



Fairfax County

Internal Audit Office

Office of the County Executive
Office of Environmental and Energy Coordination

Business Process Audit
Final Report

October 2021

"promoting efficient & effective local government"

Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration for the Office of the County Executive (OCE) (including Government Relations and One Fairfax) and the Office of Environmental and Energy Coordination (OEEC). For these agencies, all audited functions were handled by the same administrative group. As a result, our recommendations are addressed to the administrative group, instead of the individual agencies, since they are responsible for performing and overseeing the related functions.

The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, monthly reconciliations, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included the applicable time/attendance system and controls, employee clearance record processing, and credit check requirements for positions of trust.

We noted the following areas where controls will be strengthened as a result of this audit:

- For the months reviewed, the agency did not properly perform and document monthly reconciliations for purchase orders and non-purchase orders. Staff will perform and document timely reconciliation.
- The required weekly transaction reviews of procurement card purchases were not properly performed and documented. Staff will perform and document weekly reviews of procurement card and marketplace transaction reports.
- Employee Clearance Record Checklists were not completed for two terminated/transferred employees, and one checklist was not signed by the employee. Staff will ensure Employee Clearance Record Checklists are completed and retained for terminating or transferring employees.
- Two individuals on the agency's Positions of Trust did not have credit checks performed, and two individuals had not had a credit check performed within the last four years. Additionally, a Deputy Director was not listed on the Positions of Trust. Staff will ensure that credit checks are performed timely for all required individuals and will add the Deputy Director to the Positions of Trust List.

Scope and Objectives

This audit was performed as part of our fiscal year 2021 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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 agencies' compliance with county policies and

procedures for purchasing processes, personnel/payroll administration, and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included procurement card, FOCUS marketplace, purchase order, and non-purchase order transactions that occurred during the period of November 1, 2019, through October 31, 2020. For that period, the agencies' purchases were as follows: (*Note: The FOCUS marketplace figure provided for OCE below includes OEEC since one card was used to make purchases for both agencies*)

Office of the County Executive: \$106,457 for procurement cards, \$5,512 for FOCUS marketplace, \$811,226 for purchase orders that were received, and \$31,804 for non-purchase order payments.

Office of Environmental and Energy Coordination: \$8,578 for procurement cards, \$267,721 for purchase orders that were received, and \$602 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. 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. Monthly Reconciliations

For both agencies, we found that reconciliations of purchase orders and non-purchase orders were not properly performed and documented for the three months reviewed.

Per *Accounting Technical Bulletin (ATB) 020, Reconciliation of Financial Transactions*, "County management has fiduciary responsibility, as custodians of public funds, to ensure the integrity of financial transactions posted to FOCUS. To ensure the integrity of the county's financial records, county departments are responsible for performing monthly reconciliations on a timely basis at the transaction level. These reconciliations are to be carried out in accordance with a department reconciliation plan that has been approved by DOF." In addition, ATB 020 requires departments to complete a Reconciliation Certification Form. The form should be signed and dated by the director or designee indicating the reconciliation that was

completed for a specific period. This is to verify that the department's transactions have been reconciled timely and authorizer/approver verified.

Failure to perform and document a monthly reconciliation of all expenditure documentation to data in FOCUS increases the risk that erroneous or inappropriate charges go undetected.

Recommendation: On a monthly basis, the administrative group should perform a reconciliation of purchase orders and non-purchase orders. The preparer and reviewer of the reconciliation should sign and date the Reconciliation Certification Form to evidence a timely preparation and review process. In the event that a preparer or reviewer is absent, a designated backup should be utilized to ensure a timely monthly reconciliation is completed. The reconciliation documentation and certification form should be maintained on file.

Management Response: Staff will perform reconciliation by the end of the following month per policy. Preparer and reviewer will sign and date Reconciliation Certification Form and utilize backup staff as needed.

