and document monthly reconcilements to FOCUS records. The person performing the reconciliation should sign and date the reconciliation to evidence a timely preparation and appropriate separation of duties. If separation of duties cannot be achieved in the performance of the reconciliation, a supervisor should perform a detailed review of the transaction activity and sign and date the document reviewed. Additionally, the Office of Elections should update their reconciliation plan to reflect FOCUS processes and reports; the reconciliation plan should be adhered to.

Management Response: Procedures to ensure monthly reconcilements are performed will be updated. Procedures will reflect separation of duties and other FOCUS requirements. The anticipated completion date is January 31, 2013.

3. Procurement Card Security

Procurement card security was weak, as staff members other than the assigned card custodian had access to the procurement cards. Each of the three agency cards had a different custodian; the general registrar, the election manager and the personnel/finance administrator. However, the agency procurement cards were all locked in the same cabinet. The card custodian to the general registrar card did not

have access to the cabinet yet the election manager and personnel/finance administrator had access to all three procurement cards.

Procedural Memorandum 12-02 states that the card custodian "is the cardholder and is responsible for the physical security of the card" and "access to the (card) location should be limited to those individuals who require access to the card."

When staff members other than the assigned card custodian have access to the procurement card, the card custodian is unable to ensure the physical security of the card and is unable to ensure that access to the locked cabinet is limited to staff who require access to the card. Weak card security could lead to lost or stolen cards or inappropriate procurement card activity.

Recommendation: We recommend that each card custodian maintain their procurement card in a separate locked location or that all three cards be assigned to one custodian.

Management Response: Card custodians will maintain cards in separate secured locations immediately. After the fall, Elections will replace one of the procurement cards for a travel card. At that time the administrative associate will be custodian for one procurement card, and the travel card; the deputy general registrar will be custodian for the other card. Card security will be implemented immediately; however, for the change in cards and custodian, the anticipated completion date is December 31, 2012.

4. Procurement Card Limits

An analysis performed on card limitation controls for the Office of Elections cards for the period of September 2010, through October 2011 revealed that the monthly spending limits were set higher than the actual usage for the Electoral Bd Admin 1 card. The monthly spending limit was set at $5,000. However, during our 14 month scope the Electoral Bd Admin 1 card was used 39 times with a spending total of $5,656 and average monthly spending of $404. The 2009 PAC review recommended that one of the agency cards be closed due to low usage. This recommendation was not followed.

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 Office of Elections 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. We recommend that the Electoral Bd Admin 1 procurement card be closed and a travel procurement card be requested.

Management Response: Spending limits for procurement cards will be reviewed. After the fall, Elections will replace one of the procurement cards for a travel card. The anticipated completion date is December 31, 2012.

5. Procurement Card Transaction Log

The card activity log was not a complete reflection of the department's procurement card activity. We noted that the card user listed on the transaction log was not accurate in four of the 25 transactions tested. The personnel/finance administrator maintains the transaction log for each of the agency cards. While the log lists the card user, when the user took possession of the card and when the card was returned, the card user does not sign or initial the card log to certify that they actually received the card to make a purchase and that they have returned the card.

Procedural Memorandum 12-02 indicates that a system that tracks expenditures as they occur must be in place. Agencies may use an appropriate manual or computer log to record both debit and credit transactions. Entries must be contemporaneous to give up-to-date information on funds expended and the applicable card user.

Recommendation: We recommend that the Office of Elections maintain a transaction log which accurately reflects all procurement card activity to ensure that card use is properly monitored. Additionally, we recommend that the card custodian for each card maintain the transaction log for the card. Card users should initial the transaction log for each purchase to certify that they have returned the card.

Management Response: Transaction logs for each card will be established and maintained by card custodian. The anticipated completion date is November 30, 2012.

6. Missing Documentation

We noted that sufficient supporting documentation was not maintained on file for one of the 25 sample procurement card transactions and one of the 15 sample office supply transactions. The procurement card transaction was for $95 and the office supply transaction was for $22. There was no original or alternate receipt documentation.

Procedural Memorandum 12-02 requires that agencies maintain all original receipts, invoices, or credits for each procurement card 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 or weekly transaction report and be signed by the program manager. Additionally, Procedural Memorandum 12-16 requires that all office supply order and receipt documentation be maintained on file for each transaction. Without receipts or other adequate supporting documentation on file, the propriety of individual transactions cannot be determined.

Recommendation: The Office of Elections should ensure that sufficient receipt documentation, as specified by PM 12-02 and PM 12-16, is maintained on file for all procurement card and office supply transactions.

Management Response: Documentation will be maintained on file as specified by PM12-02. Procedures for maintenance of order and receipt documentation will be established. The anticipated completion date is November 30, 2012.