



Fairfax County Internal Audit Office

**Fire & Rescue Department
Business Process Audit
Final Report**

July 2013

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Fire & Rescue Department (FRD). The audit included review of procurement cards; FOCUS marketplace cards; and purchase order, non-purchase order and value line purchase order payments.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions were mostly determined to be in compliance with county policy. Reconciliations were independently performed in a timely manner.

However, we noted two reportable findings during our audit:

- We found 17 instances where split transaction purchases were made. In these cases, the total value of the purchases had been made over multiple transactions to circumvent procurement cards single transaction limits.
- The procurement card internal control procedures (ICP) had not been updated to reflect current operating processes involving the FOCUS system.

Scope and Objectives

This audit was performed as part of our fiscal year 2013 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 effectiveness of the Fire & Rescue Department's processes, and compliance with county policies, over the areas of purchasing and financial reconciliation. We performed audit tests to determine that internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace, purchase orders, value line purchase orders, non-purchase order payments, and financial reconciliation that occurred during the period of February 2012 through March 2013. For that period, the department's purchases were \$2,975,147.96 for procurement cards, \$312,153.90 for FOCUS marketplace, \$17,445,810.38 for purchase orders, and \$1,341,349.34 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's procedures with 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 the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. Split Purchases

Of the 63 procurement cards for over 400 users, there were 17 instances noted where split purchases were made in excess of the department's card limit for individual procurement cards. Split transactions occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time.

Procedural Memorandum (PM) 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Requirements which are divided for other purposes, such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: The Fire & Rescue Department should utilize proper purchasing methods in accordance with county policy. When exceptions to policy are made they should be clearly documented and approved. In addition, procurement card usage should be reviewed to determine if monetary limits need to be modified.

Management Response: The department p-card internal controls and practices are continually monitored for compliance. When split purchases are discovered, the program manager makes direct contact with the individual purchaser to re-educate on the policy. Continual disregard for policy results in progressive discipline and loss of card user privileges. The department rarely has a repeat offender. These specific actions were taken to address the cited split purchases that occurred outside of the Purchasing and Accounts Payable business unit. Of the seventeen cited split purchases noted during this audit period, most resulted from actions to accommodate accounting needs or to facilitate delivery to separate locations. Recognizing that this practice circumvents the normal controls, traditional purchase order submissions will be used as necessary in the future.

2. Internal Control Procedures

The Fire & Rescue Department had developed internal control procedures according to PM 12-02; however, the stated procedures were not a true reflection of the actual, current roles and responsibilities assigned to the individuals managing the division's procurement card program. For example, a large portion of the document mentions

FAMIS, the county's past financial system, while the county is currently using the FOCUS system. Department position titles and report names need to be revised to reflect the new FOCUS structure and functionality.

Recommendation: We recommend that the Fire & Rescue Department update their procedures to accurately reflect the design of the office's procurement card program and get them approved by the Department of Purchasing and Supply Management. The procedures should clearly define the assignment of all procurement card related responsibilities by position title and refer to the current system(s) in use, i.e., FOCUS.

Management Response: During the audit, the updated internal control procedures were submitted to the Department of Purchasing and Supply Management for approval.