Note: *Management has stated that they have completed these actions as of September 21, 2021. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.*

2. Weekly Transaction Reviews

The required weekly transaction reviews of procurement card purchases were not properly performed and documented. The following observations were made:

Procurement Card: Out of the 35 sample transactions selected for testing:

- In 22 instances, the PaymentNet weekly report was signed, but not dated to document a timely review.
- In 12 instances, the PaymentNet weekly report was not signed or dated.

Marketplace: Out of the 10 sample transactions selected for testing:

- In 6 instances, the PaymentNet weekly report was signed but not dated to document a timely review.
- In 3 instances, the PaymentNet weekly report was not signed or dated.

Procurement Technical Bulletin (PTB) 12-1009, Use of the County Procurement Card, requires that all agencies review weekly transaction reports for unusual or unauthorized transactions. The reviewer should then sign and date the transaction report to verify that the review was performed in a timely manner.

Failure to review the weekly transaction reports increases the risk that inappropriate purchases will not be identified in a timely manner.

Recommendation: The administrative group should perform weekly reviews of procurement card and marketplace transaction reports which contain all items posted to the bank for the prior week. Once the review is performed, the reviewer should sign and date the report to document the completion of a timely review.

Management Response: Staff will perform weekly reviews of procurement card and marketplace transaction reports. Reviewer will sign and date the report.

Note: Management has stated that they have completed these actions as of September 21, 2021. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

3. Employee Clearance Record Checklists

Of the five terminations/transfers tested, two employees did not have an Employee Clearance Record Checklist completed, and one checklist was not properly completed (i.e., the employee did not sign the form).

PPAPP Memorandum No. 33, *Procedures and Information for Employees Terminating from or Transferring within Fairfax County*, states: “An employee transferring from one department to another or leaving County service is required to meet with the department’s designated point of contact (POC) to complete the Checklist. Following the offboarding interview, the employee reviews and signs the document, and receives a copy for their records.”

Failure to maintain adequate controls over the process for completing Checklists increases the risk of county property not being returned; failure to terminate access to county systems; and unresolved disputes between the county and prior employees, should an issue arise later.

Recommendation: The administrative group should fully complete and retain an Employee Offboarding Checklist for employees transferring from one department to another or leaving the county service for any reason. A copy of the signed Checklist should be provided to the employee upon departure.

Management Response: Staff will ensure Employee Clearance Record Checklists are completed and retained for terminating or transferring employees.

Note: Management has stated that they have completed these actions as of September 21, 2021. IAO will follow up on these actions after sufficient time has passed to be able to review enough transactions to determine that the new process is consistently applied.

4. Positions of Trust and Credit Checks

Our review of the agency's Positions of Trust noted that two individuals (a Deputy County Executive and the Deputy Director of the Department of Management and Budget (DMB)) did not have credit checks performed, and two employees on the Positions of Trust List had not had a credit check performed within the last four years. Furthermore, the Deputy Director of OEEC was not listed on the Positions of Trust.

PPAPP Memorandum No. 56 states: "Employees who occupy positions of trust are subject to a credit check. Positions of trust include all Director, Deputy/Assistant Director and Division Director Positions as well as positions identified by the department director as having significant fiscal or information security responsibility." Memorandum No. 56 also states: "Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. The department director or designee will ensure that new hires, as well as employees promoted, demoted or transferred to a position of trust, are processed for a credit check in a timely manner."

Not obtaining credit checks or failure to perform credit checks in a timely manner increases the risk of potential for abuse or fraud by staff who make financial decisions or have access to sensitive or confidential information.

Recommendation: The administrative group should ensure that credit checks are performed for the Deputy County Executive and Deputy Director of DMB and ensure that credit checks are performed every four years for employees who occupy positions of trust. In addition, the Deputy Director of OEEC should be added to the Positions of Trust and a credit check should be performed.

Management Response: Staff will ensure that credit checks are performed for the Deputy County Executive and Deputy Director of DMB. Deputy Director of OEEC will be added to Positions of Trust. Staff will ensure credit checks are performed every four years as required. Staff anticipate completing these actions by February 1, 2022.